IMPORTANT NOTICE

THIS DOCUMENT IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QIBs (AS DEFINED BELOW) UNDER RULE 144A OR (2) NON-U.S. PERSONS WITH ADDRESSES OUTSIDE OF THE U.S.

IMPORTANT: ***You must read the following before continuing. If you are not the intended recipient of this message, please do not distribute or copy the information contained in this e-mail, but instead, delete and destroy all copies of this e-mail including all attachments.*** The following applies to the offering circular dated July 13, 2015 as amended and supplemented by the pricing supplement dated July 14, 2015 (together, the "offering circular") following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the offering circular. In accessing the offering circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE U.S. OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE FOLLOWING OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. ANY INVESTMENT DECISION SHOULD BE MADE ON THE BASIS OF THE FINAL TERMS AND CONDITIONS OF THE RELEVANT SECURITIES SET FORTH IN THE ATTACHED OFFERING CIRCULAR. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

Confirmation of Your Representation: In order to be eligible to view the following offering circular or make an investment decision with respect to the securities, investors must be either (I) Qualified Institutional Buyers ("QIBs") (within the meaning of Rule 144A under the Securities Act) or (II) non-U.S. persons (within the meaning of Regulation S under the Securities Act). By accepting the e-mail and accessing the following offering circular, you shall be deemed to have represented to us that (1) you and any customers you represent are either (a) QIBs or (b) non-U.S. persons and that the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States, its territories or possessions and (2) you consent to the delivery of such offering circular by electronic transmission.

You are reminded that the following offering circular has been delivered to you on the basis that you are a person into whose possession the following offering circular may be lawfully delivered in accordance with the laws of jurisdiction in which you are located and you may not, nor are you authorized to, deliver or disclose the contents of the following offering circular to any other person. If this is not the case, you must return this offering circular to us immediately.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the initial purchasers or any affiliate of the initial purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the initial purchasers or such affiliate on behalf of the issuer in such jurisdiction.

The following offering circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently, none of Barclays Bank PLC, Deutsche Bank AG, Singapore Branch, The Hongkong and Shanghai Banking Corporation Limited, Merrill Lynch International, Mizuho Securities USA Inc. and UBS AG, Hong Kong Branch (collectively, the "Joint Lead Managers") nor any person who controls any of them nor any director, officer, employee nor agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the offering circular distributed to you in electronic format and the hard copy version available to you on request from the Joint Lead Managers.

You should not reply by e-mail to this announcement, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected. You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

PRICING SUPPLEMENT

KOREA GAS CORPORATION

(a statutory juridical corporation organized under the laws of the Republic of Korea)

Issue of US$500,000,000 3.500% Senior Unsecured Notes due 2025
under the U.S.$8,000,000,000
Global Medium Term Note Program

THE NOTES TO WHICH THIS PRICING SUPPLEMENT RELATES (THE "NOTES") HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND, UNLESS SO REGISTERED, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. ACCORDINGLY, THE NOTES WILL BE OFFERED AND SOLD ONLY (I) OUTSIDE THE UNITED STATES TO NON-U.S. PERSONS IN RELIANCE ON REGULATION S AND (II) WITH RESPECT TO NOTES IN REGISTERED FORM ONLY, WITHIN THE UNITED STATES IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT ("RULE 144A") TO QUALIFIED INSTITUTIONAL BUYERS (AS DEFINED UNDER RULE 144A).

IN CONNECTION WITH THIS ISSUE, THE STABILIZING MANAGERS (OR ANY PERSON ACTING ON BEHALF OF ANY STABILIZING MANAGER) MAY OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD AFTER THE ISSUE DATE. HOWEVER, THERE MAY BE NO OBLIGATION ON THE STABILIZING MANAGERS (OR ANY PERSON ACTING ON BEHALF OF ANY STABILIZING MANAGER) TO UNDERTAKE STABILIZATION ACTION. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME, AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD. SUCH STABILIZING SHALL BE IN COMPLIANCE WITH ALL APPLICABLE LAWS, REGULATIONS AND RULES.

Joint Bookrunners and Joint Lead Managers

Barclays BofA Merrill Lynch Deutsche Bank HSBC Mizuho Securities UBS

The date of this Pricing Supplement is July 14, 2015

KOREA GAS CORPORATION

Issue of US$500,000,000 3.500% Senior Unsecured Notes due 2025
under the U.S.$8,000,000,000
Global Medium Term Note Program of
Korea Gas Corporation

This document constitutes the Pricing Supplement relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the conditions (the "Conditions") set forth in the offering circular dated July 13, 2015 (the "Offering Circular"). This Pricing Supplement contains the final terms of the Notes and is supplemental to and must be read in conjunction with the Offering Circular.

1.	(i)	Issuer:	Korea Gas Corporation
2.	(a)	Series Number:	36
	(b)	Tranche Number:	1
	(c)	Re-opening:	No
3.	Specified Currency or Currencies:		United States dollars ("U.S.$")
4.	Aggregate Nominal Amount:		
	(a)	Series:	U.S.$500,000,000
	(b)	Tranche:	U.S.$500,000,000
5.	(a)	Issue Price of Tranche:	99.824% of the Aggregate Principal Amount
	(b)	Net Proceeds (after deducting underwriting discounts but not estimated expenses):	U.S.$497,620,000
	(c)	Use of Proceeds:	As described in the Offering Circular
6.	(a)	Specified Denominations:	U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof
	(b)	Calculation Amount:	U.S.$1,000
7.	(a)	Issue Date:	July 21, 2015
	(b)	Interest Commencement Date:	July 21, 2015
8.	Maturity Date:		July 21, 2025
9.	Interest Basis:		3.500% Fixed Rate
10.	Redemption/Payment Basis:		Redemption at par
11.	Change of Interest Basis or Redemption/Payment Basis:		None

12.	Put (other than Condition 9.5)/Call (other than Condition 9.2) Options:	Not Applicable
13.	Listing:	Singapore Exchange Securities Trading Limited (the “SGX-ST”)
14.	(a) Status of the Notes:	Senior Unsecured Notes
	(b) Date of Issuer’s approval for the issuance of Notes obtained:	Board’s Approval: January 28, 2015 Head of Corporate Planning Division’s Approval: June 1, 2015
15.	Method of distribution:	Syndicated

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16.	Fixed Rate Note Provisions:	Applicable
	(a) Rate(s) of Interest:	3.500% per annum payable semi-annually in arrear
	(b) Interest Payment Date(s):	January 21 and July 21 in each year up to and including the Maturity Date (with the first interest payment date being January 21, 2016) in each case, subject to adjustment in accordance with the Following Business Day Convention
	(c) Fixed Coupon Amount(s):	U.S.$17.50 per Calculation Amount
	(d) Broken Amount(s):	Not Applicable
	(e) Day Count Fraction:	30/360
	(f) Determination Date(s):	Not Applicable
	(g) Other terms relating to the method of calculating interest for Fixed Rate Notes:	None
17.	Floating Rate Note Provisions:	Not Applicable
18.	Zero Coupon Note Provisions:	Not Applicable
19.	Index Linked Interest Note Provisions:	Not Applicable
20.	Dual Currency Interest Note Provisions:	Not Applicable

PROVISIONS RELATING TO REDEMPTION

21.	Issuer Call (other than Condition 9.2):	Not Applicable

22.	Investor Put (other than Condition 9.5):	Not Applicable
23.	Final Redemption Amount:	U.S.$1,000 per Calculation Amount
24.	Early Redemption Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 9.7 (*Redemption and Purchase — Early Redemption Amounts*)):	U.S.$1,000 per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25.	Form of Notes:	Registered Notes: Regulation S Global Note registered in the name of a nominee for DTC and Rule 144A Global Note registered in the name of a nominee for DTC
26.	Additional Financial Center(s) or other special provisions relating to Payment Days:	Not Applicable
27.	Talons for future Coupons or Receipts to be attached to Definitive Bearer Notes (and dates on which such Talons mature):	Not Applicable
28.	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	Not Applicable
29.	Details relating to Installment Notes:	
	(a) Installment Amount(s):	Not Applicable
	(b) Installment Date(s):	Not Applicable
30.	Redenomination applicable:	Redenomination not applicable
31.	Other terms:	Not Applicable

Distribution

32. (a) If syndicated, names of Managers:	Barclays Bank PLC Deutsche Bank AG, Singapore Branch The Hongkong and Shanghai Banking Corporation Merrill Lynch International Mizuho Securities USA Inc. UBS AG, Hong Kong Branch (as Joint Bookrunners and Joint Lead Managers)
(b) Stabilizing Manager:	Merrill Lynch International
33. If non-syndicated, name of Relevant Dealer:	Not Applicable
34. U.S. Selling Restrictions:	TEFRA rules not applicable
35. Additional selling restrictions:	Not Applicable

Operational Information

36. Any clearing system(s) other than Euroclear and Clearstream and the relevant identification number(s):	DTC
37. Delivery:	Free of payment
38. Additional Paying Agent(s) (if any):	Not Applicable

ISIN:	Rule 144A Notes: US50066AAJ25 Regulation S Notes: US50066CAJ80
Common Code:	Rule 144A Notes: 126314019 Regulation S Notes: 126314043
CUSIP:	Rule 144A Notes: 50066AAJ2 Regulation S Notes: 50066CAJ8

LISTING AND ADMISSION TO TRADING APPLICATION

This Pricing Supplement comprises the pricing supplement required to list the issue of Notes described herein pursuant to the U.S.$8,000,000,000 Global Medium Term Note Program of the Issuer.

The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions or reports contained in this Pricing Supplement. Admission of the Notes to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Program or the Notes.

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

OFFERING CIRCULAR

KOREA GAS CORPORATION

(a statutory juridical corporation organized under the laws of the Republic of Korea)

U.S.$8,000,000,000
Global Medium Term Note Program

This offering circular replaces and supersedes the offering circular dated June 20, 2014 describing the Program (as defined below). Any Notes (as defined below) issued under this Program on or after the date of this offering circular are issued subject to the provisions described herein. This does not affect any Notes issued prior to the date of this offering circular.

Under this U.S.$8,000,000,000 Global Medium Term Note Program (the "**Program**"), Korea Gas Corporation (the "**Company**") or any subsidiary of the Company which accedes to the Program by executing an accession agreement pursuant to the terms of the Agency Agreement (as defined below) (each such subsidiary, a "**Guaranteed Issuer**", and together with the Company, each, an "**Issuer**" in relation to the Notes issued by it), subject to compliance with all relevant laws, regulations and directives, may from time to time issue notes (the "**Notes**") denominated in any currency agreed between the Issuer and the Relevant Dealer (as defined below).

The Notes will be issued on a senior basis and may be issued in bearer or registered form ("**Bearer Notes**" and "**Registered Notes**", respectively). Notes issued by the Guaranteed Issuers will be guaranteed by the Company (in such capacity, the "**Guarantor**") on a senior basis. The maximum aggregate nominal amount of all Notes from time to time outstanding under the Program will not exceed U.S.$8,000,000,000 (or its equivalent in other currencies calculated as described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "Summary of the Program" and any additional Dealer appointed under the Program from time to time by the Issuer (each a "**Dealer**" and together the "**Dealers**"), which appointment may be for a specific issue or on an ongoing basis. References in this offering circular to the "**Relevant Dealer**" shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

Approval in-principle has been obtained from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for the listing and quotation of any Notes that may be issued by the Company pursuant to the Program and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein. Approval in-principle from, admission of any Notes to the Official List of, and the listing and quotation of any Notes on, the SGX-ST are not to be taken as an indication of the merits of any Guaranteed Issuer, the Company, the Program or the Notes. Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under "Terms and Conditions of the Notes") of Notes will be set out in a pricing supplement (the "**Pricing Supplement**") a copy of which, with respect to Notes to be listed on the SGX-ST, will be submitted to the SGX-ST before the date of listing of the Notes of such Tranche.

The Program provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer, the Guarantor and the Relevant Dealer(s). Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.

See "Risk Factors" beginning on page 63 for a discussion of certain factors to be considered in connection with an investment in the Notes.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or with any securities regulatory authority of any state or other jurisdiction of the United States.

The Notes of each Series will be in either bearer form, with or without interest coupons attached, or registered form, without interest coupons attached. Bearer Notes will be issued only outside the United States to non-U.S. persons in reliance on the exemption from registration provided by Regulation S under the Securities Act ("**Regulation S**") and Registered Notes may be issued both outside the United States to non-U.S. persons in reliance on the exemption from registration provided by Regulation S and within the United States or to U.S. persons in private transactions (i) to "qualified institutional buyers" within the meaning of Rule 144A under the Securities Act ("**QIBs**") or (ii) to "accredited investors" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) that are institutions ("**Institutional Accredited Investors**") who agree to purchase the Notes for their own account and not with a view to the distribution thereof. Bearer Notes are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered or sold, or in the case of Bearer Notes delivered, in the United States or its possessions or to, or for the benefit of, U.S. persons (as defined in Regulation S under the Securities Act or, in the case of Bearer Notes, the U.S. Internal Revenue Code of 1986, as amended). See "Form of the Notes" for more description of the manner in which Notes will be issued. Notes are subject to certain restrictions on transfer. See "Subscription and Sale and Transfer and Selling Restrictions".

The Issuer and the Guarantor may agree with any Dealer that the Notes may be issued in a form not contemplated under "Terms and Conditions of the Notes" herein, in which event (in the case of Notes intended to be listed on the SGX-ST) a supplementary offering circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

Arranger

BofA Merrill Lynch

Dealers

Barclays	**BofA Merrill Lynch**	**BNP PARIBAS**	**Citigroup**
Crédit Agricole CIB	**Credit Suisse**	**Deutsche Bank**	**Goldman Sachs International**
HSBC	**J.P. Morgan**	**Korea Development Bank**	**Mizuho Securities**
Morgan Stanley	**Standard Chartered Bank**	**UBS**	

The date of this offering circular is July 13, 2015.

The Company (in its capacity as the Issuer or, in the case of Senior Guaranteed Notes, as the Guarantor) and the Guaranteed Issuers, having made all reasonable enquiries, confirm that this offering circular contains or incorporates all information which is material in the context of the issuance and offering of the Notes, that the information contained or incorporated in this offering circular is true and accurate in all material respects and is not misleading in any material respect, that the opinions and intentions expressed in this offering circular are honestly held and have been reached after considering all relevant circumstances and are based on reasonable assumptions, and that there are no other facts, the omission of which would, in the context of the issue and offering of the Notes, make this offering circular as a whole or any information or the expression of any opinions or intentions expressed in this offering circular misleading in any material respect. The Company and the Guaranteed Issuers accept responsibility accordingly. Information provided in this offering circular with respect to Korea, its political status and economy has been derived from information published by the Korean government and other public sources, and the Company and the Guaranteed Issuers accept responsibility only for the accurate extraction of information from such sources.

This offering circular is to be read in conjunction with all documents that are deemed to be incorporated herein by reference (see "Documents Incorporated by Reference" below). This offering circular shall be read and construed on the basis that such documents are incorporated and form part of this offering circular.

This offering circular is based on the information provided by the Company and the Guaranteed Issuers. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers as to the accuracy or completeness of the information contained or incorporated in this offering circular or any other information provided by the Company or the Guaranteed Issuers in connection with the Program. To the fullest extent permitted by law, none of the Dealers accept any responsibility for the contents of this offering circular or for any statement made or purported to be made by the Dealers or on its behalf in connection with the Company, the Guaranteed Issuers, the Program or the issue and offering of the Notes. The Dealers accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this offering circular or any such statement.

No person is or has been authorized by the Company or the Guaranteed Issuers to give any information or to make any representation other than as contained in this offering circular or any other information supplied in connection with the Program or the Notes and, if given or made, such information or representation must not be relied upon as having been authorized by any of the Company, the Guaranteed Issuers or the Dealers.

Neither this offering circular nor any other information supplied in connection with the Program or any Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by any of the Company, the Guaranteed Issuers or the Dealers that any recipient of this offering circular or any other information supplied in connection with the Program or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Company and the Guaranteed Issuers. Neither this offering circular nor any other information supplied in connection with the Program or the issue of any Notes constitutes an offer or invitation by or on behalf of any of the Company, the Guaranteed Issuers or the Dealers to any person to subscribe for or to purchase any Notes. The contents of this offering circular should not be construed as providing legal, business, accounting or tax advice. An investor should bear the economic risk of an investment in the Notes.

Neither the delivery of this offering circular nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Company and the Guaranteed Issuers is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Program is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers expressly do not undertake to advise any investor in the Notes of any information coming to their attention. Investors should review, inter alia, the most recently published documents incorporated by reference into this offering circular when deciding whether or not to purchase any Notes.

This offering circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this offering circular and the offer or sale of the Notes may be restricted by law in certain jurisdictions. The Company, the Guaranteed Issuers and the Dealers do not represent that this offering circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Company, the Guaranteed Issuers or the Dealers that would permit a public offering of any Notes or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this offering circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this offering circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this offering circular and the offering and sale of the Notes. In particular, there are restrictions on the distribution of this offering circular and the offer or sale of Notes in the United States of America, the European Economic Area (the "**EEA**"), the United Kingdom, Japan, Singapore, Hong Kong, Taiwan and Korea. See "Subscription and Sale and Transfer and Selling Restrictions."

In making an investment decision, investors must rely on their own examination of the applicable Issuer and the Guarantor (if applicable) and the terms of the Notes being offered, including the merits and risks involved. The Notes have not been approved or disapproved by the United States Securities and Exchange Commission or any other securities commission or other regulatory authority in the United States, nor have the foregoing authorities approved this offering circular or confirmed the accuracy or determined the adequacy of the information contained in this offering circular. Any representation to the contrary is unlawful.

This offering circular has been prepared on the basis that, except to the extent sub-paragraph (ii) below may apply, any offer of Notes in any Member State of the EEA which has implemented the Prospectus Directive (each, a "**Relevant Member State**") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly, any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering contemplated in this offering circular as completed by final terms in relation to the offer of those Notes may only do so (i) in circumstances in which no obligation arises for the Company, the Guaranteed Issuers or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer, or (ii) if a prospectus for such offer has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State and (in either case) published, all in accordance with the Prospectus Directive, provided that any such prospectus has subsequently been completed by final terms which specify that offers may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State and such offer is made in the period beginning and ending on the dates specified for such purpose in such prospectus or final terms, as applicable, and the Company or the Guaranteed Issuer, as applicable, has consented in writing to its use for the purpose of such offer. Except to the extent sub-paragraph (ii) above may apply, none of the Company, the Guaranteed Issuers nor any Dealer have authorized, nor do they authorize, the making of any offer of Notes in circumstances in which an obligation arises for the Company, the Guaranteed Issuers or any Dealer to publish or supplement a prospectus for such offer. For the purposes of this provision, the expression "Prospectus Directive" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in each Relevant Member State.

This offering circular is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**") or (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). The Notes will only be available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Notes will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this offering circular or any of its contents.

None of the Dealers, the Company or the Guaranteed Issuers makes any representation to any investor regarding the legality of its investment in the Notes under any applicable laws. The contents of this offering circular should not be construed as providing legal, business, accounting or tax advice. Any investor should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

U.S. INFORMATION

This offering circular is being submitted on a confidential basis in the United States to a limited number of QIBs or Institutional Accredited Investors (each as defined under "Form of the Notes") for informational use solely in connection with the consideration of the purchase of the Notes being offered hereby. Its use for any other purpose in the United States is not authorized. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted.

The Registered Notes may be offered or sold within the United States only to QIBs or to Institutional Accredited Investors, in either case in transactions exempt from registration under the Securities Act. Each U.S. purchaser of the Registered Notes is hereby notified that the offer and sale of any Registered Notes to it may be being made in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A under the Securities Act ("**Rule 144A**").

Purchasers of the Definitive IAI Registered Notes will be required to execute and deliver an IAI Investment Letter (each as defined under "Terms and Conditions of the Notes"). Each purchaser or holder of the Definitive IAI Registered Notes, the Notes represented by a Rule 144A Global Note (as defined below) or any Notes issued in registered form in exchange or substitution therefor (together "**Legended Notes**") will be deemed, by its acceptance or purchase of any such Legended Notes, to have made certain representations and agreements intended to restrict the resale or other transfer of such Notes as set out in "Subscription and Sale and Transfer and Selling Restrictions." Unless otherwise stated, terms used in this paragraph have the meanings given to them in "Form of the Notes."

Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to U.S. persons, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and the U.S. Treasury regulations promulgated thereunder.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ("RSA 421-B") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

CERTAIN DEFINED TERMS AND CONVENTIONS

Industry data used in this offering circular were obtained from statistics published by the Korea Energy Economics Institute and industry studies released by the Ministry of Trade, Industry and Energy. Such information has been accurately reproduced herein and, as far as the Company and the Guaranteed Issuers are aware and are able to ascertain from information published by such third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. Such industry studies, while believed to be reliable, have not been independently verified, and none of the Company, the Guaranteed Issuers or the Dealers makes any representation as to the accuracy or completeness of this information.

All references to "Korea" and the "Republic" contained in this offering circular shall mean The Republic of Korea. All references to the "government" shall mean the government of Korea. All references to the "Company" or the "Guarantor" shall mean Korea Gas Corporation, a statutory juridical entity established under the Korea Gas Corporation Act of 1982, as amended (the "**KOGAS Act**"), and its consolidated subsidiaries, unless the context otherwise requires. All references to "Guaranteed Issuers" herein shall mean the subsidiaries of Korea Gas Corporation that have acceded to the Program by executing an accession agreement pursuant to the terms of the Agency Agreement, and all references to "Issuers" herein shall mean Korea Gas Corporation and the Guaranteed Issuers. All references to "KEPCO" herein are references to Korea Electric Power Corporation. All references to "U.S." shall mean the United States of America. All references to "city gas companies" herein are references to companies that distribute gas to end-users in Korea.

In this offering circular, all references to "Won" or "W" are to the lawful currency of Korea, all references to "U.S. dollars", "dollar", "US$" or "U.S.$" are to the lawful currency of the United States of America, all references to "Euro", "euro" or "€" are to the lawful currency of the European Economic and Monetary Union, all references to "Japanese yen", "yen" or "¥" are to the lawful currency of Japan, all references to "Canadian dollar" are to the lawful currency of Canada, all references to "CHF" are to the lawful currency of Switzerland and all references to "£" are to the lawful currency of the United Kingdom.

All financial information, descriptions and other information in this offering circular regarding the Company's activities, financial condition and results of operations are, unless otherwise indicated or required by context, presented on a consolidated basis.

Any discrepancies in any table between totals and the sums of the amounts listed are due to rounding.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Company is a corporation with limited liability organized under the laws of Korea. All of the Company's directors and officers and certain other persons named in this offering circular reside in Korea, and a significant portion of the assets of the directors and officers and certain other persons named in this offering circular and a significant portion of the Company's assets are located in Korea. As a result, it may not be possible for you to effect service of process within the United States upon such persons or to enforce against them or against the Company in U.S. courts judgments predicated upon the civil liability provisions of the federal securities laws of the United States. There is doubt as to the enforceability in Korea, either in original actions or in actions for enforcement of judgments of U.S. courts, of civil liabilities predicated on the U.S. federal securities laws.

AVAILABLE INFORMATION

To permit compliance with Rule 144A under the Securities Act in connection with sales of the Notes, each of the Issuers and the Guarantor (if applicable) will be required to furnish, upon request, to a Holder (as defined in "Terms and Conditions of the Notes") of a Note and a prospective investor designated by such Holder, the information required to be delivered under Rule 144A(d)(4) under the Securities Act unless at the time of the request the Issuer is a reporting company under Section 13 or Section 15(d) of the United States Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), or is exempt from the registration requirements of Section 12(g) of the Exchange Act (and therefore is required to publish on its website, in English, certain information pursuant to Rule 12g3-2(b) under the Exchange Act).

PRESENTATION OF FINANCIAL INFORMATION

The audited consolidated financial statements of the Company as of and for the years ended December 31, 2012, 2013 and 2014 (the "**consolidated annual financial statements**") and the unaudited consolidated financial statements of the Company as of March 31, 2015 and for the three months ended March 31, 2014 and 2015 (the "**unaudited consolidated interim financial statements**") are included elsewhere in the offering circular. Unless otherwise stated, the financial data contained in this offering circular as of and for the years ended December 31, 2012, 2013 and 2014 have been derived from the Company's consolidated annual financial statements included herein which have been prepared in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("**Korean IFRS**"), which differ in certain important respects from generally accepted accounting principles in other countries, including U.S. GAAP, and the financial data contained in this offering circular as of March 31, 2015 and for the three months ended March 31, 2014 and 2015 have been derived from the Company's unaudited consolidated interim financial statements included herein which have been prepared in accordance with Korean IFRS No. 1034 Interim Financial Reporting.

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This offering circular includes risk factors, the Company's audited and unaudited consolidated financial statements and disclosure concerning the Company's business and financial condition and results of operations, as well as other matters. You should carefully review the entire offering circular before making an investment decision.

You should rely only on the information contained in this offering circular or to which the Issuers have referred you. Neither the Company nor the Guaranteed Issuers have authorized anyone to provide you with information that is different. This offering circular may only be used where it is legal to sell the Notes. You should not assume that the information in this offering circular is accurate as of any date other than the date at the front of this offering circular. This offering circular is confidential. You are authorized to use this offering circular solely for the purpose of considering the purchase of the Notes described in this offering circular. You may not reproduce or distribute this offering circular in whole or in part, and you may not disclose any of the contents of this offering circular or use any information herein for any purpose other than considering a purchase of the Notes. You agree to the foregoing by accepting delivery of this offering circular.

IN CONNECTION WITH THE ISSUE AND DISTRIBUTION OF ANY TRANCHE OF NOTES, THE DEALER(S) (IF ANY) NAMED AS THE STABILIZING MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILIZING MANAGER(S)) IN THE APPLICABLE PRICING SUPPLEMENT MAY, SUBJECT TO ALL APPLICABLE LAWS AND REGULATIONS, OVER-ALLOT THE NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES OF A SERIES (AS DEFINED BELOW) OF WHICH SUCH TRANCHE FORMS A PART AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD AFTER THE ISSUE DATE. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILIZING MANAGER(S) (OR PERSONS ACTING ON BEHALF OF A STABILIZING MANAGER) WILL UNDERTAKE STABILIZING ACTION. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME AND, IF BEGUN, MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD. ANY STABILIZING ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILIZING MANAGER(S) (OR PERSON(S) ACTING ON BEHALF OF ANY STABILIZING MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents published or issued from time to time after the date hereof shall be deemed to be incorporated into, and to form part of, this offering circular:

(a) the most recently published audited consolidated annual financial statements and the most recently published unaudited consolidated interim financial statements (if any) of the Company from time to time;

(b) the most recently published audited consolidated annual financial statements (if any) and the most recently published unaudited consolidated interim financial statements (if any) of the Guaranteed Issuers from time to time; and

(c) all supplements or amendments to this offering circular circulated by the Issuers from time to time,

save that any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this offering circular to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this offering circular.

The Company and the Guaranteed Issuers will provide, without charge, to each person to whom a copy of this offering circular has been delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Requests for such documents should be directed to the Issuers at their offices set out at the end of this offering circular. In addition, such documents will be available from the principal office of The Bank of New York Mellon, London Branch (the "**Principal Paying Agent**") for any Notes listed on the SGX-ST.

The Company and the Guaranteed Issuers will, in connection with the listing of the Notes on the SGX-ST, so long as any Notes are listed on such exchange and the rules of such exchange so require, in the event of any material change in the condition of the Company or any of the Guaranteed Issuers that is not reflected in this offering circular, prepare a supplement to this offering circular or publish a new offering circular for use in connection with any subsequent issue of the Notes to be listed on the SGX-ST. A supplement to this offering circular will also be prepared and submitted to the SGX-ST each time a New Issuer accedes to the Program.

If the terms of the Program are modified or amended in a manner that would make this offering circular, as so modified or amended, inaccurate or misleading, a new offering circular will be prepared.

GENERAL DESCRIPTION OF THE PROGRAM

Under the Program, the Issuer, with the approval of the Guarantor (if applicable), may from time to time issue Notes denominated in any currency, subject to as set out herein. A summary of the terms and conditions of the Program and the Notes appears below. The applicable terms of any Notes will be agreed between the Issuer, the Guarantor (if applicable) and the Relevant Dealer prior to the issue of the Notes and will be set out in the Terms and Conditions of the Notes endorsed on, attached to, or incorporated by reference into, the Notes, as modified and supplemented by the applicable Pricing Supplement attached to, or endorsed on, such Notes, as more fully described under "Form of the Notes".

This offering circular and any supplement will only be valid for Notes issued under the Program in an aggregate principal amount which, when added to the aggregate principal amount then outstanding of all Notes previously or simultaneously issued under the Program, does not exceed U.S.$8,000,000,000 or its equivalent in other currencies. For the purpose of calculating the U.S. dollar equivalent of the aggregate principal amount of Notes issued under the Program from time to time:

(a) the U.S. dollar equivalent of Notes denominated in another Specified Currency (as specified in the applicable Pricing Supplement in relation to the relevant Notes, described under "Form of the Notes") shall be determined, at the discretion of the Issuer and the Guarantor (if applicable), either as of the date on which agreement is reached for the issue of Notes or on the preceding day on which commercial banks and foreign exchange markets are open for business in London, in each case on the basis of the spot rate for the sale of the U.S. dollar against the purchase of such Specified Currency in the London foreign exchange market quoted by any leading international bank selected by the Issuer and the Guarantor (if applicable) on the relevant day of calculation;

(b) the U.S. dollar equivalent of Dual Currency Notes, Index Linked Notes and Partly Paid Notes (each as specified in the applicable Pricing Supplement in relation to the relevant Notes, described under "Form of the Notes") shall be calculated in the manner specified above by reference to the original principal amount on issue of such Notes (in the case of Partly Paid Notes regardless of the subscription price paid); and

(c) the U.S. dollar equivalent of Zero Coupon Notes (as specified in the applicable Pricing Supplement in relation to the relevant Notes, described under "Form of the Notes") and other Notes issued at a discount or a premium shall be calculated in the manner specified above by reference to the net proceeds received by the Issuer for the relevant issue.

SUMMARY OF THE PROGRAM

The following summary does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this offering circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Pricing Supplement. Words and expressions defined in "Form of the Notes" and "Terms and Conditions of the Notes" shall have the same meanings in this summary.

Initial Issuer	Korea Gas Corporation (the "**Company**")
Accession of New Issuers	Any Subsidiary of the Company nominated by the Company may agree to be bound by all the terms of the Program, and thereby become a "New Issuer" by executing an accession agreement pursuant to the terms of the Agency Agreement. In this offering circular, any reference to the "Issuer" shall mean the Initial Issuer and the New Issuers in respect of the Notes issued by it in accordance with the terms of the Program.
Guaranteed Issuers	The New Issuers
Guarantor............................	Korea Gas Corporation, with respect to Notes issued by the Guaranteed Issuers.
Guarantee	The Guarantor will unconditionally and irrevocably guarantee (the "**Guarantee**") to each holder of Notes issued by a Guaranteed Issuer the due payment of all amounts owing from time to time under such Notes.
Description..........................	Global Medium Term Note Program
Arranger.............................	Merrill Lynch International
Dealers	Barclays Bank PLC, BNP Paribas, Citigroup Global Markets Inc., Crédit Agricole Corporate and Investment Bank, Credit Suisse Securities (Europe) Limited, Deutsche Bank AG, Singapore Branch, Goldman Sachs International, The Hongkong and Shanghai Banking Corporation Limited, J.P. Morgan Securities plc, The Korea Development Bank, Merrill Lynch International, Mizuho Securities Asia Limited, Morgan Stanley & Co. International plc, Standard Chartered Bank, UBS AG, Hong Kong Branch and any additional Dealer appointed from time to time in accordance with the Program Agreement. In this offering circular, any reference to the "Relevant Dealer" shall mean any of the Dealers in respect of the Notes as to whose issue such Dealer has entered into an agreement with the Issuer and (in the case of a Guaranteed Issuer) the Guarantor in accordance with the terms of the Program.

Certain Restrictions	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "Subscription and Sale and Transfer and Selling Restrictions") including the following restrictions applicable at the date of this offering circular. Notes having a maturity of less than one year: Notes having a maturity of less than one year from the date of issue will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in Section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination and redemption value of at least £100,000 or its equivalent, see "Subscription and Sale and Transfer and Selling Restrictions."
Principal Paying Agent and Transfer Agent	The Bank of New York Mellon, London Branch
Paying Agent and Transfer Agent..............................	The Bank of New York Mellon
Registrar.............................	The Bank of New York Mellon
Euro Registrar	The Bank of New York Mellon (Luxembourg) S.A.
Program Size........................	Up to U.S.$8,000,000,000 (or its equivalent in other currencies calculated as described under "General Description of the Program") in aggregate principal amount of Notes outstanding at any time. The Company may increase the amount of the Program in accordance with the terms of the Program Agreement.
Distribution	Subject to applicable selling restrictions, Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies...........................	Subject to any applicable legal or regulatory restrictions, any currency agreed between the Issuer, the Guarantor (if applicable) and the Relevant Dealer.
Redenomination.....................	The applicable Pricing Supplement may provide that certain Notes may be redenominated in euro.
Maturities	Such maturities as may be agreed between the Issuer, the Guarantor (if applicable) and the Relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the Guarantor or the relevant Specified Currency.

Issue Price	Notes may be issued on a fully-paid or a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par, to the extent permitted by applicable law.
Form of Notes	The Notes will be issued in bearer or registered form as described in "Form of the Notes." Registered Notes will not be exchangeable for Bearer Notes and vice versa.
Fixed Rate Notes	Fixed interest will be payable on such date or dates as may be agreed between the Issuer, the Guarantor (if applicable) and the Relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer, the Guarantor (if applicable) and the Relevant Dealer.
Floating Rate Notes	Floating Rate Notes will bear interest at a rate determined: (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or (ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or (iii) on an alternative basis as may be agreed by and among the Issuer, the Guarantor (if applicable) and the Relevant Dealer. The margin (if any) relating to such floating rate will be agreed between the Issuer, the Guarantor (if applicable) and the Relevant Dealer for each Series of Floating Rate Notes.
Index Linked Notes	Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the Issuer, the Guarantor (if applicable) and the Relevant Dealer may agree, to the extent permitted by applicable law.
Other provisions in relation to Floating Rate Notes and Index Linked Interest Notes............	Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both. Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as agreed prior to issue by the Issuer, the Guarantor (if applicable) and the Relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer, the Guarantor (if applicable) and the Relevant Dealer.

Dual Currency Notes...............	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the Issuer, the Guarantor (if applicable) and the Relevant Dealer may agree, to the extent permitted by applicable law.
Zero Coupon Notes................	Zero Coupon Notes will be offered and sold at a discount to their nominal amount, or offered and sold at their nominal amount and be redeemed at a premium, and will not bear interest.
Redemption	The applicable Pricing Supplement will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified installments, if applicable, or for taxation reasons or following an occurrence of a Change of Control (as defined herein) or following an Event of Default), or that such Notes will be redeemable at the option of the Issuer, and/or the Noteholders upon giving notice to the Noteholders or the Issuer and the Guarantor, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer, the Guarantor (if applicable) and the Relevant Dealer. The applicable Pricing Supplement may provide that Notes may be redeemable in two or more installments of such amounts and on such dates as are indicated in the applicable Pricing Supplement. Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution, see "—Certain Restrictions" above.
Change of Control Redemption ...	The Notes will be redeemable at the option of the Noteholders, in all or in part, upon the occurrence of a Change of Control at 100% of their principal amount, together with accrued and unpaid interest, if any, to but excluding the Change of Control Put Date (as defined herein). See "Terms and Conditions of the Notes—Redemption and Purchase—Change of Control Redemption."
Denomination of Notes	Notes will be issued in such denominations as may be agreed between the Issuer, the Guarantor and the Relevant Dealer except that the minimum denomination of each Note will be such as may be allowed or required from time to time by the central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, see "—Certain Restrictions" above. Unless otherwise stated in the applicable Pricing Supplement, the minimum denomination of each Definitive IAI Registered Note will be U.S.$500,000 or its approximate equivalent in other Specified Currencies.

	Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution (see "—Certain Restrictions" above). The minimum denomination of each Note admitted to trading on a regulated market within the EEA or offered to the public in a Member State of the EEA in circumstances which require the publication of a prospectus under the Prospectus Directive will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).
Taxation	All payments of principal and interest in respect of the Notes, Receipts and Coupons or under the Guarantee (if applicable) will be made without deduction for or on account of withholding taxes imposed by the Tax Jurisdiction (as defined in Condition 10) unless such withholding or deduction is required by law. In the event that any such deduction is made, the Issuer (and failing whom, the Guarantor) will, except in certain limited circumstances provided in Condition 10, be required to pay additional amounts to cover the amounts so deducted. See "Terms and Conditions of the Notes—Taxation." In making an investment decision, each prospective investor is strongly recommended to consult its own professional advisors in respect of the tax implications of holding the Notes. See "Terms and Conditions of the Notes—Taxation."
Negative Pledge	The terms of the Notes will contain a negative pledge provision as further described in Condition 4 *(Certain Covenants)*.
Events of Default..................	Events of default for the Notes are set out in Condition 12 *(Events of Default)*.
Cross-acceleration	The terms of the Notes will contain a cross-acceleration provision as further described in Condition 12 (Events of Default).
Status	*Senior Notes:* Notes issued by the Company are referred to as Senior Notes. The Senior Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 4 *(Certain Covenants)*) unsecured general obligations of the Company and will rank pari passu, without any preference among themselves and (except for certain obligations required to be preferred by applicable law) equally with all other unsecured and unsubordinated general obligations of the Company, from time to time outstanding.

	Senior Guaranteed Notes: Notes issued by a Guaranteed Issuer are referred to as Senior Guaranteed Notes. The Senior Guaranteed Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 4 *(Certain Covenants)*) unsecured general obligations of the Company and will rank pari passu, without any preference among themselves and (except for certain obligations required to be preferred by applicable law) equally with all other unsecured and unsubordinated general obligations of the Guaranteed Issuer, from time to time outstanding. *Guarantee:* The Guarantee will constitute a direct, unconditional, unsubordinated and (subject to the provisions of Condition 4 *(Certain Covenants)*) unsecured general obligations of the Guarantor and will rank pari passu, without any preference among themselves and (except for certain obligations required to be preferred by applicable law) equally with all other unsecured and unsubordinated general obligations of the Guarantor, from time to time outstanding.
Listing	Approval in-principle has been obtained from the SGX-ST for the listing and quotation of any Notes that may be issued by the Company pursuant to the Program and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List of the SGX-ST. The Notes may also be listed on such other or further stock exchange(s) as may be agreed between the Issuer, the Guarantor (if applicable) and the Relevant Dealer in relation to each Series. For so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, such Notes will be traded on the SGX-ST in a minimum board lot size of S$200,000 (or its equivalent in other currencies). Unlisted Notes may also be issued. The applicable Pricing Supplement will state whether or not the relevant Notes are to be listed and, if so, on which stock exchange(s).
Governing Law	The Notes, the Program Agreement and the Agency Agreement will be governed by, and construed in accordance with, New York law.
Selling Restrictions................	There are restrictions on the offer, sale and transfer of the Notes in the United States, the EEA, the United Kingdom, Hong Kong, Singapore, Japan, Taiwan and Korea and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see "Subscription and Sale and Transfer and Selling Restrictions."

FORM OF THE NOTES

The Notes of each Series will be in either bearer form, with or without interest coupons attached ("**Bearer Notes**"), or registered form, without interest coupons attached ("**Registered Notes**"). Bearer Notes will be issued outside the United States in reliance on Regulation S under the Securities Act ("**Regulation S**") and Registered Notes will be issued both outside the United States in reliance on the exemption from registration provided by Regulation S and within the United States in reliance on Rule 144A or another available exemption from the registration requirements of the Securities Act.

Bearer Notes

Each Tranche of Bearer Notes will be initially issued in the form of either a temporary bearer global note (a "**Temporary Bearer Global Note**") or a permanent bearer global note (a "**Permanent Bearer Global Note**") as indicated in the applicable Pricing Supplement, which, in either case, will be delivered on or prior to the original issue date of the Tranche to a common depositary (the "**Common Depositary**") for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream**"). While any Bearer Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Bearer Global Note only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Bearer Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream and Euroclear and/or Clearstream, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent.

On and after the date (the "**Exchange Date**") which is 40 days after a Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a Permanent Bearer Global Note of the same Series or (ii) for definitive Bearer Notes of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Pricing Supplement and subject, in the case of definitive Bearer Notes, to such notice period as is specified in the applicable Pricing Supplement), in each case against certification of beneficial ownership as described above unless such certification has already been given. Definitive Bearer Notes will only be delivered outside the United States. The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note or for definitive Bearer Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note will be made through Euroclear and/or Clearstream against presentation or surrender (as the case may be) of the Permanent Bearer Global Note without any requirement for certification.

The applicable Pricing Supplement will specify that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Notes with, where applicable, receipts, interest coupons and talons attached upon either (i) not less than 60 days' written notice from Euroclear and/or Clearstream (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) to the Principal Paying Agent as described therein or (ii) only upon the occurrence of an Exchange Event. For these purposes, "Exchange Event" means that (i) an Event of Default (as defined in Condition 12 (*Events of Default*)) has occurred and is continuing, (ii) the Issuer and the Guarantor have been notified that both Euroclear and Clearstream have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available or (iii) the Issuer or the Guarantor has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Bearer Global Note in definitive form. For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that the Permanent Bearer Global Note is exchanged for definitive Bearer Notes, and unless the Issuer obtains an exemption from the SGX-ST, the Issuer and the Guarantor will (a) appoint and maintain a Paying Agent in Singapore where the Notes may be presented or surrendered for payment or redemption and (b) make an announcement of such exchange through the SGX-ST, and such announcement will include all material information with respect to the delivery of the definitive Bearer Notes, including details of the Paying Agent in Singapore. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) may give notice to the Principal Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer or the Guarantor may also give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

The following legend will appear on all Bearer Notes which have an original maturity of more than 365 days and on all talons, receipts and interest coupons relating to such Notes:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes, receipts or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes, receipts or interest coupons.

Notes which are represented by a Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, as the case may be.

Registered Notes

The Registered Notes of each Tranche offered and sold in reliance on Regulation S, which will be sold to non-U.S. persons outside the United States, will initially be represented by a global note in registered form (a "**Regulation S Global Note**"). Prior to expiry of the distribution compliance period (as defined in Regulation S) applicable to each Tranche of Notes, beneficial interests in a Regulation S Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person except as otherwise provided in Condition 2 (*Transfers of Registered Notes*) and may not be held otherwise than through Euroclear or Clearstream and such Regulation S Global Note will bear a legend regarding such restrictions on transfer.

The Registered Notes of each Tranche may only be offered and sold in the United States or to U.S. persons in private transactions (i) to "qualified institutional buyers" within the meaning of Rule 144A under the Securities Act ("**QIBs**") or (ii) to "accredited investors" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) that are institutions ("**Institutional Accredited Investors**") who agree to purchase the Notes for their own account and not with a view to the distribution thereof. The Registered Notes of each Tranche sold to QIBs will be represented by a global note in registered form (a "**Rule 144A Global Note**" and, together with a Regulation S Global Note, the "**Registered Global Notes**").

Registered Global Notes will either (i) be deposited with a custodian for, and registered in the name of a nominee of, DTC for the accounts of its participants, including Euroclear and Clearstream or (ii) be deposited with a common depositary for, and registered in the name of a common nominee of, Euroclear and Clearstream, as specified in the applicable Pricing Supplement. Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form.

The Registered Notes of each Tranche sold to Institutional Accredited Investors will be in definitive form, registered in the name of the holder thereof ("**Definitive IAI Registered Notes**"). Unless otherwise set forth in the applicable Pricing Supplement, Definitive IAI Registered Notes will be issued only in minimum denominations of U.S.$500,000 and integral multiples of U.S.$1,000 in excess thereof (or the approximate equivalents in the applicable Specified Currency). Definitive IAI Registered Notes will be subject to the restrictions on transfer set forth therein and will bear the restrictive legend described under "Subscription and Sale and Transfer and Selling Restrictions." Institutional Accredited Investors that hold Definitive IAI Registered Notes may elect to hold such Notes through DTC, but transferees acquiring the Notes in transactions exempt from Securities Act registration pursuant to Regulation S or Rule 144 under the Securities Act (if available) may do so upon satisfaction of the requirements applicable to such transfer as described under "Subscription and Sale and Transfer and Selling Restrictions." The Rule 144A Global Note and the Definitive IAI Registered Notes will be subject to certain restrictions on transfer set forth therein and will bear a legend regarding such restrictions.

Payments of principal, interest and any other amount in respect of the Registered Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 8.4 (*Payments — Payments in respect of Registered Notes*)) as the registered holder of the Registered Global Notes. None of the Issuer, the Guarantor, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 8.4 (*Payments — Payments in respect of Registered Notes*)) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, "Exchange Event" means that (i) an Event of Default has occurred and is continuing, (ii) in the case of Notes registered in the name of a nominee for DTC, either DTC has notified the Issuer and the Guarantor that it is unwilling or unable to continue to act as depository for the Notes and no alternative clearing system is available or DTC has ceased to constitute a clearing agency registered under the Exchange Act, (iii) in the case of Notes registered in the name of a nominee for a common depositary for Euroclear and Clearstream, the Issuer and the Guarantor have been notified that both Euroclear and Clearstream have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system is available or (iv) the Issuer or the Guarantor have or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Registered Global Note in definitive form. For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that the Registered Global Note is exchanged for definitive Registered Notes, and unless the Issuer and the Guarantor obtain an exemption from the SGX-ST, the Issuer and the Guarantor will (a) appoint and maintain a Paying Agent in Singapore where the

Notes may be presented or surrendered for payment or redemption and (b) make an announcement of such exchange through the SGX-ST, and such announcement will include all material information with respect to the delivery of the definitive Registered Notes, including details of the Paying Agent in Singapore. In the event of the occurrence of an Exchange Event, DTC, Euroclear and/or Clearstream (acting on the instructions of any holder of an interest in such Registered Global Note) may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iv) above, the Issuer and the Guarantor may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

Transfer of Interests

Interests in a Registered Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Note or in the form of a Definitive IAI Registered Note. Definitive IAI Registered Notes may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such Notes in the form of an interest in a Registered Global Note. No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of DTC, Euroclear and Clearstream, in each case to the extent applicable. Registered Notes are also subject to the restrictions on transfer set forth therein and will bear a legend regarding such restrictions, see "Subscription and Sale and Transfer and Selling Restrictions."

General

Pursuant to the Agency Agreement (as defined under "Terms and Conditions of the Notes"), the Principal Paying Agent or the Registrar, as the case may be, shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, the Notes of such further Tranche shall be assigned a common code and ISIN and, where applicable, a CUSIP and CINS number which are different from the common code, ISIN, CUSIP and CINS assigned to Notes of any other Tranche of the same Series until at least the expiry of the distribution compliance period applicable to the Notes of such Tranche and, for Notes subject to the certification requirements under U.S. Treasury regulations, until at least the Temporary Global Note is exchanged for the Permanent Global Note.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear and/or Clearstream, each person (other than Euroclear or Clearstream) who is for the time being shown in the records of Euroclear or of Clearstream as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes except in the case of manifest error) shall be treated by the Issuer and the Guarantor (if applicable) and their respective agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer and the Guarantor (if applicable) and their respective agents as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions "Noteholder" and "holder of Notes" and related expressions shall be construed accordingly.

So long as DTC or its nominee is the registered owner or holder of a Registered Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Registered Global Note for all purposes under the Agency Agreement and such Notes except to the extent that in accordance with DTC's published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants.

Any reference herein to Euroclear and/or Clearstream and/or DTC shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement.

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 12 (*Events of Default*). In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Terms and Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note then holders of interests in such Global Note credited to their accounts with DTC may require DTC to deliver Definitive Notes in registered form in exchange for their interest in such Global Note in accordance with DTC's standard operating procedures.

For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that the global Note is exchanged for definitive Notes, and unless the Issuer obtains an exemption from the SGX-ST, the Issuer and the Guarantor will (a) appoint and maintain a Paying Agent in Singapore where the Notes may be presented or surrendered for payment or redemption and (b) make an announcement of such exchange through the SGX-ST, and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the Paying Agent in Singapore.

Form of Applicable Pricing Supplement

Set out below is the form of Pricing Supplement which will be completed for each Tranche of Notes issued under the Program.

[Date]

[KOREA GAS CORPORATION/[NEW ISSUER]]

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the U.S.$8,000,000,000
Global Medium Term Note Program of
Korea Gas Corporation

[as guaranteed by Korea Gas Corporation]

This document constitutes the Pricing Supplement relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the conditions (the "Conditions") set forth in the offering circular dated July 13, 2015 (the "offering circular"). This Pricing Supplement contains the final terms of the Notes and is supplemental to and must be read in conjunction with such offering circular.

[The following alternative language applies if the first tranche of an issue which is being increased was issued under an offering circular with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the conditions (the "Conditions") set forth in the offering circular dated [original date]. This Pricing Supplement contains the final terms of the Notes and is supplemental to must be read in conjunction with the offering circular dated [current date] (the "offering circular"), except in respect of the Conditions which are extracted from the offering circular dated [original date] and are attached hereto.]

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Pricing Supplement]

[If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination [must/may need to] be £100,000 or its equivalent in any other currency.]

1.	(i)	Issuer:	Korea Gas Corporation/[NEW ISSUER]
	[(ii)	Guarantor:	Korea Gas Corporation (*delete for direct issues by Korea Gas Corporation*)]
2.	(a)	Series Number:	[●]
	(b)	Tranche Number:	[●] *(If fungible with an existing Series, details of such Series, including the date on which the Notes become fungible)*
	(c)	Re-opening:	[Yes/No] *[Specify terms of initial or eventual fungibility]*
3.	Specified Currency or Currencies:		[●]
4.	Aggregate Nominal Amount:		
	(a)	Series:	[●]
	(b)	Tranche:	[●] *(If fungible with an existing Series, details of such Series, including the date on which the Notes become fungible)*
5.	(a)	Issue Price of Tranche:	[●]% of the Aggregate Principal Amount [plus accrued interest from [*insert date] (in the case of fungible issues only, if applicable)*]
	(b)	Net Proceeds: *(required only for listed issues)*	[●]
	(c)	Use of Proceeds: *(as described in the offering circular/describe)*	[●]
6.	(a)	Specified Denominations:	[●] *(N.B. In the case of Registered Notes, this means the minimum integral amount in which transfers can be made. For Registered Global Notes, consider including language substantially to the following effect (however, appropriate amendments should be made for different currencies) "€100,000 and integral multiples of €1,000 in excess thereof")* *(N.B. For Bearer Notes with a Specified Denomination and higher integral multiples above the minimum denomination, consider including language substantially to the following effect. However, appropriate amendments should be made or different currencies.)*

			("[U.S.$200,000] and integral multiples of [U.S.$1,000] in excess thereof, up to and including [U.S.$399,000] and, for so long as the Notes are represented by a Global Note (as defined below) and Euroclear and Clearstream so permit, the Notes shall be tradable only in the minimum authorized denomination of [U.S.$200,000] and higher integral multiples of [U.S.$1,000], notwithstanding that no definitive notes will be issued with a denomination above [U.S.$399,000].") *(N.B. It should be noted that such Specified Denomination will not be permitted in relation to any issue of Notes which are to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.)*
	(b)	Calculation Amount:	[●] *(If only one Specified Denomination, insert the Specified Denomination. If there is more than one Specified Denomination, insert the highest common factor. N.B. There must be a common factor in the case of two or more Specified Denominations.)*
7.	(a)	Issue Date:	[●]
	(b)	Interest Commencement Date:	*[specify/*Issue Date/Not Applicable*] (N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)*
8.	Maturity Date:		*[Fixed rate — specify date/Floating rate* — Interest Payment Date falling in or nearest to *[specify month and year]]*
9.	Interest Basis:		[[●]% Fixed Rate] [[LIBOR/EURIBOR/ Other reference rate] +/- [●]% Floating Rate] [Zero Coupon] [Index Linked Interest] [Dual Currency Interest] [*specify other*] (further particulars specified below)
10.	Redemption/Payment Basis:		[Redemption at par] [Index Linked Redemption] [Dual Currency Redemption] [Partly Paid] [Installment] [*specify other*]
11.	Change of Interest Basis or Redemption/Payment Basis:		[*Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis*]
12.	Put/Call Options:		[Investor Put] [Issuer Call] [(further particulars specified below)]
13.	Listing:		[*Singapore/specify other/None*]

14.	(a)	Status of the Notes:	[Senior Notes/Senior Guaranteed Notes]
	[(b)	Status of the Guarantee]	[Senior] *(delete for direct issues by Korea Gas Corporation)*
	[(c)	Date of [the Issuer's Board] approval for the issuance of Notes obtained]	[[●]/None required]
	[(d)	Date of [the Guarantor's Board] approval for the making of the Guarantee obtained]	[[●]/None required] *(delete for direct issues by Korea Gas Corporation*)
15.		Method of distribution:	[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16.		Fixed Rate Note Provisions:	[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
	(a)	Rate(s) of Interest:	[●]% per annum [payable [annually/semi-annually/quarterly/ other (*specify*)] in arrear] *(If payable other than annually, consider amending Condition 6 (Interest)*
	(b)	Interest Payment Date(s):	[●] in each year up to and including the Maturity Date] [adjusted in accordance with *[specify Business Day Convention and any applicable Additional Business Center(s) for the definition of "Business Day"] /*not adjusted] / [*specify other*] *(N.B. This will need to be amended in the case of long or short coupons)*
	(c)	Fixed Coupon Amount(s): *(applicable to Notes in definitive form)*	[●] per Calculation Amount
	(d)	Broken Amount(s): *(applicable to Notes in definitive form)*	([●]per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●] [*Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount*]
	(e)	Day Count Fraction:	[30/360 or Actual/Actual (ICMA) or [specify other]]
	(f)	Determination Date(s):	[●] in each year *[Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. This will need to be amended in the case of regular interest payment dates which are not of equal duration. N.B. Only relevant where Day Count Fraction is Actual/Actual (ICMA))*]
	(g)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	[None/*Give details*]

17.	Floating Rate Note Provisions:	[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
(a)	Specified Period(s)/Specified Interest Payment Dates:	[●]
(b)	Business Day Convention:	[Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/[*specify other]]*
(c)	Additional Business Center(s):	*[●] (Insert New York City for U.S. dollar denominated Notes to be held through DTC and for non-US dollar denominated Notes where exchange into U.S. dollars is contemplated for DTC participants holding through Euroclear and Clearstream)*
(d)	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination/*specify other*]
(e)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent):	[●]
(f)	Screen Rate Determination:	
•	Reference Rate:	[●] *(Either LIBOR, EURIBOR or other, although additional information is required if other — including fallback provisions in the Agency Agreement)*
•	Interest Determination Date(s):	[●] *(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or Euro LIBOR)*
•	Relevant Screen Page:	[●] *(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*
(g)	ISDA Determination:	
•	Floating Rate Option:	[●] (*If not on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions, the Issuer shall describe the basis here)*
•	Designated Maturity:	[●]
•	Reset Date:	[●]
(h)	Margin(s):	[+/-][●]% per annum

	(i)	Minimum Rate of Interest:	[●]% per annum
	(j)	Maximum Rate of Interest:	[●]% per annum
	(k)	Day Count Fraction:	[Actual/Actual (ISDA)] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360, 360/360 or Bond Basis] [30E/360 or Eurobond Basis] [30E/360 (ISDA)] [Other] *(See Condition 6 (Interest) for alternatives)*
	(l)	Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[●]
18.	Zero Coupon Note Provisions:		[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
	(a)	Accrual Yield:	[●]% per annum
	(b)	Reference Price:	[●]
	(c)	Any other formula/basis of determining amount payable:	[●]
	(d)	Day Count Fraction in relation to Early Redemption Amounts and late payment:	[Conditions 9.7 *(Redemption and Purchase — Early Redemption Amounts)* and 9.12 *(Redemption and Purchase — Late payment on Zero Coupon Notes)* apply/specify other] *(Consider applicable day count fraction if not U.S. dollar denominated)*
19.	Index Linked Interest Note Provisions:		[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
	(a)	Index/Formula:	[*Give or annex details*]
	(b)	Calculation Agent:	[*give name*]
	(c)	Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Principal Paying Agent):	[●]

	(d)	Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable:	[*Need to include a description of market disruption or settlement disruption events and adjustment provisions*]
	(e)	Specified Period(s)/Specified Interest Payment Dates:	[●]
	(f)	Business Day Convention:	[Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/*specify other*]
	(g)	Additional Business Center(s):	[●]
	(h)	Minimum Rate of Interest:	[●]% per annum
	(i)	Maximum Rate of Interest:	[●]% per annum
	(j)	Day Count Fraction:	[Actual/Actual (ISDA)] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360, 360/360 or Bond Basis] [30E/360 or Eurobond Basis] [30E/360 (ISDA)] [Other] *(See Condition 6 (Interest) for alternatives*)
20.	Dual Currency Interest Note Provisions:		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph)*
	(a)	Rate of Exchange/method of calculating Rate of Exchange:	[Give or annex details]
	(b)	Party, if any, responsible for calculating the principal and/or interest due (if not the Principal Paying Agent):	[●]
	(c)	Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[*Need to include a description of market disruption or settlement disruption events and adjustment provisions*]
	(d)	Person at whose option Specified Currency(ies) is/are payable:	[●]

	(e)	Day Count Fraction:	[Actual/Actual (ISDA)] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360, 360/360 or Bond Basis] [30E/360 or Eurobond Basis] [30E/360 (ISDA)] [Other] *(See Condition 6 (Interest) for alternatives)*

PROVISIONS RELATING TO REDEMPTION

21.	Issuer Call:		[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
	(a)	Optional Redemption Date(s):	[●]
	(b)	Optional Redemption Amount of each Note and method, if any, of calculation of such amount(s):	[[●] per Calculation Amount/*specify other*]
	(c)	If redeemable in part:	
	(i)	Minimum Redemption Amount:	[●] per Calculation Amount
	(ii)	Maximum Redemption Amount:	[●] per Calculation Amount
	(d)	Notice period (if other than as set out in the Conditions):	[●] *(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer and the Guarantor are advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer, the Guarantor and the Principal Paying Agent)*
22.	Investor Put:		[Applicable/Not Applicable*] (If not applicable, delete the remaining subparagraphs of this paragraph)*
	(a)	Optional Redemption Date(s):	[●]
	(b)	Optional Redemption Amount of each Note and method, if any, of calculation of such amount(s):	[[●] per Calculation Amount/*specify other*]

	(c) Notice period (if other than as set out in the Conditions):	[●] *(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer and the Guarantor are advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer, the Guarantor and the Principal Paying Agent)*
23.	Final Redemption Amount:	[[●] per Calculation Amount/*specify other*/see Appendix]
24.	Early Redemption Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 9.7 *(Redemption and Purchase — Early Redemption Amounts))*:	[[●] per Calculation Amount/*specify other*/see Appendix]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25.	Form of Notes:	[Bearer Notes: Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]] [Bearer Notes: Temporary Bearer Global Note exchangeable for Definitive Notes on and after the Exchange Date] [Bearer Notes: Permanent Bearer Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event/at any time at the request of the Issuer]] [Registered Notes: Regulation S Global Note (U.S.$[●] nominal amount) registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream]/Rule 144A Global Note (U.S.$[●] principal amount registered in the name of a nominee for [DTC/ a common depositary for Euroclear and Clearstream]/Definitive IAI Registered Notes (*specify principal amounts*)] *(Ensure that this is consistent with the wording in the "Form of the Notes" section in the offering circular and the Notes themselves. N.B. The exchange upon notice/at any time options for Bearer Notes should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect:* "[U.S.$200,000] and integral multiples of [U.S.$1,000] in excess thereof, up to and including [U.S.$399,000]." *Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.)*

		("[U.S.$200,000] and integral multiples of [U.S.$1,000] in excess thereof, up to and including [U.S.$399,000] and, for so long as the Notes are represented by a Global Note (as defined below) and Euroclear and Clearstream so permit, the Notes shall be tradable only in the minimum authorized denomination of [U.S.$200,000] and higher integral multiples of [U.S.$1,000], notwithstanding that no definitive notes will be issued with a denomination above [U.S.$399,000].")
26.	Additional Financial Center(s) or other special provisions relating to Payment Days:	[Not Applicable/give details*] (Note that this paragraph relates to the place of payment and not Interest Period end dates to which sub-paragraphs 17(c) and 19(g) relate)*
27.	Talons for future Coupons or Receipts to be attached to Definitive Bearer Notes (and dates on which such Talons mature):	[Yes/No. *If yes, give details*]
28.	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	[Not Applicable/give details] (N.B. *A new form of Temporary Global Note and/or Permanent Global Note may be required for Partly Paid issues)*
29.	Details relating to Installment Notes:	
	(a) Installment Amount(s):	[Not Applicable/*give details*]
	(b) Installment Date(s):	[Not Applicable/*give details*]
30.	Redenomination applicable:	Redenomination [not] applicable *[(If Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates))*]
31.	Other terms:	[Not Applicable/*give details*]

Distribution

32.	(a) If syndicated, names of Managers:	[Not Applicable/*give names*]
	(b) Stabilizing Manager(s) (if any):	[Not Applicable/*give name*]
33.	If non-syndicated, name of Relevant Dealer:	[Not Applicable/*give name*]
34.	U.S. Selling Restrictions:	[TEFRA D/ TEFRA C/ TEFRA not applicable (*for Bearer Notes with a maturity of one year or less (including unilateral rollovers and extensions) or Registered Notes)*]

35.	Additional selling restrictions:	[Not Applicable/*give details*]

Operational Information

36.	Any clearing system(s) other than Euroclear and Clearstream and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
37.	Delivery:	Delivery [against/free of] payment
38.	Additional Paying Agent(s) (if any):	

ISIN:	[●]
Common Code:	[●]
CUSIP:	[●]
(insert here any other relevant codes such as CINS)	[Not Applicable/*specify*]

LISTING AND ADMISSION TO TRADING APPLICATION

This Pricing Supplement comprises the pricing supplement required to list the issue of Notes described herein pursuant to the U.S.$8,000,000,000 Global Medium Term Note Program of the Issuer [and the Guarantor].

The Singapore Exchange Securities Trading Limited (the "SGX-ST") assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Pricing Supplement. Approval-in-principle from, admission of the Notes to the Official List of, and listing and quotation of any Notes on, the SGX-ST are not to be taken as an indication of the merits of the Issuer [or the Guarantor], the Program or the Notes.

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

By: ________________________________

Duly authorized

If the applicable Pricing Supplement specifies any modification to the Terms and Conditions of the Notes as described herein, it is envisaged that, to the extent that such modification relates only to Conditions 1 *(Form, Denomination and Title)*, 5 *(Redenomination)*, 6 *(Interest)*, 8 *(Payments)*, 9 *(Redemption and Purchase* (except Condition 9.2 *(Redemption and Purchase — Redemption for tax reasons)*), 13 *(Replacement of Notes, Receipts, Coupons and Talons)*, 14 *(Agents)*, 15 *(Exchange of Talons)*, 16 *(Notices)* (insofar as such Notes are not listed or admitted to trade on any stock exchange) or 18 *(Further Issues)*, they will not necessitate the preparation of a supplement to this offering circular. If the Terms and Conditions of the Notes of any Series are to be modified in any other respect, a supplement to this offering circular will be prepared, if appropriate.

TERMS AND CONDITIONS OF THE NOTES

*The following are the Terms and Conditions (the "**Conditions**") of the Notes (as defined below) which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the rules of the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Conditions. The applicable Pricing Supplement in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Conditions, replace or modify the following Conditions for the purpose of such Notes. The applicable Pricing Supplement (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "Form of the Notes" for a description of the content of the Pricing Supplements which will specify which of such terms are to apply in relation to the relevant Notes.*

This Note is one of a Series (as defined below) of Notes issued by Korea Gas Corporation (the "**Company**") or any additional issuer which is a Subsidiary (as defined below) of the Company and has acceded to the Program by executing an accession agreement pursuant to the terms of the Agency Agreement (as defined below) (each of the Company and such additional issuers, in relation to the Notes issued by it, the "**Issuer**", and each of such additional issuers, excluding the Company, a "**Guaranteed Issuer**"). Notes issued by a Guaranteed Issuer will be guaranteed by the Company (in such capacity, the "**Guarantor**"). References to the Guarantor in the Conditions shall only be relevant in the context of Notes issued by a Guaranteed Issuer.

References herein to the "**Notes**" shall be references to the Senior Notes or the Senior Guaranteed Notes (each as defined in Condition 3 below), as the case may be, of this Series issued by the Issuer (and in the case of issuance by a Guaranteed Issuer, guaranteed by the Guarantor) and shall mean:

(a) in relation to any Notes represented by a global Note (a "**Global Note**"), units of the lowest Specified Denomination in the Specified Currency (as defined below);

(b) any Global Note;

(c) any definitive Notes in bearer form ("**Bearer Notes**"), issued in exchange for a Global Note in bearer form; and

(d) any definitive Notes in registered form ("**Registered Notes**") (whether or not issued in exchange for a Global Note in registered form).

The Notes, and in the case of the Bearer Notes, the Receipts (as defined below) and the Coupons (as defined below), are issued pursuant to, and have the benefit of, an agency agreement dated September 30, 2010, as amended on January 5, 2012 and January 24, 2014 (such agency agreement as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**"), and made among the Company, The Bank of New York Mellon, London Branch, as principal paying agent, paying agent and transfer agent (each, a "**Principal Paying Agent**", a "**Paying Agent**" and a "**Transfer Agent**", each of which terms including any successor thereto or additional such agent appointed pursuant to the terms of the Agency Agreement, and collectively (and together with the Registrar and the Euro Registrar (each as defined below)), the "**Agents**"), The Bank of New York Mellon, as Paying Agent, Transfer Agent and registrar (the "**Registrar**") (which term including any successor thereto) and The Bank of New York Mellon (Luxembourg) S.A., as the Euro registrar (the "**Euro Registrar**") (which term including any successor thereto).

Interest-bearing definitive Bearer Notes have (unless otherwise indicated in the applicable Pricing Supplement) interest coupons ("**Coupons**") and, if indicated in the applicable Pricing Supplement, talons for further Coupons ("**Talons**") attached on issue. Any reference herein to

Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Bearer Notes repayable in installments have receipts ("**Receipts**") for the payment of the installments of principal (other than the final installment) attached on issue. Registered Notes and Global Notes do not have Receipts, Coupons or Talons attached on issue.

The Pricing Supplement for this Note (or the relevant provisions thereof) is attached to or endorsed on this Note and supplements these Conditions, and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Conditions, replace or modify these Conditions for the purposes of this Note. References to the "**applicable Pricing Supplement**" are to the Pricing Supplement (or the relevant provisions thereof) attached to or endorsed on this Note.

Any reference to "**Noteholders**" or "**holders**" in relation to any Notes shall mean (in the case of Bearer Notes) the holders of the Notes and (in the case of Registered Notes) the persons in whose name the Notes are registered and shall, in relation to any Notes represented by a Global Note, be construed as provided below. Any reference herein to "**Receiptholders**" shall mean the holders of the Receipts, and any reference herein to "**Couponholders**" shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, "**Tranche**" means Notes which are identical in all respects (including as to listing and admission to trading), and "**Series**" means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (a) expressed to be consolidated and form a single series and (b) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates (if applicable) and/or Issue Prices (if applicable).

Copies of the Agency Agreement are available for inspection during normal business hours at the specified office of each of the Agents. Copies of the applicable Pricing Supplement are available for inspection during normal business hours at the specified office of each of the Agents except that, if this Note is an unlisted Note of any Series, the applicable Pricing Supplement will only be available for inspection by a Noteholder holding one or more unlisted Notes of such Series and such Noteholder must produce evidence satisfactory to the relevant Agent as to its holding of such Notes and its identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement and the applicable Pricing Supplement which are applicable to them. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

Words and expressions defined in the Agency Agreement or used in the applicable Pricing Supplement shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the applicable Pricing Supplement, or between these Conditions and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

1. FORM, DENOMINATION AND TITLE

The Notes may be issued in bearer form or in registered form as specified in the applicable Pricing Supplement and, in the case of definitive Notes, will be serially numbered, in the Specified Currency and the Specified Denomination(s). Except as provided in Condition 2 (*Transfers of Registered Notes*), Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination, and Bearer Notes may not be exchanged for Registered Notes and *vice versa*. Registered Notes are represented by registered certificates and, except as provided in Condition 2.3, each such certificate shall represent the entire holding of Registered Notes by the same holder.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, a Dual Currency Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Pricing Supplement.

This Note may be an Index Linked Redemption Note, an Installment Note, a Dual Currency Redemption Note, a Partly Paid Note or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Pricing Supplement. This Note may also be a Limited Recourse Note, as indicated in the applicable Pricing Supplement.

Definitive Bearer Notes are issued with Coupons attached and (if applicable) Receipts and Talons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in these Conditions are not applicable.

Subject as set out below, title to Bearer Notes, Receipts and Coupons will pass by delivery and title to the Registered Notes will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer, the Guarantor and any Agent will (except as otherwise required by law) deem and treat the bearer of any Bearer Note, Receipt or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph, and no person shall be liable for so treating the holder.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank S.A./N.V. as operator of the Euroclear system ("**Euroclear**") and/or Clearstream Banking, *société anonyme* ("**Clearstream**"), each person (other than Euroclear or Clearstream) who is for the time being shown in the records of Euroclear or Clearstream as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Guarantor and the Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer, the Guarantor and any Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions "**Noteholder**" and "**holder of Notes**" and related expressions shall be construed accordingly. For so long as The Depository Trust Company ("**DTC**") or its nominee is the registered owner or holder of a Registered Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Registered Global Note for all purposes under the Agency Agreement and the Notes except to the extent that in accordance with DTC's published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of DTC, Euroclear and Clearstream, as the case may be. References to DTC, Euroclear and/or Clearstream shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement.

For so long as the Notes are listed on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") and the rules of the SGX-ST so require, the Issuer and the Guarantor (if applicable) will appoint and maintain a paying and transfer agent in Singapore, where the Notes may be presented or surrendered for payment or redemption, in the event that the Global Note is exchanged for definitive Notes. In addition, an announcement of such exchange will be made by or on behalf of the Issuer and the Guarantor (if applicable) through the SGX-ST. Such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying and transfer agent in Singapore.

2. TRANSFERS OF REGISTERED NOTES

2.1 Transfers of interests in Registered Global Notes

Transfers of beneficial interests in Registered Global Notes will be effected by DTC, Euroclear or Clearstream, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Notes in definitive form or for a beneficial interest in another Registered Global Note only in the authorized denominations set out in the applicable Pricing Supplement and only in accordance with the rules and operating procedures for the time being of DTC, Euroclear or Clearstream, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement. Transfers of a Registered Global Note registered in the name of a nominee for DTC shall be limited to transfers of such Registered Global Note, in whole but not in part, to another nominee of DTC or to a successor of DTC or such successor's nominee.

2.2 Transfers of Registered Notes in definitive form

Subject as provided in Conditions 2.5 (*Transfers of Registered Notes — Transfers of interests in Regulation S Global Notes*), 2.6 (*Transfers of Registered Notes — Transfers of interests in Legended Notes*) and 2.7 (*Transfers of Registered Notes — Exchanges and transfers of Registered Notes generally*), upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Note in definitive form may be transferred in whole or in part in the authorized denominations set out in the applicable Pricing Supplement. In order to effect any such transfer (i) the holder or holders must (A) surrender the Registered Note for registration of the transfer of the Registered Note, or the relevant part of the Registered Note, at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorized in writing, and (B) complete and deposit such other certifications as may be required by the Registrar or, as the case may be, the relevant Transfer Agent, and (ii) the Registrar or, as the case may be, the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 8 to the Agency Agreement). Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within seven business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and make available for collection at the specified office of the Transfer Agent, or deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Registered Note in definitive form of a like aggregate nominal amount to the Registered Note (or the relevant part of the Registered Note) transferred. In the case of the transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

2.3 Registration of transfer upon partial redemption

In the event of a partial redemption of Notes under Condition 9 (Redemption and Purchase), the Issuer shall not be required to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

2.4 Costs of registration

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer (or the Guarantor, as applicable) may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

2.5 Transfers of interests in Regulation S Global Notes

Prior to expiry of the applicable Distribution Compliance Period (as defined below), transfers by the holder of, or of a beneficial interest in, a Regulation S Global Note (as defined below) to a transferee in the United States or who is a U.S. person will only be made:

(a) upon receipt by the Registrar of a written certification substantially in the form set out in the Agency Agreement, amended as appropriate (a "**Transfer Certificate**"), copies of which are available from the specified office of the Registrar or any Transfer Agent, from the transferor of the Note or beneficial interest therein to the effect that such transfer is being made:

(i) to a person whom the transferor reasonably believes is a QIB (as defined below) in a transaction meeting the requirements of Rule 144A (as defined below); or

(ii) to a person who is an Institutional Accredited Investor, in which case the Transfer Certificate must be accompanied by a duly executed investment letter from the relevant transferee substantially in the form set out in Schedule 3 of the Agency Agreement (an "**IAI Investment Letter**"); or

(b) otherwise pursuant to the Securities Act (as defined below) or an exemption therefrom, subject to receipt by the Issuer and the Guarantor of such satisfactory evidence as the Issuer and the Guarantor may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable federal securities laws of the United States or any applicable securities laws of any state of the United States,

and, in each case, in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

In the case of (i) above, such transferee may take delivery through a Legended Note (as defined below) in global or definitive form, and, in the case of (ii) above, such transferee may take delivery only through a Legended Note in definitive form. After expiry of the applicable Distribution Compliance Period (a) beneficial interests in Regulation S Global Notes registered in the name of a nominee for DTC may be held through DTC directly, by a participant in DTC, or indirectly through a participant in DTC, and (b) such certification requirements will no longer apply to such transfers.

2.6 Transfers of interests in Legended Notes

Transfers of Legended Notes or beneficial interests therein may be made:

(a) to a transferee who takes delivery of such interest through a Regulation S Global Note, upon receipt by the Registrar of a duly completed Transfer Certificate from the transferor to the effect that such transfer is being made in accordance with Regulation S (as defined below) and that in the case of a Regulation S Global Note registered in the name of a nominee for DTC, if such transfer is being made prior to expiry of the applicable Distribution Compliance Period, the interests in the Notes being transferred will be held immediately thereafter through Euroclear and/or Clearstream; or

(b) to a transferee who takes delivery of such interest through a Legended Note:

(i) where the transferee is a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, without certification; or

(ii) where the transferee is an Institutional Accredited Investor, subject to delivery to the Registrar of a Transfer Certificate from the transferor to the effect that such transfer is being made to an Institutional Accredited Investor, together with a duly executed IAI Investment Letter from the relevant transferee; or

(c) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer and the Guarantor of such satisfactory evidence as the Issuer and the Guarantor may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable federal securities laws of the United States or any applicable securities laws of any state of the United States,

and in each case, in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

Notes transferred by Institutional Accredited Investors to QIBs pursuant to Rule 144A or outside the United States pursuant to Regulation S will be eligible to be held by such QIBs or non-U.S. investors through DTC, Euroclear or Clearstream, as appropriate, and the Registrar will arrange for any Notes which are the subject of such a transfer to be represented by the appropriate Registered Global Note, where applicable.

Upon the transfer, exchange or replacement of Legended Notes, or upon specific request for removal of the Legend, the Registrar shall deliver only Legended Notes or refuse to remove the Legend, as the case may be, unless there is delivered to the Issuer and the Guarantor such satisfactory evidence as may reasonably be required by the Issuer and the Guarantor, which may include an opinion of U.S. counsel, that neither the Legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

2.7 Exchanges and transfers of Registered Notes generally

Holders of Registered Notes in definitive form, other than Institutional Accredited Investors, may exchange such Notes for interests in a Registered Global Note of the same type at any time.

2.8 Closed Periods

No Noteholder may require the transfer of a Registered Note to be registered during (i) the period of 15 days ending on the due date for any redemption or payment of principal or interest or payment on such Note and (ii) during the 15 days before any dates on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 9.3, (iii) after any such Note has been called for redemption or (iv) during the period of seven (7) days ending (and including) on any Record Date (as defined below).

2.9 Definitions

In this Condition, the following expressions shall have the following meanings:

"**Distribution Compliance Period**" means the period that ends 40 days after the completion of the distribution of each Tranche of Notes, as certified by the relevant Dealer (in the case of a non-syndicated issue) or the relevant Lead Manager (in the case of a syndicated issue);

"**Institutional Accredited Investor**" means "**accredited investors**" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) that are institutions;

"**Legended Note**" means Registered Notes in definitive form that are issued to Institutional Accredited Investors and Registered Notes (whether in definitive form or represented by a Registered Global Note) sold in private transactions to QIBs in accordance with the requirements of Rule 144A;

"**QIB**" means a "**qualified institutional buyer**" within the meaning of Rule 144A;

"**Regulation S**" means Regulation S under the Securities Act;

"**Regulation S Global Note**" means a Registered Global Note representing Notes sold outside the United States in reliance on Regulation S;

"**Rule 144A**" means Rule 144A under the Securities Act;

"**Rule 144A Global Note**" means a Registered Global Note representing Notes sold in the United States or to QIBs; and

"**Securities Act**" means the United States Securities Act of 1933, as amended.

3. STATUS OF THE NOTES; GUARANTEE

3.1 Senior Notes

This Condition 3.1 is applicable to all Notes which are specified in the applicable Pricing Supplement as being Senior Notes issued by the Company ("**Senior Notes**").

The Senior Notes and any Receipts and Coupons relating thereto are direct, unconditional, unsubordinated and (subject to Condition 4 (*Certain Covenants*)) unsecured general obligations of the Company and shall at all times rank pari passu, without any preference among themselves and (except for certain obligations required to be preferred by applicable law) equally with all other unsecured and unsubordinated general obligations of the Company, from time to time outstanding.

3.2 Senior Guaranteed Notes

This Condition 3.2 is applicable to all Notes which are specified in the applicable Pricing Supplement as being Senior Guaranteed Notes issued by a Guaranteed Issuer ("**Senior Guaranteed Notes**").

The Senior Guaranteed Notes and any Receipts and Coupons relating thereto are direct, senior, unconditional, unsubordinated and (subject to Condition 4 (*Certain Covenants*)) unsecured general obligations of the relevant Guaranteed Issuer and shall at all times rank pari passu, without any preference among themselves and (except for certain obligations required to be preferred by applicable law) equally with all other unsecured and unsubordinated general obligations of such Guaranteed Issuer, from time to time outstanding.

The Senior Guaranteed Notes and any Receipts and Coupons relating thereto are guaranteed as to payment of principal and interest by the Guarantor as set forth in Condition 3.3.

In relation to each Series of Senior Guaranteed Notes and any Receipts and Coupons relating thereto, claims in respect of the Guarantee (as defined below) shall at all times rank pari passu and (except for certain obligations required to be preferred by applicable law) equally with all other unsecured and unsubordinated general obligations of the Guarantor, from time to time outstanding.

3.3 Guarantee

The Guarantor unconditionally and irrevocably guarantees (the "**Guarantee**") to each holder of the Senior Guaranteed Notes and any Receipts and Coupons relating thereto the due payment of all amounts owing from time to time under the Senior Guaranteed Notes and the related Receipts and Coupons.

The Guarantee is a guarantee of payment and not a guarantee of collection.

The Guarantee is a direct, senior, unconditional, unsubordinated and (subject to Condition 4 (*Certain Covenants*)) unsecured general obligation of the Guarantor and shall at all times rank pari passu and (except for certain obligations required to be preferred by applicable law) equally with all other unsecured and unsubordinated general obligations of the Guarantor, from time to time outstanding.

4. CERTAIN COVENANTS

4.1 Negative Pledge

So long as any of the Notes of this Series remains outstanding, neither the Issuer nor the Guarantor will create or permit to be outstanding any mortgage, charge, lien, pledge or other security interest ("**Security**") upon the whole or part of its property, assets or revenues, present or future, to secure for the benefit of the holders of any International Investment Securities (as defined below) (i) payment of any sum due in respect of any such securities or (ii) any payment under any guarantee of any such securities or (iii) any payment under any indemnity or other like obligation relating to any such securities, without in any such case at the same time according to the Notes of this Series and the Receipts and Coupons applicable thereto, either the same security as is granted to or is outstanding in respect of such International Investment Securities, guarantee, indemnity or other like obligation or such other security as shall be approved by an Extraordinary Resolution passed at a meeting of the Noteholders of this Series.

The foregoing shall not operate to restrict or prohibit the creation or existence of any Security solely in Receivables (as defined below) securing payment of interest or principal of, payment under any guarantee of, or payment under any indemnity relating to, any International Investment Securities issued by a wholly-owned Subsidiary (or another Person in which the Issuer or the Guarantor makes an investment and to which the Issuer or the Guarantor transfers Receivables and related assets) of the Issuer or the Guarantor.

As used herein:

"**International Investment Securities**" means notes, debentures, bonds or investment securities of the Issuer which:

(A) either are by their terms payable, or confer a right to receive payment, in any currency other than Korean Won or are denominated in Korean Won and more than 50% of the aggregate principal amount thereof is initially distributed outside Korea by or with the authorization of the Issuer and the Guarantor; and

(B) are for the time being, or are intended to be, quoted, listed, ordinarily dealt in or traded on any stock exchange or over-the-counter or other securities market outside Korea.

"**Person**" means any individual, corporation, company, firm, tribunal, undertaking, association, organization, partnership, joint venture, trust, limited liability company, unincorporated organization or government or any agency, instrumentality or political subdivision thereof; in each case whether or not being a separate legal entity.

"**Receivable**" means a right to receive payment arising from a sale or lease of goods (including oil or gas reserves and equipment) or the performance of services by a Person pursuant to an arrangement with another Person pursuant to which such other Person is obligated to pay for such goods or services under terms that permit the purchase of such goods and services on credit.

"**Relevant GAAP**" means such accounting principles which are generally accepted in the jurisdiction of the Relevant Issuer's or the Guarantor's incorporation, as applicable.

"**Subsidiary**" means (i) any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by the Issuer or Guarantor or (ii) any subsidiary subject to consolidation with the Issuer or the Guarantor's financial statements under Relevant GAAP.

4.2 Consolidation, Merger and Sale of Assets

Each of the Issuers and the Guarantor, without the consent of the Noteholders, may consolidate with, or merge into, or sell, transfer, lease or convey its assets as an entirety or substantially as an entirety to any corporation organized under the laws of the respective jurisdiction of its incorporation; provided that (i) any successor corporation expressly assumes the applicable obligations of the Issuer or the Guarantor, as the case may be, under the Notes, the Guarantee (if applicable) and the Agency Agreement, as the case may be, (ii) after giving effect to the transaction, with respect to the Issuer or the Guarantor, as the case may be, or any such successor corporation, no Event of Default (as defined below) and no event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing, and (iii) the Issuer or the Guarantor, as the case may be, has delivered to the Principal Paying Agent a certificate executed by a duly authorized officer of the Issuer or the Guarantor, as the case may be, and an opinion of counsel as to matters of law stating that such consolidation, merger, sale, transfer, lease or conveyance and, if a supplemental agency agreement is required in connection with such transaction, such supplemental agency agreement comply with the Agency Agreement and the Notes and that all conditions precedent herein provided for relating to such transaction have been complied with.

4.3 Provision of Information to Noteholders

Each of the Issuers and the Guarantor covenants that for so long as any of the Notes are "restricted securities" within the meaning of Rule 144 under the Securities Act, it will, at any time when it is not subject to either the periodic reporting requirements of Section 13 or Section 15(d) of the Exchange Act or the requirements of Rule 12g3-2(b) thereunder, provide to any Noteholder or prospective purchaser of Notes designated by such Noteholder, upon the request of such Noteholder or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the Securities Act.

5. REDENOMINATION

5.1 Redenomination

Where redenomination is specified in the applicable Pricing Supplement as being applicable, the Issuer may, without the consent of the Noteholders, the Receiptholders and the Couponholders, on giving prior notice to the applicable Agent, DTC, Euroclear and Clearstream and at least 30 days' prior notice to the Noteholders in accordance with Condition 16 (Notices), elect that, with effect from the Redenomination Date specified in the notice, the Notes shall be redenominated in Euro.

The election will have effect as follows:

(a) the Notes and the Receipts shall be deemed to be redenominated into Euro with a principal amount for each Note and Receipt equal to the principal amount of that Note or Receipt in the Specified Currency, converted into Euro at the Established Rate, rounded to the nearest Euro 0.01 if the conversion results in an amount involving a fraction of Euro 0.01, *provided* that, if the Issuer determines, with prior notice to the applicable Agents, that the then market practice in respect of the redenomination into Euro of internationally offered securities is different from the provisions specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, the stock exchange (if any) on which the Notes may be listed and the applicable Agents of such deemed amendments;

(b) except to the extent that an Exchange Notice (as defined below) has been given in accordance with paragraph (d) below, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate principal amount of Notes presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest Euro 0.01;

(c) if definitive Notes are required to be issued after the Redenomination Date, they shall be issued at the expense of the Issuer in the denominations of Euro 1,000, Euro 10,000, Euro 100,000 and (but only to the extent of any remaining amounts less than Euro 1,000 or such smaller denominations as stated in prior notice to the applicable Agent) Euro 0.01 and such other denominations as the applicable Agent shall be notified of by the Issuer or the Guarantor and notify the same to the Noteholders;

(d) if issued prior to the Redenomination Date, all unmatured Coupons denominated in the Specified Currency (whether or not attached to the Notes) will become void with effect from the date on which the Issuer gives notice (the "**Exchange Notice**") that replacement Euro-denominated Notes, Receipts and Coupons are available for exchange (provided that such securities are so available) and no payments will be made in respect of them. The payment obligations contained in any Notes and Receipts so issued will also become void on that date although those Notes and Receipts will continue to constitute valid exchange obligations of the Issuer. New Euro-denominated Notes, Receipts and Coupons will be issued in exchange for Notes, Receipts and Coupons denominated in the Specified Currency in such manner as the applicable Agent may specify acting on the instruction of the Issuer and as shall be notified to the Noteholders in the Exchange Notice. No Exchange Notice may be given less than 15 days prior to any date for payment of principal or interest on the Notes;

(e) after the Redenomination Date, all payments in respect of the Notes, the Receipts and the Coupons, other than payments of interest in respect of periods commencing before the Redenomination Date, will be made solely in Euro as though references in the Notes to the Specified Currency were to Euro. Payments will be made in Euro by credit or transfer to a Euro account (or any other account to which Euro may be credited or transferred) specified by the payee or, at the option of the payee, by a Euro check;

(f) if the Notes are Fixed Rate Notes and interest for any period ending on or after the Redenomination Date is required to be calculated for a period ending other than on an Interest Payment Date (as defined below) (as specified in the applicable Pricing Supplement), it will be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction (as defined below), and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention;

(g) if the Notes are Floating Rate Notes, the applicable Pricing Supplement will specify any relevant changes to the provisions relating to interest; and

(h) such other changes shall be made to this Condition as the Issuer may decide, after prior notice to the applicable Agent, and as may be specified in the notice, to conform it to conventions then applicable to instruments denominated in Euro.

5.2 Interpretation

In these Conditions, the following expressions have the following meanings:

"**Established Rate**" means the rate for the conversion of the Specified Currency (including compliance with rules relating to rounding in accordance with applicable European Community regulations) into Euro established by the Council of the European Union pursuant to Article 123 of the Treaty;

"**Euro**" or "**euro**" means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty;

"**Redenomination Date**" means (in the case of interest bearing Notes) any date for payment of interest under the Notes or (in the case of Zero Coupon Notes) any date, in each case specified by the Issuer in the notice given to the Noteholders pursuant to Condition 5.1 *(Redenomination)* above and which falls on or after the date on which the country of the Specified Currency first participates in the third stage of European economic and monetary union; and

"**Treaty**" means the Treaty establishing the European Community (signed in Rome on March 25, 1957), as amended from time to time.

6. INTEREST

6.1 Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date at the rate(s) per annum (expressed as a percentage) equal to the Rate(s) of Interest. Interest will be payable in arrears on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Pricing Supplement, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Pricing Supplement, amount to the Broken Amount so specified.

Except in the case of Notes in definitive form where a Fixed Coupon Amount or Broken Amount is specified in the applicable Pricing Supplement, interest shall be calculated in respect of any period by applying the Rate of Interest to:

(A) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or

(B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form comprises more than one Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

In these Conditions:

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest, in accordance with this Condition 6.1:

(a) if "**Actual/Actual (ICMA)**" is specified in the applicable Pricing Supplement:

(i) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the "**Accrual Period**") is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period (as defined below) and (2) the number of Determination Dates (as specified in the applicable Pricing Supplement) that would occur in one calendar year; or

(ii) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(b) if "**30/360**" is specified in the applicable Pricing Supplement, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

"**Determination Period**" means each period from (and including) a Determination Date to but excluding the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date);

"**Fixed Interest Period**" means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date; and

"**sub-unit**" means, with respect to any currency other than Euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to Euro, one cent.

6.2 Interest on Floating Rate Notes and Index Linked Interest Notes

(a) *Interest Payment Dates*

Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date and such interest will be payable in arrears on either:

(i) the Specified Interest Payment Date(s) in each year specified in the applicable Pricing Supplement; or

(ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Pricing Supplement, each date (each such date, together with each Specified Interest Payment Date, an "**Interest Payment Date**") which falls the number of months or other period specified as the Specified Period in the applicable Pricing Supplement after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in these Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Pricing Supplement and (x) if there is no numerically corresponding day on the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day (as defined below), then, if the Business Day Convention specified is:

(A) in any case where Specified Periods are specified in accordance with Condition 6.2 (*Interest — Interest on Floating Rate Notes and Index Linked Interest Notes — (a)(ii)*) above, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis* or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day, and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or

(B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Conditions, "**Business Day**" means a day which is both:

(x) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London, New York and any Additional Business Center specified in the applicable Pricing Supplement; and

(y) either (i) in relation to any sum payable in a Specified Currency other than Euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial center of the country of the relevant Specified Currency (if other than London, New York and any Additional Business Center and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Melbourne or Wellington, respectively) or (ii) in relation to any sum payable in Euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the "**TARGET2 System**") is open.

(b) *Rate of Interest*

The Rate of Interest payable from time to time in respect of Floating Rate Notes and Index Linked Interest Notes will be determined in the manner specified in the applicable Pricing Supplement.

(i) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate (as defined below) plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any). For the purposes of this sub-paragraph (i), "**ISDA Rate**" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes of this Series (the "**ISDA Definitions**") and under which:

(1) the Floating Rate Option is as specified in the applicable Pricing Supplement;

(2) the Designated Maturity is a period specified in the applicable Pricing Supplement; and

(3) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate ("**LIBOR**") or on the Euro-zone inter-bank offered rate ("**EURIBOR**"), the first day of that Interest Period or (ii) in any other case, as specified in the applicable Pricing Supplement.

For the purposes of this sub-paragraph (i), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**" and "**Reset Date**" have the meanings given to those terms in the ISDA Definitions.

(ii) Screen Rate Determination for Floating Rate Notes

(A) Where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, is either:

(1) the offered quotation; or

(2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any), all as determined by the Principal Paying Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

(B) If the Relevant Screen Page is not available or, if in the case of Condition 6.2(b)(ii)(A)(1) above, no such offered quotation appears or, in the case of Condition 6.2(b)(ii)(A)(2) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph the Principal Paying Agent shall request each of the Reference Banks (as defined below) to provide the Principal Paying Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately 11:00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Principal Paying Agent with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of such offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Principal Paying Agent.

(C) If on any Interest Determination Date fewer than two Reference Banks provide the Principal Paying Agent with such offered quotations as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Principal Paying Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Principal Paying Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately 11:00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Principal Paying Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately 11:00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer and the Guarantor suitable for such purpose) informs the Principal Paying Agent it is quoting to leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Period).

(D) "**Reference Banks**" means, in the case of Condition 6.2(b)(ii)(A)(1) above, those banks whose offered rates were used to determine such quotation when such quotation last appeared on the Relevant Screen Page and, in the case of Condition 6.2(b)(ii)(A)(2) above, those banks whose offered quotations last appeared on the Relevant Screen Page when no fewer than three such offered quotations appeared.

(E) If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Pricing Supplement as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Pricing Supplement.

(c) *Minimum Rate of Interest and/or Maximum Rate of Interest*

If the applicable Pricing Supplement specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Pricing Supplement specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(d) *Determination of Rate of Interest and Calculation of Interest Amounts*

The Principal Paying Agent, in the case of certain Floating Rate Notes, and the Calculation Agent, in the case of Index Linked Interest Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. Where applicable, the Calculation Agent will notify the Principal Paying Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Principal Paying Agent or the Calculation Agent (where applicable) will calculate the amount of interest (the "**Interest Amount**") payable on the Floating Rate Notes or Index Linked Interest Notes for the relevant Interest Period by applying the Rate of Interest to:

(A) in the case of Floating Rate Notes or Index Linked Interest Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or

(B) in the case of Floating Rate Notes or Index Linked Interest Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note or an Index Linked Interest Note in definitive form comprises more than one Calculation Amount, the Interest Amount payable in respect of such Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest in accordance with this Condition 6.2:

(1) if "**Actual/Actual (ISDA)**" or "**Actual/Actual**" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

(2) if "**Actual/365 (Fixed)**" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365;

(3) if "**Actual/365 (Sterling)**" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365, or in the case of an Interest Payment Date falling in a leap year, 366;

(4) if "**Actual/360**" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 360;

(5) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \text{ x } (Y_2 - Y_1)] + [30 \text{ x } (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

Y_1 is the year, expressed as a number, in which the first day of the Interest Period falls;

Y_2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M_1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M_2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D_1 is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D_1 will be 30; and

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

(6) if "**30E/360**" or "**Eurobond Basis**" is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \text{ x } (Y_2 - Y_1)] + [30 \text{ x } (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

Y_1 is the year, expressed as a number, in which the first day of the Interest Period falls;

Y_2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M_1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M_2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D_1 is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D_1 will be 30; and

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D_2 will be 30;

(7) if "**30E/360 (ISDA)**" is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \text{ x } (Y_2 - Y_1)] + [30 \text{ x } (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

Y_1 is the year, expressed as a number, in which the first day of the Interest Period falls;

Y_2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M_1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M_2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D_1 is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31 and D_2 will be 30.

(e) *Notification of Rate of Interest and Interest Amounts*

The Principal Paying Agent or the Calculation Agent (where applicable) will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and notice thereof to be published in accordance with Condition 16 (*Notices*) as soon as practicable after their determination but in no event later than the fourth London Business Day (as defined below) thereafter, provided that such notification details are provided by the Issuer to the Agent, or in accordance with Annex D of the Procedures Memorandum. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to the Issuer and each stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and to the Noteholders in accordance with Condition 16 (*Notices*). For the purposes of this paragraph, the expression "**London Business Day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(f) *Certificates to be Final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 6.2, whether by the Principal Paying Agent or, if applicable, the Calculation Agent, shall (in the absence of willful misconduct, fraud or gross negligence) be binding on the Issuer, the Guarantor (if applicable), the Principal Paying Agent, the Calculation Agent (if applicable), the other Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Guarantor (if applicable), the Noteholders, the Receiptholders or the Couponholders shall attach to the Principal Paying Agent or the Calculation Agent (if applicable) in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

6.3 Zero Coupon Notes

Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount (as defined below) of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such Note shall be a rate per annum (expressed as a percentage) equal to the Accrual Yield (as described in paragraph (c) of Condition 9.7).

6.4 Interest on Dual Currency Interest Notes

The rate or amount of interest payable in respect of Dual Currency Interest Notes shall be determined in the manner specified in the applicable Pricing Supplement.

6.5 Interest on Partly Paid Notes

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Pricing Supplement.

6.6 Accrual of Interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

(a) the date on which all amounts due in respect of such Note have been paid; and

(b) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Principal Paying Agent or the Registrar, as the case may be, and notice to that effect has been given to the Noteholders in accordance with Condition 16 (*Notices*).

7. LIMITED RECOURSE

The amounts payable in respect of the Limited Recourse Notes shall be determined in the manner specified in the applicable Pricing Supplement.

8. PAYMENTS

8.1 Method of payment

Subject as provided below:

(a) payments in a Specified Currency other than Euro will be made by credit or transfer to an account in the relevant Specified Currency (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by the payee with, or, at the option of the payee, by a check in such Specified Currency drawn on, a bank in the principal financial center of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Melbourne or Wellington, respectively); and

(b) payments in Euro will be made by credit or transfer to a Euro account (or any other account to which Euro may be credited or transferred) specified by the payee or, at the option of the payee, by a Euro check.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 10 (*Taxation*). References to "**Specified Currency**" will include any successor currency under applicable law.

8.2 Presentation of definitive Bearer Notes, Receipts and Coupons

Payments of principal in respect of definitive Bearer Notes will (subject as provided below) be made in the manner provided in Condition 8.1 (*Payments — Method of payment*) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)) and in each case payments will not be made by a transfer of funds to an account maintained by the payee in the United States or mailed to an address in the United States.

Payments of installments of principal (if any) in respect of definitive Bearer Notes, other than the final installment, will (subject as provided below) be made in the manner provided in Condition 8.1 (*Payments — Method of payment*) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final installment will be made in the manner provided in Condition 8.1 (*Payments — Method of paymen*t) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Bearer Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant installment together with the definitive Bearer Note to which it appertains. Receipts presented without the definitive Bearer Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Bearer Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive bearer form (other than Dual Currency Notes, Index Linked Notes or Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 10 (*Taxation*)) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 11 (*Prescription*)) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note, Index Linked Note or Long Maturity Note in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A "**Long Maturity Note**" is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Bearer Note.

8.3 Payments in respect of Bearer Global Notes

Payments of principal and interest (if any) in respect of any Notes represented by any Global Note in bearer form will (subject as provided below) be made in the manner specified above in relation to definitive Bearer Notes and otherwise in the manner specified in the relevant Global Note against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of any Global Note in bearer form, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note by the relevant Paying Agent to which it was presented and such record shall be *prima facie* evidence that the payment in question has been made.

8.4 Payments in respect of Registered Notes

Payments of principal (other than installments of principal prior to the final installment) in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the "**Register**"), (i) where the Notes are in global form, at the close of business day (being for this purpose, a day on which Euroclear, Clearstream or DTC, as the case may be, are open for business in respect of Notes cleared through Euroclear, Clearstream or DTC, as the case may be) before the relevant date and (ii) where the Notes are in definitive form, at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. Notwithstanding the previous sentence, if (a) a holder does not have a Designated Account or (b) the principal amount of the Notes held by a holder is less than U.S.$250,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a check in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, "**Designated Account**" means the account (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by a holder with a Designated Bank and identified as such in the Register and "**Designated Bank**" means (in the case of payment in a Specified Currency other than Euro) a bank in the principal financial center of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Melbourne or Wellington, respectively) and (in the case of a payment in Euro) any bank which processes payments in Euro.

Payments of interest and payments of installments of principal (other than the final installment) in respect of each Registered Note (whether or not in global form) will be made by a check in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Registered Note appearing in the relevant Register, (i) where the Notes are in global form, at the close of business day (being for this purpose, a day on which Euroclear, Clearstream or DTC, as the case may be, are open for business in respect of Notes cleared through Euroclear, Clearstream or DTC, as the case may be) before the relevant date and (ii) where the Notes are in definitive form, at the close of business on the fifteenth day (whether or not such fifteenth day is a business day) before the relevant due date (the "**Record Date**") at his address shown in the Register on the Record Date and at his risk. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest or an installment of principal (other than the final installment) in respect of a Registered Note, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) and installments of principal (other than the final installment) in respect of the Registered Notes which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Note on redemption and the final installment of principal will be made in the same manner as payment of the principal amount of such Registered Note.

Holders of Registered Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Note as a result of a check posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Notes.

All amounts payable to DTC or its nominee as registered holder of a Registered Global Note in respect of Notes denominated in a Specified Currency other than U.S. dollars shall be paid by transfer by the Registrar to an account in the relevant Specified Currency of the Exchange Agent on behalf of DTC or its nominee for conversion into and payment in U.S. dollars in accordance with the provisions of the Agency Agreement.

Neither the Issuer, the Guarantor nor any of the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

8.5 General provisions applicable to payments

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer (and the Guarantor, if applicable) will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of DTC, Euroclear or Clearstream, as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to DTC, Euroclear or Clearstream, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Bearer Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

(a) the Issuer and the Guarantor have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;

(b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and

(c) such payment is then permitted under United States law without involving, in the opinion of the Issuer and the Guarantor, adverse tax consequences to the Issuer or the Guarantor.

8.6 Payment Day

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day (as defined below), the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay.

For these purposes, "**Payment Day**" means any day which (subject to Condition 11 (*Prescription*) is:

(a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:

(i) in the case of Notes in definitive form only, the relevant place of presentation;

(ii) London; and

(iii) any Additional Financial Center specified in the applicable Pricing Supplement;

(b) either (1) in relation to any sum payable in a Specified Currency other than Euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial center of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Melbourne or Wellington, respectively) or (2) in relation to any sum payable in Euro, a day on which the TARGET2 System is open; and

(c) in the case of any payment in respect of a Registered Global Note denominated in a Specified Currency other than U.S. dollars and registered in the name of DTC or its nominee and in respect of which an accountholder of DTC (with an interest in such Registered Global Note) has elected to receive any part of such payment in U.S. dollars, a day on which commercial banks are not authorized or required by law or regulation to be closed in New York City.

8.7 Interpretation of principal and interest

Any reference in these Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

(a) any additional amounts which may be payable with respect to principal under Condition 10 (*Taxation*);

(b) the Final Redemption Amount of the Notes;

(c) the Early Redemption Amount of the Notes;

(d) the Optional Redemption Amount(s) (if any) of the Notes;

(e) in relation to Notes redeemable in installments, the Installment Amounts;

(f) in relation to Zero Coupon Notes, the Amortized Face Amount (as defined in Condition 9.7 (*Redemption and Purchase — Early Redemption Amounts*)); and

(g) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in the Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 10 *(Taxation)*.

9. REDEMPTION AND PURCHASE

9.1 Redemption at maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note (including each Index Linked Redemption Note and Dual Currency Redemption Note) will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Pricing Supplement in the relevant Specified Currency on the Maturity Date.

9.2 Redemption for tax reasons

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is neither a Floating Rate Note, an Index Linked Interest Note or a Dual Currency Interest Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note, an Index Linked Interest Note or a Dual Currency Interest Note), on giving not less than 30 nor more than 60 days' notice to the applicable Agent and, in accordance with Condition 16 *(Notices)*, the Noteholders (which notice shall be irrevocable), if:

(a) the Issuer or (if the Guarantor is required to make payments under the Guarantee) the Guarantor has or will become obligated to pay additional amounts as provided or referred to in Condition 10 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 10 (*Taxation*)) or any regulations or rulings promulgated thereunder, or any change in the application or official interpretation of such laws or regulations or rulings, or any change in the application or official interpretation of, or any execution of or amendment to, any treaty or treaties affecting in taxation to which the Tax Jurisdiction is a party, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes of the relevant Series; and

(b) such obligation cannot be avoided by the Issuer or the Guarantor, if applicable, taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 60 days prior to the earliest date on which the Issuer or the Guarantor, if applicable, would be obligated to pay such additional amounts or give effect to such treatment, as the case may be, were a payment in respect of the Notes (or the Guarantee, if applicable), then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer or the Guarantor, as applicable, shall deliver to the Principal Paying Agent (i) a certificate signed by an authorized officer of the Issuer or the Guarantor, as applicable, stating that the Issuer or the Guarantor, as applicable, is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer or the Guarantor, as applicable, so to redeem have occurred and (ii) an opinion of independent legal advisers of recognized standing to the effect that the Issuer or the Guarantor, as applicable, has or will become obligated to pay such additional amounts as a result of such change or amendment.

Notes redeemed pursuant to this Condition 9.2 will be redeemed at their Early Redemption Amount referred to in Condition 9.7 (*Redemption and Purchase — Early Redemption Amounts*) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

9.3 Redemption at the option of the Issuer ("Issuer Call")

If Issuer Call is specified in the applicable Pricing Supplement, the Issuer may, having given:

(a) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 16 (*Notices*); and

(b) not less than 15 days before the giving of the notice referred to in (a) above, notice to the Principal Paying Agent and, in the case of a redemption of Registered Notes, the Registrar;

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Pricing Supplement. In the case of a partial redemption of Notes, the Notes to be redeemed ("**Redeemed Notes**") will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of DTC, Euroclear and/or Clearstream, in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "**Selection Date**"). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 16 (*Notices*) not less than 15 days prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Notes represented by definitive Notes shall bear the same proportion to the aggregate nominal amount of all Redeemed Notes as the aggregate nominal amount of definitive Notes outstanding bears to the aggregate nominal amount of the Notes outstanding, in each case on the Selection Date, *provided* that, such first mentioned nominal amount shall, if necessary, be rounded downwards to the nearest integral multiple of the Specified Denomination and the aggregate nominal amount of Redeemed Notes represented by a

Global Note shall be equal to the balance of the Redeemed Notes. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 9.3 and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 16 *(Notices)* at least five days prior to the Selection Date.

9.4 Redemption at the option of the Noteholders ("Investor Put")

If Investor Put is specified in the applicable Pricing Supplement, then, if and to the extent specified in the applicable Pricing Supplement, upon the holder of any Note, giving to the Issuer, in accordance with Condition 16 (*Notices*), not less than 15 nor more than 30 days' notice (or such other notice period as is specified in the applicable Pricing Supplement) (which notice shall be irrevocable), the Issuer will, upon the expiry of such notice, redeem subject to, and in accordance with, the terms specified in the applicable Pricing Supplement in whole (but not in part), such Note on the Optional Redemption Date and at the relevant Optional Redemption Amount as specified in, or determined in the manner specified in, the applicable Pricing Supplement, together, if applicable, with interest accrued to (but excluding) the relevant Optional Redemption Date. It may be that before an Investor Put can be exercised, certain conditions and/or circumstances will need to be satisfied. Where relevant, the provisions relating to such conditions and circumstances will be set out in the applicable Pricing Supplement. Registered Notes may be redeemed under this Condition 9.4 in any multiple of their lowest Specified Denomination.

9.5 Change of Control Redemption

Upon the occurrence of a Change of Control (as defined below), each Noteholder will have the option (the "**Change of Control Put Option**") (unless, prior to the giving of the Change of Control Put Event Notice (as defined below), the Issuer shall have given notice under Condition 9.2 (*Redemption and Purchase — Redemption for tax reasons*) or 9.3 (*Redemption and Purchase — Redemption at the option of the Issuer ("**Issuer Call**")*) in respect of the relevant Notes), exercisable during the Change of Control Put Period (as defined below), to require the Issuer to redeem all or any part of such Noteholder's Notes at a redemption price (the "**Change of Control Redemption Price**") equal to 100% of the principal amount of such Notes, together with accrued and unpaid interest, if any, to but excluding the Change of Control Put Date (as defined below). The Change of Control Put Option shall operate as set out in Condition 9.4 (*Redemption at the option of the Noteholders ("**Investor Put**")*). Accrued and unpaid interest in respect of the then current Interest Period (or portion thereof) shall be determined as if the Change of Control Put Date was an Interest Payment Date. Within 30 days following a Change of Control, the Issuer shall cause the Principal Paying Agent to mail a notice (a "**Change of Control Put Event Notice**") to the Noteholders in accordance with Condition 16 stating (a) that a Change of Control has occurred and that such holder has the right to require the Issuer to redeem such holder's Notes at the Change of Control Redemption Price, (b) the date (the "**Change of Control Put Date**") fixed by the Issuer for redemption under this Condition 9.5 (which shall be a Business Day within the fifth day after the expiry of the Change of Control Put Period) and (c) the procedures determined by the Issuer that a Noteholder must follow in order to have its Notes redeemed. In this Condition:

"**Change of Control**" means the central government and local governments of Korea ceasing to own and control (directly or indirectly or in combination) at least 50.1% of the Company's issued and outstanding voting shares.

"**Change of Control Put Period**" means the period fixed by the Issuer, which shall end on a Business Day no earlier than 30 days or later than 60 days after a Change of Control Put Event Notice is mailed.

9.6 Put Notices

To exercise the right to require redemption of such Note, pursuant to Condition 9.4 (*Redemption and Purchase — Redemption at the option of the Noteholders (“**Investor Put**”)*) or 9.5 (*Redemption and Purchase — Change of Control Redemption*) the Noteholder must deliver, at the specified office of the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes), at any time during normal business hours of such Principal Paying Agent or, as the case may be, the Registrar falling within the notice period (in the case of Condition 9.4) or the Change of Control Put Period (in the case of Condition 9.5), such Note (except for a Global Note) together with a duly signed and completed notice of exercise in the form (for the time being current) obtainable from any specified office of the relevant Paying Agent or, as the case may be, the Registrar (a “**Put Notice**”) and in which the holder must specify a bank account (or, if payment is required to be made by check, an address) to which payment is to be made under this Condition or evidence satisfactory to the Principal Paying Agent concerned or, as the case may be, the Registrar that the Note will, following delivery of the Put Notice, be held to its order or under its control and, in the case of Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2.2 (*Transfers of Registered Notes — Transfers of Registered Notes in definitive form*). If this Note is in definitive form, the Put Notice must be accompanied by this Note or evidence satisfactory to the relevant Paying Agent concerned that this Note will, following delivery of the Put Notices, be held to its order or under its control.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream given by a holder of any Note pursuant to Condition 9.4 (*Redemption and Purchase — Redemption at the option of the Noteholders (“**Investor Put**”)*) or Condition 9.5 (*Redemption and Purchase — Change of Control Redemption*) shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and is continuing, in which event, such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to Condition 9.4 (*Redemption and Purchase — Redemption at the option of the Noteholders (“**Investor Put**”)* or Condition 9.5 (*Redemption and Purchase — Change of Control Redemption*) and instead to declare such Note forthwith due and payable pursuant to Condition 12 (*Events of Default*).

9.7 Early Redemption Amounts

For the purpose of Condition 9.2 (*Redemption and Purchase — Redemption for tax reasons*) above and Condition 12 (*Events of Default*), each Note will be redeemed at its Early Redemption Amount calculated as follows:

(a) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;

(b) in the case of a Note (other than a Zero Coupon Note but including an Installment Note and a Partly Paid Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in, or determined in the manner specified in, the applicable Pricing Supplement or, if no such amount or manner is so specified in the applicable Pricing Supplement, at its nominal amount; or

(c) in the case of a Zero Coupon Note, at an amount (the "**Amortized Face Amount**") calculated in accordance with the following formula:

Early Redemption Amount = RP x $(1+AY)^y$

where:

"**RP**" means the Reference Price;

"**AY**" means the Accrual Yield expressed as a decimal; and

"**y**" is a fraction the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes of the relevant Series to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator of which is 360, or on such other calculation basis as may be specified in the applicable Pricing Supplement.

9.8 Installments

Installment Notes will be redeemed in the Installment Amounts and on the Installment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to Condition 9.7 (*Redemption and Purchase — Early Redemption Amounts*) above.

9.9 Partly Paid Notes

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Pricing Supplement.

9.10 Purchases

The Issuer, the Guarantor and any of their respective Subsidiaries may at any time purchase Notes (provided that, in the case of definitive Bearer Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) by tender (available to all Noteholders alike) or in the open market at any price. If the Issuer, the Guarantor or any of their respective Subsidiaries shall acquire any Notes, such acquisition shall not operate as or be deemed for any purpose to be a satisfaction of the indebtedness represented by such Notes unless and until such Notes are delivered to the relevant Paying Agent and/or the Registrar for cancellation and are cancelled and retired by such Paying Agent and/or the Registrar. Notes purchased or otherwise acquired or held by or on behalf of the Issuer, the Guarantor or any of their respective Subsidiaries may be held, resold or, at its discretion, surrendered to any Paying Agent and/or the Registrar for cancellation. Notes purchased or otherwise acquired or held by or on behalf of the Issuer, the Guarantor or any of their respective Subsidiaries are not entitled to vote at meetings of Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of Noteholders.

9.11 Cancellation

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and the Notes purchased and cancelled pursuant to Condition 9.10 (*Redemption and Purchase — Purchases*) above (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent (which shall notify the Registrar of such cancelled Notes in the case of Registered Notes) and cannot be reissued or resold.

9.12 Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 9.1 (*Redemption and Purchase — Redemption at maturity*), 9.2 (*Redemption and Purchase — Redemption for tax reasons*), 9.3 (*Redemption and Purchase — Redemption at the option of the Issuer ("**Issuer Call**")),* 9.4 (*Redemption and Purchase — Redemption at the option of the Noteholders ("**Investor Put**"))* or 9.5 (*Redemption and Purchase — Change of Control Redemption* above or upon its becoming due and repayable as provided in Condition 12 *(Events of Default)* is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in paragraph (c) of Condition 9.7 (*Redemption and Purchase — Early Redemption Amounts)* above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

(a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and

(b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Principal Paying Agent or, in the case of Registered Notes, the Registrar and notice to that effect has been given to the Noteholders in accordance with Condition 16 (*Notices*).

9.13 Obligation to redeem

Upon the expiry of any notice as is referred to in 9.2 (*Redemption and Purchase — Redemption for tax reasons*), 9.3 (*Redemption and Purchase — Redemption at the option of the Issuer ("**Issuer Call**")),* 9.4 (*Redemption and Purchase — Redemption at the option of the Noteholders ("**Investor Put**"*)) or 9.5 (*Redemption and Purchase — Change of Control Redemption*) above, the Issuer, failing whom, the Guarantor, shall be bound to redeem the Notes to which the notice referred at the relevant redemption price applicable at the date of such redemption together with, if appropriate, interest accrued to (but excluding) the relevant redemption date.

10. TAXATION

All payments of principal and interest in respect of the Notes, Receipts and Coupons or under the Guarantee (if applicable) by or on behalf of the Issuer or the Guarantor (if applicable) will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of the relevant Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer (or the Guarantor, if applicable) will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

(a) where such withholding or deduction is imposed on a payment to a holder by reason of such holder presenting such Note, Receipt or Coupon for payment (where presentation is required) in the relevant Tax Jurisdiction (provided the Notes can also be presented at an office of a Paying Agent outside such Tax Jurisdiction); or

(b) to or on behalf of a holder of such Note, Receipt or Coupon who is subject to any present or future taxes or duties of whatever nature imposed or levied by or on behalf of the relevant Tax Jurisdiction in respect of such Note, Receipt or Coupon by reason of such holder being or having been connected with the relevant Tax Jurisdiction (or any political subdivision thereof) other than merely by holding such Note, Receipt or Coupon or receiving principal or interest or other payments in respect thereof; or

(c) where such withholding or deduction is imposed on a payment to a holder who is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of such holder of the Note (or fiduciary, settlor, beneficiary, member or shareholder of, or possessor of power over the relevant holder, if the relevant holder is an estate, nominee, trust or corporation) being or having been connected with a Tax Jurisdiction other than merely by holding such Note, Receipt or Coupon; or

(d) presented for payment (where presentation is required) more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 8.6 (*Payments — Payment Day*)); or

(e) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC (as amended from time to time) or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(f) presented for payment (where presentation is required) by or on behalf of a holder who would be able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union; or

(g) where such withholding or deduction is imposed on a payment to a holder who would not be liable or subject to the withholding or deduction by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority if (i) after having been requested in writing by the Issuer (or the Guarantor, if applicable) to make such a declaration or claim, such holder fails to do so and (ii) specific arrangements to undertake the monitoring required to monitor such a declaration or claim have been agreed to and put in place by the Issuer (or the Guarantor, if applicable), Euroclear, Clearstream, the Principal Paying Agent and the Paying Agent; or

(h) any combination of paragraphs (a), (b), (c), (d), (e), (f) or (g) above.

As used herein:

(i) "**Tax Jurisdiction**" means, (i) with respect to the Company and the Guarantor, Korea or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Company or the Guarantor becomes subject in respect of payments made by it of principal and interest on the Notes, Receipts or Coupons or under the Guarantee, as the case may be, through such jurisdiction, and (ii) with respect to any Guaranteed Issuer, such Guaranteed Issuer's jurisdiction of incorporation or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which such Guaranteed Issuer becomes subject in respect of payments made by it of principal and interest on the Notes, Receipts or Coupons through such jurisdiction; and

(i) the "**Relevant Date**" means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the relevant Agent or the relevant Registrar, as the case may be, on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 16 *(Notices)*.

The obligation to pay additional amounts shall not apply to (a) any estate, inheritance, gift, sales, transfer, personal property or any similar tax, assessment or other governmental charge or (b) any tax, assessment or other governmental charge which is payable otherwise than by deduction or withholding from payments of principal of, or interest or premium on, the Notes, Receipts or Coupons; *provided that*, except as otherwise set forth in these Conditions and in the Agency Agreement, the Issuer or the Guarantor, if applicable, shall pay all stamp and other duties, if any, which may be imposed by Korea, the United States or any respective political subdivision thereof or any taxing authority of or in the foregoing, with respect to the Agency Agreement or as a consequence of the issuance of the first Tranche of the Notes of the relevant Series.

Whenever there is mentioned in any context the payment of principal of, and any premium or interest on, any Note, Receipt or Coupon, such mention shall be deemed to include payment of additional amounts to the extent that, in such context, additional amounts are, were or would be payable in respect thereof.

11. PRESCRIPTION

The Notes (whether in bearer or registered form), Receipts and Coupons or the Guarantee will become void unless presented for payment within a period of five years (in the cases of principal) and two years (in the case of interest) after the Relevant Date (as defined in Condition 10 (*Taxation*)) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 8.2 (*Payments — Presentation of definitive Bearer Notes, Receipts and Coupons*) or any Talon which would be void pursuant to Condition 8.2 (*Payments — Presentation of definitive Bearer Notes, Receipts and Coupons*).

12. EVENTS OF DEFAULT

12.1 Events of Default

The occurrence and continuance of any of the following events will constitute an event of default ("**Event of Default**") under the Notes:

(i) default in the payment of any installment of interest upon any of the Notes as and when the same shall become due and payable, and continuance of such default for a period of 30 days;

(ii) default in the payment of all or any part of the principal of, or premium (if any) on, any of the Notes as and when the same shall become due and payable, whether at maturity, upon redemption or otherwise;

(iii) breach or failure to observe or perform any other of the covenants or agreements on the part of the Issuer or the Guarantor (if applicable) contained in the Notes of the relevant Series or the Guarantee (if applicable) for a period of 60 days after the date on which written notice specifying such default or breach, stating that such notice is a "Notice of Default" under the Notes of the relevant Series or the Guarantee (if applicable) and demanding that the Issuer or the Guarantor (if applicable) remedy the same, shall have been given to the Issuer or the Guarantor (if applicable), with a copy to the Principal Paying Agent, by the holders of at least 10% in aggregate principal amount of the Notes of the relevant Series at the time outstanding;

(iv) any Debt of the Company in the aggregate outstanding principal amount of US$10,000,000 or more either (a) becoming due and payable prior to the due date for payment thereof by reason of acceleration thereof following default by the Company or (b) not being repaid at, and remaining unpaid after, maturity as extended by the period of grace, if any, applicable thereto, or any guarantee given by the Company in respect of Debt of any other person not being honored when, and remaining dishonored after becoming, due and called; *provided* that, in the case of (a) above, if any such default under any such Debt shall be cured or waived, then the default under the Notes by reason thereof shall be deemed to have been cured and waived;

(v) the entry of a decree or order for relief in respect of the Issuer or the Guarantor by a court or administrative or other governmental agency or body having jurisdiction in the premises in an involuntary case under any applicable bankruptcy, insolvency, reorganization, rehabilitation, compulsory composition or other similar law in effect on the date of issuance of the first Tranche of the Notes or thereafter, or appointing a receiver, liquidator, assignee, custodian, trustee or sequestrator (or similar official) of the Issuer or the Guarantor or for any substantial part of its property or ordering the winding up, dissolution or liquidation of its affairs, or shall otherwise adjudicate or find the Issuer or the Guarantor to be bankrupt or insolvent, and continuance of any such decree or order unstayed and in effect for a period of 60 consecutive days; or

(vi) the commencement by the Issuer or the Guarantor of a voluntary case under any applicable bankruptcy, insolvency, reorganization, rehabilitation, compulsory composition or other similar law in effect on the date of issuance of the first Tranche of the Notes or thereafter, or consent to the entry of an order for relief in an involuntary case under any such law, or consent to the appointment or taking possession by a receiver, liquidator, assignee, custodian, trustee or sequestrator (or similar official) of the Issuer or the Guarantor or for any substantial part of its property, or cease to carry on the whole or substantially the whole of its business (other than in furtherance of the new legislation by or plan of the government of Korea for restructuring of the gas industry and/or privatization of the Company, as it may be amended, modified or supplemented), or make any general assignment for the benefit of creditors, or enter into any composition with its creditors, or take corporate action in furtherance of any such action.

If an Event of Default with respect to the Notes of a given Series occurs and is continuing, the holders of not less than 25% in aggregate principal amount of the Notes of the relevant Series then outstanding may declare the principal amount (and premium, if any) of, and all accrued but unpaid interest on, all the Notes of the relevant Series to be due and payable immediately, by a notice in writing to the Issuer and the Guarantor (if applicable) at the office of the Principal Paying Agent, and upon such declaration, any such principal amount (and premium, if any) and interest shall become immediately due and payable. Upon such declaration, the Principal Paying Agent shall give notice thereof to the Issuer and the Guarantor (if applicable) and to the Noteholders of the relevant Series, by mail and publication. If, after any such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Issuer or the Guarantor, as applicable, pays or deposits with the Principal Paying Agent all amounts then due with respect to the Notes of the relevant Series (other than amounts due solely because of such declaration) and cures all other Events of Default with respect to the Notes of the relevant Series, such defaults may be waived and such declaration may be annulled and rescinded by the holders of more than 50% in aggregate principal amount of the Notes of the relevant Series then outstanding by written notice thereof to the Issuer and the Guarantor (if applicable) at the office of the Principal Paying Agent.

For the avoidance of doubt, the Agent shall have no responsibility to take any steps to ascertain whether any relevant event under this Condition has occurred.

As used herein, "**Debt**" means, with respect to any person as of any date of determination, without duplication, (i) all obligations, contingent or otherwise, of such person for borrowed money, (ii) all obligations of such person evidenced by bonds, notes or other similar instruments, (iii) all obligations of such person in respect of letters of credit or other similar instruments, (iv) all obligations of such person to pay the unpaid purchase price of any property or service, (v) all obligations secured by a Security on any property or asset of such person, whether or not such obligations are assumed by such person and (vi) all obligations of others guaranteed by such person to the extent of such guarantees and, for clauses (i) through (vi), which are denominated in a currency other than the currency of Korea and which has a final maturity of one year or more. The amount of Debt of any person as of any date of determination shall be the outstanding balance at such date of all unconditional obligations as described above, the maximum liability of such person for any such contingent obligations at such date and, in the case of clause (vi), the lesser of the fair market value (as determined in good faith by the board of directors of such person) at such date of the property or asset of such person subject to a Security securing the obligations of others and the amount of such obligations secured.

13. REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the relevant Paying Agent (in the case of Bearer Notes, Receipts or Coupons) or the Registrar (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer and the Agents may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

14. AGENTS

The names of the initial Agents and their initial specified offices are set out below.

The Issuer and the Guarantor are entitled to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, provided that:

(a) there will at all times be a Principal Paying Agent and a Registrar;

(b) so long as the Notes are listed on any stock exchange or admitted to trading by any other relevant authority, there will at all times be a Paying Agent (in the case of Bearer Notes) and a Registrar and a Transfer Agent (in the case of Registered Notes) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or any other relevant authority (and in the case of Bearer Notes, outside the United States);

(c) so long as any of the Registered Global Notes payable in a Specified Currency other than U.S. dollars are held through DTC or its nominee, there will at all times be an Exchange Agent with a specified office in New York, London or Hong Kong;

(d) the Issuer and the Guarantor undertake that they will ensure that they maintain a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC (as amended from time to time) or any law implementing or complying with, or introduced in order to conform to, such Directive; and

(e) for so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that the Global Note is exchanged for definitive Notes there will at all times be a Paying Agent in Singapore unless the Issuer or the Guarantor, as applicable, obtains an exemption from the SGX-ST.

In addition, the Issuer and the Guarantor shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 8.5 (*Payments — General provisions applicable to payments*). Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 or more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 16 (*Notices*).

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and do not assume any obligation to, or relationship of agency or trust with, any Noteholders, Receiptholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

15. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 11 (*Prescription*). Each Talon shall, for the purpose of these Conditions, be deemed to mature on the Interest Payment Date on which the final Coupon comprised in the relative Coupon sheet matures.

16. NOTICES

All notices regarding the Bearer Notes will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in Asia by the Issuer or the Guarantor, if applicable. It is expected that such publication will be made in the *Asian Wall Street Journal*. The Issuer or the Guarantor, as applicable, shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange (or any other relevant authority) on which the Bearer Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

All notices regarding the Registered Notes will be deemed to be validly given if (a) sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing, and (b) in addition, if and for so long as the Registered Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of DTC, Euroclear and/or Clearstream, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to DTC, Euroclear and/or Clearstream for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or any other relevant authority so require, such notice will be published in a manner specified by those rules. Any such notice shall be deemed to have been given to the holders of the Notes one day after the day on which the said notice was given to DTC, Euroclear and/or Clearstream.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). So long as any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Agent or the Registrar through DTC, Euroclear and/or Clearstream, as the case may be, in such manner as the Principal Paying Agent, the Registrar and DTC, Euroclear and/or Clearstream, as the case may be, may approve for this purpose.

Receiptholders and Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this condition.

17. MEETINGS OF NOTEHOLDERS, MODIFICATION AND WAIVER

17.1 Meetings of Noteholders

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer, the Guarantor or Noteholders holding not less than 10% in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50% in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, Receipts or Coupons (including modifying the due date of maturity of the Notes or any date for payment of principal, premium, redemption amount or interest thereof, reducing or canceling the amount of principal, premium or redemption amount or the rate of interest payable in respect of the Notes, modifying or canceling the Guarantee or altering the currency of payment of the principal amount of the Notes, Receipts or Coupons), the quorum shall be one or more persons holding or representing not less than 75% in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than 25%, in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders.

17.2 Modifications and Waivers

The Principal Paying Agent, the Issuer and the Guarantor may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to:

(a) any modification (except as mentioned above) of the Notes, the Receipts, the Coupons, the Conditions, the Agency Agreement or the Guarantee which is not materially prejudicial to the interests of the Noteholders; or

(b) any modification of the Notes, the Receipts, the Coupons, the Conditions, the Agency Agreement or the Guarantee which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law.

Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 16 *(Notices)* as soon as practicable thereafter.

18. FURTHER ISSUES

The Issuer may from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders, create and issue further notes with the same terms and conditions as the Notes in all respects except for the amount and date of the first payment of interest thereon so that such further issue shall be consolidated and form a single Series with the outstanding Notes; provided that, in the case of Bearer Notes initially represented by interests in a Temporary Bearer Global Note exchangeable for interests in a Permanent Bearer Global Note or definitive Bearer Notes, such consolidation will occur only upon certification of non-U.S. beneficial ownership and exchange of interests in the Temporary Bearer Global Note for interests in the Permanent Bearer Global Note or definitive Bearer Notes; provided further that, further notes must be fungible with the outstanding Notes for United States federal income tax purposes.

19. CURRENCY INDEMNITY

Any amount received or recovered in a currency other than the currency in which payment under the relevant Note, Receipt or Coupon is due (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer or the Guarantor, as applicable, by any Noteholder, Receiptholder or Couponholder in respect of any sum expressed to be due to it from the Issuer or the Guarantor (as applicable) shall only constitute a discharge to the Issuer or the Guarantor, as applicable, to the extent of the amount in the currency of payment under the relevant Note, Receipt or Coupon that the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If the amount received or recovered is less than the amount expressed to be due to the recipient under any Note, Receipt or Coupon, the Issuer, failing whom the Guarantor, shall indemnify such Noteholder, Receiptholder or Couponholder, as the case may be, against any loss sustained by it as a result. In any event, the Issuer, failing whom the Guarantor, shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition, it shall be sufficient for the Noteholder, Receiptholder or Couponholder, as the case may be, to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's and the Guarantor's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder, Receiptholder or Couponholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note, Receipt or Coupon or any other judgment or order.

20. GOVERNING LAW AND SUBMISSION TO JURISDICTION

20.1 Governing law

The Agency Agreement, the Notes, the Guarantee, the Receipts and the Coupons are governed by, and shall be construed in accordance with, the law of the State of New York.

20.2 Submission to jurisdiction

To the fullest extent permitted by applicable law, the Issuer and the Guarantor irrevocably submit to the non-exclusive jurisdiction of any federal or state court in the Borough of Manhattan, The City of New York, United States of America, in any suit, action or proceeding brought by any Noteholder, Receiptholder or Couponholder arising out of or based upon the Notes, the Guarantee, the Receipts/or the Coupons, and irrevocably agrees that all claims in respect of any such suit, action or proceeding may be determined in any such court. The Issuer and the Guarantor irrevocably and to the fullest extent they are permitted to do so under applicable law waive any objection they may have to the laying of venue in any such court or the defense of an inconvenient forum to the maintenance of any such suit or proceeding to the extent permitted by applicable law. The Issuer and the Guarantor hereby appoint the Law Office of Sungchurl Koh, whose address as of the date hereof is 303 Fifth Avenue, Suite 806, New York, NY 10016, U.S.A. as their authorized agent (the "**Authorized Agent**", which expression shall include any replacement authorized agent) upon whom process may be served in any such suit or proceeding set forth herein, it being understood that the designation and appointment of the Authorized Agent as such authorized agent shall become effective immediately without any further action on the part of the Issuer or the Guarantor; provided that if for any reason the Authorized Agent named above ceases to act as Authorized Agent hereunder for the Issuer or the Guarantor, the Issuer and the Guarantor will appoint another person acceptable to the Dealers in the Borough of Manhattan, The City of New York and the State of New York, as Authorized Agent. The Issuer and the Guarantor agree to take any and all action as may be necessary, including the filing of any and all documents that may be necessary, to maintain such designation and appointment of the authorized agent in full force and effect. If for any reason the appointment of the Authorized Agent shall cease to be in force, the Issuer and the Guarantor shall forthwith appoint a new agent to be the Authorized Agent and shall deliver to the Dealers and the Arranger a copy of the new Authorized Agent's acceptance for that appointment within 30 days. Service of process upon the Authorized Agent shall be deemed, in every respect, effective service of process upon the Issuer or the Guarantor. The parties hereto each hereby waive any right to trial by jury in any action, proceeding or counterclaim arising out of or relating to the Notes, the Guarantee, the Receipts and/or Coupons.

20.3 Other documents

In the Agency Agreement the Issuer and the Guarantor submitted to the jurisdiction of the courts of the State of New York and appointed an agent for service of process in terms substantially similar to those set out above.

20.4 Waiver of immunity

The Issuer and the Guarantor hereby irrevocably and unconditionally waive and agrees not to raise with respect to the Notes or the Guarantee (including a dispute relating to any non-contractual obligations arising out of or in connection thereunder) any right to claim sovereign or other immunity from jurisdiction or execution and any similar defense, and irrevocably and unconditionally consents to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any legal action or other proceedings.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by the Issuer for its general corporate purposes, including working capital, financing investments in overseas gas exploration, development and production projects, financing capital expenditures and repayment of outstanding borrowings.

EXCHANGE RATES

The table below sets forth, for the periods and dates indicated, information concerning the market average exchange rate, announced by Seoul Money Brokerage Services, Ltd., between Won and U.S. dollars and rounded down to the nearest tenth of one Won. No representation is made that the Won or U.S. dollar amounts referred to herein could have been or could be converted into U.S. dollars or Won, as the case may be, at any particular rate or at all.

Period	At End of Period	Average Rate [(1)]	High	Low
		(Won per U.S.$1.00)		
2009	1,167.6	1,276.4	1,573.6	1,152.8
2010	1,138.9	1,156.3	1,261.5	1,104.0
2011	1,153.3	1,108.1	1,199.5	1,049.5
2012	1,071.1	1,126.9	1,181.8	1,071.1
2013	1,055.3	1,095.0	1,159.1	1,051.5
2014	1,099.2	1,053.2	1,118.3	1,008.9
2015 (through July 10)	1,136.2	1,100.7	1,136.2	1,068.1
January	1,090.8	1,088.9	1,108.7	1,077.3
February	1,099.2	1,098.4	1,109.8	1,088.3
March	1,105.0	1,112.6	1,133.9	1,096.5
April	1,068.1	1,088.7	1,109.4	1,068.1
May	1,108.0	1,091.3	1,108.0	1,069.5
June	1,124.1	1,112.2	1,124.1	1,099.9
July (through July 10)	1,136.2	1,126.0	1,136.2	1,118.3

Source: Seoul Money Brokerage Services, Ltd.

(1) The average rate for the period is calculated as the average of the market average exchange rates on each business day during the relevant period.

Investing in the Notes involves risks and uncertainties. Prospective purchasers of the Notes are advised to review carefully all of the information contained elsewhere in this offering circular and should consider, in particular, the following risk factors before purchasing the Notes. The risks described below are not the only ones that may be relevant to the Company or the Notes.

Risks related to the Company and its Natural Gas Import and Wholesale Business

The Company is subject to the control of the government, and its activities are heavily regulated.

As of March 31, 2015, the government directly and indirectly held 46.62% of the Company's issued and outstanding shares, and local governments held an additional 7.94% of the Company's issued and outstanding shares. Accordingly, the government is able to influence the election of the directors on the Company's board and the management of the Company. Although the Company's management runs the day-to-day operations, the government may determine material policies and, without the consent of other shareholders, the outcome of any transaction or other matter submitted to the Company's shareholders for approval, except for those matters requiring a special resolution of the shareholders. The government has historically influenced, and is likely to continue to influence, the Company's strategy and operations. The government also has the ability to influence and control other government-related entities, some of which are the Company's customers.

The Company was established under the KOGAS Act to, among other things, secure Korea's long-term supply of natural gas. The Company is heavily regulated by a variety of laws and regulatory bodies, including the Ministry of Trade, Industry and Energy and the Ministry of Strategy and Finance. From time to time, the Company is required to take action in furtherance of public policy considerations and the government's broader objectives for the natural gas industry, which may not be in the Company's best commercial interests. For example, public policy considerations relating to the level of the Company's profitability affect the Company's prescribed rate of return. The Ministry of Trade, Industry and Energy, among other things, supervises the Company's forecasting process for natural gas demand, approves the Company's LNG supply contracts, and regulates natural gas sales prices. In addition, the Company must obtain the Ministry of Trade, Industry and Energy's consent in certain instances, and in some cases must seek amendments to current laws, to expand its operations into new businesses outside of its core gas operations.

Furthermore, beginning in the first half of 2014, as part of its fiscal policy to reduce the overall level of national debt, the Ministry of Strategy and Finance has been encouraging government-controlled enterprises, including the Company, to significantly reduce their debt levels. In this respect, the government has suggested that the Company reduce its liabilities-to-equity ratio from 389% as of December 31, 2013 to 249% by the end of 2017. In response to such guideline, the Company has been in periodic discussions with the Ministry of Trade, Industry and Energy and the Ministry of Strategy and Finance regarding the Company's plans for debt reduction, including through disposal of non-core or unprofitable assets and issuance of equity and/or equity-linked securities, as well as various other cost-saving initiatives. However, there is no assurance that the Company's plans will be fully implemented as currently anticipated or, even if implemented in full, will enable the Company to achieve the target liabilities-to-equity ratio. If the Company does not meet such target ratio within the agreed timeline, the Company may face sanctions by the government, which may include adverse performance evaluation by the government and dismissal of the Company's President. The Company cannot make any assurances that future policy decisions by the government will not have an adverse effect on the Company's business, results of operations and financial condition.

From time to time, the government may suspend the Company's ability to increase its sales prices to city gas companies to fully reflect increases in raw material costs, which has had, and may in the future have, a negative impact on the Company's cash flows and financial condition, and also a temporary negative impact on the Company's results of operations.

Historically, the Ministry of Trade, Industry and Energy, after consultation with the Ministry of Strategy and Finance, has permitted the Company to pass through its raw material costs (including LNG costs, transportation expenses, insurance costs and taxes and duties as well as reserves periodically allocated for the collection of the Company's outstanding receivables) through periodic adjustments to the Company's sales prices to its customers, which has enabled the Company to mitigate its commodity price and foreign exchange risks. Prior to the beginning of each calendar year, the Ministry of Trade, Industry and Energy, after consultation with the Ministry of Strategy and Finance and the Company, determines the unit "supply margin," which is based on the Company's target sales volume, estimated unit supply costs based on such target sales volume (including depreciation, selling, general and administrative expenses and labor costs) and a guaranteed return (which includes, starting from February 2013, an amount for recoupment over a five-year period of a prior guaranteed return which had been suspended from March 2008 to February 2013 as further described below) for the Company for the upcoming year. The Company adds to this unit supply margin the unit raw material costs to arrive at the unit gas sales prices charged to its customers ("**Formula Prices**"). This enables the Company to recover its supply costs, pass through its raw material costs and realize a guaranteed return. Such Formula Prices are adjusted periodically throughout the year to reflect fluctuations in raw material costs, as permitted by the Supply of Natural Gas Regulation under the City Gas Business Act.

Due in part to substantial fluctuations in the price of LNG and the value of the Won relative to the U.S. dollar and the Government's efforts to mitigate their impact as well as concerns over inflation, the Ministry of Trade, Industry and Energy suspended, from March 2008 to February 2013, the bi-monthly adjustments to the sales prices that the Company invoices to city gas companies. During this period, the amounts of sales prices that the Company was entitled to collect from city gas companies based on the Formula Prices but were not able to do so due to the suspension of the bi-monthly adjustments were recorded as "other current non-financial assets" (for amounts estimated to be collectible within one year subsequent to the statement of financial position date) or "other non-current non-financial assets" (for amounts estimated to be collectible after one year subsequent to the statement of financial position date). The total amount of other current non-financial assets and other non-current non-financial assets accumulated during the suspension period relating to the material costs component of sales to city gas companies was Won 5,341 billion. Such suspension and the resulting inability by the Company to fully increase its sales prices invoiced to city gas companies to reflect the Formula Prices led to a substantial decrease in net cash inflows and a corresponding increase in the Company's borrowings.

In order to at least partly address the adverse effect on the Company's cash flows and financial condition during the suspension period, the Ministry of Trade, Industry and Energy has approved increases in the sales prices invoiced to city gas companies from time to time, including increases of 7.4% in November 2008, 7.9% in June 2009, 4.9% in September 2010, 5.3% in October 2011, 5.5% in June 2012 and 4.4% in February 2013. In February 2013, the Ministry of Trade, Industry and Energy lifted the suspension of the periodic bi-monthly adjustments and announced that it would set the Formula Prices at a level that would enable the Company to recoup within five years the accumulated amount to which the Company was entitled but was unable to collect during the suspension period, which amounted to Won 5,341 billion. Consequently, the Formula Price was reformulated to allow the Company to recoup the previously suspended amounts within five years starting from February 2013. Under this reformulation, when the Company recognizes sales, it reduces the amounts in other non-financial assets by an amount equal to the portion of the Formula Prices allocated to recoupment until all such previously suspended amounts are recouped. Following the lifting of the suspension and the reformulation of the Formula Price, the total amount of other current non-financial assets and other non-current non-financial assets relating to the material costs component of sales to city gas companies decreased and amounted to Won 3,851 billion as of March 31, 2015. See note 8 to the unaudited consolidated interim financial statements and note 14 to the audited consolidated financial statements included elsewhere in this offering circular.

However, no assurance can be given that the Ministry of Trade, Industry and Energy will not change its policy or adopt other measures that may prevent or delay the Company from realizing its guaranteed return fully within the proposed five-year period or at all. In addition, the time lag associated with the bi-monthly adjustments of the Formula Prices has had, and may in the future have, a negative impact on the Company's cash flows and financial condition and a temporary negative impact on the Company's results of operations. In addition, if the Ministry of Trade, Industry and Energy changes its regulation to the effect that the Company becomes unable to fully pass through its raw material and supply costs by charging the Formula Prices to its customers, the Company's results of operations, cash flows and financial condition could be materially adversely affected.

The government is pursuing liberalization of the Korean natural gas industry, including opening the LNG import and wholesale market to competition.

Since 1998, the government has stated that it is considering various options regarding the liberalization of the natural gas industry to introduce competition and greater transparency. In 1999, the government amended the Petroleum Business Act to allow gas consumers to import LNG for their own use from the year 2001. Since the passage of the amendment, three companies, POSCO, SK E&S and GS Caltex, have imported LNG for their own use, and Korea Midland Power, a power generating subsidiary of KEPCO, has entered into a contract to directly import LNG starting in 2015. The Company can make no assurance that additional companies will not import LNG for their own use in the future. If a large number of companies were to begin to import LNG in substantial amounts or in such a way as to bypass the Company's terminals and pipeline facilities, the Company's sales and results of operations could be adversely affected.

In October 2008, the Ministry of Trade, Industry and Energy proposed a road map to permit other companies to enter the LNG import and wholesale market in Korea. The road map contemplates gradual liberalization, initially starting with liberalization of the market for power generating companies followed by the market for industrial usage. In January 2014, the City Gas Business Act was amended to permit other companies to enter the LNG market. The amendment allows LNG traders, upon registration, to store LNG in bonded areas (in accordance with the Customs Act of Korea) for onward sales overseas, but prohibits sales of such stored LNG to domestic third parties in Korea. The amendment also allows overseas sales of LNG by domestic companies that directly import LNG for their own use. Notwithstanding such amendment, the Company believes that its profitability will not be materially affected, as a substantial portion of projected demand for natural gas in the next decade is expected to be satisfied under the Company's existing long-term supply contracts and new competitors for LNG import and wholesale will only be able to compete for the portion of projected demand that will not be met by the Company under the Company's existing long-term supply contracts until such contracts terminate. Accordingly, the Company believes that new entrants would not be able to significantly penetrate the market in the future. However, any such liberalization plan may intensify competition in the LNG import and wholesale market in the future, which could have a material adverse effect on the Company's business, results of operation and financial condition, and the Company may be put at a disadvantage due to its long-term contracts and pricing structure. New entrants may be able to obtain natural gas at rates lower than those to which the Company has committed to purchase under its long-term contracts and may have more flexibility in pricing.

The government may privatize the Company by further reducing its ownership interest in the Company or spinning off parts of the Company's operations.

In the past, the government contemplated privatization of the Company through a reduction in the government's shareholding or by spinning off the Company's LNG importation and distribution business. To the Company's knowledge, the government currently does not have any plan to privatize the Company. However, there can be no assurance that the government will not consider privatization of the Company in the future. In such an event, the Company cannot be certain how reduced government control would affect its business and results of operations. In particular, the Company cannot provide any assurance that certain government policies, such as the pass-through of costs and guaranteed return on investment, would continue to exist after privatization or a reduction in government control. In addition, certain ship financing agreements relating to ships that are used exclusively by the Company require the central government and the local governments to maintain direct or indirect ownership or control of an aggregate of 30% of the Company's total issued and outstanding shares. Should any privatization plan not make specific arrangements for such provisions, the Company's liquidity, financial condition and results of operations could be adversely affected.

In the event that the central government and local governments of Korea cease to own and control (directly or indirectly or in combination) at least 50.1% of the Company's issued and outstanding capital stock (a "change of control event"), such event will trigger a change of control redemption provision under the Notes. See "Terms and Conditions of the Notes—Redemption and Purchase—Change of Control Redemption." Upon the occurrence of a change of control event, each holder of Notes will have the right to require the Company to redeem all or any part of such holder's Notes at a redemption price equal to 100% of their principal amount plus accrued but unpaid interest, if any, to the date of redemption. The failure to redeem any Notes required to be so redeemed would constitute an event of default under the Notes. The Company cannot assure you that it would have sufficient funds available at the time of a change of control event to make any repayment as described above.

The Company obtains substantially all of its natural gas from a small number of overseas suppliers.

The Company currently obtains substantially all of its LNG from overseas sources, including Qatar, Malaysia, Oman, Indonesia, Yemen, Russia, Egypt, Brunei and Australia. The Company has found that developing relationships with certain key suppliers has enabled the Company to obtain consistent supplies of high quality natural gas at competitive prices. Any prolonged interruption in the supply of natural gas from any key suppliers would have a material adverse effect on the Company's business operations. In order to ensure a stable source of supply, the Company selectively enters into long-term LNG supply contracts typically for 20 years. Any significant interruption in the supply of natural gas from any of its suppliers could cause the Company to purchase gas on the spot market at prices higher than contracted, which in turn would result in an increase in the Company's gas sales prices to its customers. In addition, there is no guarantee that the Company would be able to find suitable alternative sources of long-term supply on a timely basis, on commercially acceptable terms or at all.

The volatility in the prices of natural gas, crude oil and other competing energy sources could affect demand for natural gas as a fuel source.

The Company's purchase price for LNG is primarily determined by crude oil prices, and the purchase price in Won terms is also affected by the exchange rate between the Won and the U.S. dollar. Driven primarily by a fluctuation in crude oil prices in recent years, the price of natural gas has also fluctuated significantly. Most of the gas currently sold by the Company is sold under long-term contracts and therefore, in the short term, demand for gas is not materially affected by price volatility. However, long-term demand is dependent upon the relative prices of natural gas and competing alternative energy sources. If there is an increase in the price of crude oil, leading to an increase in the Company's gas sales price, there may be less demand for the Company's gas. For example, when natural gas prices are unusually high, power generating companies may switch from natural gas to cheaper sources of fuel. To the extent that the market price of alternative energy sources drops to and is sustained at a low level, or the Company's gas sales prices increase as a result of an increase in the price of LNG procured under future contacts, demand for the Company's natural gas may decrease, which could adversely affect the Company's business, results of operations and financial condition. For example, in recent years the discovery of a large reserve of shale gas in the United States and extraction thereof led to a significant impact on natural gas prices in the United States. While such development had a limited impact on LNG market prices in Asia due to the quota the U.S. government has placed on exports of shale gas in liquefied form, there is no assurance that it will continue to have a limited impact on the price of LNG purchased by the Company. The Company expects to import 3.5 million metric tons of LNG per year beginning in 2017 under its long-term sales and purchase agreement with Sabine Pass Liquefaction LLC (the "**Sabine Pass purchase agreement**"), which produces shale gas. In addition, if there is growing acceptance by the Korean public for greater use of nuclear energy or other alternative energy sources, demand for natural gas and the Company's business, results of operations and financial condition could be adversely affected.

The expansion of the Company's gas processing, storage and transmission network will require additional capital for which the Company may be unable to obtain sufficient financing.

The Company is currently continuing construction of its fourth terminal complex in Samcheok, and it also plans to make capital expenditures to increase its processing and storage capacity and further expand its national pipeline. The Company currently expects to spend approximately Won 3.6 trillion in planned capital expenditures from 2015 until 2017 relating to the expansion of its receiving terminals, completing construction of its fourth terminal complex in Samcheok and construction and maintenance of its pipeline network. The Company may from time to time adjust its future capital expenditures subject to market demand in Korea for natural gas, the production outlook of the global gas industry and global economic conditions in general. There can be no assurance that debt or equity financing or cash flow from operations will be available or sufficient to meet the Company's capital expenditure requirements or, if debt or equity financing is available, that it will be available on terms acceptable to the Company. Any inability of the Company to access sufficient capital could have a material adverse effect on the Company's growth strategy.

The Company's business is highly seasonal, and this seasonality and weather conditions may lead to increased costs, the failure to fulfill natural gas supply contracts or reduced demand.

Demand for gas in Korea peaks during the winter and falls off considerably in the summer months. Furthermore, extreme weather conditions such as heat waves or winter storms could cause these seasonal fluctuations to be more pronounced. This seasonality may result in increased storage costs in the summer months and deficient supplies of LNG in winter months. Although the Company has historically been able to pass on to customers additional costs incurred as a result of increased storage costs or spot market purchases, there can be no assurance that it will be able to continue to do so in the future. In addition, warm winters and cool summers may reduce demand for natural gas by retail consumers and power generating companies. The Company has implemented various measures to reduce the effects of seasonality on its business, including offering incentives to city gas companies that use natural gas in the summer for cooling operations, but it can make no assurance as to the continued effectiveness of these measures.

The Company's supply and shipping contracts may require the Company to pay for LNG that it did not actually import.

Almost all of the Company's supply contracts contain take-or-pay provisions which require the Company to pay for an agreed amount of LNG annually even if the Company fails to actually take delivery of such agreed amount of LNG in a given year. In addition, all of the Company's shipping contracts include ship-or-pay clauses that oblige the Company to pay annually an agreed amount of costs payable by the shipping company if the Company fails to actually ship a certain volume of LNG in a given year.

To date, the Company has never been required to make payments under such take-or-pay or ship-or-pay clauses principally because, in most cases, it has been able to purchase and ship sufficient amounts of LNG to avoid triggering these clauses. On rare occasions, due to a decrease in demand, the Company purchased or shipped less than the agreed amounts of LNG, but the amounts were within the range allowed to be deferred under the supply or shipping contracts. However, if the Company's requirements for LNG were to be materially reduced in future years and the Company is not able to negotiate a reduction of the annual off-take or shipment volumes, the Company may incur payment obligations under these clauses. Because at times the Company must negotiate supply volumes with the power generating companies after committing to minimum purchases of LNG from overseas suppliers, the Company may be forced to make payments under its take-or-pay or ship-or-pay clauses if the volume agreed upon with the power generating companies is substantially lower than the Company's committed off-take amounts.

The Company's ability to pass on any take-or-pay or ship-or-pay obligations to city gas companies is limited because city gas companies are typically obliged to pay for only 2% of any amount they contract for but do not actually purchase. The Company believes that it will be able to pass on any such costs related to power generating companies if ever incurred, but can make no assurances that it will be able to do so in the future. Thus, if the Company had to make any payments under its take-or-pay or ship-or-pay obligations, its financial condition and results of operations could be adversely affected.

The Company may have to make substantial payments under its shipping contracts if it discontinues using any ships currently under contract.

Twenty-one LNG ships that the Company currently uses were built specifically for use by the Company. Although the Company is not a party to the financing documents for these ships, it has entered into contracts of affreightment with the shipping companies. Under these contracts, the Company may be required to make payments in respect of the loans used to finance the construction of the ships if the Company were to terminate its use of one or more of the ships and, as a result, were not to make freight or other payments with respect to the use of such ships. Shipping contracts for the six LNG ships that the Company is planning to use for the transportation of LNG under the Sabine Pass purchase agreement are currently being negotiated and may contain similar terms requiring payments if the Company were to terminate its use of one or more of the ships. Even if the Company were required to make the remaining payments under any ship financing documents, it would not acquire title to the relevant ship. Accordingly, if the Company terminates the use of ships and is required to make the committed payments, the Company's results of operations and financial condition could be adversely affected.

The Company relies on the subsidiaries of KEPCO for a substantial portion of its sales, and its results of operations and financial condition are affected by their performance.

The Company relies on the power generating subsidiaries of KEPCO for a substantial portion of the Company's sales. As of March 31, 2015, KEPCO held 20.5% of the Company's issued and outstanding shares. Sales to the subsidiaries of KEPCO accounted for 30.9%, 30.9%, 26.0% and 16.5% of the Company's sales in 2012, 2013, 2014 and the three months ended March 31, 2015, respectively. Consequently, the Company's sales volume is substantially affected by the amount of natural gas the Company sells to the subsidiaries of KEPCO and their overall policy to utilize natural gas as a fuel source for power generation. In addition, if the natural gas industry were to be liberalized, the subsidiaries of KEPCO may satisfy a portion of their natural gas needs through the Company's competitors instead of the Company or by directly importing natural gas from overseas sources, and the subsidiaries of KEPCO may elect to discontinue using the Company's products and services. There can be no assurance that the Company's key relationships with KEPCO or any of its subsidiaries will not terminate or otherwise be adversely impacted. Any such development may have a material and adverse effect on the Company's business and results of operations.

Depreciation of the Won against the U.S. dollar may have an adverse effect on the Company's results of operations.

Substantially all of the LNG processed by the Company is imported from other countries pursuant to contracts denominated in U.S. dollars, and all of the Company's contracts with its customers for sales of natural gas are denominated in Won. Depreciation of the Won increases the amounts paid in Won for raw material costs, freight costs and interest and principal payment amounts on foreign currency-denominated debt as well as the Won amounts of the Company's foreign currency-denominated liabilities.

With respect to the Company's exposure to foreign currency risks related to raw material costs and freight costs, such risks to the Company are mitigated because the Ministry of Trade, Industry and Energy generally allows the Company to pass through its raw material costs (including freight costs) by periodically adjusting the Company's Formula Prices. The Company is also exposed to the risks inherent in its foreign currency positions relating to its foreign currency-denominated debt, which accounted for approximately 43.3% of the Company's total short-term borrowings and long-term debt (including current portion) as of March 31, 2015. It is the Company's policy to hedge substantially all of its foreign currency-denominated debt through derivative instruments. In addition, the Company's strategy for financing investments in overseas gas exploration, development and production projects is, to the extent possible and subject to market conditions, to raise funding that is denominated in the currency of the local jurisdiction. The Company is also exposed to foreign currency risks on capital lease expenses relating to 21 of its LNG ships. For additional information, including how such capital lease expenses are hedged, see note 7 to the unaudited consolidated interim financial statements. To the extent the Company has unhedged positions or its hedging and other risk management procedures do not work as planned, or the pass-through of cost increases resulting from foreign currency risks is delayed or not fully made, the Company's results of operations and financial condition could be adversely affected.

Importing, processing and transporting of natural gas involve numerous risks that may result in accidents and other operating risks and costs.

Natural gas distributed by the Company is highly flammable and explosive. There is a significant risk of either accidents or leakage causing damage and/or injury. There can be no assurances that accidents will not occur and any significant accidents that arise at the fault of the Company could have a material adverse effect on the Company.

These risks could result in loss of human life, significant damage to property, environmental pollution, impairment of the Company's operations and substantial financial and reputational losses to the Company. For the Company's pipelines located near populated areas, including residential areas, commercial business centers, industrial sites and other public gathering areas, the potential damage resulting from the occurrence of these events is greater. Although the Company maintains insurance against most of these risks and losses, the occurrence of any of these events not fully covered by insurance could have a material adverse effect on the Company's financial position and results of operations.

The recent indictment of the former president of the Company on charges of embezzlement and bribery may adversely affect the Company's reputation.

The Company's former president, Mr. Seok-Hyo Jang, was indicted by the Prosecutor's Office in December 2014 and dismissed from the position of the Company's president in January 2015 based on charges of allegedly embezzling funds and providing bribes to employees of the Company while he was the head of an LNG tanker tugboat company before joining the Company in July 2013, as well as for allegedly receiving bribes during his tenure as president of the Company. Certain employees of the Company are also being investigated in connection with such bribery case. The Company has been fully cooperating with the investigation of this case by the Prosecutor's Office. Subsequent to this incident, the Company further strengthened its compliance procedures to ensure strict compliance with relevant laws and regulations and strict monitoring and control processes, including conducting internal anti-bribery training sessions on a regular basis. The ongoing investigation and trial may adversely impact the reputation of the Company, which in turn may have an adverse effect on the Company.

The Company is subject to environmental regulations, and its operations could expose it to substantial liabilities.

The Company is subject to national and local environmental laws and regulations, which increasingly reflect the pressure to reduce emission of carbon dioxide relating to the Company's gas processing and transporting activities, and the Company's operations could expose it to risk of substantial liability relating to environmental or health and safety issues, such as those resulting from discharge of pollutants and carbon dioxide into the environment and the handling, storage and disposal of hazardous materials. The Company may also be responsible for the investigation and remediation of environmental conditions at currently and formerly operated sites. In addition, the Company may become subject to associated liabilities, including liabilities for natural resource damage, third party property damage or personal injury resulting from lawsuits brought by the government or private litigants. In the course of the Company's operations, hazardous materials may be generated at third party-owned or operated sites, and hazardous materials may be disposed of or treated at third party-owned or operated disposal sites. If those sites become contaminated, the Company could also be held responsible for the cost of investigation and remediation of such sites, for any associated natural resource damage, and for civil or criminal fines or penalties.

Disputes with the Company's labor union may disrupt its business operations.

As of March 31, 2015, approximately 86% of the Company's employees were members of a labor union. The Company negotiates a collective bargaining agreement every two years as well as a wage agreement on an annual basis with its labor union. The latest collective bargaining agreement came into effect in November 2013, and the Company entered into a new wage agreement with its labor union in December 2013. In the past, the Company has experienced opposition from its labor union for concerns over the government's plans to liberalize and privatize the natural gas wholesale and transport industry and restructure the Company to improve its operating efficiency and profitability by reducing its employee base. Although the Company has not experienced any significant labor disputes and unrests that have interrupted its business operations in recent years, there can be no assurance that the Company will not experience in the future labor disputes and unrests, including expanded protests and strikes or protracted negotiation of the collective bargaining agreements, which could disrupt its business operations and have an adverse effect on its financial condition and results of operation.

Risks relating to the Company's Exploration, Development and Production Business

The Company participates in overseas gas exploration, development and production projects and LNG terminal operation activities and also invests in gas supply companies abroad; the Company has limited experience in this business and these activities expose the Company to substantially higher risks than its natural gas import and wholesale business, including political and economic risks in such countries.

As part of a consortium or through acquisition of a minority interest, the Company engages in overseas gas exploration, development and production projects in various locations, including Iraq, Canada, Australia, Myanmar, Indonesia, Mozambique, Uzbekistan, Cyprus and East Timor, and participates in operation of LNG terminals in Mexico, Thailand, China, the United Arab Emirates and Singapore. In addition, the Company has made investments in gas supply companies located in Oman, Qatar and Yemen. The Company may also selectively acquire or invest in companies or businesses that may complement its business. As part of its efforts to diversify its operations and prepare for the potential restructuring and liberalization of the natural gas industry in Korea, the Company intends to continue to expand its operations by carefully seeking out promising exploration, development and production opportunities abroad and may acquire energy companies engaged in attractive businesses. To the extent that the Company enters into these arrangements, its success will depend in part on the willingness of the Company's partner companies to dedicate sufficient resources to their partnership with the Company.

Demand and market acceptance for the Company's activities abroad are subject to a substantially higher level of uncertainty than its natural gas import and wholesale business and are substantially dependent upon the market condition of the global natural gas industry. In addition, much of the Company's current exploration, development and production projects involve drilling exploratory wells on properties with no proven natural gas and oil reserves. Although all drilling, whether developmental or exploratory, involves risks, exploratory drilling involves greater risks of dry holes or failure to find commercial quantities of natural gas and oil. The Company invested approximately U.S.$1.9 billion in overseas gas exploration, development and production projects in 2014 and approximately U.S.$0.6 billion in the first three months of 2015, and it expects to invest approximately U.S.$1.7 billion in such projects in the remainder of 2015.

In accordance with its debt reduction plan submitted to the Ministry of Strategy and Finance and as part of its plan to bolster its overall financial soundness, until 2017, the Company plans to concentrate on its core business of LNG import-related operations without entering into any material new businesses or otherwise significantly expanding its capital expenditure overseas. The Company has limited experience in the exploration, development and production businesses, and the Company cannot assure you that its expansion strategy will be profitable, that the Company will be able to meet the financing requirements for such expansion plans, or that the Company can fully recoup the costs related to such investments within a reasonable time frame or at all. For example, the Company has from time to time recognized impairment losses in its overseas projects, which amounted to Won 604 billion in aggregate for the year ended December 31, 2013 and Won 44 billion in aggregate for the year ended December 31, 2014, mostly related to its exploration projects in Westcut River, Umiak and Horn River regions in Canada and, to a limited extent, in East Timor. While these impairment losses do not have any effect on the Company's cash flow and may be reversed in the future upon changes in the business environment resulting in the resumption or reappraisal of the Company's related development activities, they do negatively impact the Company's results of operations and there is no assurance that such impairment losses will be reversed in whole, in part or at all, in the future. Failure to implement its expansion strategy successfully may have a material adverse effect on the Company's business, results of operations and financial condition.

Recently, there have been significant territorial advances made by insurgents in Iraq, where the Company has several gas exploration, development and production projects. The Company has indefinitely discontinued its activities in the Akkas gasfield due to such insurgent activities. While such developments have not to-date posed a significant security threat to the Company's operations in Iraq, there is no assurance that any escalation in military or political tension in Iraq will not have a material adverse effect on the Company's operations in Iraq.

Expansion of the Company's operations abroad requires management attention and personnel resources. In addition, the Company faces additional risks associated with its expansion outside Korea, including:

- challenges caused by distance, language, local business customs and cultural differences;
- adverse changes in laws and policies, including those affecting taxes and royalties on energy resources, labor, environmental compliance and investments;
- difficulty in obtaining licenses, permits or other regulatory approvals from local authorities;
- adverse effects from fluctuations in exchange rates;
- multiple and possibly overlapping and conflicting standards and practices of the regulatory, tax, judicial and administrative bodies of the relevant foreign jurisdiction;
- political strife, social turmoil or deteriorating economic conditions;
- military hostilities or acts of terrorism; and
- natural disasters including earthquakes or tsunamis and epidemics or outbreaks (such as the Middle East Respiratory Syndrome outbreak).

Any failure on the Company's part to recognize or respond to these differences may materially and adversely affect the success of its overseas operations, which in turn could materially and adversely affect the Company's business and results of operations.

The Company may encounter problems with joint overseas gas exploration, development and production projects and large-scale infrastructure projects, which may materially and adversely affect its business.

In recent years, the Company has participated in a number of overseas gas exploration, development and production projects, as well as large-scale infrastructure projects. The Company typically pursues these gas exploration, development and production projects and infrastructure projects jointly with consortium partners or through acquisition of a minority interest in such projects, and the Company expects to be involved in other joint projects in the future. The Company typically lacks a controlling interest in the joint projects even though the Company sometimes holds the largest interest in the projects among the consortium partners. Therefore, the Company is usually unable to require that its joint ventures sell assets or return invested capital, make additional capital contributions or take any other action without the vote of at least a majority of its consortium partners. If there are disagreements between the Company and its consortium partners regarding the business and operations of the joint projects, the Company cannot assure you that it will be able to resolve them in a manner that will be in the Company's best interests. Certain major decisions, such as selling a stake in the joint project, may require the consent of all other partners. These limitations may adversely affect the Company's ability to obtain the economic and other benefits it seeks from participating in these projects.

In addition, the Company's consortium partners may:

- have economic or business interests or goals that are inconsistent with the Company;
- take actions contrary to the Company's instructions, requests, policies or objectives;
- be unable or unwilling to fulfill their obligations;
- have financial difficulties; or
- have disputes with the Company as to their rights, responsibilities and obligations.

Any of these and other factors may have a material adverse effect on the performance of the Company's joint projects and expose the Company to a number of risks, including the risk that the partners may be incapable of providing the required financial support to the partnerships and the risk that the partners may not be able to fulfill their other obligations, resulting in disputes not only between the Company and its partners, but also between the joint ventures and their customers. Such a development may in turn materially and adversely affect the Company's business, results of operations and financial condition.

Risks related to Korea

Unfavorable financial and economic developments in Korea may have an adverse effect on the Company.

Substantially all of the Company's operations, customers and assets are located in Korea. Accordingly, the Company's performance and successful fulfillment of its operational strategies are necessarily dependent on the overall Korean economy and the resulting impact on the demand for energy generally and, in particular, for natural gas. The economic indicators in Korea in recent years have shown mixed signs of growth and uncertainty, and future growth of the economy is subject to many factors beyond the Company's control.

In recent years, adverse conditions and volatility in the worldwide financial markets, fluctuations in oil and commodity prices and the general weakness of the U.S. and global economy have contributed to the uncertainty of global economic prospects in general and have adversely affected, and may continue to adversely affect, the Korean economy. Since the second half of 2008, the value of the Won relative to major foreign currencies in general and the U.S. dollar in particular fluctuated widely. Furthermore, as a result of adverse global and Korean economic conditions, there has been significant volatility in the stock prices of Korean companies in recent years, particularly in light of the financial and other difficulties affecting many economies worldwide, including Greece and other countries in Europe, and economic and political instability in certain emerging economies and the escalation of military and political tension in the Middle East and the Crimea region. Future declines in the Korea Composite Stock Price Index (known as the "**KOSPI**") and large amounts of sales of Korean securities by foreign investors and subsequent repatriation of the proceeds of such sales may continue to adversely affect the value of the Won, the foreign currency reserves held by financial institutions in Korea, and the ability of Korean companies to raise capital. Any future deterioration of the Korean or global economy could adversely affect the Company's business, financial condition and results of operations.

Developments that could have an adverse impact on Korea's economy include:

- difficulties in the financial sectors in Europe, China and elsewhere and increased sovereign default risks in select countries and the resulting adverse effects on the global financial markets;
- declines in consumer confidence and a slowdown in consumer spending;

- adverse changes or volatility in foreign currency reserve levels, commodity prices (including oil prices), exchange rates (including fluctuation of the U.S. dollar, the euro or the yen exchange rates or revaluation of the Chinese renminbi), interest rates, inflation rates or stock markets;

- increasing levels of household debt;

- continuing adverse conditions in the economies of countries and regions that are important export markets for Korea, such as the United States, Europe, Japan and China, or in emerging market economies in Asia or elsewhere;

- increasing delinquencies and credit defaults by retail and small- and medium-sized enterprise borrowers;

- the continued emergence of the Chinese economy, to the extent its benefits (such as increased exports to China) are outweighed by its costs (such as competition in export markets or for foreign investment and the relocation of the manufacturing base from Korea to China), as well as a slowdown in the growth of China's economy, which is Korea's most important export market;

- the economic impact of any pending or future free trade agreements;

- social and labor unrest;

- further decreases in the market prices of Korean real estate;

- a decrease in tax revenues and a substantial increase in the Government's expenditures for fiscal stimulus measures, unemployment compensation and other economic and social programs that, together, would lead to an increased Government budget deficit;

- financial problems or lack of progress in the restructuring of Korean conglomerates, other large troubled companies, their suppliers or the financial sector;

- loss of investor confidence arising from corporate accounting irregularities and corporate governance issues concerning certain Korean conglomerates;

- geopolitical uncertainty and risk of further attacks by terrorist groups around the world;

- the occurrence of severe health epidemics in Korea and other parts of the world, including the recent Ebola and Middle East Respiratory Syndrome outbreaks;

- deterioration in economic or diplomatic relations between Korea and its trading partners or allies, including deterioration resulting from territorial or trade disputes or disagreements in foreign policy;

- political uncertainty or increasing strife among or within political parties in Korea;

- hostilities or political or social tensions involving oil producing countries in the Middle East or North Africa and any material disruption in the global supply of oil or increase in the price of oil;

- the occurrence of severe earthquakes, tsunamis and other natural disasters in Korea and other parts of the world, particularly in trading partners; and

- an increase in the level of tensions or an outbreak of hostilities between North Korea and Korea or the United States.

Escalations in tensions with North Korea could have an adverse effect on the Company and the market value of the Notes.

Relations between Korea and North Korea have been tense throughout Korea's modern history. The level of tension between the two Koreas has fluctuated and may increase abruptly as a result of current and future events. In particular, there continues to be uncertainty regarding the long-term stability of North Korea's political leadership since the succession of Kim Jong-un to power following the death of his father in December 2011, which has raised concerns with respect to the political and economic future of the region.

In addition, there continues to be heightened security tension in the region stemming from North Korea's hostile military and diplomatic actions, including in respect of its nuclear weapons and long-range missile programs. Some examples from recent years include the following:

- In December 2014, North Korea allegedly hacked into Sony's network to prevent the airing of the movie "The Interview" which unfavorably portrays the North Korean leader, which has prompted the United States to consider implementing additional economic sanctions against North Korea.

- In December 2013, Jang Sung-taek, a relative of Kim Jong-un, who was widely speculated to be the second in command after Kim Jong-un, was executed on charges of sedition. There are reports that such development may cause further political and social instability in North Korea and/or adoption of more hostile policies that could engender further friction with North Korea and the rest of the world. For example, North Korea has recently announced its plan to test long-distance missiles, Kwangmyong Sung No. 3, despite the sanction from the United Nations Security Council and objection from the international society.

- North Korea blocked South Koreans from entering the industrial complex in the border city of Gaeseong in April 2013 until agreement was reached to reopen the inter-Korean industrial complex in early August 2013. In the same month, the United States deployed nuclear-capable carriers in the South Korean air and sea space.

- In March 2013, North Korea stated that it had entered "a state of war" with Korea, declaring the 1953 armistice invalid, and put its artillery at the highest level of combat readiness to protest the Korea-United States allies' military drills and additional sanctions imposed on North Korea for its missile and nuclear tests.

- North Korea renounced its obligations under the Nuclear Non-Proliferation Treaty in January 2003 and conducted three rounds of nuclear tests between October 2006 to February 2013, which increased tensions in the region and elicited strong objections worldwide. In response, the United Nations Security Council unanimously passed resolutions that condemned North Korea for the nuclear tests and expanded sanctions against North Korea, most recently in March 2013.

- In December 2012, North Korea launched a satellite into orbit using a long-range rocket, despite concerns in the international community that such a launch would be in violation of the agreement with the United States as well as United Nations Security Council resolutions that prohibit North Korea from conducting launches that use ballistic missile technology.

North Korea's economy also faces severe challenges, including severe inflation and food shortages, which may further aggravate social and political tensions within North Korea. In addition, reunification of Korea and North Korea could occur in the future, which would entail significant economic commitment and expenditure by Korea that may outweigh any resulting economic benefits of reunification.

There can be no assurance that the level of tension on the Korean peninsula will not escalate in the future or that the political regime in North Korea may not suddenly collapse. Any further increase in tension or uncertainty relating to the military, political or economic stability in the Korean peninsula, including a breakdown of diplomatic negotiations over the North Korean nuclear program, occurrence of military hostilities, heightened concerns about the stability of North Korea's political leadership or its actual collapse, a leadership crisis, a breakdown of high-level contacts or accelerated reunification could have a material adverse effect on the Company's business, financial condition and results of operations, as well as well as a downgrade in the credit rating of Korea, the Company or the Notes.

There are special risks involved with investing in securities of Korean companies, including the possibility of restrictions being imposed by the government in emergency circumstances as well as accounting and corporate disclosure standards that differ from those in other jurisdictions.

As the Company is a Korean company and operates in a business and cultural environment that is different from that of other countries, there are risks associated with investing in its securities that are not typical for investments in securities of companies in other jurisdictions.

Under the Foreign Exchange Transaction Act of Korea and the Presidential Decree and regulations under the Act and Decree (collectively referred to as the "**Foreign Exchange Transaction Laws**"), if the government deems that certain emergency circumstances, including sudden fluctuations in interest rates or exchange rates, extreme difficulty in stabilizing the balance of payments or substantial disturbance in the Korean financial and capital markets, are likely to occur, it may impose any necessary restriction such as requiring Korean or foreign investors to obtain prior approval from the Minister of Strategy and Finance for the acquisition of Korean securities or for the repatriation of interest, dividends or sales proceeds arising from Korean securities or from disposition of such securities or other transactions involving foreign exchange. Moreover, if the government deems it necessary on account of war, armed conflict, natural disaster or grave and sudden changes in domestic or foreign economic circumstances or similar events or circumstances, the Minister of Strategy and Finance may temporarily suspend performance under any or all foreign exchange transactions, in whole or in part, to which the Foreign Exchange Transaction Laws apply (including suspension of payment and receipt of foreign exchange) or impose an obligation to deposit or sell any means of payment to the Bank of Korea or certain other governmental agencies or financial institutions.

In addition to preparing its financial statements in accordance with the KOGAS Act, the City Gas Business Act and the Accounting Process Standards for Public Enterprises and Semi-Governmental Institutions, the Company prepared and presented its annual financial statements as of and for the years ended December 31, 2012, 2013 and 2014 in accordance with Korean IFRS and expects to prepare its financial statements in accordance with Korean IFRS for future periods, which differ in certain respects from accounting principles applicable to companies in certain other countries, including the United States. In making an investment decision, investors must rely upon their own examination of the Company, the terms of the offering and the financial information contained in this offering circular.

Risks related to the Notes

The Notes are not guaranteed by the Republic of Korea.

The Notes are not the obligations of, or guaranteed by, the Republic of Korea. Although under the KOGAS Act, the government is allowed to guarantee bonds offered by the Company, it is not providing a guarantee in respect of the Notes. In addition, the government is under no obligation to maintain the solvency of the Company. Therefore, investors should not rely on the government to fulfill the Company's obligations under the Notes in the event the Company is unable to do so.

The Notes are unsecured obligations.

Because the Notes are unsecured obligations, their repayment may be compromised if:

- the Company enters into bankruptcy, liquidation, rehabilitation or other winding-up proceedings;
- there is a default in payment under the Company's future secured indebtedness or other unsecured indebtedness; or
- there is an acceleration of any of the Company's indebtedness.

If any of these events occurs, the Company's assets may not be sufficient to pay amounts due on any of the Notes.

The Notes are subject to transfer restrictions.

The Notes will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except to qualified institutional buyers in reliance on the exemption provided by Rule 144A, to certain persons in offshore transactions in reliance on Regulation S, or pursuant to another exemption from, or in another transaction not subject to, the registration requirements of the Securities Act and in accordance with applicable state securities laws. For a further discussion of the transfer restrictions applicable to the Notes, see "Subscription and Sale and Transfer and Selling Restrictions—Transfer Restrictions."

The Notes may have limited liquidity.

No assurance can be given as to the liquidity of, or the development and continuation of an active trading market for, the Notes. If an active trading market for the Notes does not develop or is not maintained, the market price and liquidity of the Notes may be adversely affected. If such a market were to develop, the Notes could trade at prices that may be higher or lower than the price at which the Notes are issued depending on many factors, including:

- prevailing interest rates;
- the Company's results of operations and financial condition;
- political and economic developments in and affecting Korea;
- the market conditions for similar securities; and
- the financial condition and stability of the Korean natural gas industry and the Korean financial sector.

Risks Relating to Forward-Looking Statements

This offering circular contains forward-looking statements that are the Company's present expectations of future events and are subject to certain factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements.

In addition to the risks related to the Company's business discussed above, other factors could cause actual results to differ materially from those described in the various forward-looking statements contained in this offering circular. These factors include, but are not limited to, the following:

- general economic, business and political conditions;
- fluctuations in prices of natural gas, crude oil and other competing energy sources;
- adverse trends in regulatory, legislative and judicial developments;
- the ability of third parties to perform in accordance with contractual terms and specifications;
- fluctuations in exchange rates between the Won and the U.S. dollar;
- the Company's leverage and its ability to meet its debt obligations;
- changes in competitive conditions in the Korean natural gas industry; and
- conditions in the Korean and the global financial markets.

By their nature, certain disclosures relating to these and other risks are only estimates and should one or more of these uncertainties or risks, among others, materialize, actual results may vary materially from those estimated, anticipated or projected, as well as from historical results. Specifically but without limitation, revenues could decrease, costs could increase, capital costs could increase, capital investment could be delayed and anticipated improvements in performance might not be fully realized.

You should not place undue reliance on the forward-looking statements, which speak only as of the date of this offering circular. Except as required by law, the Company is not under any obligation, and expressly disclaim any obligation, to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise. All subsequent forward-looking statements attributable to the Company or any person acting on the Company's behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section.

CAPITALIZATION OF THE COMPANY

The following table sets forth the Company's capitalization (defined as the sum of long-term debt, excluding current portion, and stockholders' equity) as of March 31, 2015 on a consolidated basis and as adjusted to give effect to (i) the issuance of Won-denominated debentures in the aggregate principal amount of Won 560 billion, (ii) the redemption of debentures in the aggregate principal amount of Won 745 billion, and (iii) the repayment of foreign currency borrowings in the aggregate principal amount of Won 110 billion, in each case occurring after March 31, 2015. This table should be read in conjunction with the Company's unaudited consolidated interim financial statements included elsewhere in this offering circular.

	As of March 31, 2015	
	Outstanding	**As Adjusted**
	(in billions of Won)	
Long-term debt (excluding current portion):		
Debentures, net of discount	₩22,344	₩22,159
Long-term borrowings	448	338
Total long-term debt	22,792	22,497
Equity:		
Capital stock	462	462
Share premium	1,304	1,304
Retained earnings	6,694	6,694
Hybrid bonds	308	308
Other components of equity	1,504	1,504
Equity attributable to owners of the Company	10,272	10,272
Non-controlling interests	—	—
Total equity	10,272	10,272
Total capitalization	₩33,064	₩32,769

Except as set forth herein, there has been no material change in the Company's capitalization (on a consolidated basis) since March 31, 2015.

SELECTED FINANCIAL AND OPERATING DATA

The following tables present selected consolidated financial and operating data of the Company. This data should be read in conjunction with the consolidated financial statements of the Company and the notes thereto, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and other historical financial information included elsewhere in, or incorporated by reference into, this offering circular.

Selected Financial Data

The selected financial data as of and for the years ended December 31, 2012, 2013 and 2014 below are derived from the Company's consolidated financial statements included elsewhere in this offering circular, which have been prepared in accordance with Korean IFRS. The selected financial data as of March 31, 2015 and for the three months ended March 31, 2014 and 2015 below are derived from the Company's unaudited consolidated interim financial statements included elsewhere in this offering circular, which have been prepared in accordance with Korean IFRS No. 1034 Interim Financial Reporting.

	For the year ended December 31,			For the three months ended March 31,	
	2012	2013	2014	2014	2015
	(in billions of Won)				
Selected Statements of Comprehensive Income Data:					
Revenue	₩35,031	₩38,063	₩37,285	₩12,522	₩10,212
Cost of sales	33,422	36,215	35,857	11,719	9,250
Gross profit	1,609	1,848	1,428	803	962
Selling, general and administrative expenses	343	360	356	82	97
Operating income	1,267	1,488	1,072	721	865
Other income	5	6	5	3	2
Other expenses	(13)	(15)	(52)	(8)	(3)
Other gain (loss)	8	(610)	(16)	23	11
Finance income	500	855	529	194	198
Finance costs	(1,363)	(1,694)	(1,250)	(411)	(375)
Gains from associates and joint-ventures	115	118	97	28	48
Income before income tax	519	149	384	551	747
Income tax benefit (expense)	(156)	(353)	63	(129)	(166)
Net income	₩362	₩(204)	₩447	₩422	₩581
Net income attributable to:					
Owners of the corporation	367	(201)	447	422	581
Non-controlling interests	(5)	(3)	—	—	—
Total comprehensive income	₩380	₩(38)	₩484	₩432	₩570
Total comprehensive income attributable to:					
Owners of the corporation	384	(36)	484	432	570
Non-controlling interests	(4)	(3)	—	—	—

	For the year ended December 31,			For the three months ended March 31,	
	2012	2013	2014	2014	2015
	(in billions of Won)				
Selected Cash Flow Data:					
Net cash generated from (used in) operating activities	₩403	₩1,360	₩2,030	₩(149)	₩2,108
Net cash used in investing activities	(4,715)	(4,469)	(3,675)	(966)	(389)
Net cash generated from financing activities	4,477	3,126	1,597	1,258	(896)

	As of December 31,			As of March 31,
	2012	2013	2014	2015
	(in billions of Won)			
Selected Statements of Financial Position Data:				
Cash and cash equivalents	₩245	₩223	₩209	₩1,024
Trade and other accounts receivables	8,067	7,425	7,695	6,490
Inventories	1,894	2,493	3,579	2,077
Other current non-financial assets	1,501	2,039	2,143	2,751
Other current assets	79	60	165	165
Total current assets	11,786	12,239	13,791	12,508
Long-term trade and other accounts receivable	188	184	196	192
Property, plant and equipment	19,583	22,458	25,032	25,333
Other non-current non-financial assets	4,645	4,198	2,995	2,262
Other non-current assets	4,420	4,587	4,758	4,636
Total non-current assets	28,836	31,427	32,981	32,423
Total assets	₩40,622	₩43,666	₩46,772	₩44,931
Total current liabilities (including current portion of long-term debt)	₩10,183	₩8,338	₩9,862	₩6,848
Total non-current liabilities	22,070	26,395	27,186	27,811
Total liabilities	32,253	34,734	37,048	34,659
Total equity	8,369	8,933	9,724	10,272
Total liabilities and equity	₩40,622	₩43,666	₩46,772	₩44,931

Selected Operating Data

	For the year ended December 31,			For the three months ended March 31,	
	2012	2013	2014	2014	2015
Average daily sales volume (metric tons)	100,129	105,945	96,366	128,555	118,706

	As of December 31,			As of March 31,
	2012	2013	2014	2015
Send-out capacity (metric tons/hour)	10,566	10,566	13,386	13,386
Pipeline length (kilometers)	3,558	4,065	4,240	4,240
Storage capacity (thousands of kiloliters)	8,860	8,860	9,460	9,460

THE COMPANY

Business

The Company is the only company in Korea engaged in the wholesale distribution of natural gas, and the Company believes that it is currently the largest importer of LNG in the world. Since beginning commercial operations in 1986, the Company has significantly expanded its operations, supplying 35.2 million metric tons of natural gas in 2014 and 10.7 million metric tons in the first three months of 2015. The Company believes that natural gas supplied by the Company accounted for approximately 16.9% of the primary energy consumed in Korea in 2014. The Company supplies gas primarily to 31 city gas companies, five power generating subsidiaries of KEPCO and 16 other power generating companies in Korea. The Company imports LNG primarily through long- and medium-term contracts with overseas suppliers. From time to time, the Company also purchases LNG on the spot market to cover short-term fluctuations in demand for natural gas.

The Company's current strategic goal is to enhance profitability and financial soundness through debt reduction, including through disposition of non-core or unprofitable assets and issuance of equity and/or equity-linked securities, as well as various other cost-saving measures. Such strategic goal is in line with the Company's debt reduction plan submitted to the Ministry of Strategy and Finance as part of its plan to bolster its overall financial health. In the past, as part of its efforts to diversify its operations and prepare for the potential restructuring and liberalization of the natural gas industry in Korea as well as in response to the government's policy to promote procurement of natural resources, the Company participated in exploration, development and production of natural gas outside Korea. As part of a consortium or through acquisition of a minority interest, the Company engages in overseas gas exploration and development in various locations, including Iraq, Canada, Australia, Myanmar, Indonesia, Mozambique, Uzbekistan, Cyprus and East Timor, and participates in LNG terminal operation and maintenance in Mexico, Thailand, China, the United Arab Emirates and Singapore. The Company has also invested in various gas supply companies located in Oman, Qatar and Yemen. Some of these projects have recently begun to generate profits after years of investment, and the Company intends to make the scheduled or requisite investments in its overseas projects. However, in accordance with its debt reduction plan submitted to the Ministry of Strategy and Finance, until 2017, the Company plans to concentrate on its core business of LNG import-related operations without entering into any material new businesses or otherwise significantly expanding its capital expenditure overseas.

The Company was established by the government on August 18, 1983 to facilitate the implementation of the government's policies relating to the diversification of energy sources through the development of the natural gas industry. The government has sought to reduce Korea's dependence on fossil fuels, such as petroleum and coal, partly to reduce its vulnerability to the international oil market, but also in response to growing international and domestic awareness of environmental issues. Through its direct and indirect holdings, the government controls a majority of the Company's issued share capital. As of March 31, 2015, the government directly and indirectly held 46.62% of the Company's issued and outstanding shares, and local governments held an additional 7.94% of the Company's issued and outstanding shares. Accordingly, the government has historically influenced, and is likely to continue to influence, the Company's strategy, operations and management. The Company is heavily regulated by a variety of laws and regulatory bodies, including the Ministry of Trade, Industry and Energy and the Ministry of Strategy and Finance. The government also has the ability to influence and control other government-related entities, some of which are the Company's customers, such as the five power generating subsidiaries of KEPCO. From time to time, the Company is required to take actions in furtherance of public policy considerations and the government's broader objectives for the natural gas industry that are not necessarily in the Company's best commercial interests. For example, public policy considerations relating to the level of the Company's profitability affect the Company's prescribed rate of return.

The Company's facilities consist primarily of its gas processing terminals, storage facilities and a nationwide pipeline network. The Company imports, receives and revaporizes LNG at its LNG receiving terminals and then distributes natural gas to its customers through its nationwide network of pipelines that encompassed 4,240 kilometers as of March 31, 2015. The Company has four receiving terminals located in Pyongtaek, Incheon, Tongyeong and Samcheok. The Company commenced commercial operation of the Samcheok terminal in July 2014 after completing the first phase of construction. As of March 31, 2015, the Pyongtaek, Incheon, Tongyeong and Samcheok terminals had LNG storage capacities of 3.4 million kiloliters, 2.9 million kiloliters, 2.6 million kiloliters and 0.6 million kiloliters, respectively. The Samcheok complex is expected to have an LNG storage capacity of 2.6 million kiloliters upon its completion in 2017. The Company intends to expand both its pipeline network and storage capacity to meet forecasted increases in demand for natural gas in Korea.

The Company generated revenue of Won 37,285 billion in 2014 and had total assets of Won 46,772 billion and total equity of Won 9,724 billion as of December 31, 2014. The Company generated revenue of Won 10,212 billion in the first three months of 2015 and had total assets of Won 44,931 billion and total equity of Won 10,272 billion as of March 31, 2015.

The Korean Gas Industry

Energy Policy

The government has long had an active involvement in the energy sector, necessitated by the limited availability of domestic energy resources. Early energy policy was driven by a desire to maintain rapid economic growth. However, the present government policy is to develop a sustainable energy policy in which economic growth, energy security and environmental goals are balanced.

In the past, priority was placed on the development of energy resources to meet increasing energy demand generated by Korea's rapid economic growth. The oil crisis experienced in the 1970s exposed Korea's over-dependence on oil as its primary source of fuel. In an effort to achieve a more secure energy supply, the government encouraged diversification into other sources of primary fuel and the development of alternative fuel sources. Accordingly, as is the case for the majority of developed economies, the government created a centralized agency, namely the Ministry of Trade, Industry and Energy (and its predecessors) to link its energy policy as an integral part of the wider economic and industrial policies.

In order to secure the necessary and appropriate sources of energy, the Ministry of Trade, Industry and Energy prepares various energy plans that guide energy policy, including the importation and production plans for Korea's energy providers. The Basic National Energy Plan (the "**Basic Plan**") is prepared by the government every five years and contains plans for various types of energy (petroleum, gas, electric power, hard and soft coal, other minerals, and new and renewable energy sources). The latest, or second, Basic Plan was announced in January 2014. The Long-Term Natural Gas Supply-Demand Plan (the "**Long-Term Plan**") is updated every two years and lays out the government's projections for natural gas demand in Korea. The current Long-Term Plan was last announced in April 2013, and the Company expects that a revised Long-Term Plan will be announced by September 2015 after taking into account the second Basic Plan announced in January 2014.

According to the second Basic Plan, the percentage of total energy consumption to be satisfied by natural gas in Korea is expected to rise from 16.8% in 2011 to 19.4% in 2035, and total demand for natural gas in Korea is expected to increase at a compound annual growth rate of 1.93% during this period from 35.6 million tons in 2011 to 56.4 million tons in 2035. In comparison, according to the second Basic Plan, the percentages of total energy consumption to be satisfied by coal, oil, nuclear power and renewable energy are expected to change from 30.3% to

29.7%, 38.1% to 26.9%, 11.7% to 18.5% and 2.4% to 5.0%, respectively, in each case, from 2011 to 2035, with a compound annual growth rate of 1.24%, (0.15)%, 3.28% and 4.44%, respectively, during this period, with a total compound annual growth rate of 1.32% for all types of energy during this period. The Ministry of Trade, Industry and Energy's demand forecasts are typically conservative compared to actual demand and generally have been revised upwards to reflect rising gas usage. Furthermore, under the second Basic Plan, to rationalize energy consumption patterns nationally and promote an increased use of natural gas in lieu of electricity, the individual consumption tax rate applicable to natural gas is scheduled to decrease from Won 60 per kilogram to Won 42 per kilogram subject to certain variations, which is expected to enhance the price competitiveness of natural gas compared to other energy sources. For further discussion of these plans, see "Regulation of the Korean Gas Industry." In addition to providing support in the production of the required reports of the government, the Company uses a demand forecast model to continually update and revise gas demand forecasts for its own internal purposes.

In general, the rate of growth in energy demand in Korea has been closely correlated to the rate of growth in the overall economy, reflected in such measures as GDP growth. According to the second Basic Plan, Korea's gross domestic product is expected to grow at a compounded annual growth rate of 2.8% per annum during the period from 2011 to 2035. In addition to growth in the overall economy, other factors such as environmental regulations are expected to have a significant positive impact on the growth of natural gas demand as regulations that promote or mandate "clean energy" have the effect of encouraging greater use of natural gas compared to other conventional fuel sources.

Industry Liberalization

Since 1998, the government has stated that it is considering various options regarding the liberalization of the natural gas industry to introduce competition and greater transparency. In 1999, the government amended the Petroleum Business Act to allow gas consumers to import LNG for their own use from the year 2001. Since the passage of the amendment, three companies, POSCO, SK E&S and GS Caltex, have imported LNG for their own use, and Korea Midland Power, a power generating subsidiary of KEPCO, has entered into a contract to directly import LNG starting in 2015. The Company can give no assurance that additional companies will not import LNG for their own use in the future.

In October 2008, the Ministry of Trade, Industry and Energy proposed a road map to permit other companies to enter the LNG import and wholesale market in Korea. The road map contemplates gradual liberalization, initially starting with liberalization of the market for power generating companies followed by the market for industrial usage. In January 2014, the City Gas Business Act was amended to permit other companies to enter the LNG market. The amendment allows LNG traders, upon registration, to store LNG in bonded areas (in accordance with the Customs Act of Korea) for onward sales overseas, but prohibits sales of such stored LNG to domestic third parties in Korea. The amendment also allows overseas sales of LNG by domestic companies that directly import LNG for their own use. Notwithstanding such amendment, the Company believes that its profitability will not be materially affected, as a substantial portion of projected demand for natural gas in the next decade is expected to be satisfied under the Company's existing long-term supply contracts and new competitors for LNG import and wholesale will only be able to compete for the portion of projected demand that will not be met by the Company under the Company's existing long-term supply contracts until such contracts terminate. Accordingly, the Company believes that new entrants would not be able to significantly penetrate the market in the future. However, any such liberalization plan may intensify competition in the LNG import and wholesale market in the future.

Privatization of the Company

In the past, the government contemplated privatizing the Company by reducing the government's shareholding or by spinning off the Company's LNG importation and distribution business. To the Company's knowledge, the government currently does not have any plan to privatize the Company. However, there can be no assurance that the government will not pursue privatization of the Company in the future.

Sales

The Company's sales are primarily split between two customer groups: city gas companies and power generating companies. Demand for natural gas from the city gas companies has grown over the past decade as new pipeline connections have increased access to natural gas and customers that used other forms of energy switched to natural gas as it became available. The majority of sales to power generating companies are to the five power generating subsidiaries of KEPCO. The Company also sold natural gas to 16 other power generating companies that, in the aggregate, owned 26 power plants as of March 31, 2015.

In addition, the Company sells compressed natural gas ("**CNG**") to private transport companies and companies that operate portable gas fueling stations. The Company also earns fees from companies that utilize the Company's pipelines in order to transport LNG, as well as fees from diverting LNG through a private company that uses the low temperatures of LNG for cooling purposes before LNG reaches the Company's revaporizing facilities.

The Company first supplied natural gas to city gas companies in 1987. Since then, sales to city gas companies have surpassed sales to power generating companies and grew to approximately 18,180 thousand metric tons in 2014 and 6,421 thousand metric tons in the first three months of 2015 (including the miscellaneous portion noted in the table below). The residential gas penetration rate in Korea in 2014 was 79.9% compared to 50.0% in 1998. The growth in volume of natural gas supplied to residential and business heating end-users has slowed in recent years. However, the volume of natural gas supplied to industrial users has increased more rapidly in recent years, and the Company believes that there remains potential to increase natural gas sales to such users where penetration rates are relatively lower.

The Company first sold natural gas to KEPCO in 1986. Sales of natural gas by the Company to power generating companies amounted to 16,994 thousand metric tons in 2014 and 4,262 thousand metric tons in the first three months of 2015.

The table below provides details of gas sales volume for the periods indicated.

	For the year ended December 31,						For the three months ended March 31,			
	2012		2013		2014		2014		2015	
	Total sales	Percent of total	Total sales	Percent of total	Total sales	Percent of total	Total sales	Percent of total	Total sales	Percent of total
	(in thousands of metric tons)									
City gas companies:										
Residential / business heating	8,627	23.6%	8,071	20.9%	7,493	21.3%	3,471	30.0%	3,627	34.0%
Industrial	8,065	22.1%	8,499	22.0%	6,868	19.5%	2,193	19.0%	1,625	15.2%
Other	2,688	7.4%	2,829	7.3%	3,605	10.3%	871	7.5%	1,119	10.4%
Sub-total	19,380	53.0%	19,399	50.2%	17,966	51.1%	6,535	56.5%	6,371	59.6%
Power generating companies:										
Subsidiaries of KEPCO	11,280	30.9%	12,462	32.2%	9,567	27.2%	3,148	27.2%	1,914	17.9%
Other power generating companies	5,710	15.6%	6,615	17.1%	7,427	21.1%	1,828	15.8%	2,348	22.0%
Sub-total	16,990	46.5%	19,077	49.3%	16,994	48.3%	4,976	43.0%	4,262	39.9%
Miscellaneous	177	0.5%	197	0.5%	213	0.6%	58	0.5%	51	0.5%
Total sales volume	36,547	100.0%	38,673	100.0%	35,173	100.0%	11,569	100.0%	10,684	100.0%

City Gas Companies

As of March 31, 2015, the Company supplied natural gas to 31 of the 32 city gas companies in Korea. The remaining one city gas company uses petroleum gas, and not natural gas. The Company supplies natural gas to city gas companies generally under 20-year contracts, which may be extended if the parties agree to an extension of five years before expiration of the relevant contract. Under these contracts, in November of each year, the volume of gas to be supplied each month of the following year is determined. If the volume that a city gas company fails to purchase is greater than 10% of the agreed amount, these contracts typically contain penalty provisions that oblige the city gas company to pay 2% of the amount they contract for but do not actually take. The penalty does not apply if extreme weather conditions cause a decrease in demand. Thus, the Company may not be able to fully pass through to the city gas companies any costs it incurs under its own take-or-pay or ship-or-pay obligations discussed below.

The table below shows the city gas penetration rate as of December 31, 2014.

Region/City	Total number of households	Households with natural gas supply	Penetration rate
	(in thousands)		(%)
Seoul	4,275	4,076	95.4
Gyeonggi	4,778	4,134	86.5
Busan	1,413	1,155	81.8
Gyeongnam	1,238	789	63.7
Daegu	969	848	87.5
Incheon	1,138	1,048	92.1
Choongnam	874	477	54.5
Gyeongbuk	1,146	630	55.0
Daejon	599	562	93.9
Gwangju	571	561	98.2
Chunbuk	767	509	66.3
Chunnam	708	331	46.8
Choongbuk	655	410	62.6
Ulsan	441	391	88.6
Gangwon	534	274	51.4
Jeju	171	18	10.7
Sejong	67	42	62.1
Total	20,344	16,255	79.9

Source: City Gas Companies Association.

Although residential heating and electricity generation have been, and are expected to continue to be in the foreseeable future, the major uses of natural gas, natural gas has also become a key energy source for industrial use, including in the manufacturing of food, textile, metal, machinery and chemical products. Sales volume of natural gas for industrial use represented 19.5% of the Company's total sales volume and 38.2% of the Company's sales volume to city gas companies in 2014 and 15.2% of the Company's total sales volume and 25.5% of the Company's sales volume to city gas companies in the first three months of 2015. The Company believes that industrial use of natural gas will increase as technologies develop to allow industrial users to utilize natural gas and these users become more aware of the potential uses for natural gas.

The table below provides details of sales by volume to the Company's major city gas customers for the periods indicated.

	For the year ended December 31,			For the three months ended March 31,	
	2012	2013	2014	2014	2015
	(in thousands of metric tons)				
Samchully	3,128	3,064	2,887	1,048	1,051
Seoul	1,729	1,623	1,461	605	636
Ko-one	1,439	1,380	1,233	493	504
Isyesco	1,149	1,138	998	414	428
Gyeongdong	2,332	2,443	2,054	652	449

As a substantial portion of natural gas supplied by the Company is used for heating of residential and commercial units, sales tend to be heavily skewed toward the winter months. Gas demand from the residential and commercial sectors is predominantly for heating purposes, and demand for gas in the winter months is significantly greater than in the summer months due to Korea's climate in which winters tend to be long and cold. The demand gap, or "Turn-Down Ratio," for city gas companies was approximately 3:1 in 2014, meaning that in such year, sales in the month with the highest gas usage were approximately three times greater than sales in the month with the lowest gas usage.

At the beginning of the winter season, the Company's storage tanks generally achieve full capacity levels, whereas at the end of the winter season the storage tanks operate at significantly low utilization rates, which then gradually increase during the summer and fall seasons. In order to use overall capacity and storage facilities more efficiently year-round, the Company seeks to reduce the seasonality effect by boosting demand for natural gas during the summer, including through the following initiatives:

- focusing on new customer types with more stable demand patterns, particularly industrial consumers;
- developing a price structure that encourages increased summer demand;
- promoting the use of natural gas-powered air conditioning; and
- promoting the use of CNG-powered cars and buses.

Power Generating Companies

The Company's sales to power generating companies are split between two customer segments: the five power generating subsidiaries of KEPCO and the 16 other power generating companies in Korea. The power generating companies' generating systems consist of nuclear, thermal, hydro and internal combustion units, which at the end of 2014 had an aggregate installed generating capacity of 93,216 megawatts. According to the Korea Power Exchange, it was estimated that natural gas was used for approximately 23.0% of the power generating companies' gross generating production in 2014. Because of the variety of energy sources available to the power generating companies, it is the government's practice to first allocate supplies of LNG to the city gas companies, which do not have the same flexibility.

Power Generating Subsidiaries of KEPCO

From the Company's inception until April 2001, it supplied natural gas to KEPCO. In April 2001, pursuant to a restructuring plan for the electricity industry in Korea, KEPCO's non-nuclear generating capacity was divided among the following five separate power generating subsidiaries, each with its own management structure, assets and liabilities: Korea South-East Power Co., Ltd., Korea Southern Power Co., Ltd., Korea Midland Power Co., Ltd., Korea Western Power Co., Ltd. and Korea East-West Power Co., Ltd. Each of these subsidiaries remains wholly owned by KEPCO, although the government may gradually reduce KEPCO's shareholding of each such subsidiary.

The Company entered into 20-year LNG supply contracts with the five non-nuclear power generating subsidiaries of KEPCO that are currently scheduled to expire in December 2026. Under the terms of the contracts, the Company's annual sales quantity is determined annually through negotiations with the power generating companies, subject to the government's approval, and may be adjusted through negotiations between the parties. The Company and each power generating company have agreed that, if the Company and the relevant power generating company cannot agree on the annual purchase quantity, the power generating company will continue to purchase

LNG from the Company, with the purchase quantity being determined based on the average of the quantities purchased during the preceding three years. The five non-nuclear power generating subsidiaries of KEPCO are jointly and severally liable for a take-or-pay obligation to the Company to the extent of their annual purchase quantity.

As discussed above in "—The Korean Gas Industry—Energy Policy" and in "Regulation of the Korean Gas Industry," energy policy in Korea is expressed through a series of government energy plans. These plans are periodically revised every two to five years and their main objectives include maintaining a balance between energy supply and demand, improving efficiency within the electricity industry and ensuring the production of electricity in an environmentally clean manner. The government also develops electricity plans ("**Electricity Plans**") which effectively determine the power generating companies' long-term plans for construction of generating units. In February 2013, the government published in consultation with KEPCO the Sixth Electricity Plan which forecasts electricity supply and demand until 2027. The Sixth Electricity Plan projects that electricity consumption will grow at an average growth rate of 3.4% from 2013 to 2027 and increase to 771,007 gigawatts in 2027 from 469,049 gigawatts in 2012.

Other Power Generating Companies

In addition to the five power generating subsidiaries of KEPCO, the Company currently supplies natural gas to 16 other power generating companies. The following table describes the natural gas usage capacities of these companies as of March 31, 2015.

	Number of power plants	Capacity (in megawatts)
Posco Energy Corporation	3	3,759
Pocheon Power Co., Ltd.	2	1,450
GS EPS Co., Ltd.	3	1,440
Meiya Power Co., Ltd.	2	1,411
Korea District Heating Co., Ltd.	4	1,315
GS Power Co., Ltd.	1	900
Pyongtaek Energy Co., Ltd.	1	800
Daeryun Power Co., Ltd.	1	563
Daegu Green Power Co., Ltd.	1	408
Incheon Total Energy Company	1	205
Byeollae Energy Co., Ltd.	1	130
Incheon Airport Energy Co., Ltd.	1	127
Suwan Energy Co., Ltd.	1	109
Busan-Jungkwan Energy Co., Ltd.	1	100
S-Power Co., Ltd.	1	834
Dongducheon Dream Power Co., Ltd.	2	1,716
Total	26	15,267

Wholesale Pricing of Natural Gas

Wholesale gas and gas supply prices are set by the Ministry of Trade, Industry and Energy after consultations with the Ministry of Strategy and Finance. A sales price adjustment mechanism is implemented pursuant to the Supply of Natural Gas Regulation under the City Gas Business Act and is designed to enable the Company to recover its reasonable costs (including supply costs and raw material costs) plus a guaranteed return. Prior to the beginning of each calendar year, the

Ministry of Trade, Industry and Energy, after consultation with the Ministry of Strategy and Finance and the Company, determines the unit "supply margin," which is based on the Company's target sales volume, estimated unit supply costs based on such target sales volume (including depreciation, selling, general and administrative expenses and labor costs) and a guaranteed return for the Company for the upcoming year. The guaranteed return is determined based on the Company's assets used in the distribution of natural gas, the Company's weighted average cost of capital and certain adjustments, which includes, starting from February 2013, an amount for recoupment over a five-year period of a prior guaranteed return which had been subject to suspension from March 2008 to February 2013 as further described in "The Company—Management's Discussion and Analysis of Financial Condition and Results of Operation—Overview—Lifting of Suspension of Sales Prices Adjustments." The weighted average cost of capital is calculated by applying the Company's estimated borrowing rate as well as the Company's cost of equity calculated using a capital asset pricing model.

The Company adds to the unit supply margin the unit raw material costs (including LNG costs, transportation expenses, insurance costs and taxes and duties as well as reserves periodically allocated for the collection of the Company's outstanding receivables) to arrive at the Formula Price. This enables the Company to recover its supply costs, pass through its raw material costs and realize the guaranteed return. Such Formula Prices are adjusted periodically throughout the year to reflect fluctuations in raw material costs, which enables the Company to mitigate its commodity price and foreign exchange risks. In the case of raw material costs related to the Company's sales to power generating companies, estimates for such costs are determined on a monthly basis and the Company is able to periodically settle any differences between its estimated costs and the actual costs it incurs. In the case of raw material costs related to the Company's sales to city gas companies, such costs are typically adjusted every two months under the City Gas Business Act if the fluctuations in the raw material costs exceed 3%.

Sales prices of natural gas invoiced to city gas companies have changed and may change from time to time, including increases of 5.5% in June 2012, 4.6% in February 2013 and 6.2% in January 2014, and decreases of 1.0% in July 2014, 6.2% in January 2015 and 10.7% in March 2015. The government reserves the right to suspend the periodic adjustments to the sales price the Company invoices to its customers. Due to substantial fluctuations in the price of LNG and the value of the Won relative to the U.S. dollar, the Ministry of Trade, Industry and Energy suspended, from March 2008 to February 2013, the bi-monthly adjustments to the sales prices that the Company invoices to city gas companies. During this period, the amounts of sales prices that the Company was entitled to collect from city gas companies based on the Formula Prices but were not able to do so due to the suspension of the bi-monthly adjustments were recorded as "other current non-financial assets" (for amounts estimated to be collectible within one year subsequent to the statement of financial position date) or "other non-current non-financial assets" (for amounts estimated to be collectible after one year subsequent to the statement of financial position date). The total amount of other current non-financial assets and other non-current non-financial assets accumulated during the suspension period relating to the material costs component of sales to city gas companies was Won 5,341 billion, at the time of the lifting of the suspension in February 2013. Such suspension and the resulting inability by the Company to fully increase its sales prices invoiced to city gas companies to reflect the Formula Prices led to a substantial decrease in net cash inflows and a corresponding increase in the Company's borrowings.

In order to at least partly address the adverse effect on the Company's cash flows and financial condition during the suspension period, the Ministry of Trade, Industry and Energy has approved increases in the sales prices invoiced to city gas companies from time to time. In February 2013 the Ministry of Trade, Industry and Energy lifted the suspension of the periodic bi-monthly adjustments and announced that it would reformulate the Formula Prices at a level that would enable the Company to recoup over five years the accumulated amount of guaranteed return to which the Company was entitled but was unable to collect during the suspension period. Under this reformulation, when the Company recognizes sales, it reduces the amounts in other non-financial assets accumulated during the suspension period by an amount equal to the portion of the Formula Prices allocated over five years to the recoupment of the prior guaranteed return that was not collected due to the suspension until all such amounts accumulated during the suspension period are recouped. After the lifting of the suspension of the bi-monthly adjustments to sales prices invoiced to city gas companies in February 2013, the total amount of these other non-financial assets decreased during the remainder of 2013 although other current non-financial assets increased during the same period as the additional amounts that the Company expected to collect within 2013 increased as a result of the resumption of such bi-monthly adjustments. Other current non-financial assets and other non-current non-financial assets relating to the material costs component of sales to city gas companies amounted to Won 1,624 billion and Won 2,227 billion, respectively, for a total of Won 3,851 billion, as of March 31, 2015. See note 8 to the unaudited consolidated interim financial statements and note 14 to the audited consolidated financial statements included elsewhere in this offering circular. However, no assurance can be given that the Ministry of Trade, Industry and Energy will not change its policy or adopt other measures that may prevent or delay the Company from realizing its guaranteed return fully within the proposed five-year period or at all. See "Risk Factors—Risks related to the Company and its Natural Gas Import and Wholesale Business—From time to time, the government may suspend the Company's ability to increase its sales prices to city gas companies to fully reflect increases in raw material costs, which has had, and may in the future have, a negative impact on the Company's cash flows and financial condition, and also a temporary negative impact on the Company's results of operations".

The split of the Company's supply cost burden between city gas companies and power generating companies is determined based on the respective purchase volume forecasts and cost factors for these two customer groups. Generally, the Company supplies natural gas to KEPCO at a margin lower than that for the city gas companies because it is less expensive for the Company to supply to KEPCO than to city gas companies. The unit supply cost for city gas companies is higher because of their greater usage of the pipeline and valve stations and higher seasonal fluctuations in demand that create greater storage capacity requirements. The Company at times charges different supply prices based on seasonality and the ultimate end user.

LNG Supply

The Company currently obtains substantially all of its LNG requirements from overseas sources, including Qatar, Malaysia, Oman, Indonesia, Yemen, Russia, Egypt, Brunei and Australia. The Company imported 36.3 million metric tons of LNG in 2014 and 9.7 million metric tons of LNG in the first three months of 2015.

LNG Sales and Purchase Agreements

Developers and financiers of LNG facilities have historically required long-term sales contracts of 20 to 25 years to be in place before starting the capital-intensive process of LNG facility construction. As a large purchaser of LNG, the Company has established a number of long-term sales and purchase agreements with suppliers that guarantee a minimum level of annual LNG supply. The Company believes that developing and maintaining good relationships with key suppliers is critical to securing consistent supplies of high quality natural gas at competitive prices. Since the introduction of LNG in Korea in 1986, natural gas demand has increased at rates often exceeding the LNG supply from long-term contracts. This has occurred in part because the Company's purchase commitments under long-term contracts are constrained by plans issued by the Ministry of Trade, Industry and Energy that have often underestimated growth in demand. Accordingly, the Company from time to time has entered into short- and medium-term purchase contracts or spot market transactions to cover short-term fluctuations in seasonal demand. Historically, the Company has obtained approximately 5% to 10% of its LNG annual supply on the spot market. In 2014 and the first three months of 2015, the Company obtained approximately 10.8% and 11.1%, respectively, of its LNG supply on the spot market. The Company decreased its spot market purchases in 2014 as there was a decrease in demand for natural gas primarily caused by higher temperatures during the winter of 2014 as compared to 2013.

The following table provides certain information about the Company's long- and medium-term LNG purchase agreements outstanding as of March 31, 2015.

Supplier	Contract period	Delivery basis	Contract volume (in thousand metric tons per year)
PERTAMINA (Indonesia)	1998 to 2017	FOB(1)	1,000
MLNG (Malaysia)	1995 to 2018	FOB	2,000
	2008 to 2028	DES(2)	1,500(3)
RASGAS (Qatar)	1999 to 2024	FOB	4,920
	2007 to 2026	DES	2,100
	2012 to 2016	DES	2,000
	2013 to 2032	DES	2,000
OLNG (Oman)	2000 to 2024	FOB	4,060
BLNG (Brunei)	2013 to 2018	DES	1,000
North West Shelf (Australia)	2003 to 2016	DES	500
Donghae Gas Fields (Korea)	2004 to 2018	PNG(4)	400
YLNG (Yemen)	2008 to 2028	FOB	2,000
Sakhalin Energy (Russia)	2008 to 2028	FOB	1,500
BG (primarily Egypt)	2008 to 2016	DES	1,320(5)
Shell Eastern Trading Ltd. (primarily Australia)	2013 to 2038	DES	3,640(6)
Total Gas and Power Ltd. (primarily Australia)(7)	2014 to 2017	DES	1,000
	2018 to 2031	DES	2,000
GLNG (Australia)	2015 to 2035	FOB	3,500
DSLNG (Indonesia)	2015 to 2027	FOB	700
Sabine Pass Liquefaction LLC (USA)	2017 to 2037	FOB	3,500

(1) Under "free-on-board" ("**FOB**") contracts, title to the LNG passes to the Company at the loading docks in the country where the supplier is located, and the Company arranges for transportation to its receiving terminals.

(2) Under "delivered-ex-ship" ("**DES**") contracts, the suppliers arrange for the transportation of the LNG to the Company's receiving terminals in Korea and a transportation component is included in the contract price. Title to the LNG passes to the Company at the Company's receiving terminals.

(3) Excluding 500 thousand metric tons per year that can be purchased at the option of the Company.

(4) Under "pipeline natural gas" ("**PNG**") contracts, the supplier transports natural gas in vapor form through a pipeline to the Company's receiving terminal.

(5) Excluding 240 thousand metric tons per year that can be purchased at the option of the supplier. Purchases are made under a portfolio contract that provides for the supply of LNG primarily from Egypt and other regions as necessary.

(6) Initially one million metric tons per year from fields in Russia and Nigeria until the satisfaction of certain conditions. Purchases are made under a portfolio contract that provides for the supply of LNG primarily from Australia and other regions as necessary.

(7) Purchases are made under a portfolio contract that provides for the supply of LNG primarily from Egypt and other regions as necessary.

As of March 31, 2015, the Company was a party to short-term supply contracts with seven suppliers in six countries. The amount of LNG supplied to the Company under short-term supply contracts amounted to 4.4 million metric tons of LNG in 2014.

Almost all of the long- and medium-term supply contracts contain take-or-pay provisions that require the Company to purchase a certain amount of LNG each year of the contract term, whether or not delivery is taken. Conversely, some agreements specify that the suppliers have downward flexibility to defer supplies. The long- and medium-term supply contracts also specify the downward flexibility available to the Company, which is the amount that may be deferred in any one year without payment becoming due. This figure varies between 4% to 10% of the annual volume the Company is required to purchase. The Company normally is required to purchase such deferred amounts during the remaining term of the relevant contract. Furthermore, there is a limit on the total amount of LNG that can be deferred under such contracts, generally up to 100% of the annually contracted volume. Once this level is reached, the Company is required to pay for the LNG even if delivery is not taken. Almost all of the supply agreements provide that any payment made under the take-or-pay provision can be applied as a credit to future LNG purchases that in subsequent years exceed that year's agreed-upon volume. To date, there have been no instances where the Company has been required to pay for undelivered LNG under the take-or-pay provisions. As the Company increases its storage capacity and expands its pipeline network, its ability to store unutilized LNG is expected to increase. As a result, the Company expects that its ability to deal with excess LNG, if any, will improve.

The price of LNG is generally determined by an LNG market pricing formula based primarily on the price of crude oil. The price of LNG purchased by the Company is determined by:

- in the case of LNG purchased from Indonesia (other than from DSLNG), the Indonesian Crude Price ("**ICP**"), which is linked to the average price of crude oil exported by Indonesia, adjusted on a monthly basis, in arrears;

- in the case of LNG purchased from Qatar, Malaysia, Oman, Yemen, Russia, Brunei and Australia, and LNG purchased from DSLNG and Total, the Japanese Crude Cocktail ("**JCC**"), which is linked to the price of customs-cleared crude oil imports into Japan; and

- in the case of LNG purchased from BG Group, JCC as well as the Henry Hub gas price, which is linked to the price of natural gas futures contracts traded on the New York Mercantile Exchange.

The Company's contracts with Sakhalin Energy, MLNG III and YLNG permit the Company or the supplier to request renegotiation of pricing terms every five years. The Company agreed on significantly higher new pricing terms with MLNG III in August 2013 and with YLNG in January 2014 and is currently negotiating new pricing terms with Sakhalin Energy, which are also expected to be significantly higher than what was previously agreed five years ago. The Company may in the future enter into additional long- and medium-term agreements with other suppliers to satisfy its supply requirements on a stable and diversified basis.

With the exception of the purchase price under the supply contract with Donghae Gas Fields, which the Company pays in Won, the purchase prices under the other supply contracts are payable in U.S. dollars.

Shipping

The Company currently imports all of its natural gas in the form of LNG in ships designed and used exclusively for transporting LNG. Each ship can transport approximately 56,000 to 67,000 metric tons of LNG at temperatures ranging from minus 159.8 celsius to minus 163.8 celsius.

The Company arranges LNG shipments on two different bases:

- Under DES contracts, the suppliers arrange for the transportation of the LNG to the Company's receiving terminals in Korea and a transportation component is included in the contract price. For such contracts, title to the LNG passes to the Company at the Company's receiving terminals.

- Under FOB contracts, title to the LNG passes to the Company at the loading docks in the country where the supplier is located, and the Company must arrange for the transportation to its receiving terminals.

For its FOB contracts, the Company utilizes the services of the following domestic Korean shipping companies: Hyundai LNG Shipping Co., Ltd., SK Shipping Co., Ltd., H-Line Shipping Co., Ltd., Korea Line Corporation and Korea LNG Trading Co., Ltd. Each ship is allocated to a particular LNG purchase contract, although there is some flexibility in changing the allocation.

As of March 31, 2015, the Company had entered into a total of 22 shipping contracts with the above five Korean shipping companies for the exclusive use of 22 vessels. 21 of these shipping contracts relate to LNG transporting vessels that were built specifically for use by the Company. Each of these 21 shipping contracts has a term of 20 or 25 years, which term may be adjusted by the Company with the consent of the relevant shipping company. The one other shipping contract relates to ships chartered by the relevant shipping companies for use by the Company. 17 of the financing contracts for these ships require the government to directly or indirectly own 30% of the Company's shares and maintain effective control of the Company.

In October 2014, the Company selected Samsung Heavy Industries and Daewoo Shipbuilding & Marine Engineering to construct six LNG vessels that are to be operated by Hyundai LNG Shipping Co., Ltd., SK Shipping Co. Ltd. and Korea Line Corporation for the transportation of LNG under the Sabine Pass purchase agreement. The shipping contracts, which are expected to have a duration of 20 years, are currently being negotiated, and the vessels are currently under construction and expected to be completed in 2017.

If the Company were to terminate its use of one or more of the ships under its shipping contracts, it could be required to make the remaining payments under the relevant shipping company's financing documents. Although the Company is not a party to the financing documents for these ships, it has entered into contracts of affreightment with the shipping companies. The Company believes that it would terminate its use of such ships only pursuant to a plan by the Ministry of Trade, Industry and Energy that calls for large reductions in supply. The Company believes that the government would reimburse the Company for any payments it makes following the termination of a shipping contract. However, the government does not have any legal or contractual obligation to do so. Even if the Company were required to make payments under a ship's financing documents, it would not acquire title to the ship. The financing documents also contain various grace periods and other provisions regarding alternative uses of the ships, which the Company believes would enable it to minimize its exposure in respect of such payments.

Under the shipping contracts relating to 21 of the ships built for the Company, the Company and the shipping companies have agreed to an annual shipment volume for the life of the agreements. Each year the Company may adjust the shipment volume for the following year based on any changes to agreements between the Company and its LNG suppliers. The shipping contracts relating to the six ships the Company expects to use for the transportation of LNG under the Sabine Pass purchase agreement are currently being negotiated and may include similar shipment volume adjustment terms as the existing shipping contracts for the 21 ships described above. In the one other existing shipping contract, the Company has guaranteed an aggregate shipment volume. The annual shipment volume may be adjusted according to the Company's shipping requirements as long as the Company adheres to the aggregate shipment volume for the term of the contract.

All of the shipping contracts contain ship-or-pay clauses, which require the Company to pay the costs incurred by the shipping company if the committed volume of shipment, as adjusted as described in the previous paragraph, for a given year is not shipped. Under the shipping contracts relating to the ships built for the Company, the payments under the ship-or-pay clauses are determined based on the shipping companies' capital costs and vessel expenses. The components of the shipping companies' capital costs include the cost of building the vessel, interest expense on financing for the construction of the vessel and other costs such as management and other fees in connection with such financing. The shipping companies' vessel expenses include labor, repair, maintenance and insurance costs for the ships. Payments under the ship-or-pay clauses are calculated by multiplying the unit shipment costs by the shortfall in shipment volume for the relevant year.

To date, the Company has never been required to make payments under such take-or-pay or ship-or-pay clauses principally because, in most cases, it has been able to purchase and ship sufficient amounts of LNG to avoid triggering these clauses. On rare occasions, due to a decrease in demand, the Company has purchased or shipped less than the agreed amounts of LNG, but the amounts were within the range allowed to be deferred under the supply or shipping contracts. However, if the Company's requirements for LNG were to be materially reduced in future years and the Company were not able to negotiate a reduction of the annual shipment volumes, the Company may incur payment obligations under the ship-or-pay clauses. Under the shipping contracts, any such payments could be applied against costs relating to future shipping requirements in excess of contracted amounts.

Storage and Transmission

As of March 31, 2015, the Company owned and operated a pipeline network of 4,240 kilometers in length. The Company receives, stores and vaporizes LNG in four large terminal complexes in Pyongtaek, Incheon, Tongyeong and Samcheok that had a combined storage capacity of 9.4 million kiloliters of LNG as of March 31, 2015. Pyongtaek and Incheon are located on the western coast of Korea near Seoul; Tongyeong is located in the southern part of Korea; and Samcheok is located on the eastern coast of Korea.

LNG is delivered to the Company's receiving terminals in specially designed ships. LNG is then pumped into storage tanks through unloading arms and pipes. Later, LNG is pumped out to the vaporizers where it is revaporized and then piped in a gaseous state to wholesale customers throughout Korea. The Company's facilities for receiving, storing, vaporizing and distributing natural gas have been constructed to meet international industry design standards and are operated under strict quality and safety controls.

Terminals

Pyongtaek

The Pyongtaek complex, which has been in operation since 1986, is located on a 1,494,215 square meter tract of land at Asan Bay on Korea's western coast in Gyeonggi province, 100 kilometers south-west of Seoul. The Pyongtaek complex is equipped with berthing facilities for two tankers to unload LNG and, as of March 31, 2015, it housed 23 storage tanks with a total capacity of 3.4 million kiloliters of LNG. Each tank has a storage capacity of between 100,000 to 200,000 kiloliters, is above ground with a concrete membrane and is designed to withstand earthquakes to the same scale as nuclear power plants in Korea. The Pyongtaek complex's vaporizing facilities are a combination of "open rack" type and "submerged" type with a production capacity of 4,636 metric tons of natural gas per hour as of March 31, 2015. The terminal processed 13 million metric tons of natural gas in 2014 and 4 million metric tons of natural gas in the first three months of 2015.

The revaporizing facilities at the Pyongtaek complex utilize waste water from the adjacent Korea Western Power Co., Ltd.'s power station. The Company believes this has a significant beneficial effect on the Pyongtaek complex's operating cost structure when compared to the Incheon complex.

Incheon

The Incheon complex, which commenced operations in 1996, is located on a 991,700 square meter site, also on the Republic's western coast in the Incheon municipality. Due to safety concerns in this heavily populated area, the Incheon complex is situated entirely on an island of reclaimed land, approximately eight kilometers off the coast. The Incheon complex is also equipped with two berths and, as of March 31, 2015, had 20 storage tanks in operation with a total capacity of 2.9 million kiloliters. Ten of the storage tanks are above ground and ten are below ground. The vaporizing facility had a production capacity of 4,940 metric tons of natural gas per hour as of March 31, 2015. The Company plans to increase the storage capacity of the Incheon complex to 3.5 million kiloliters by 2019. The terminal processed 12 million metric tons of natural gas in 2014 and 4 million metric tons of natural gas in the first three months of 2015.

Tongyeong

The Tongyeong complex is located on a 1,322,320 square meter site and has been operational since October 2002. The Tongyeong complex is equipped with one berth and, as of March 31, 2015, had 17 storage tanks in operation with a total capacity of 2.6 million kiloliters. All of the storage tanks are above ground. The vaporizing facility had a production capacity of 3,030 metric tons of natural gas per hour as of March 31, 2015. The terminal processed 8 million metric tons of natural gas in 2014 and 2 million metric tons of natural gas in the first three months of 2015.

Samcheok

The Company commenced the construction of its fourth receiving terminal complex in Samcheok, located on the eastern coast of Korea, in October 2009. The Samcheok complex commenced commercial operation in July 2014 upon completion of the first phase of construction. The Samcheok complex, as of March 31, 2015, had three storage tanks with a total capacity of 0.6 million kiloliters of LNG. Once the construction of the complex is completed in 2017, it is expected to have 12 storage tanks with a total storage capacity of 2.6 million kiloliters of LNG. The terminal processed 1 million metric tons of natural gas in the second half of 2014 and 1 million metric tons of natural gas in the first three months of 2015.

Pipeline Network

Once LNG is converted into vaporized gas at the Pyongtaek, Incheon, Tongyeong and Samcheok facilities, the gas is pumped throughout Korea through underground pipelines. The pipes are constructed in Korea to ISO 9001 technical standards and ISO 14001 environmental standards, and are insulated with rubber and then buried 1.2 to 1.5 meters underground after stringent inspections. The Company's distribution facilities also include stations for regulating the pressure of the gas as it is transmitted and other auxiliary facilities such as metering instruments.

As of March 31, 2015, the Company's transmission system had a total of 4,240 kilometers of pipeline in operation. As of March 31, 2015, the pipelines supplied gas to approximately 192 counties and cities throughout Korea. The Company's transmission system includes 356.3 kilometers of pipeline that encircle the Seoul metropolitan area in order to provide this highly populated area with a stable and secure supply of natural gas. The Company's extensive pipeline also allows the Company to distribute LNG to regional areas of Korea outside of the major metropolitan areas. By the end of 2017, the Company expects to expand its network to comprise approximately 4,827 kilometers of pipeline.

System Control Centers

The Central System Control Center, which is located in the Company's headquarters building in Daegu, continually and automatically checks and controls the production and distribution operations with computerized monitoring equipment. The control center has been designed with the assistance of Dong-Ah Engineering Co., Ltd. (Korea) and OGE Energy Corp. (Japan) and utilizes computer-controlled equipment from Digital Equipment Corporation (USA). The center is designed to prevent accidents and to manage any emergency that may arise. In addition, there are seven regional control centers in Ansan, Daejon, Gimhae, Gwangju, Gyeongsan, Seoul and Wonju, which continually monitor the distribution of natural gas within their respective regions. The regional centers are also designed for accident prevention.

The Central System Control Center also monitors the distribution and flow of natural gas in order to obtain consumption and demand figures. The information gathered is used to study and review the Company's performance and customer consumption patterns.

Overseas Operations

The Company's current strategic goal is to enhance profitability and financial soundness through debt reduction, including through disposition of non-core or unprofitable assets and issuance of equity and/or equity-linked securities, as well as various other cost-saving measures. Such strategic goal is in line with the Company's debt reduction plan submitted to the Ministry of Strategy and Finance as part of its plan to bolster its overall financial health. In the past, as part of its efforts to diversify its operations and prepare for the potential restructuring and liberalization of the natural gas industry in Korea as well as in response to the government's policy to promote procurement of natural resources, the Company participated in exploration, development and production of natural gas outside Korea. As part of a consortium or through acquisition of a minority interest, the Company engages in overseas gas exploration and development in various locations, including Iraq, Canada, Australia, Myanmar, Indonesia, Mozambique, Uzbekistan, Cyprus and East Timor, and participates in LNG terminal operation and maintenance in Mexico, Thailand, China, the United Arab Emirates and Singapore. The Company has also invested in various gas supply companies located in Oman, Qatar and Yemen. Some of these projects have recently begun to generate profits after years of investment, and the Company intends to make the scheduled or requisite investments in its overseas projects. However, in accordance with its debt reduction plan submitted to the Ministry of Strategy and Finance, until 2017, the Company plans to concentrate on its core business of LNG import-related operations without entering into any material new businesses or otherwise significantly expanding its capital expenditure overseas. The Company invested approximately U.S.$1.9 billion in overseas gas exploration, development and production projects in 2014 and approximately U.S.$0.6 billion in the first three months of 2015, and it expects to invest approximately U.S.$1.7 billion in such projects in the remainder of 2015, substantially all of which relate to committed capital expenditures under existing projects.

The major operations that the Company is currently pursuing are summarized below.

Investments in Gas Supply Companies

Oman. In 1997, the Company organized an investment consortium, Korea LNG Limited, in which the Company held a 24% equity interest as of March 31, 2015, with four other Korean companies. The consortium acquired a 5% interest in Oman LNG LLC, a gas supply company that supplies gas from Saih Rowl in Oman. In 2014, Oman LNG LLC paid U.S.$21 million in dividends to Korea LNG Limited. As of March 31, 2015, the Company had invested approximately U.S.$8.4 million in Oman LNG LLC.

Qatar. In 1999, the Company organized an investment consortium, Korea Ras Laffan LNG Ltd., in which it held a 60% equity interest as of March 31, 2015, with six other Korean companies. The consortium acquired a 5% interest in Ras Laffan Liquefied Natural Gas Company NY Ltd., a gas supply company that supplies gas from Qatar. In 2014, Ras Laffan Liquefied Natural Gas Company NY Ltd. paid U.S.$80 million in dividends to Korea Ras Laffan LNG Ltd. As of March 31, 2015, the Company had invested approximately U.S.$29.4 million in Ras Laffan Liquefied Natural Gas Company NY Ltd.

Yemen. In August 2005, the Company signed an equity participation agreement and acquired a 6% interest in Yemen LNG Company Ltd. ("**YLNG**"), a gas supply company that supplies natural gas extracted from the Marib region of central Yemen. In September 2006, the Company acquired a 49% interest in Hyundai Yemen LNG Company, a shareholder of YLNG, and indirectly acquired an additional 2.88% interest in YLNG. The establishment of YLNG also involved the construction of a two-train natural gas liquefaction plant with an annual processing capacity of 6.7 million tons and other pipelines, storage and port facilities. YLNG made its first shipment of LNG in November 2009. As of March 31, 2015, the Company had invested approximately U.S.$284 million in YLNG.

Overseas Exploration, Development and Production

Production Stage

Iraq. In June 2009, the Company joined a consortium with Eni S.p.A. and Occidental Petroleum Corporation and made a successful bid in the Iraqi government's auction of the Zubair oilfield. The Company held a 23.75% interest in the project as of March 31, 2015. The Zubair oilfield is estimated to hold recoverable reserves of approximately 6.4 billion barrels of crude oil and approximately 17.1 trillion cubic feet of natural gas. The consortium has the right to develop and produce oil and gas in the Zubair oilfield for twenty years, with the right to extend the contract period by an additional five years, subject to certain conditions. The consortium plans to increase the current production level of 356,000 barrels of crude oil per day to 1.2 million barrels of crude oil per day by 2017. The consortium expects to produce an aggregate of 6.4 billion barrels of crude oil during the initial contract period of twenty years. The Company had invested approximately U.S.$1,622 million in the project as of March 31, 2015, and it plans to additionally invest approximately U.S.$661 million in 2015. The Zubair oilfield is already producing oil, and the Company received a return of U.S.$366 million from this investment in 2014.

In December 2009, the Company joined a consortium with Gazprom Neft, Petroliam Nasional Berhad, the state-owned oil company of Malaysia, and TPAO, the state-owned oil and gas company of Turkey, and made a successful bid in the Iraqi government's auction of the Badra oilfield. The Company held a 22.5% interest in the project as of March 31, 2015. The Badra oilfield is estimated to hold recoverable reserves of approximately 0.8 billion barrels of crude oil and approximately 2.6 trillion cubic feet of natural gas. The consortium has the right to develop and produce oil and gas in the Badra oilfield for twenty years, with the right to extend the contract period by an additional five years, subject to certain conditions. The consortium commenced commercial production in the second half of 2014 and recorded revenue of U.S.$32 million in 2014. The consortium expects to produce an aggregate of 0.8 billion barrels of crude oil during the initial contract period of twenty years. The Company had invested approximately U.S.$657 million in the project as of March 31, 2015, and it plans to additionally invest approximately U.S.$275 million in 2015.

In October 2010, a 50:50 consortium formed by the Company and JSC KazMunaiGas Exploration Production ("**KazMunaiGas**") of Kazakhstan made a successful bid in the Iraqi government's auction of the Akkas gasfield. The Company has been designated as the operating company for the Akkas gasfield, which is estimated to hold gas reserves of approximately 3.3 trillion cubic feet. In its bid accepted by the Iraqi government, the consortium proposed a fee of U.S.$5.5 per barrel of oil equivalent and a plateau production target of 400 million cubic feet per day. In May 2011, the Company acquired an additional 37.5% interest in the Akkas gas field subsequent to KazMunaiGas's withdrawal from the consortium. As a result, the Company currently holds a total of 75% interest in the Akkas gas field. In October 2011, the Company and the Iraqi government entered into a development and production contract for the Akkas gasfield. The Company has indefinitely discontinued its activities in the Akkas gasfield due to recent insurgent activities in Iraq and is currently monitoring the situation. The Company expects to produce an aggregate of 2.1 trillion cubic feet of natural gas during the initial contract period, which is to be for twenty years. The Company had invested approximately U.S.$408 million in the project as of March 31, 2015.

In October 2010, a consortium that the Company formed with Turkiye Petrolleri Anonim Ortakligi ("**TPAO**") of Turkey and Kuwait Energy Company made a successful bid in the Iraqi government's auction of the Mansuriyah gasfield. The Company currently holds a 15% interest in the Mansuriyah gasfield with TPAO holding 37.5% (and acting as the operating company), Kuwait Energy Company holding 22.5% and Iraq's Oil Exploration Company holding 25%. The Mansuriyah gasfield is estimated to hold gas reserves of approximately 2.7 trillion cubic feet. After negotiations, the Iraqi government accepted the consortium's final proposal of a fee of U.S.$7.0 per barrel of oil equivalent and a plateau production target of 320 million cubic feet per day. The consortium is expected to begin its production operations in the second half of 2015. The consortium expects to produce an aggregate of 1.7 trillion cubic feet of natural gas during the initial contract period, which is to be for twenty years. In June 2011, the consortium and the Iraqi government signed the Mansuriyah gasfield development and production contract. The Company had invested approximately U.S.$56 million in the project as of March 31, 2015, and it plans to additionally invest approximately U.S.$104 million in 2015.

Development Stage

Myanmar. In November 2002, the Company joined a consortium with Daewoo International Corporation, ONGC Videsh Ltd. and the Gas Authority of India Ltd., which made a successful bid in the gas exploration, development and production project in the Myanmar A-1 gas field. In October 2005, the same consortium made a successful bid in the gas exploration, development and production project in the Myanmar A-3 gas field, adjacent to the Myanmar A-1 gas field. In August 2010, Myanmar Oil & Gas Enterprise, the national oil and gas company of Myanmar, acquired a 15% interest in each of the projects, and the Company's interest in each of these projects decreased to 8.5%. The Company estimates that the A-1 and A-3 fields in the aggregate have up to 4.5 trillion cubic feet of proven natural gas reserves. In December 2008, the consortium entered into a sales agreement with China National United Oil Corporation to sell the gas produced from the above-mentioned gas fields beginning in July 2013. Commercial production of natural gas commenced in July 2013.

In June 2010, the consortium, together with China National Petroleum Corporation, established South-East Asia Gas Pipeline Company Ltd. ("**SEAGP**") to construct on-shore pipelines in order to transport gas from these gas fields to China. As of March 31, 2015, the Company held a 4.17% interest in SEAGP. In connection with the Company's various projects in Myanmar, the Company had invested approximately U.S.$309 million as of March 31, 2015, and it plans to additionally invest approximately U.S.$2 million in 2015.

Australia. In January 2011, the Company, Total S.A., Santos Ltd. and Petroliam Nasional Berhad ("**Petronas**") announced their approval of the Gladstone LNG project (the "**GLNG Project**") in Australia. The integrated GLNG Project, which is expected to have a total investment cost of approximately U.S.$16 billion through 2015, consists of the development and production of coal bed methane, an unconventional natural gas, from the Fairview, Arcadia, Roma and Scotia fields located in the Bowen and Surat Basin in Queensland, eastern Australia, the construction of a 420 kilometer gas transmission pipeline from the gas fields to Gladstone, Queensland as well as the construction of a liquefaction plant on Curtis Island, Queensland. The consortium expects to begin production operations in 2015 with an initial annual production capacity of approximately 7.8 million metric tons of LNG per annum. The Company, pursuant to a purchase agreement it entered into in December 2010, acquired a 7.5% interest in the GLNG Project from each of Santos and Petronas, for an aggregate 15% interest in the GLNG Project. In December 2010, the Company also entered into an agreement with the other consortium members to offtake approximately 3.5 million metric tons of LNG per annum from the GLNG Project for a period of 20 years beginning in 2015. The Company had invested approximately U.S.$3,653 million in the project as of March 31, 2015, and it plans to additionally invest approximately U.S.$135 million in 2015.

In June 2012, the Company announced its purchase of a 10% interest in the Prelude floating LNG project in Australia (the "**Prelude Project**"), which had been wholly-owned by Shell Australia Pty, for U.S.$350 million. Floating LNG projects produce, liquefy, store and transfer LNG at sea before carriers ship it directly to markets. The Prelude Project is expected to commence operation in 2016 with initial production capacity of approximately 3.6 million metric tons of LNG per annum, and is expected to be the world's first floating LNG project. The Company had invested approximately U.S.$1,206 million (including the initial purchase price of U.S.$210 million for a 6% interest in the Prelude Project) in the Prelude Project as of March 31, 2015, and it plans to additionally invest approximately U.S.$113 million in 2015.

Indonesia. In January 2011, the Company received approval from the Korean government to participate in the Donggi-Senoro LNG project (the "**DSLNG Project**"). The DSLNG Project consists of the construction of pipelines, condensate handling facilities, a liquefaction facility, LNG storage tanks and harbor works. The DSLNG Project is estimated to have a total investment cost of approximately U.S.$2.8 billion and the other participants of the project are Mitsubishi Materials Corporation ("**Mitsubishi**"), PT Medco LNG Indonesia and PT Pertamina Energy Services, the state-owned oil and gas company of Indonesia. The LNG plant is expected to commence production operations in the first quarter of 2015. As part of this project, the Company entered into a supply agreement in January 2011 to offtake approximately 700,000 metric tons of LNG per annum beginning in 2015. In February 2011, the Company and Mitsubishi established a joint venture company, PT Sulawesi LNG Development, which currently holds a 59.9% interest in the DSLNG Project. The Company currently holds a 25% interest in the joint venture and thereby holds an indirect 14.975% interest in the DSLNG Project. The Company had invested approximately U.S.$354 million in the project as of March 31, 2015, and it plans to additionally invest approximately U.S.$23 million in the remainder of 2015.

In December 2011, the Company acquired a 49% interest in Tomori E&P Limited, which had been wholly-owned by Mitsubishi, for approximately U.S.$139 million, thereby acquiring a 9.8% interest in the Senoro-Toili gas field located in Central Sulawesi province in Indonesia. By securing such interest, the Company plans to participate in the development and production of natural gas from the Senoro-Toili gas field which is expected to play a major role in supplying gas for the DSLNG Project. The Company had invested approximately U.S.$215 million in the project as of March 31, 2015, and it does not plan to make additional investments in the project in 2015.

Uzbekistan. In March 2006, the Company and UzbekNefteGaz, Uzbekistan's state-owned oil and gas company, agreed to a joint study and exploration of the Usunkui field and to cooperate in the joint development of the Surgil field located in Uzbekistan. In May 2008, the Company, as a member of a consortium with other Korean companies, signed a joint study agreement with UzbekNefteGaz to conduct geological and economic risk assessment and exploration of the Usunkui field. The Korean consortium acquired a 50% interest in the Uzunkui exploration project, and the Company held a 45% interest in the Korean consortium as of March 31, 2015. The consortium completed a two-dimensional seismic survey of the Uzunkui field in 2011 and is currently interpreting the seismic data retrieved from the survey. In order to develop the Surgil gas field, UzbekNefteGaz and the Korean consortium established a joint venture company, Kor-Uz Gas Chemical, in which the Company holds a 22.5% interest. After conducting a feasibility study of the Surgil field and formulating a plan to meet its working capital requirements, the consortium is constructing a gas chemical plant that is expected to be completed during the second half of 2015, and commercial production is expected to commence during the second half of 2016. In connection with the Company's various projects in Uzbekistan, the Company had invested approximately U.S.$310 million as of March 31, 2015, and it plans to additionally invest approximately U.S.$210 million in 2015.

Exploration Stage

East Timor. In May 2007, the Company formed a consortium with Eni S.p.A. and Petroleos e Gas de Portugal SGPS, S.A. to explore five offshore blocks in East Timor owned by Eni S.p.A. The Company held a 10% interest in the consortium as of March 31, 2015. In 2007 and 2008, the consortium conducted two-dimensional and three-dimensional seismic surveys of the block. In September 2010, the consortium returned the rights to one of the offshore blocks to the government of East Timor after seismic surveys revealed low potential gas volume in that block. The consortium completed drilling an exploratory well in December 2010 and will make its financial investment decision regarding future exploration activities after further consideration. As of March 31, 2015, the Company had invested approximately U.S.$32 million in the project. The Company currently does not plan to make additional investments in this project.

Mozambique. In July 2007, the Company formed a consortium with Eni S.p.A. and Petroleos e Gas de Portugal SGPS, S.A. to explore the Area 4 offshore block in Mozambique owned by Eni S.p.A. The Company held a 10% interest in the consortium and Mozambique's state-owned oil and gas company, Empresa Nacional de Hidrocarbonetos de Mozambique, also held a 10% interest in the project as of March 31, 2015. In 2008, the consortium conducted two-dimensional and three-dimensional seismic surveys of the block. In September 2011, the consortium began drilling its first exploration well on the block, and in October 2011, the consortium identified a natural gas pay while drilling the well. As of March 31, 2015, the Company had invested approximately U.S.$261 million in the project, and it plans to additionally invest approximately U.S.$89 million in 2015.

Indonesia. In July 2007, the Company formed a consortium with Eni S.p.A. to explore the Krueng Mane offshore block in Indonesia owned by Eni S.p.A. The Company held a 15% interest in the consortium as of March 31, 2015. The consortium conducted interpretation of seismic data of the block in 2008, and completed the drilling of two exploration wells in February 2009. In June 2009, the consortium submitted to the Indonesian government a development plan of the JAU gas field located in the Krueng Mane offshore block. In January 2012, the Indonesian government approved the development plan and the consortium is currently conducting an additional feasibility study. As of March 31, 2015, the Company had invested approximately U.S.$44 million in the project, and it plans to additionally invest approximately U.S.$2 million in 2015.

Canada. In February 2010, KOGAS Canada Ltd., a wholly owned subsidiary of the Company, entered into an agreement with EnCana Corporation, pursuant to which the Company agreed to acquire 50% of EnCana Corporation's interest in Kiwigana gas field located in the northeast British Columbia's Horn River and Jackpine and Noel gas fields located in West Cutbank. In addition, in July 2011, the Company entered into an agreement with EnCana Corporation, pursuant to which the Company agreed to acquire 50% of EnCana Corporation's interest in the Kiwigana expansion gas fields located in the northeast British Columbia's Horn River region, further expanding the Company's interest in the gas fields located in Canada. The Company plans to participate in the development and production of unconventional natural gas in this region, including shale gas and tight gas, and expects to secure approximately 52 million tons of natural gas during the production period of approximately 45 years. As of March 31, 2015, the Company had invested approximately Canadian dollar 1,182.5 million in the project, but it does not plan to make additional investments in the project in the remainder of 2015.

In June 2011, the Company purchased a 10% interest in Cordova Gas Resources Ltd. from Mitsubishi Corporation for approximately U.S.$8 million, thereby acquiring a 5% interest in the

Cordova Embayment shale gas project in Canada. By securing such interest, the Company plans to participate in the development and production of shale gas in the Cordova region. As of March 31, 2015, the Company had invested approximately Canadian dollar 21.6 million in the project. The Company currently does not plan to make additional investments in the project.

In February 2011, the Company decided to participate in the development of the Umiak gas reserve located in the northern region of Canada and purchased a 20% interest in the Umiak gas reserve from MGM Energy of Canada for approximately U.S.$30 million. By participating in the development of the Umiak gas reserve, the Company expects to expand its operations, and also gain knowledge in developing and operating gas fields, in the arctic region. As of March 31, 2015, the Company had invested approximately Canadian dollar 20 million in the project. The Company currently does not plan to make additional investments in the project.

Cyprus. In January 2013, the Company formed a consortium with Eni S.p.A. to explore Blocks 2, 3 and 9 in the Levant basin off the shore of Cyprus. The Company currently holds a 20% interest in the consortium. The consortium commenced geophysical surveys in the third quarter of 2013, and the drilling of exploration wells in Block 9 was completed in December 2014 and March 2015. As of March 31, 2015, the Company had invested approximately Euro 80.8 million in the project, and it plans to additionally invest approximately Euro 43 million in 2015.

Operation of LNG Terminals

In March 2008, the Company joined a consortium to construct and operate an LNG receiving terminal in Manzanillo, Mexico. A special purpose company, in which the Company held a 25% interest as of March 31, 2015, was established by the consortium to manage and operate the facilities for 20 years. The LNG receiving terminal commenced commercial operations in June 2012. As of March 31, 2015, the Company had invested U.S.$219 million in the LNG terminal project. The Company currently does not plan to make additional equity investments in the project.

In February 2010, the Company entered into an agreement with Samsung C&T Co., Ltd. to provide consulting services relating to the operation of an LNG terminal in Singapore. The Company entered into an agreement with China Huanqiu Construction & Engineering Corporation ("**HCEC**") in May 2010 and PetroChina LNG Jiangsu Co., Ltd. in August 2010, to provide consulting services relating to the operation of the Jiangsu LNG terminal in China, and entered into an agreement with HCEC in March 2011 to provide consulting services relating to the operation of the Dalian LNG terminal in China. Under such agreements, the Company provides consulting services relating to the operation of the terminal and training of terminal personnel. The Company expects to deploy civil engineering personnel and equipment if requested by HCEC.

Safety

Safety standards and regulations in the LNG industry are issued, and compliance of such standards and regulations is monitored, by the Ministry of Trade, Industry and Energy and the Gas Technology Standards Committee, a government body under the control of the Ministry of Trade, Industry and Energy. Liability for gas-related accidents involving either the Company or the city gas companies is generally governed by the Korean Civil Code, the Labor Standards Act and the Industrial Accident Compensation Insurance Act. There are no specific provisions for civil liability relating to gas-related accidents in any relevant legislation for either the Company or the city gas companies.

The Company has undertaken various measures including replacing pipeline valves with newer and safer models, improving computer systems, increasing safety and maintenance training for employees and improving the Company's patrolling equipment (used to detect leaks and other defects in pipes). The Company believes that its safety standards surpass or are at least comparable to domestic and international safety standards relating to the gas industry. The

Company has acquired OHSAS 18001, ISO 9001 and ISO 14001 and certifications for its safety and health management. The government also periodically conducts spot-checks of the Company's facilities to ensure that they are in compliance with environmental regulations. These spot-checks have never identified any major violations or resulted in monetary fines or other penalties. There has not been a serious accident at any of the Company's workplaces since 1995.

Employees

As of March 31, 2015, the Company had 3,517 employees. The following table provides a breakdown of employees by function as of the dates indicated.

	As of December 31,			As of March
Function	**2012**	**2013**	**2014**	**31, 2015**
Planning	152	136	133	139
Administration	194	163	157	162
Marketing	141	151	157	149
Exploration & production	102	108	102	99
Production	834	878	982	1,008
Operations	1,340	1,420	1,544	1,586
Research & development	127	141	162	171
Others	136	358	200	203
Total	3,026	3,355	3,437	3,517

In addition, the Company's wholly-owned subsidiary, Korea Gas Technology Corp., had 1,277 employees as of March 31, 2015.

Labor Relations

As of March 31, 2015, 3,001 of the Company's employees, or approximately 86% of its total employees, were members of a labor union. The Company negotiates a collective bargaining agreement every two years as well as a wage agreement on an annual basis with its labor union. The latest collective bargaining agreement came into effect in November 2013 for a term of two years. The Company entered into a new wage agreement with its labor union in December 2014. In the past, the Company has experienced opposition from its labor union for concerns over the government's plans to liberalize and privatize the natural gas wholesale and transport industry and restructure the Company to improve its operating efficiency and profitability by reducing its employee base. In recent years, the Company has not experienced any significant labor disputes and unrests that have interrupted its business operations. Although the Company believes that it has hired and trained appropriate personnel to ensure continuous operations in the event of a strike or work stoppages, there can be no assurance that this will be the case.

Remuneration

The Company, like most Korean companies, grants its employees annual increases in basic wages and pays periodic bonuses. In December 2014, the Company entered into a new wage agreement with its labor union pursuant to which the average wage (excluding retirement and severance benefits and other employee benefits) for 2014 was retroactively increased by 1.7%.

Employees and directors with more than one year of service are entitled to receive a lump-sum payment upon termination of their service with the Company, based on their length of service and rate of pay at the time of termination.

Property

The Company's headquarters and principal offices are located at 120 Cheomdan-ro, Dong-gu, Daegu, 701-300, Korea. As part of a wider government initiative to relocate public companies from the Seoul metropolitan area to other parts of Korea, the Company relocated its headquarters to Daegu on October 1, 2014. The Company owns nine branch offices in Seoul, Incheon, Gyeonggi, Gyeongnam, Choongchung, Chunbuk, Chunnam, Gyeongbuk and Gangwon.

The Company has title over the land used for the Incheon, Pyongtaek, Tongyeong and Samcheok receiving terminals.

To construct the pipeline network, pipelines are laid underneath government-owned land whenever possible. The Company generally pays annual fees for the use of such land. In other cases, the Company either pays landowners for "right of use" permission, pursuant to which a single up-front right of use fee is paid to landowners and in exchange for which the landowners are required to restrict the future uses of such land, or else purchases the land outright.

Insurance

The Company maintains property, general commercial liability, bodily injury, fire, construction and cargo insurance policies with respect to the Pyongtaek, Incheon, Tongyeong and Samcheok complexes, its distribution stations and its LNG and other raw materials. As of December 31, 2014, inventories, machinery, equipment and tools were insured against fire damage up to Won 20 trillion. In addition, as of December 31, 2014, the Company maintained an assembly insurance policy, liability insurance policies and cargo insurance policies with consequential loss coverage of Won 5.2 trillion, Won 0.1 trillion and Won 14.7 trillion, respectively. The Company is not delinquent on any of its insurance payments. The Company believes that its insurance coverage is comparable to that of other companies engaged in similar businesses.

Research and Development and Intellectual Property

In May 1990, the Company opened its Research and Development Center in Ansan in Gyeonggi province. The center has a branch in Incheon to conduct further research and development activities. As of December 31, 2014, the Center employed 100 researchers (including 44 with Ph.Ds) and 56 other employees. The Company incurred research and development costs of Won 54 billion in 2014.

Under the KOGAS Act, the Company is required to invest at least 1% of its net gas sales (representing gas sales net of raw material costs) in research and development. In 2014, the Company invested 1.3% of its net gas sales in research and development. The Company's objective with regard to research and development is to develop internal technologies that (i) serve as a growth engine for the Company through increased operating efficiencies and increasing demand for natural gas, (ii) ensure the safety of its facilities, and (iii) provide the Company with a competitive advantage in its overseas gas exploration, development and production projects.

Current core projects focus on development of the following areas:

- core technologies such as LNG storage tanks and LNG cargo containers used in vessels;
- safety control systems for ensuring safe operation of the Company's infrastructure; and
- natural gas exploration, development and production technologies and technologies for enhancing productivity of gas fields.

The Company has entered into cooperation agreements with other natural gas energy companies in order to pursue joint research and development activities. In addition, the Company is a member of various international organizations related to the natural gas industry, such as the International Gas Union, Institute of Gas Technology, the Society of International Gas Tanker and Terminal Operators Ltd., the International Group of LNG Importers, the Institute of Energy & Economics and the International Energy Agency.

The Company's general policy is to seek intellectual property protection for those inventions and improvements likely to be incorporated into its products or to give it a competitive advantage compared to other fuel sources. The Company relies on a variety of patents, utility model rights, copyrights, trade secrets, trademarks and proprietary information to maintain and enhance its competitive position. The Company's principal brand names are registered trademarks in Korea.

The Company held 310 patents and 3 utility model rights as of December 31, 2014. The Company does not believe that any individual property right or related group of intellectual property rights is of such importance that its expiration or termination would materially affect the business of the Company.

Subsidiaries

The following table sets forth certain information relating to the Company's consolidated subsidiaries as of March 31, 2015:

		As of or for the three months ended March 31, 2015			
Subsidiaries	**Primary business**	**Percentage ownership**	**Total assets**	**Total sales**	**Net income (loss)**
			(in millions of Won)		
Korea Gas Technology Corp.	Construction and services	100%	131,841	40,427	2,151
KOGAMEX Investment Manzanillo B.V.	Investment and services	100%	53,238	—	1,975
KOMEX-GAS, S. de R.L. de C.V.	LNG terminal construction	99.97%	2,821	1,478	557
KOGAS Iraq B.V.	Oil and gas production	100%	1,023,591	84,532	28,336
KOGAS Badra B.V.	Oil and gas production	100%	683,780	8,997	1,741
KOGAS Akkas B.V.	Oil and gas production	100%	366,072	—	1
KOGAS Mansuriyah B.V.	Oil and gas production	100%	26,904	—	(13)
KOGAS Canada Ltd.	Gas field development and production	100%	298,670	6,144	(4,127)
KOGAS Canada LNG Ltd.	Gas field development and production	100%	102,656	—	(1,464)
KOGAS Australia Pty. Ltd.	Investment and LNG business development	100%	4,726,538	3,131	(1,170)
KOGAS Prelude Pty. Ltd.	Exploration and development	100%	1,452,473	—	(946)
KG Timor Leste Ltd.	Exploration and development	100%	8,486	—	(179)

		As of or for the three months ended March 31, 2015			
Subsidiaries	Primary business	Percentage ownership	Total assets	Total sales	Net income (loss)
				(in millions of Won)	
KG Krueng Mane Ltd.	Exploration and development	100%	47,835	—	(238)
KG Mozambique Ltd.	Exploration and development	100%	269,700	—	(1,188)
KOGAS Mozambique, Lda................................	Construction and services	99.99%	44,731	1,312	1,094

Legal Matters

The Company is the defendant in various court proceedings involving claims for civil damages arising in the ordinary course of its business. While the Company is unable to predict the ultimate disposition of these claims, it is the Company's view that there are no legal or arbitration proceedings involving the Company or any of its affiliates, the outcome of which may have a material adverse effect on the results of operations or financial position of the Company.

Management's Discussion and Analysis of Financial Condition and Results of Operations

All financial information included below is given on a consolidated basis, unless otherwise specified. The following discussion and analysis should be read in conjunction with the Company's financial statements, together with the accompanying notes, included elsewhere in this offering circular. The unaudited consolidated interim financial information for the three months ended March 31, 2015 presented in this offering circular may not be indicative of the Company's full year results for 2015.

Overview

The Company is the only company in Korea engaged in the wholesale distribution of natural gas, and the Company believes that it is currently the largest importer of LNG in the world. The Company supplied 35.2 million metric tons of natural gas in 2014 and 10.7 million metric tons in the first three months of 2015. The Company believes that natural gas supplied by the Company accounted for approximately 16.9% of the primary energy consumed in Korea in 2014. The Company's facilities consist primarily of its gas processing terminals, storage facilities and nation-wide pipeline network. The Company imports, receives and revaporizes LNG at its four LNG receiving terminals, and then distributes the natural gas to its customers through its network of pipelines which encompassed 4,240 kilometers as of March 31, 2015. The Company intends to expand both its pipeline network and storage capacity to meet forecasted increases in demand for natural gas in Korea.

The Company's current strategic goal is to enhance profitability and financial soundness through debt reduction, including through disposition of non-core or unprofitable assets and issuance of equity and/or equity-linked securities, as well as various other cost-saving measures. Furthermore, in accordance with its debt reduction plan submitted to the Ministry of Strategy and Finance, until 2017, the Company plans to concentrate on its core business of LNG import-related operations without entering into any material new businesses or otherwise significantly expanding its capital expenditure overseas.

As of March 31, 2015, the government directly and indirectly held 46.62% of the Company's issued and outstanding shares, and local governments held an additional 7.94% of the Company's issued and outstanding shares. Accordingly, the government has historically influenced, and is likely to continue to influence, the Company's strategy, operations and management. The Company is heavily regulated by a variety of laws and regulatory bodies, including the Ministry of Trade, Industry and Energy and the Ministry of Strategy and Finance. The government also has the ability to influence and control other government-related entities, some of which are the Company's customers, such as the five power generating subsidiaries of KEPCO. From time to time, the Company is required to take actions in furtherance of public policy considerations and the government's broader objectives for the natural gas industry which are not necessarily in the Company's best commercial interests. For example, public policy considerations relating to the level of the Company's profitability affect the Company's prescribed rate of return.

Sales Price Adjustment Mechanism and Guaranteed Return

The government, among other things, supervises the Company's forecasting process for natural gas demand, approves the Company's LNG supply contracts, and influences the Company's operating income and cash flow by regulating the Company's natural gas sales prices. Prior to the beginning of each calendar year, the Ministry of Trade, Industry and Energy, after consultation with the Ministry of Strategy and Finance and the Company, determines the unit "supply margin," which is based on the Company's target sales volume, estimated unit supply costs based on such target sales volume (including depreciation, selling, general and administrative expenses and labor costs) and a guaranteed return for the Company for the upcoming year. The guaranteed return amount is determined based on the Company's assets used in the distribution of natural gas, the Company's weighted average cost of capital and certain adjustments, which includes, starting from

February 2013, an amount for recoupment over a five-year period of a prior guaranteed return which had been suspended from March 2008 to February 2013 as further described below. The weighted average cost of capital is calculated by applying the Company's estimated borrowing rate as well as the Company's cost of equity calculated using a capital asset pricing model.

The Company adds the unit supply margin to the unit raw material costs (including LNG costs, transportation expenses, insurance costs and taxes and duties as well as reserves periodically allocated for the collection of the Company's outstanding receivables) to arrive at the Formula Price. This enables the Company to recover its supply costs, pass through its raw material costs and realize the guaranteed return. Such Formula Prices are adjusted periodically throughout the year to reflect fluctuations in raw material costs, which enables the Company to mitigate its commodity price risks and foreign exchange risks. In the case of raw material costs related to the Company's sales to power generating companies, estimates for such costs are determined on a monthly basis and the Company is able to periodically settle any differences between its estimated costs and the actual costs it incurs. In the case of raw material costs related to the Company's sales to city gas companies, such costs are typically adjusted every two months if the fluctuations in the raw material costs exceed 3%. Any such differences not reflected in the Formula Prices and outstanding at the end of the fiscal year are taken into account in determining the unit supply margin applicable to the subsequent fiscal year. Generally, the Company supplies natural gas to KEPCO at a margin lower than that for the city gas companies because it is less expensive for the Company to supply to KEPCO than to city gas companies. The unit supply cost for city gas companies is higher because of their greater usage of the pipeline and valve stations and higher seasonal fluctuations in demand that create greater storage capacity requirements. The Company at times charges different supply prices based on seasonality and the ultimate end user.

Sales price adjustment mechanism for city gas companies is implemented pursuant to the Supply of Natural Gas Regulation under the City Gas Business Act and is designed to enable the Company to recover its reasonable costs (including supply costs and raw material costs) plus a guaranteed return. Accordingly, unlike most companies, gross margin and operating margin, which rates decrease in times of increasing raw material costs, are not useful parameters that the Company uses to measure its operating performance.

Sales prices of natural gas invoiced to city gas companies increased by 5.5% in June 2012, 4.6% in February 2013 and 6.2% in January 2014, and decreased by 1.0% in July 2014, 6.2% in January 2015 and 10.7% in March 2015.

Lifting of Suspension of Sales Price Adjustments

The government reserves the right to suspend the periodic adjustments to the sales price described above. Due to substantial fluctuations in the price of LNG and the value of the Won relative to the U.S. dollar and the Government's efforts to mitigate their impacts as well as concerns for potential inflation, the Ministry of Trade, Industry and Energy suspended, from March 2008 to February 2013, the periodic bi-monthly adjustments to the sales prices that the Company invoices to city gas companies. During this period, the amounts of sales prices that the Company was entitled to collect from city gas companies based on the Formula Prices but were not able to do so due to the suspension of the adjustments were recorded as "other current non-financial assets" (for amounts estimated to be collectible within one year subsequent to the statement of financial position date) or "other non-current non-financial assets" (for amounts estimated to be collectible after one year subsequent to the statement of financial position date). "Other non-financial assets" include the underpaid amounts (with respect to both city gas companies and power generating companies) due to the actual raw materials costs being higher than the raw material costs used to calculate the Formula Price, while the Company also records "other non-financial liabilities" regarding the overpaid amounts (with respect to both city gas companies and power generating companies) due to the actual raw materials costs being lower than the raw material costs used to calculate the Formula Price. Such suspension and the resulting inability by the Company to fully increase its sales prices invoiced to city gas companies to reflect the Formula Prices led to a substantial decrease in net cash inflows and a corresponding increase in the Company's borrowings.

During the suspension period, in order to mitigate the adverse effect on the Company's cash flows and financial condition, the Ministry of Trade, Industry and Energy approved increases in the sales prices invoiced to city gas companies from time to time. In February 2013, the Ministry of Trade, Industry and Energy lifted the suspension of the periodic bi-monthly adjustments for sale prices invoiced to city gas companies and announced that it would reformulate the Formula Prices at a level that would enable the Company to recoup over five years the accumulated amount of guaranteed return that the Company was entitled but was unable to collect during the suspension period, which amounted to Won 5,341 billion. Under this reformulation of Formula Prices, when the Company recognizes sales, it reduces the amounts in other non-financial assets accumulated during the suspension period by an amount equal to the portion of the Formula Prices allocated over five years to the recoupment of the prior guaranteed return that was not collected due to the suspension until all such amounts accumulated during the suspension period are recouped. After the lifting of the suspension of the bi-monthly adjustments to sales prices invoiced to city gas companies in February 2013, the total amount of these other non-financial assets decreased during the remainder of 2013 although other current non-financial assets increased during the same period as the additional amounts that the Company expected to collect within 2013 increased as a result of the resumption of such bi-monthly adjustments. Other current non-financial assets and other non-current non-financial assets relating to the material costs component of sales to city gas companies amounted to Won 1,624 billion and Won 2,227 billion, respectively, for a total of Won 3,851 billion, as of March 31, 2015. See note 8 to the unaudited consolidated interim financial statements and note 14 to the audited consolidated financial statements included elsewhere in this offering circular.

No assurance can be given that the Ministry of Trade, Industry and Energy will not change its policy or adopt other measures that may prevent or delay the Company from realizing its guaranteed return fully or at all.

Reconciliation of the Company's Estimated and Actual Raw Material and Supply Costs

For fiscal years 2012, 2013 and 2014, the income effects associated with the variance between estimated raw material and supply costs and actual raw material and supply costs from the fourth quarter of the prior year to the third quarter of the current year were recognized in the current year, subject to certain additional governmental approvals, and collected or repaid during the following year through the sales price adjustment mechanism described above. While certain adjustments were made throughout the year, a significant portion of the effects associated with the variance between estimated raw material and supply costs and actual raw material and supply costs were typically recognized in the fourth quarter of each fiscal year. The Company's financial information for the fourth quarters of 2012, 2013 and 2014 and the fiscal years 2012, 2013 and 2014 is as follows:

	For the three months ended December 31,			For the year ended December 31,		
	2012	2013	2014	2012	2013	2014
	(in billions of Won)					
Revenue	₩10,096	₩10,717	₩10,779	₩35,031	₩38,063	₩37,285
Operating income	327	503	342	1,267	1,488	1,072
Net income	78	(127)	149	362	(204)	447

In part due to such adjustments made in the fourth quarter, the results of operations of each of the first three quarters of any fiscal year are not indicative of the Company's results of operations for the entire fiscal year.

Other Factors Affecting the Company's Results of Operations

In addition to the adjustments to natural gas sales prices described above, the Company's business, results of operations and financial condition have been affected, and may continue to be affected, by the following factors:

- the performance of the Korean economy;
- fluctuations in prices of natural gas, crude oil and other competing energy sources;
- the Company's capital expenditure plans; and
- the Company's overseas investments.

Dependence on the Performance of the Korean Economy

The Company's performance and successful implementation of its operational strategies are dependent on the health of the overall Korean economy and the resulting impact on the demand for energy generally and, in particular, for natural gas. In general, the rate of growth in energy demand in Korea has been closely correlated to the rate of growth in the overall economy, reflected in such metrics as GDP growth. According to the second Basic Plan, Korea's gross domestic product is expected to grow at a compounded annual growth rate of 2.8% per annum during the period from 2011 to 2035. In addition to growth in the overall economy, other factors such as environmental regulations are expected to have a significant positive impact on the growth of natural gas demand as regulations that promote or mandate "clean energy" have the effect of encouraging greater use of natural gas compared to other conventional fuel sources.

The Korean market and the Korean economy are influenced by economic and market conditions in other countries, including the United States, countries in Europe and emerging market countries in Asia. See "Risk Factors—Risks related to Korea—Unfavorable financial and economic developments in Korea may have an adverse effect on the Company."

Fluctuations in Prices of Natural Gas, Crude Oil and Other Competing Energy Sources

The Company's purchase price for LNG is primarily determined by crude oil prices, and the purchase price in Won terms is also affected by the exchange rate between the Won and the U.S. dollar. As a result of significant fluctuations in crude oil prices in recent years, the price of natural gas has also fluctuated significantly. Most of the gas currently sold by the Company is sold under long-term contracts and therefore, in the short term, demand for gas is not materially affected by price volatility. However, long-term demand is dependent upon the relative prices of natural gas and competing alternative energy sources. If there is an increase in the price of crude oil, leading to an increase in the Company's gas sales price, there may be less demand for the Company's gas. For instance, when natural gas prices are unusually high, power generating companies may switch from natural gas to cheaper sources of fuel. To the extent that the market price of alternative energy sources drops to, and is sustained at, a low level, or the Company's gas sales price increases as a result of an increase in the price of LNG procured under future contacts, there may be a reduction in demand for the Company's natural gas, which could adversely affect the Company's business, results of operations and financial condition. For example, in recent years the discovery of a large reserve of shale gas in the United States and extraction thereof led to a significant decrease in natural gas prices in the United States. While such development had a limited impact on LNG market prices in Asia due to the quota the U.S. government has placed on export of shale gas in liquefied form, there is no assurance that it will continue to have a limited impact on the price of LNG purchased by the Company, especially starting in 2017 when the Korean government will consider importing shale gas in liquefied form. The Company expects to import 3.5 million metric tons of LNG per year beginning in 2017 under its long-term sales and purchase agreement with Sabine Pass Liquefaction LLC, which produces shale gas. In addition, if there is growing acceptance by the Korean public for greater use of nuclear energy or other alternative energy sources, demand for natural gas and the Company's business, results of operations and financial condition may be adversely affected.

In addition, governmental policy may also impact the prices of natural gas and other competing energy sources. For example, under the second Basic Plan, to rationalize energy consumption patterns nationally and promote an increased use of natural gas in lieu of electricity, the individual consumption tax rate applicable to natural gas is scheduled to decrease from Won 60 per kilogram to Won 42 per kilogram subject to certain variations, which is expected to enhance the pricing competitiveness of natural gas compared to other energy sources.

The Company's Capital Expenditure Plans

The Company plans to make additional capital expenditures to increase processing and storage capacity and further expand its pipeline network, and it anticipates that capital expenditures will represent a significant use of funds in the near future. The Company currently expects to spend approximately Won 1,631 billion in 2015, Won 1,128 billion in 2016 and Won 841 billion in 2017 in planned capital expenditures primarily relating to the construction and maintenance of its pipeline network and expansion of its receiving terminals, which include expenditures for the construction of the Company's fourth receiving terminal complex in Samcheok. The Company has completed the first phase of construction of the Samcheok terminal complex and started its commercial operation in 2014. The Samcheok complex is expected to have an LNG storage capacity of 2.6 million kiloliters upon its completion in 2017. The Company may adjust its future capital expenditures on an ongoing basis subject to market demand in Korea for natural gas, the production outlook of the global gas industry and global economic conditions in general.

The Company's Overseas Investments

The Company's current strategic goal is to enhance profitability and financial soundness through debt reduction, including through disposition of non-core or unprofitable assets and issuance of equity and/or equity-linked securities, as well as various other cost-saving measures. Such strategic goal is in line with the Company's debt reduction plan submitted to the Ministry of Strategy and Finance as part of its plan to bolster its overall financial health. In the past, as part of its efforts to diversify its operations and prepare for the potential restructuring and liberalization of the natural gas industry in Korea as well as in response to the government's policy to promote procurement of natural resources, the Company participated in exploration, development and production of natural gas outside Korea. As part of a consortium or through acquisition of a minority interest, the Company engages in overseas gas exploration and development in various locations, including Iraq, Canada, Australia, Myanmar, Indonesia, Mozambique, Uzbekistan, Cyprus and East Timor, and participates in LNG terminal operation and maintenance in Mexico, Thailand, China, the United Arab Emirates and Singapore. The Company has also invested in various gas supply companies located in Oman, Qatar and Yemen. Some of these projects have recently begun to generate profits after years of investment, and the Company intends to make the scheduled or requisite investments in its overseas projects. However, in accordance with its debt reduction plan submitted to the Ministry of Strategy and Finance, until 2017, the Company plans to concentrate on its core business of LNG import-related operations without entering into any material new businesses or otherwise significantly expanding its capital expenditure overseas. The Company invested approximately U.S.$1.9 billion in overseas gas exploration, development and production projects in 2014 and approximately U.S.$0.6 billion in the first three months of 2015, and it expects to invest approximately U.S.$1.7 billion in such projects in the remainder of 2015, substantially all of which relate to committed capital expenditures under existing projects.

Critical Accounting Policies

The preparation of the Company's financial statements requires the Company's management to select and apply significant accounting policies and to make estimates and judgments that affect the Company's reported financial condition and results of operations. See notes 2 and 3 to the unaudited consolidated interim financial statements as of March 31, 2015 and 2014 and notes 2 and 3 to the audited consolidated financial statements as of December 31, 2014, 2013 and 2012, included elsewhere in this offering circular for a summary of the Company's significant accounting policies that are critical to the portrayal of the Company's financial condition.

Recent Accounting Changes and Pronouncements

There were no recent accounting changes or pronouncements that would have a material impact on the consolidated financial statements of the Company.

Results of Operations

First Three Months of 2015 Compared to First Three Months of 2014

The following table presents selected income statement data and changes therein for the first three months of 2015 and 2014.

	For the three months ended March 31,		Changes	
	2015	2014	Amount	%
	(in billions of Won)			
Revenue	₩10,212	₩12,522	₩(2,310)	(18.4)%
Cost of sales	9,250	11,719	(2,467)	(21.1)
Gross profit	962	803	159	19.8
Selling, general and administrative expenses	97	82	15	18.2
Operating income	865	721	144	20.0
Other income	2	3	(1)	(29.0)
Other expenses	(3)	(8)	5	(64.0)
Other gain (loss)	11	23	(12)	(53.3)
Finance income	198	194	4	2.1
Finance costs	(375)	(411)	36	(8.9)
Gains from associates and joint-ventures	48	28	19	68.4
Income before income tax	747	551	196	35.6
Income tax expense	166	129	37	28.8
Net income	₩581	₩422	₩159	37.6
Other comprehensive income (loss), net of tax	(11)	9	(20)	N/M
Total comprehensive income	₩570	₩432	₩139	32.1

N/M = Not meaningful.

Revenue

The following table presents a breakdown of the Company's revenue by category of customers and changes therein for the first three months of 2015 and 2014.

	For the three months ended March 31,		Changes	
	2015	2014	Amount	%
	(in billions of Won)			
City gas companies:				
Residential / business heating	₩3,590	₩3,844	₩(254)	(6.6)
Industrial	1,608	2,094	(486)	(23.2)
Other	1,107	1,157	(50)	(4.3)
Sub-total	6,305	7,095	(790)	(11.1)
Power generating companies:				
Subsidiaries of KEPCO	1,671	3,320	(1,649)	(49.7)
Other power generating companies	2,048	1,917	131	6.8
Sub-total	3,719	5,237	(1,518)	(29.0)
Miscellaneous revenue	188	190	(2)	(1.1)
Total revenue	₩10,212	₩12,522	₩(2,310)	(18.4)

The Company's total revenue in the first three months of 2015 decreased by 18.4% to Won 10,212 billion from Won 12,522 billion in the first three months of 2014. The decrease in total revenue was attributable to a 12.0% decrease in the average Formula Price of natural gas and a 7.7% decrease in the volume of gas sold.

The average Formula Price decreased by 12.0% to Won 938 thousand per metric ton in the first three months of 2015 from Won 1,066 thousand per metric ton in the first three months of 2014 due to a decrease in the average Won price of raw materials resulting from a general decrease in average LNG prices as further described below. Sales volume decreased to 10,684 thousand metric tons in the first three months of 2015 from 11,569 thousand metric tons in the first three months of 2014 due to the reasons described below.

Sales to city gas companies. Sales to city gas companies in the first three months of 2015 decreased by 11.1% to Won 6,305 billion from Won 7,095 billion in the first three months of 2014. The decrease was due to decreases in the average Formula Price and the sales volume of natural gas sold to city gas companies.

- The average Formula Price for natural gas sold to city gas companies decreased by 8.8% to Won 982 thousand per metric ton in the first three months of 2015 from Won 1,076 thousand per metric ton in the first three months of 2014, primarily due to a decrease in the average Won price of raw materials resulting from a general decrease in the average LNG prices which followed from a decrease in average price of crude oil.

- The total volume of natural gas sold to city gas companies decreased by 2.6% in the first three months of 2015 to 6,421 thousand metric tons from 6,593 thousand metric tons in the first three months of 2014 primarily due to a decrease in the sales volume to industrial end-users by 17.2%, which was partially offset by an increase in the sales volume to residential end-users by 4.7%. The Company's sales volume to industrial end-users decreased in the first three months of 2015 primarily due to a decrease in demand for natural gas reflecting the decision by certain industrial end-users to reduce their use of natural gas primarily due to its relatively high cost compared to crude oil. The Company's sales volume to residential and business heating end-users increased in the first three months of 2015 primarily as a result of colder weather in the first three months of 2015 compared to the first three months of 2014. As a general trend, the traditional peak-demand months during the year include the first two months of the year, and the weather in the first three months of 2015 was on average colder than the first three months of 2014.

Sales to power generating companies. Sales to power generating companies decreased by 29.0% in the first three months of 2015 to Won 3,719 billion from Won 5,237 billion in the first three months of 2014, due to decreases in the average Formula Price and sales volume of natural gas sold to power generating companies.

- The average Formula Price for natural gas sold to power generating companies decreased by 17.1% to Won 873 thousand per metric ton in the first three months of 2015 from Won 1,053 thousand per metric ton in the first three months of 2014, primarily due to the decrease in the average Won price of raw materials described above.

- The total volume of natural gas sold to power generating companies decreased by 14.3% to 4,262 thousand metric tons in the first three months of 2015 from 4,976 thousand metric tons in the first three months of 2014, reflecting a 39.2% decrease in the sales volume to the power generating subsidiaries of KEPCO, partially offset by a 28.4% increase in the sales volume to power generating companies other than the subsidiaries of KEPCO. The Company's sales volume to KEPCO's subsidiaries decreased primarily due to a decline in price competitiveness of natural gas compared to other fuel sources. The Company's sales volume to other power generating companies increased in the first three months of 2015 compared to the first three months of 2014 primarily because the Company began supplying natural gas to four power plants that were newly established in 2014 and became fully operational during the first three months of 2015.

Cost of Sales

In the first three months of 2015, the Company's cost of sales decreased by 21.1% to Won 9,250 billion from Won 11,719 billion in the first three months of 2014 primarily due to a decrease in the average price of LNG purchased, largely as a result of a significant decrease in the average market price of Dubai crude oil to U.S.$51.9 per barrel in the first three months of 2015 from U.S.$104.4 per barrel in the first three months of 2014. Unless otherwise set out in specific LNG purchase contracts, the Company's LNG purchase price is generally determined by an LNG pricing formula based primarily on the price of crude oil. The Company's LNG purchase price is also affected by the exchange rate of the Won against the U.S. dollar.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by 18.2% to Won 97 billion in the first three months of 2015 from Won 82 billion in the first three months of 2014 primarily due to increases in salaries and tax and dues. Salaries increased by 61.9% to Won 19 billion in the first three months of 2015 from Won 12 billion in the first three months of 2014 primarily due to a significant increase in reserves set aside for annual incentives to be paid based on performance in the first three months of 2015 as a result of an expected increase in bonuses payable during this period compared to the same period in the previous year and an increase in wages. Taxes and dues increased by 9.7% to Won 31 billion in the first three months of 2015 from Won 28 billion in the first three months of 2014 primarily due to an increase in gas safety management dues imposed on the Company.

Operating Income

As a result of the foregoing, the Company's operating income increased by 20.0% to Won 865 billion in the first three months of 2015 from Won 721 billion in the first three months of 2014. The Company's operating margin increased to 8.5% in the first three months of 2015 from 5.8% in the first three months of 2014.

Other Income and Expenses

The Company's net other expenses decreased by 89.2% to Won 0.5 billion in the first three months of 2015 from Won 4 billion in the first three months of 2014 primarily due to net gains from subsidiaries and reimbursement of Won 2 billion in the first three months of 2015 compared to net such losses of Won 1 billion in the first three months of 2014 and, to a lesser extent, a decrease in donations to Won 3 billion in the first three months of 2015 from Won 4 billion in the first three months of 2014. The Company recorded net gains from subsidiaries and reimbursement in the first three months of 2015 while recording net such losses in the first three months of 2014 largely due to the loss incurred as a result of the divestment of the interest in Cliotech, a joint venture with Kolon, in 2013. Donations decreased 32.6% to Won 3 billion in the first three months of 2015 from Won 4 billion in the first three months of 2014 primarily due to the effect of donations made for the construction of a library in Incheon during the first three months of 2014.

Other Gain (Loss)

The Company's net other gain decreased by 53.3% to Won 11 billion in the first three months of 2015 from net other gain of Won 23 billion in the first three months of 2014 primarily due to decrease in miscellaneous gains and an increase in the loss on disposal of property, plant and equipment. Miscellaneous gains decreased 24.3% to Won 25 billion in the first three months of 2015 from Won 33 billion in the first three months of 2014 primarily as a result of the Government's decision to levy additional tax on boil-off gas. Loss on disposal of property, plant and equipment increased significantly to Won 3 billion in the first three months of 2015 from nil in the first three months of 2014, primarily due to loss incurred upon the sale of certain facilities and equipment of the Pyongtaek terminal.

Finance Income and Costs

The following table presents a breakdown of the Company's finance income and costs and changes therein for the first three months of 2015 and 2014.

	For the three months ended March 31,		Changes	
	2015	2014	Amount	%
	(in billions of Won)			
Interest income	₩4	₩4	₩(0.1)	(3.2)
Interest expense	(205)	(225)	19	(8.6)
Dividend income	22	0	22	N/M
Loss on valuation of derivative instruments, net	(22)	(20)	(2)	10.8
Gain (loss) on transactions of derivative instruments, net	(5)	15	(19)	N/M
Foreign currency translation gain, net	14	27	(13)	(48.3)
Foreign currency transaction (loss) gain, net	16	(18)	34	N/M
Total finance costs, net	₩(177)	₩(217)	₩41	(18.6)

N/M = Not meaningful.

Net finance costs decreased by 18.6% to Won 177 billion in the first three months of 2015 from Won 217 billion in the first three months of 2014 primarily due to net gains from foreign currency transactions in the first three months of 2015 compared to net losses from foreign currency transactions in the first three months of 2014, an increase in dividend income and a decrease in interest expense, which were partially offset by net losses on transactions of derivative instruments in the first three months of 2015 compared to net such gains in the first three months of 2014. The Company recorded net gains from foreign currency transactions of Won 16 billion in the first three months of 2015 compared to net losses from foreign currency transactions of Won 18 billion in the first three months of 2014 primarily due to exchange rate fluctuations. The Company's dividend income increased significantly to Won 22 billion in the first three months of 2015 compared to Won 7 million in the first three months of 2014 primarily due to increased dividends received from YLNG. Interest expense decreased by 8.6% to Won 205 billion in the first three months of 2015 from Won 225 billion in the first three months of 2014 primarily as a result of a decrease in market interest rates. The Company recorded net losses on transactions of derivative instruments of Won 5 billion in the first three months of 2015 compared to net such gains of Won 15 billion in the first three months of 2014 primarily due to increased losses realized on valuation of derivative instruments as a result of interest rate fluctuations.

Gains from Associates and Joint Ventures

Gains from associates and joint ventures increased by 68.4% to Won 48 billion in the first three months of 2015 from Won 28 billion in the first three months of 2014 primarily due to the turnaround of Korea Ras Laffan LNG Ltd and Hyundai Yemen LNG Company to profitability in the first three months of 2015 compared to losses incurred in the first three months of 2014.

Income Tax Expense

Income tax expense increased by 28.8% to Won 166 billion in the first three months of 2015 from Won 129 billion in the first three months of 2014 largely as a result of a 35.6% increase in income before income taxes to Won 747 billion in the first three months of 2015 from Won 551 billion in the first three months of 2014. The Company's effective tax rates were 22.2% in the first three months of 2015 and 23.3% in the first three months of 2014.

Net Income

As a result of the foregoing, the Company's net income increased by 37.6% to Won 581 billion in the first three months of 2015 from Won 422 billion in the first three months of 2014. Net margin, which represents the ratio of net income to total revenue, increased to 5.7% in the first three months of 2015 from 3.4% in the first three months of 2014.

Other Comprehensive Income

The Company recorded other comprehensive loss, net of tax, of Won 11 billion in the first three months of 2015 compared to other comprehensive income, net of tax, of Won 9 billion in the first three months of 2014. This change was primarily due to the Company's recording of foreign currency translation losses from overseas operations in the first three months of 2015 compared to gains in the first three months of 2014, which more than offset a decrease in hedges of net investment in a foreign operation.

Total Comprehensive Income

As a result of the foregoing, the Company's total comprehensive income increased by 32.1% to Won 570 billion in the first three months of 2015 from Won 432 billion in the first three months of 2014.

2014 Compared to 2013

The following table presents selected statement of comprehensive income data and changes therein for 2014 and 2013.

	For the year ended December 31, 2014	For the year ended December 31, 2013	Changes Amount	Changes %
	(in billions of Won)			
Revenue	₩37,285	₩38,063	₩(778)	(2.0)
Cost of sales	35,857	36,215	(358)	(1.0)
Gross profit	1,428	1,848	(420)	(22.7)
Selling, general and administrative expenses	356	360	(4)	(1.0)
Operating income	1,072	1,488	(416)	(28.0)
Other income	5	6	(1)	(23.1)
Other expenses	(52)	(15)	(36)	240.3
Other gain (losses)	(16)	(610)	594	(97.3)
Finance income	529	855	(327)	(38.2)
Finance costs	(1,250)	(1,694)	444	(26.2)
Gains from associates and joint-ventures	97	118	(22)	(18.4)
Income before income tax	384	149	235	157.6
Income tax expense (benefits)	63	(353)	416	(117.9)
Net income (loss)	₩447	₩(204)	₩651	(319.6)
Other comprehensive income (loss), net of tax	37	165	(128)	(77.4)
Total comprehensive income (loss)	₩484	₩(38)	₩523	N/M

N/M = Not meaningful.

Revenue

The following table presents a breakdown of the Company's revenue by category of customers and changes therein for 2014 and 2013.

	For the year ended December 31, 2014	For the year ended December 31, 2013	Changes Amount	Changes %
	(in billions of Won)			
City gas companies:				
Residential / business heating	₩8,034	₩8,221	₩(187)	(2.3)
Industrial	7,363	7,353	10	0.1
Other	3,867	3,650	217	5.9
Sub-total	19,264	19,224	40	0.2
Power generating companies:				
Subsidiaries of KEPCO	9,643	11,776	(2,133)	(18.1)
Other power generating companies	7,486	6,192	1,294	20.9
Sub-total	17,129	17,968	(839)	(4.7)
Miscellaneous revenue	892	871	21	2.4
Total revenue	₩37,285	₩38,063	₩(778)	(2.0)

The Company's total revenue in 2014 decreased by 2.0% to Won 37,285 billion from Won 38,063 billion in 2013. The decrease in total revenue was primarily attributable to a 9.1% decrease in the volume of gas sold, which was partially offset by a 7.5% increase in the average Formula Price. Sales volume decreased to 35,173 thousand metric tons in 2014 from 38,673 thousand metric tons in 2013 due to the reasons described below. The average Formula Price increased to Won 1,035 thousand per metric ton in 2014 from Won 962 thousand per metric ton in 2013, due to the reasons described below.

Sales to city gas companies. Sales to city gas companies in 2014 increased by 0.2% to Won 19,264 billion from Won 19,224 billion in 2013. The increase was due to an increase in the average Formula Price of natural gas sold to city gas companies by 7.9% to Won 1,060 thousand per metric ton in 2014 from Won 981 thousand per metric ton in 2013, which was partially offset by a decrease in the total volume of natural gas sold to city gas companies.

- The Formula Price for city gas companies increased primarily due to an increase in the supply margin for the Formula Price as a result of the resumption of the periodic bi-monthly adjustments to sales prices and the recoupment for previously suspended sales price adjustments (see "—Overview—Lifting of Suspension of Sales Price Adjustments") and a slight increase in LNG supply prices based on which the Formula Price is calculated.

- The total volume of natural gas sold to city gas companies decreased by 7.2% in 2014 to 18,180 thousand metric tons from 19,596 thousand metric tons in 2013 due to a decrease in sales volume to industrial end-users by 8.7% and residential and business heating end-users by 6.9%. The Company's sales volume to industrial end-users decreased in 2014 primarily due to a decrease in demand reflecting the decision by certain industrial end-users to decrease the use of natural gas due to its relatively high cost compared to crude oil in 2014. The Company's sales volume to residential and business heating end-users decreased in 2014 primarily as a result of warmer weather during the traditional peak-demand months in 2014 compared to those in 2013.

Sales to power generating companies. Sales to power generating companies decreased by 4.7% in 2014 to Won 17,129 billion from Won 17,968 billion in 2013. The decrease in sales was due to a decrease in the total volume of natural gas sold to power generating companies, which was partially offset by an increase in the average Formula Price for such sales.

- The total volume of natural gas sold to power generating companies decreased by 10.9% to 16,994 thousand metric tons in 2014 from 19,079 thousand metric tons in 2013, reflecting a 19.3% decrease in the sales volume to the subsidiaries of KEPCO, partially offset by a 2.7% increase in the sales volume to power generating companies other than the subsidiaries of KEPCO. The Company's sales volume to KEPCO's generating subsidiaries decreased because these subsidiaries generally decreased the use of natural gas as a fuel source in 2014 and operated power plants using less expensive fuel alternatives, such as coal, at full capacity. The Company's sales volume to other power generating companies increased primarily because the Company began to supply natural gas to eight power plants that were newly established in 2013 and were in full operation throughout 2014.

- The average Formula Price of natural gas sold to power generating companies increased by 7.0% to Won 1,008 thousand per metric ton in 2014 from Won 942 thousand per metric ton in 2013. The Formula Price for power generating companies increased primarily due to an increase in the Company's raw material costs as a result of an increase in the LNG supply prices as described in "—Cost of Sales" below.

Cost of Sales

In 2014, the Company's cost of sales decreased by 1.0% to Won 35,857 billion from Won 36,215 billion in 2013 primarily due to a decrease in the volume of raw materials purchased, which was partially offset by an increase in the average price of LNG purchased, largely as a result of the renegotiated higher pricing terms under the MLNG III LNG sale and purchase agreement in August 2013 and the YLNG sale and purchase agreement in January 2014. Unless otherwise set out in specific LNG purchase contracts, the Company's LNG purchase price is generally determined by an LNG pricing formula based primarily on the price of crude oil. The Company's LNG purchase price is also affected by the exchange rate of the Won against the U.S. dollar.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased by 1.0% to Won 356 billion in 2014 from Won 360 billion in 2013 primarily due to a decrease in taxes and dues and severance benefits. Taxes and dues decreased by 9.7% to Won 88 billion in 2014 from Won 98 billion in 2013 primarily due to a decrease in gas safety management dues imposed on the Company. Severance benefits decreased by 56.4% to Won 5 billion in 2014 from Won 11 billion in 2013 primarily due to a retrospective change in the severance payment policy which excludes performance based payment when calculating severance payment. Commission increased by 14.5% to Won 39 billion in 2014 from Won 34 billion in 2013 primarily due to an increase in building maintenance costs upon the Company's relocation of its headquarters to Daegu.

Operating Income

As a result of the foregoing, the Company's operating income decreased by 28.0% to Won 1,072 billion in 2014 from Won 1,488 billion in 2013. The Company's operating margin decreased to 2.9% in 2014 from 3.9% in 2013.

Other Income and Expenses

The Company's net other expenses increased significantly to Won 47 billion in 2014 from Won 9 billion in 2013 primarily due to the recording of other provisions in 2014 and an increase in donations. The Company recorded other provisions of Won 22 billion in 2014 compared to nil in 2013, primarily due to provisions related to the Company's share of losses in Cordova Gas Resources Ltd. Donations increased to Won 26 billion in 2014 from Won 14 billion in 2013, primarily due to contributions for the construction of a culture and sports center in Tongyeong.

Other Gain (Losses)

The Company's net other losses decreased significantly to Won 16 billion in 2014 from Won 610 billion in 2013 primarily due to the recognition of loss on impairment of intangible assets of Won 604 billion in 2013, whereas no such material impairment existed in 2014. In 2013, the Company recognized impairment losses on intangible assets of Won 604 billion in connection with its investments in the West Cutbank, Umiak and Horn River regions of Canada reflecting a decrease in average gas prices in the region due to technological advances that have led to increased production and over-supply of shale gas, as well as its investments in East Timor as a result of the return by the Company's consortium to the East Timor government of the rights to four blocks with low potential gas reserve volume.

Finance Income and Costs

The following table presents a breakdown of the Company's finance income and costs and changes therein for 2014 and 2013.

	For the year ended December 31,		Changes	
	2014	2013	Amount	%
	(in billions of Won)			
Interest income	₩17	₩17	₩(0.3)	(1.9)
Interest expense	(843)	(838)	(5.5)	0.7
Dividend income	28	0	27.6	N/M
Loss on impairment of available for sale financial assets	0	0	—	N/M
Gain (Loss) on valuation of derivative instruments, net	(107)	17	(124.1)	N/M
Loss on transactions of derivative instruments, net	(43)	(46)	2.8	(6.2)
Foreign currency translation gain, net	159	2	157.2	N/M
Foreign currency transaction gain, net	69	10	59.3	N/M
Total finance costs, net	₩(721)	₩(839)	₩117	(14.0)

N/M = Not meaningful.

Net finance costs decreased by 14.0% to Won 721 billion in 2014 from Won 839 billion in 2013 primarily as a result of an increase in net gains on foreign currency translation and net gains from foreign currency transactions in 2014 compared to 2013, which were partially offset by an increase in net loss on valuation of derivative instruments in 2014 compared to a net gain in 2013.

Gains from Associates and Joint Ventures

Gains from associates and joint ventures decreased by 18.4% to Won 97 billion in 2014 from Won 118 billion in 2013 primarily due to an increase in the Company's share of losses in Cordova Gas Resources Ltd. and Korea Raslaffar LNG Ltd., which was partially offset by the Company's recording a share of profits for South-East Asia Gas Pipeline Company Ltd.

Income Tax Expense (Benefits)

Company recorded income tax benefit of Won 63 billion in 2014 compared to income tax expense of Won 353 billion in 2013 notwithstanding a 157.6% increase in income before income taxes to Won 384 billion in 2014 from Won 149 billion in 2013, primarily due to the expiration of deficit carried over in 2013, tax adjustments due to changes in income tax interpretation in the Company's Zubair investment in Iraq in 2014 and recognition of deferred tax assets in 2014.

Net Income (Loss)

As a result of the foregoing, the Company recorded net income of Won 447 billion in 2014 compared to net loss of Won 204 billion in 2013. The Company recorded a net income margin of 1.2% in 2014 compared to a net loss margin of 0.5% in 2013.

Other Comprehensive Income

Other comprehensive income, net of tax, decreased to Won 37 billion in 2014 from Won 165 billion in 2013 primarily due to negative changes in hedges of net investment in a foreign operation and effective portion of changes in fair value of cash flow hedges and a decrease in fair value of available-for-sale financial assets, which more than offset a positive change in foreign currency translation gains (losses) from overseas operations.

Total Comprehensive Income (Loss)

As a result of the foregoing, the Company recorded total comprehensive income of Won 484 billion in 2014 compared to total comprehensive loss of Won 38 billion in 2013.

2013 Compared to 2012

The following table presents selected income statement data and changes therein for 2013 and 2012.

	For the year ended December 31,		Changes	
	2013	2012	Amount	%
	(in billions of Won)			
Revenue	₩38,063	₩35,031	₩3,031	8.7
Cost of sales	36,215	33,422	2,793	8.4
Gross profit	1,848	1,609	238	14.8
Selling, general and administrative expenses	360	343	17	4.9
Operating income	1,488	1,267	222	17.5
Other income	6	5	1	20.0
Other expenses	(15)	(13)	(2)	16.2
Other gain (losses)	(610)	8	(618)	N/M
Finance income	855	500	356	71.1
Finance costs	(1,694)	(1,363)	(331)	24.3
Gains from associates and joint-ventures	118	115	4	3.1
Income before income tax	149	519	(369)	(71.2)
Income tax expense	(353)	(156)	(196)	125.4
Net income (loss)	₩(204)	₩362	₩(566)	N/M
Other comprehensive income (loss), net of tax	165	18	147	807.5
Total comprehensive income	₩(38)	₩380	₩(419)	N/M

N/M = Not meaningful.

Revenue

The following table presents a breakdown of the Company's revenue by category of customers and changes therein for 2013 and 2012.

	For the year ended December 31,		Changes	
	2013	2012	Amount	%
	(in billions of Won)			
City gas companies:				
Residential / business heating	₩8,221	₩8,124	₩97	1.2
Industrial	7,353	6,533	820	12.6
Other	3,650	3,335	315	9.4
Sub-total	19,224	17,992	1,232	6.8
Power generating companies:				
Subsidiaries of KEPCO	11,776	10,837	939	8.7
Other power generating companies	6,192	5,474	718	13.1
Sub-total	17,968	16,311	1,657	10.2
Miscellaneous revenue	871	728	143	19.6
Total revenue	₩38,063	₩35,031	₩3,031	8.7

The Company's total revenue in 2013 increased by 8.7% to Won 38,063 billion from Won 35,031 billion in 2012. The increase in total revenue was primarily attributable to a 5.8% increase in the volume of gas sold as well as a 2.0% increase in the average Formula Price. Sales volume increased to 38,673 thousand metric tons in 2013 from 36,547 thousand metric tons in 2012 due to the reasons described below. The average Formula Price increased to Won 962 thousand per metric ton in 2013 from Won 943 thousand per metric ton in 2012, due to the reasons described below.

Sales to city gas companies. Sales to city gas companies in 2013 increased by 6.8% to Won 19,224 billion from Won 17,992 billion in 2012. The increase was due to an increase in the average Formula Price of natural gas sold to city gas companies by 5.7% to Won 981 thousand per metric ton in 2013 from Won 928 thousand per metric ton in 2012 and, to a lesser extent, an increase in the total volume of natural gas sold to city gas companies.

- The Formula Price for city gas companies increased primarily due to an increase in the supply margin for the Formula Price as a result of the resumption of the periodic bi-monthly adjustments to sales prices and the recoupment for previously suspended sales price adjustments (see "—Overview—Lifting of Suspension of Sales Price Adjustments"), which more than offset a decrease in LNG supply prices based on which the Formula Price is calculated.

- The total volume of natural gas sold to city gas companies increased by 0.2% in 2013 to 19,596 thousand metric tons from 19,558 thousand metric tons in 2012 as the sales volume to industrial end-users increased by 5.6%, which was mostly offset by a decrease of 5.9% in the sales volume to residential and business heating end-users. The Company's sales volume to industrial end-users increased in 2013 primarily due to an increase in demand reflecting the decision by certain industrial end-users to increase the use of natural gas due to its cheaper cost compared to crude oil in 2013 as well as the marketing efforts of the Company and the city gas companies to create new demand for industrial use. The Company's sales volume to residential and business heating end-users decreased in 2013 primarily as a result of warmer weather during the traditional peak-demand months in 2013 compared to those in 2012.

Sales to power generating companies. Sales to power generating companies increased by 10.2% in 2013 to Won 17,968 billion from Won 16,311 billion in 2012. The increase in sales was due to an increase in the total volume of natural gas sold to power generating companies which was partially offset by a decrease in the average Formula Price for such sales.

- The total volume of natural gas sold to power generating companies increased by 12.3% to 19,079 thousand metric tons in 2013 from 16,990 thousand metric tons in 2012, reflecting a 26.6% increase in the sales volume to power generating companies other than the subsidiaries of KEPCO and a 5.0% increase in the sales volume to the subsidiaries of KEPCO. The Company's sales volume to other power generating companies increased primarily because the Company began to supply natural gas to eight power plants that were newly established in 2013. The Company's sales volume to KEPCO's generating subsidiaries increased because these subsidiaries generally increased the use of natural gas as a fuel source in 2013 because their power plants using less expensive coal were operating at full capacity. Suspension of certain nuclear power generation operations of a KEPCO subsidiary in 2013 also contributed to the sales volume increase for the Company's sales volume to KEPCO's generating subsidiaries.

- The average Formula Price of natural gas sold to power generating companies decreased by 1.9% to Won 942 thousand per metric ton in 2013 from Won 960 thousand per metric ton in 2012. The Formula Price for power generating companies decreased primarily due to a decrease in the Company's raw material costs as a result of a decrease in the LNG supply prices as described in "—Cost of Sales" below.

Cost of Sales

In 2013, the Company's cost of sales increased by 8.4% to Won 36,215 billion from Won 33,422 billion in 2012 primarily due to an increase in the volume of raw materials purchased and an increase in the average price of LNG purchased, largely as a result of the renegotiated higher pricing terms under the MLNG III LNG sale and purchase agreement in August 2013 , which was partially offset by a decrease in the average price of Dubai crude oil to U.S.$105.4 per barrel in 2013 from U.S.$108.9 per barrel in 2012 that resulted in lower prices for the Company's spot market purchases in U.S. dollar terms and the appreciation of the average value of the Won against the U.S. dollar in 2013 compared to 2012. The price of LNG is generally determined by an LNG pricing formula based primarily on the price of crude oil. The average rate of the Won against the U.S. dollar, calculated based on daily rates announced by Seoul Money Brokerage Services, Ltd., was Won 1,095.0 to U.S.$1.00 in 2013 compared to Won 1,126.9 to U.S.$1.00 in 2012.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by 4.9% to Won 360 billion in 2013 from Won 343 billion in 2012 primarily due to increases in salaries, severance benefits, commission and taxes and dues, which were partially offset by decreases in other employee benefits, advertising, travel and transportation expenses and sales promotion costs. Salaries increased by 6.0% to Won 67 billion in 2013 from Won 63 billion in 2012 primarily due to an increase in wages and the number of the Company's employees as a result of new hires in 2013 which more than offset the number of employees who retired in 2013. Severance benefits increased by 83.9% to Won 11 billion in 2013 from Won 6 billion in 2012 primarily due to an increase in reserves set aside for retirement benefits in light of a rise in the average seniority of the Company's employees as well as an increase in the notional number of employees classified as being in administrative capacities following reassignments of certain of the Company's employees. Commission increased by 41.4% to Won 34 billion in 2013 from Won 24 billion in 2012 primarily due to an increase in service contracts with various third-party subcontractors. Taxes and dues increased by 1.9% to Won 98 billion in 2013 from Won 96 billion in 2012 primarily due to an increase in government taxes and dues imposed in proportion to sales volume. Certain expenses, including advertising, employee benefits, travel and transportation expenses and sales promotion costs, decreased in 2013 compared to 2012 primarily as a result of the Company's efforts to reduce unnecessary expenses.

Operating Income

As a result of the foregoing, the Company's operating income increased by 17.5% to Won 1,488 billion in 2013 from Won 1,267 billion in 2012. The Company's operating margin increased to 3.9% in 2013 from 3.6% in 2012.

Other Income and Expenses

The Company's net other expenses increased by 13.6% to Won 9 billion in 2013 from Won 8 billion in 2012 primarily due to an increase in donations, which was partially offset by an increase in gains from subsidies and reimbursement. Donations increased to Won 14 billion in 2013 from Won 12 billion in 2012, primarily due to an increase in donations to universities and for local development of Samcheok city, where the Company has a receiving terminal. Gains from subsidies and reimbursement increased to Won 5 billion in 2013 from Won 2 billion in 2012 primarily due to the compensation received by the Company for damages to certain relocated gas pipelines.

Other Gain (Losses)

The Company recorded net other losses of Won 610 billion in 2013 compared to net other gain of Won 8 billion in 2012 primarily due to the recognition of impairment losses on intangible assets of Won 604 billion in 2013 compared to no such impairment losses in 2012. In 2013, the Company recognized impairment losses on intangible assets of Won 604 billion in connection with its investments in the West Cutbank, Umiak and Horn River regions of Canada reflecting a decrease in average gas prices in the region due to technological advances which have led to increased production and over-supply of shale gas, as well as its investments in East Timor as a result of the return by the Company's consortium to the East Timor government of the rights to four blocks with low potential gas reserve volume. Such impairment losses do not have any effect on our cash flow and may be reversed in the future upon changes in the business environment that lead to the resumption or reappraisal of development activities.

Finance Income and Costs

The following table presents a breakdown of the Company's finance income and costs and changes therein for 2013 and 2012.

	For the year ended December 31,		Changes	
	2013	2012	Amount	%
	(in billions of Won)			
Interest income	₩17	₩16	₩1	4.3
Interest expense	(838)	(857)	20	(2.3)
Dividend income	0	0	(0)	N/M
Loss on impairment of available for sale financial assets	0	(11)	11	N/M
Gain (Loss) on valuation of derivative instruments, net	17	(8)	24	N/M
Loss on transactions of derivative instruments, net	(46)	(116)	70	(60.6)
Foreign currency translation gain, net	2	22	(20)	(92.3)
Foreign currency transaction gain, net	10	91	(81)	(89.4)
Total finance costs, net	₩(839)	₩(863)	₩24	(2.8)

N/M = Not meaningful.

Net finance costs decreased by 2.8% to Won 839 billion in 2013 from Won 863 billion in 2012 primarily as a result of a decrease in net loss on transactions of derivative instruments in 2013 compared to 2012, a net gain on valuation of derivative instruments in 2013 compared to a net loss in 2012, a decrease in interest expense and a decrease in loss on impairment of available for sale securities in 2013 compared to 2012, which were substantially offset by a decrease in net foreign currency transaction gain.

- Net loss on transactions of derivative instruments decreased by 60.6% to Won 46 billion in 2013 from Won 116 billion in 2012 primarily as a result of more moderate appreciation of the Won against the U.S. dollar during 2013 compared to 2012. The Company uses derivative instruments to hedge its foreign currency exposure and generally records a loss on transactions of derivative instruments when the Won appreciates against the U.S. dollar. In terms of the market average exchange rates announced by Seoul Money Brokerage Services, Ltd., the Won appreciated against the U.S. dollar to Won 1,055.3 to U.S.$1.00 as of December 31, 2013 from Won 1,071.1 to U.S.$1.00 as of December 31, 2012 compared to appreciation of the Won against the U.S. dollar to Won 1,071.1 to U.S.$1.00 as of December 31, 2012 from Won 1,153.3 to U.S.$1.00 as of December 31, 2011.

- The Company recorded a net gain on valuation of derivative instruments of Won 17 billion in 2013 compared to a net loss on valuation of derivative instruments of Won 8 billion in 2012. In general, the Company records a net loss on valuation of derivative instruments if the Won appreciates against the U.S. dollar. In 2013, the Company recorded a net gain on valuation of derivative instruments in 2013 despite the appreciation of the Won against the U.S. dollar primarily due to the expiration and replacement of various foreign currency forward contracts in multiple valuation dates throughout 2013 at various exchange rates.

- Interest expense decreased by 2.3% to Won 838 billion in 2013 from Won 857 billion in 2012 primarily due to an increase in the amount of capitalized interest related to the Samcheok terminal construction, which was partially offset by an increase in the average balance of borrowings and debentures.

- The Company recorded no net loss on impairment of available-for-sale securities in 2013 compared to Won 11 billion in 2012, primarily due to an impairment loss relating to the shares of Blue Energy Limited in Australia held by the Company in 2012 while there was no such loss in 2013.

- Net foreign currency transaction gain decreased by 89.4% to Won 10 billion in 2013 from Won 91 billion in 2012 due primarily to more moderate appreciation of the Won against the U.S. dollar during 2013 compared to 2012. In general, the Company records a gain on foreign currency transactions when the Won appreciates against the U.S. dollar primarily because the Won amounts corresponding to the U.S. dollar payments for LNG imports decrease when the Won appreciates against the U.S. dollar.

Gains from Associates and Joint Ventures

Gains from associates and joint ventures increased by 3.1% to Won 118 billion in 2013 from Won 115 billion in 2012 primarily due to an increase in the Company's share of profits from associates, including Korea Ras Laffan LNG Ltd.

Income Tax Expense

Income tax expense increased by 125.4% to Won 353 billion in 2013 from Won 156 billion in 2012 notwithstanding a 71.2% decrease in income before income taxes to Won 149 billion in 2013 from Won 519 billion in 2012, primarily because an amount equal to the impairment losses on intangible assets in Canada discussed above was excluded and not recognized as a deferred income tax asset and the write-off of deferred income tax asset due to the decrease of likelihood of realizing the tax benefits of loss carryforwards in 2013.

Net Income (Loss)

As a result of the foregoing, the Company recorded net loss of Won 204 billion in 2013 compared to net income of Won 362 billion in 2012. The Company recorded a net loss margin of 0.5% in 2013 compared to a net income margin of 1.0% in 2012.

Other Comprehensive Income

Other comprehensive income, net of tax, increased to Won 165 billion in 2013 from Won 18 billion in 2012 primarily due to an increase of Won 204 billion in fair value of available-for-sale financial assets, a positive change (a decrease in the negative amount) of Won 138 billion in foreign operation currency translation differences and a positive change (from a loss to a gain) of Won 100 billion in share of other comprehensive gains (losses) items of associates and joint ventures, which were partially offset by a decrease of Won 148 billion in net gains on hedge of net investment in a foreign operation and a decrease of Won 146 billion in effective portion of changes in fair value of cash flow hedges.

Total Comprehensive Income (Loss)

As a result of the foregoing, the Company recorded total comprehensive loss of Won 38 billion in 2013 compared to total comprehensive income of Won 380 billion in 2012.

Liquidity and Capital Resources

Cash Flows

The following table sets forth a summary of the Company's cash flows for the periods indicated.

	For the three months ended March 31,		For the year ended December 31,		
	2015	2014	2014	2013	2012
	(in billions of Won)				
Net cash provided by (used in) operating activities	₩2,108	₩(149)	₩2,030	₩1,360	₩403
Net cash used in investing activities	389	966	3,675	4,469	4,715
Net cash provided by (used in) financing activities	(896)	1,258	1,597	3,126	4,477
Net increase (decrease) in cash and cash equivalents	823	143	(48)	16	165
Cash and cash equivalents at the beginning of the period	209	223	223	245	155
Cash and cash equivalents at the end of the period	1,024	381	209	223	245

Cash from operating activities

The Company recorded net cash generated from operating activities of Won 2,108 billion in the first three months of 2015 compared to net cash used in operating activities of Won 149 billion in the first three months of 2014, largely due to recording decreases in inventories and trade accounts receivable in the first three months of 2015 compared to increases in inventories and trade accounts receivable in the first three months of 2014, which were partially offset by recording a decrease in trade accounts payable in the first three months of 2015 compared to an increase in the first three months of 2014. The decrease in inventories was largely due to decreases in the volume and prices of raw materials purchased. The decrease in trade accounts receivable was largely due to a decrease in the sales volume and average price of LNG sold. The decrease in trade accounts payable was largely due to decreases in the volume of raw materials purchased and average price of LNG purchased.

Net cash generated from operating activities increased to Won 2,030 billion in 2014 from Won 1,360 billion in 2013, largely due to the Company's recording an increase in trade accounts payable in 2014 compared to a decrease in 2013 and a decrease in other receivables, which were partially offset by recording an increase in trade accounts receivable in 2014 compared to a decrease in 2013, a decrease in impairment loss recognized as profit or loss and an increase in inventories. The increase in trade accounts payable was largely due to an increase in the volume and purchase price of raw materials purchased. The decrease in other receivables was largely due to collection of other receivables. The increase in trade accounts receivable was largely due to an increase in trade account receivables in relation to power generating companies other than subsidiaries of KEPCO. The decrease in impairment loss recognized as profit or loss was due to the Company's recording an impairment loss of Won 604 billion in 2013 in relation to its exploration projects in the Westcut River, Umiak and Horn River regions in Canada and, to a limited extent, in East Timor, which was absent in 2014. The increase in inventories was largely due to a decrease in sales volume and increase in prices of raw materials purchased.

The increase in net cash generated from operating activities of Won 1,360 billion in 2013 from Won 403 billion in 2012 was largely due to decreases in trade accounts receivable and other receivables during 2013 compared to increases during 2012 and impairment losses in 2013, which were partially offset by an increase in inventories during 2013 compared to a decrease during 2012 and a decrease in trade accounts payable during 2013 compared to an increase in 2012. Trade accounts receivable decreased primarily due to slower than expected sales resulting from warmer weather during the winter season in 2013, which led to a lower level of trade accounts receivables. Other receivables decreased primarily due to the resumption of collection of additional guaranteed return and the corresponding decrease in non-financial assets in 2013 as a result of the lifting of the suspension of sales price adjustments. Inventories increased primarily due to a slower than expected sales resulting from warmer weather during the winter season in 2013, which resulted in a higher inventory level. Trade accounts payable decreased during 2013 compared to an increase during 2012, primarily as a result of less active purchase of natural gas near the end of 2013 compared to the end of 2012 due to the warmer winter in 2013, as well as variances in the ordinary course of business. The Company recognized impairment losses of Won 604 billion in 2013, compared to none in 2012, in relation to its exploration projects in the Westcut River, Umiak and Horn River regions in Canada and, to a limited extent, in East Timor.

Cash used in investing activities

The Company's net cash used in investing activities of Won 389 billion in the first three months of 2015 consisted primarily of Won 520 billion used in acquisition of property, plant and equipment (primarily related to the Samcheok terminal, which commenced commercial operations in July 2014 upon completion of the first phase of construction started in 2009) and Won 63 billion used in the acquisition of intangible assets relating mainly to overseas mineral rights under existing projects, which was partially offset by proceeds of Won 213 billion from the disposal of equity investment or debt instruments relating mainly to the disposal of equity in the DSLNG project. The Company's net cash used in investing activities of Won 966 billion in the first three months of 2014 consisted primarily of Won 890 billion used in acquisition of property, plant and equipment and Won 66 billion used in acquisition of intangible assets relating mainly to overseas mineral rights under existing projects.

The Company's net cash used in investing activities of Won 3,675 billion in 2014 consisted primarily of Won 3,388 billion used in acquisition of property, plant and equipment (primarily related to the Samcheok terminal) and Won 329 billion used in acquisition of intangible assets relating mainly to overseas mineral rights.

The Company's net cash used in investing activities of Won 4,469 billion in 2013 consisted primarily of Won 3,815 billion used in acquisition of property, plant and equipment (primarily related to the Samcheok terminal) and Won 573 billion used in acquisition of intangible assets relating mainly to overseas mineral rights.

The Company's net cash used in investing activities of Won 4,715 billion in 2012 consisted primarily of Won 3,211 billion used in acquisition of property, plant and equipment (primarily related to the Samcheok terminal) and Won 1,102 billion used in acquisition of intangible assets relating mainly to overseas mineral rights.

Cash from financing activities

The Company's net cash used in financing activities of Won 896 billion in the first three months of 2015 consisted primarily of repayments of borrowings of Won 5,738 billion and repayments of debentures of Won 410 billion, which more than offset proceeds from borrowings of Won 4,921 billion and proceeds from issuance of debentures of Won 408 billion. The Company's borrowings and debentures in the first three months of 2015 were primarily to fund its existing obligations for its domestic operations.

The Company's net cash generated from financing activities of Won 1,597 billion in 2014 consisted primarily of proceeds from borrowings and issuance of debentures of Won 29,593 billion, largely offset by repayment of borrowings and debentures of Won 28,033 billion. The Company's borrowings and debentures in 2014 were primarily to fund its overseas exploration, development and production activities and due to a seasonal increase in working capital requirements.

The Company's net cash generated from financing activities of Won 3,126 billion in 2013 consisted primarily of proceeds from borrowings of Won 26,633 billion and the proceeds of Won 709 billion from a rights offering in October 2013, largely offset by repayment of borrowings and debentures of Won 27,775 billion. The Company's borrowings and debentures in 2013 were primarily to fund its overseas exploration, development and production activities and due to a seasonal increase in working capital requirements.

The Company's net cash generated from financing activities of Won 4,477 billion in 2012 consisted primarily of net proceeds from issuance of debentures and borrowings of Won 4,764 billion. The Company's borrowings and debentures in 2012 were primarily to fund its overseas exploration, development and production activities as well as to address the funding needs caused by the widening of the gap between the average sales prices invoiced to city gas companies and the average Formula Price of gas charged to city gas companies in 2012.

Capital Requirements

Historically, the Company's capital requirements have consisted primarily of financing its operating activities, including purchase of LNG, as well as capital expenditures relating to the construction and maintenance of receiving terminals and nation-wide pipeline network, repayments of outstanding debt and payments of dividends.

The Company anticipates that capital expenditures and repayments of outstanding debt will represent the most significant uses of funds for the next several years. From time to time, the Company may also require capital for investments in overseas gas exploration, development and production projects or acquisitions of interests in energy related companies, as well as other revenue diversification efforts. The following table sets out the Company's planned capital expenditures from 2015 until 2017 relating to the expansion of its receiving terminals, the construction of a fourth terminal complex in Samcheok and construction and maintenance of its pipeline network.

	Year ended December 31,			
Year	**2015**	**2016**	**2017**	**Total**
		(in billions of Won)		
Receiving terminals (including Samcheok)	₩952	₩781	₩657	₩2,390
Pipelines	679	347	184	1,210
Total capital expenditures	₩1,631	₩1,128	₩841	₩3,600

The Company expects that investment in its receiving terminals, including construction of a fourth terminal complex in Samcheok, will continue to account for the majority of its capital expenditures, amounting to approximately Won 2,390 billion for the years 2015 to 2017. The Company also expects to invest approximately Won 1,210 billion during the same period to extend the length of the Company's pipelines primarily to increase the natural gas penetration rate throughout the country. The Company currently expects to spend approximately Won 1,631 billion in 2015, Won 1,128 billion in 2016 and Won 841 billion in 2017 in planned capital expenditures relating to the construction and maintenance of its pipeline network and expansion of its receiving terminals. The Company may adjust its capital expenditure plans on an on-going basis subject to market demand for its products, the production outlook of the global natural gas industry and global economic conditions in general. The Company may delay or not implement some of its current capital expenditure plans based on its assessment of such market conditions.

In accordance with its debt reduction plan submitted to the Ministry of Strategy and Finance, until 2017, the Company plans to concentrate on its core business of LNG import-related operations without entering into any material new businesses or otherwise significantly expanding its capital expenditure overseas. The Company invested approximately U.S.$2.5 billion, U.S.$1.9 billion and U.S.$0.6 billion in overseas gas exploration, development and production projects in 2013, 2014 and the first three months of 2015, respectively, and expects to invest approximately U.S.$1.7 billion in such projects in the remainder of 2015 mostly under its existing obligations. The Company plans to fund a portion of its investments in natural resources exploration, development and production projects with policy loans provided by the Ministry of Trade, Industry and Energy. In the event the exploration project does not result in successful production of natural resources, the Company may apply to have such loans forgiven.

Payments of contractual obligations and commitments will also require considerable resources. In the ordinary course of its business, the Company routinely enters into commercial commitments for various aspects of its operations, as well as provides, from time to time, payment guarantees primarily in connection with the Company's investments in LNG supply companies and project financing relating to overseas gas exploration, development and production projects. As of March 31, 2015, the Company provided payment guarantees to Bank of China and Korea Exchange Bank in the aggregate amount of U.S.$1.3 million. See note 32 to the unaudited consolidated interim financial statements included elsewhere in this offering circular.

The following table sets forth the amount of long-term debt and capital lease obligations as of March 31, 2015.

	Payments Due by Period			
Contractual Obligations	**Total**	**Less than 1 Year**	**1 to 5 Years**	**After 5 Years**
	(in billions of Won)			
Long-term debt obligations[1]	₩25,144	₩2,352	₩10,849	₩11,943
Capital lease obligations[2]	2,128	287	1,185	656
Total	₩27,272	₩2,639	₩12,034	₩12,599

(1) Stated at principal amount before discounts.

(2) Stated at book value translated into Won amount at the market average exchange rate of Won 1,105.0 to U.S.$1.00 on March 31, 2015 as announced by the Seoul Money Brokerage Services, Ltd.

In addition, the Company has substantial purchase obligations under long-term contracts to purchase LNG. These contracts generally have terms of 20 years and provide for periodic price adjustments. The Company also has entered into long-term transportation contracts for the exclusive use of 21 LNG delivery ships. Starting in 2011, in compliance with Korean IFRS, the Company began recognizing capital lease on 21 of its LNG transporting vessels.

Capital Resources and Liquidity

The Company operates in an industry with significant financing requirements and has historically financed its operations primarily through short-term and long-term borrowings from Korean banks and Korea National Oil Corporation, issuances of debentures and cash generated from operations. The Company expects that these sources will continue to be its principal sources of cash in the future.

Total long-term borrowings (excluding current portion) and debentures (excluding current portion) were Won 22,792 billion as of March 31, 2015, Won 22,330 billion as of December 31, 2014, Won 21,323 billion as of December 31, 2013 and Won 17,419 billion as of December 31, 2012, and total short-term borrowings and current portion of long-term borrowings and debentures were Won 4,797 billion as of March 31, 2015, Won 6,126 billion as of December 31, 2014, Won 5,477 billion as of December 31, 2013 and Won 6,907 billion as of December 31, 2012.

The Company periodically increases its short-term borrowings and adjusts its long-term debt financing levels depending on changes in its capital requirements. The Company previously increased its outstanding debt substantially in recent years in order to address additional funding needs resulting from a suspension of the periodic adjustments to sales prices invoiced to city gas companies starting in March 2008, and to a lesser extent, to fund its overseas exploration, development and production activities.

The Company had working capital (current assets minus current liabilities) of Won 5,660 billion as of March 31, 2015, Won 3,929 billion as of December 31, 2014, Won 3,901 billion as of December 31, 2013 and Won 1,603 billion as of December 31, 2012.

The Company intends to meet its working capital and other capital requirements principally through debt financings, offerings of hybrid securities, rights offerings and cash generated from operations. The Company's strategy for financing investments in overseas gas exploration, development and production projects is, to the extent possible and subject to market conditions, to raise funding that is denominated under the currency of the local jurisdiction. The Company's ability to rely on some of these alternatives could be affected by factors such as the liquidity of the Korean and global financial markets, prevailing interest rates, the Company's credit rating and the government's policies regarding Won currency and foreign currency borrowings.

The Company's total equity increased to Won 10,272 billion as of March 31, 2015 from Won 9,724 billion as of December 31, 2014 primarily as a result of an increase of Won 557 billion in retained earnings through net income. The Company's total equity increased to Won 9,724 billion as of December 31, 2014 from Won 8,933 billion as of December 31, 2013 primarily as a result of an increase of Won 468 billion in retained earnings through net income. The Company's total equity increased to Won 8,933 billion as of December 31, 2013 from Won 8,369 billion as of December 31, 2012 primarily as a result of stock issuance in the amount of Won 709 billion by way of a rights offering.

Market Risks

Market risk generally represents the risk that losses may occur in the values of financial instruments as a result of movements in interest rates and foreign exchange rates as well as risks related to raw material prices.

The Company is exposed to various market risks in its ordinary course business transactions.

Interest Rate Risk

The Company's debt consists of fixed and variable rate debt obligations with original maturities typically ranging from one to 30 years. An increase in interest rates would adversely affect the Company's ability to service its existing debt and incur new debt for its operations and its ability to make payments on loans that it has guaranteed.

The Company's interest rate risk is mitigated through application by the Ministry of Trade, Industry and Energy of the Company's estimated borrowing rate when calculating the Company's Formula Prices, which is subject to approval from the government. From time to time, the Company also uses interest rate currency swaps to reduce the impact of interest rate and exchange rate volatility on the Company's debentures issued overseas. See note 29 to the unaudited consolidated interim financial statements included elsewhere in this offering circular.

Foreign Currency Risk

Anticipated foreign currency payments, which represent a substantial sum and are mostly denominated in U.S. dollars, relate primarily to imported raw material costs, transportation costs and interest and principal payments on the Company's foreign currency-denominated debt. With respect to the Company's exposure to foreign currency risks related to raw material costs and freight costs, such risks to the Company are mitigated because the Ministry of Trade, Industry and Energy generally allows the Company to pass through its raw material costs (including transportation costs) by periodically adjusting the Company's Formula Prices. As for the Company's exposure to foreign currency risks related to foreign currency-denominated debt, the Company utilizes forward foreign currency contracts as well as interest rate currency swap contracts mentioned above. See note 29 to the unaudited consolidated interim financial statements included elsewhere in this offering circular.

Commodity Price Risk

The Company's operations are affected by price fluctuations of LNG. However, the Company's exposure to LNG price risk is mitigated because the Ministry of Trade, Industry and Energy generally allows the Company to pass through its raw material costs by periodically adjusting the Company's Formula Prices. The Company does not use any derivative instruments to manage its commodity price risks. The Company purchases a substantial portion of its LNG from overseas sources, including Qatar, Malaysia, Oman, Indonesia, Yemen, Russia, Egypt, Brunei and Australia.

In order to ensure a stable source of supply, the Company selectively enters into long-term supply contracts typically for 20 years, and such contracts generally provide for periodic price adjustments. The Company's long-term supply contracts for LNG are summarized in "The Company—Business—LNG Supply—LNG Sales and Purchase Agreements."

Inflation

Inflation in Korea was 2.2% in 2012, 1.3% in 2013, 1.3% in 2014 and 0.5% in the first three months of 2015. The effects of inflation in Korea on the Company's financial condition and results of operations are reflected primarily in salary and selling, general and administration expenses. Inflation in Korea has not had a significant impact on the Company's results of operations to date. It is possible that inflation in the future may have an adverse effect on the Company's financial condition or results of operations. See "Risk Factors—Risks related to Korea—Unfavorable financial and economic developments in Korea may have an adverse effect on the Company."

Management

The Company's Articles of Incorporation provide that the board of directors shall be made up of no more than seven standing directors (including the President, who also serves as the Chief Executive Officer of the Company) and eight non-standing directors. All non-standing directors are independent. The directors have terms of two years (with the exception of the President, whose term is for three years). The activities within the discretion of the board of directors are subject to applicable Korean laws including the Korean Commercial Code as well as the Company's Articles of Incorporation and the Board of Directors' Regulations and include calling a general meeting of shareholders, approving financial statements and issuing bonds or debentures.

Until October 1997, the Company was a government-owned entity and the Chairman of the Board and the President were appointed by the President of Korea upon the recommendation of the Ministry of Trade, Industry and Energy. The other directors were appointed by the Ministry of Trade, Industry and Energy upon the recommendation of the Chairman of the Board. In October 1997, the Company became a government-invested entity and, as a result of the change in status, the Chairman and the other directors are now selected by a general meeting of shareholders. Representation on the board of directors is not at present proportional to share ownership.

Under the Company's Articles of Incorporation, the President, who serves as the Company's chief executive, is recommended by the Executive Recommending Committee comprised of five members, a majority of whom must be non-standing directors. The Executive Recommending Committee recommends a pool of candidates, which is then deliberated by the Committee for Management of Public Institutions pursuant to the Act on Management of Public Institutions. After being appointed by the shareholders at a general meeting of shareholders and upon recommendation by the Minister of Trade, Industry and Energy, the President is appointed by the President of Korea. The President is deemed to have the capacity of a representative director where the Korean Commercial Code applies and thus administers most of the day-to-day business that is not specifically designated as a responsibility of the board of directors. The President must enter into a management contract (in a form approved by the shareholders) with the Ministry of Trade, Industry and Energy pursuant to which the President must meet a certain minimum level of performance each year. Under the current management contract with the President, if the President fails to meet such performance level, then the board of directors may submit a resolution to discharge the President to the shareholders.

Other than the President, the standing directors who are not members of the Audit Committee are appointed by the President after being selected by the shareholders at a general meeting of shareholders. The standing directors who are members of the Audit Committee are appointed by the President of Korea, upon recommendation by the Minister of Strategy and Finance, after selection by the shareholders at a general meeting of shareholders from a pool of candidates nominated after deliberation by the Committee for Management of Public Institutions and recommendation by the Executive Recommending Committee. The standing directors assist the President and act on his behalf when the President is unable to act. The non-standing directors are appointed by the Minister of Strategy and Finance, after being selected by the shareholders at a general meeting of shareholders from a pool of candidates recommended by the Executive Recommending Committee subsequent to deliberation by the Committee for Management of Public Institutions. The board of directors may establish sub-committees to delegate some of its management functions pursuant to the Articles of Incorporation of the Company, and the board of directors has established three committees, which consist of the Audit Committee, the Planning and Strategy Committee and the Overseas Operations Committee.

The Audit Committee is comprised of three committee members, two of whom must be non-standing directors and at least one member must be an accounting or financial professional, as determined in accordance with the relevant provisions of the Enforcement Decree of the Korean Commercial Code. The Audit Committee is responsible for auditing the accounting records and practices and business activities of the Company, examining proposals and documents to be submitted to the shareholders and, pursuant to determining whether any matters violate the Articles of Incorporation of the Company or any applicable laws and regulations, submitting its opinion to the shareholders.

The directors' address is 120 Cheomdan-ro, Dong-gu, Daegu, 701-300, Korea. Summary biographical information regarding the Company's directors is set out below.

Standing Directors

Seung-Hoon Lee, age 70, was appointed as a standing director and President and Chief Executive Officer of the Company on July 1, 2015. Mr. Lee is currently a co-chairman of the Presidential Committee on Green Growth and an honorary professor at Seoul National University's College of Social Sciences Department of Economics. Mr. Lee previously served as a professor at Seoul National University's College of Social Sciences Department of Economics.

Jong-Ho Lee, age 57, was appointed as a standing director on September 23, 2014. Mr. Lee is currently the Chief Technology Officer of the Company. Mr. Lee previously served as the Director of Resources Development and head of the Department of New Business of the Company.

Heung-Ki Kim, age 56, was appointed as a standing director on December 2, 2014. Mr. Kim is currently serving as a standing member of the Audit Committee. Mr. Kim previously served as National Assembly Secretariat senior assistant to members of the National Assembly.

Non-Standing Directors

Man-Kyo Jang, age 59, was appointed as a non-standing director on July 2, 2014. Mr. Jang previously served as the director of Saenuri Party's election polling committee for Chungcheong province and auditor of the Plant & Mechanical Contractors Financial Cooperative of Korea.

Won-Tak Lee, age 57, was appointed as a non-standing director on July 2, 2014. Mr. Lee is currently the president of Daewon University College. Mr. Lee previously served as head advisor to the Security and Public Administration Committee and advisor to the Trade, Industry and Energy Committee of the National Assembly.

Jong-Lae Kim, age 63, was appointed as a non-standing director on September 24, 2014. Mr. Kim is currently a visiting professor at Chungnam National University School of Business. Mr. Kim previously served as the head of the publishing department and city desk at The Chosun Ilbo.

Sung-Hwan Shin, age 52, was appointed as a non-standing director on September 24, 2014. Mr. Shin is currently the president of Korea Institute of Finance and senior advisor at Korea Fixed Income Research Institute. Mr. Shin previously served as a senior financial officer at World Bank Group.

Kwang-Sik Choi, age 62, was appointed as a non-standing director on December 2, 2014. Mr. Choi is currently the chairman of SL Innovations. Mr. Choi previously served as the representative director of City Airport, Logis & Travel and Daehan Oil Pipeline Corporation.

Sun-Woo Lee, age 57, was appointed as a non-standing director on April 1, 2015. Mr. Lee is currently a professor at Korea National Open University Department of Public Administration and chairman of the board of the Korean Center for Social Conflict Resolution. Mr. Lee previously served as chairman of the Reorganization Committee of the Ministry of Government Administration and Home Affairs.

Jun-Hyung Lee, age 65, was appointed as a non-standing director on June 24, 2015. Mr. Lee is currently the chairman of Goodnet Co., Ltd. and previously served as advisor to Jinhaeng Waterway.

Principal Shareholders

The following table describes the Company's shareholders as of March 31, 2015 (the latest date such information is available).

Name	Amount of Paid in Capital	Number of Shares	Percentage
	(millions of Won)		
The Republic of Korea	₩120,722	24,144,353	26.15%
KEPCO[1]	94,500	18,900,000	20.47%
Local governments	36,606	7,321,122	7.94%
Employees	20,984	4,196,707	4.55%
Foreign investors	38,653	7,730,536	8.37%
Others	126,721	25,344,522	27.45%
Treasury stock	23,379	4,675,760	5.64%
Total	₩461,565	92,313,000	100.0%

(1) The government directly and indirectly holds 54.6% of equity interest in KEPCO.

During the fourth quarter of 2013, the Company conducted a rights offering (the "**Rights Offering**") to the Company's existing shareholders of an aggregate of 15,028,490 common shares (the "**New Shares**"), par value Won 5,000 per share, representing 19.45% of the then currently issued and outstanding common shares of the Company. The Company offered the New Shares at Won 47,250 per share, for total net proceeds after offering expenses of approximately Won 710 billion, representing a discount rate of 17% to the market closing price per share of Won 58,765 per share. The adjusted percentages of holdings of the Company's issued and outstanding shares by the Korean government and local governments giving effect to the Rights Offering amounted to 46.62% and 7.94%, respectively.

Under the KOGAS Act, the government is allowed, but has no obligation, to guarantee bonds issued by the Company. The Company has never received any guarantees from the government. The government is not required under Korean law or by contract or its shareholding position to maintain the solvency of the Company.

The Company is dedicated to a policy of maintaining a high dividend payout ratio and a high dividend yield ratio. The Company paid dividends with dividend payout ratios of 23.6% in respect of 2012 and 23.6% in respect of 2014 and with dividend yields of 2.3% in respect of 2012 and 0.5% in respect of 2014. The Company paid no dividends in respect of 2013 due to its recording of net loss in 2013.

The Korean Commercial Code requires the Company to appropriate as a legal reserve an amount equal to at least 10% of the cash dividends for each accounting period until the reserve equals 50% of its paid-in capital. The KOGAS Act further requires the Company to appropriate as a legal reserve an amount equal to at least 10% of its net profits for each accounting period until the reserve reaches 50% of its paid-in capital. The legal reserve is not available for cash dividends; however, the reserve may be (i) credited to paid-in capital, (ii) credited to accumulated deficit by resolution of the Company's board of directors or (iii) reduced and transferred into profit available for dividend by resolution of the Company's shareholders if the amount of the accumulated legal reserve is over 1.5 times the amount of paid-in capital.

In addition to the legal reserve and prior to the distribution of dividends, the KOGAS Act also requires the Company to appropriate profits for an accident compensation reserve in the amount equal to at least 10% of net profits for each accounting period until it reaches the same amount as its paid-in capital.

Related Party Transactions

The Company engages in a variety of transactions with related parties.

The Company sold LNG to the power generating companies owned by KEPCO, which owns 20.5% of the Company's outstanding shares, amounting to Won 11,511 billion in 2012, Won 12,493 billion in 2013, Won 10,174 billion in 2014 and Won 1,757 billion in the first three months of 2015 which includes special consumption tax.

The table below provides a breakdown of the Company's sales to the five power generating subsidiaries of KEPCO for the periods indicated:

	For the year ended December 31,			For the three months ended March 31,
	2012(1)	2013(1)	2014(1)	2015(1)
	(in billions of Won)			
Korea Southern Power Co., Ltd.	₩3,697	₩4,290	₩3,657	₩540
Korea Midland Power Co., Ltd.	2,507	2,968	2,280	267
Korea Western Power Co., Ltd.	2,838	2,902	2,297	473
Korea East-West Power Co., Ltd.	1,701	1,618	1,446	295
Korea South-East Power Co., Ltd	768	715	494	182

(1) Special consumption tax amounts are included.

The Company enters into various agreements with its wholly-owned subsidiary, Korea Gas Technology Corp., which provides system maintenance for the Company's gas-related facilities and designs and supervises the construction of natural gas production and supply facilities. The Company paid Korea Gas Technology Corp. service fees of Won 138 billion in 2012, Won 152 billion in 2013, Won 160 billion in 2014 and Won 38 billion for the three months ended March 31, 2015. The Company enters into other transactions with Korea Gas Technology Corp., including the provision of administrative service and lease of office space.

The Company also receives dividend income from its subsidiary and affiliates. The Company received dividend income of Won 97 billion in 2012, Won 106 billion in 2013, Won 85 billion in 2014 and Won 39 billion for the three months ended March 31, 2015 from its affiliate, Korea Ras Laffan LNG Ltd. The Company also received dividend income of Won 26 billion in 2012, Won 26 billion in 2013, Won 22 billion in 2014 and Won 6 billion for the three months ended March 31, 2015 from its affiliate, Korea LNG Ltd.

From time to time, the Company also provides long-term loans to its subsidiaries and affiliates. The following table sets forth the amount of long-term loans outstanding with respect to loans made to subsidiaries and affiliates as of the dates indicated.

	As of December 31,			As of March 31,
	2012	2013	2014	2015
	(in billions of Won)			
KOGAMEX Investment Manzanillo B.V.	₩68	₩63	₩63	₩64
Hyundai Yemen LNG Company	104	64	16	16
KG Krueng Mane Ltd.	45	45	48	48
KG-Timor Leste Ltd.	34	8	9	9
KOGAS Australia Pty Ltd.	1,832	1,910	2,572	2,634
KG Mozambique Ltd.	99	175	255	270
Kogas Vostok LLC.	1	0	0	0
South-East Asia Gas Pipeline Company Ltd.	28	40	49	48
KOGAS Prelude Pty. Ltd.	3	216	592	649
KOGAS Mozambique, Lda	22	35	42	42
ENH-KOGAS, SA	N/A	27	42	42

The Company also received interest income of Won 2 billion in 2012, Won 0.3 billion in 2013, Won 0.6 billion in 2014 and Won 0.1 billion in the first three months of 2015 from Hyundai Yemen LNG Company, Won 4 billion in 2012, Won 4 billion in 2013, Won 4 billion in 2014 and Won 0.9 billion in the first three months of 2015 from KOGAMEX Investment Manzanillo B.V., Won 93 billion in 2012, Won 125 billion in 2013, Won 144 billion in 2014 and Won 41 billion in the first three months of 2015 from KOGAS Australia Pty. Ltd. and Won 1 billion in 2012, Won 4 billion in 2013, Won 5 billion in 2014 and Won 1.2 billion in the first three months of 2015 from South-East Asia Gas Pipeline Company Ltd.

GUARANTEED ISSUERS

A subsidiary of the Company may become a Guaranteed Issuer by executing an accession agreement pursuant to the terms of the Agency Agreement. By executing the accession agreement, such subsidiary agrees to be bound by all the terms of the Program.

REGULATION OF THE KOREAN GAS INDUSTRY

The Company was established as a juridical entity under the KOGAS Act, and it is subject to the rules and regulations of that Act and the Act on the Improvement of Managerial Structure and Privatization of Public Enterprises ("**Privatization Act**"). The Company is also subject to all general rules and regulations applicable to corporations under the Korean Commercial Code ("**KCC**"), unless otherwise provided for in the KOGAS Act and the Privatization Act.

Under the KOGAS Act, the Company is licensed by the Ministry of Trade, Industry and Energy as a "wholesale gas supplier." Under the City Gas Business Act, a wholesale gas supplier has the right to supply natural gas on a wholesale basis to the city gas companies and bulk purchasing customers. At present, the Company is the only entity that is licensed as such, and the Company retains effective monopoly rights to supply gas on a wholesale basis to all city gas companies and all substantial power generating companies throughout Korea.

In Korea, primary legislation is supported by a presidential decree or ordinance, which in turn is supported by regulations. This section examines the legislation concerning the regulation of the gas industry in Korea. It does not consider any other facets of regulation such as company law and taxation.

Current Framework

The main regulatory bodies of the gas industry in Korea are the Ministry of Trade, Industry and Energy and the Ministry of Strategy and Finance. At present, the Ministry of Trade, Industry and Energy is responsible for the primary regulation of the Company while local governments are responsible for the primary regulation of the city gas companies. In addition, the Ministry of Strategy and Finance is involved in planning amendments to the broad principles of the regulatory environment insofar as this impacts the government's dual goals of market liberalization and revenue maximization from the privatization program.

KOGAS Act of 1982 (as last amended in February 2015)

Under the KOGAS Act, the Company is established as a statutory juridical entity for the purpose of "preparing a basis for long-term supply of natural gas, promoting the convenience and benefit of national life and contributing to the promotion of public welfare." To achieve these objectives, the Act allows the Company to undertake the following activities:

- manufacture and supply natural gas and refine and sell by-products;
- construct and operate natural gas receiving terminals and supply networks;
- develop, export and import natural gas;
- develop, export and import LPG;
- research and develop gas-related technologies relevant to the above activities;
- engage in incidental activities relevant to the above activities;
- engage in other activities entrusted by the nation or local autonomous bodies; and
- engage in the business of developing and exploring oil resources (other than natural gas and LPG) and other related business subject to the approval of the Ministry of Trade, Industry and Energy when it is deemed necessary taking into consideration international oil market conditions.

Under Article 16 of the KOGAS Act, the Ministry of Trade, Industry and Energy is granted the power to direct and supervise the Company's activities relating to its business plan to supply natural gas throughout the country, its investment plan for safety control, matters relating to the use of the Company's gas pipeline network by other parties and matters relating to participation in overseas natural gas development activities and long-term import of natural gas.

The Company is required to obtain approval from the Ministry of Trade, Industry and Energy of its business plan under Article 16-2 of the KOGAS Act. This approval by the Ministry of Trade, Industry and Energy is deemed as approval of the related activities falling under various laws concerning land use and resource planning regarding public facilities. Public notice of such approval is also deemed as a public notice of approval of such related activities.

City Gas Business Act (as last amended in August 2014)

The purpose of the City Gas Business Act is to develop the city gas business while protecting consumer interest by devising rational and sound strategies and ensuring public safety by prescribing matters on the installation, maintenance and safety management of gas services and facilities that use gas as a fuel source. It classifies city gas business into three types: wholesale gas supply business, city gas supply business and city gas charge business. Under Article 3 of the City Gas Business Act, the Ministry of Trade, Industry and Energy is responsible for the licensing of wholesale gas suppliers while local or municipal governments are responsible for licensing city gas companies. The Company is at present the only entity in Korea with a wholesale license.

All wholesale natural gas prices are regulated under the City Gas Business Act. In setting prices, the Company prepares a proposal using traditionally accepted formula that is based on the Company's costs. The proposal is submitted to the Ministry of Trade, Industry and Energy followed by discussions with the Ministry of Strategy and Finance. Although not required by the Act, the Ministry of Trade, Industry and Energy's practice is to allow the Ministry of Strategy and Finance to review the pricing proposal to determine its acceptability to the public and with a view to managing its impact on inflation. The Company's wholesale pricing mechanism is further described in "The Company—Business—Sales—Wholesale Pricing of Natural Gas."

General license conditions for wholesale gas suppliers are set out in Article 5 of the City Gas Business Act Enforcement Rule. For a gas wholesaler, such conditions are as follows:

- the geographic supply area granted to a licensee cannot overlap with the geographic supply area of another licensee;
- the business plan provides for the licensee to maintain at least a 30% equity capital ratio for the first operating year and at least a 20% equity capital ratio thereafter; and
- the business plan provides for the stable procurement of raw materials and construction of main distribution pipelines.

Under Article 2 of the City Gas Business Act, the Company, as a holder of a wholesale license, is permitted to supply gas to city gas companies and bulk purchasing customers, as designated by the Ministry of Trade, Industry and Energy. The regulations define bulk purchasing customers as:

- users who buy through pipelines at least 100,000 cubic meters of natural gas per month and are located outside the geographic supply areas covered by the city gas companies or are refused supply of natural gas for a justifiable reason by the city gas companies under the City Gas Business Act even though such users are located in the geographic supply areas covered by city gas companies;

- users of natural gas for the purpose of power generation with installed generation capacity of 100 megawatts or more;

- users who are equipped with storage facilities for LNG; or

- users who are refused the supply of LNG for fueling of sea vessels under the Ship Safety Act for a justifiable reason by the city gas companies under the City Gas Business Act.

The City Gas Business Act also sets the technical standards for each gas distribution facility and determines the safety obligations of the city gas companies.

Long-term Supply-Demand Plan

Under Article 18-2 of the City Gas Business Act, the Ministry of Trade, Industry and Energy is required every year to establish a gas supply-demand plan (the "**Gas Plan**") for the next five years and every two years to establish a Long-Term Plan for the next ten or more years.

The Gas Plan must include:

- a supply-demand plan for city gas (including by region);

- a plan for expanding gas service facilities and facility investments;

- a plan for importing city gas and a plan for gas storage in preparation for emergencies;

- current status of the city gas business and a plan for fostering the city gas business (including fundraising plans);

- a plan for promoting the supply of city gas; and

- a plan to manage the demand of city gas.

The Long-Term Plan must include:

- long-term prospects for the supply and demand of natural gas;

- an equipment supply plan; and

- a plan for investing in natural gas.

Powers Granted to the Ministry of Trade, Industry and Energy

The City Gas Business Act endows the Ministry of Trade, Industry and Energy with extensive regulatory powers over the Company. Under Article 40 of the City Gas Business Act, the Ministry of Trade, Industry and Energy has the power to order the Company to make various "adjustments" deemed necessary for balanced demand and supply. An order of adjustment may apply to the following items:

- gas service facilities construction plans;

- gas service (supply) plan;

- service areas, if the service area extends to two or more municipalities or provinces;

- service conditions including gas prices;
- calorific value, pressure and flammability of gas;
- joint usage of gas supply and delivery facilities;
- timing and quantities of LNG imports and exports; and
- sale of surplus gas to gas wholesalers made by persons who import gas for their own use.

Under Article 41 of the City Gas Business Act, the Company may be required to report to the Ministry of Trade, Industry and Energy on implementation of the adjustment order.

Energy Usage Rationalization Act (as last amended in April 2014)

The Energy Usage Rationalization Act (the "**Energy Act**") was established to "contribute to the sound growth of the national economy, the national welfare and the international efforts to minimize global warming by securing a stable supply and demand of energy, facilitating the rationalized and efficient usage of energy and reducing environmental deterioration caused by energy consumption." Article 3 of the Energy Act assigns to the government the ultimate responsibility for ensuring stable and efficient energy usage and reducing the emission of greenhouse gases while the participation and co-operation of energy users and suppliers is called for in the formulation of energy policy.

Under Article 4 of the Energy Act, the Ministry of Trade, Industry and Energy is required to prepare the Energy Usage Plan, the contents of which are to include plans relating to:

- conversion to an energy-conserving economic structure;
- increasing efficiency in energy use;
- development of technology to promote rational and efficient energy use;
- education and public awareness campaigns to promote rational and efficient energy use;
- interfuel substitution;
- safe handling of heat bearing or heat using materials;
- providing a system for forecasting prices in order to promote rational and efficient energy use;
- measures to reduce greenhouse gas emissions through efficient energy use; and
- any other matters determined by the Ministry of Trade, Industry and Energy as necessary to promote efficient use of energy.

Similarly, under Article 6 of the Energy Act, plans for rational and efficient energy use are produced by municipal governments to implement relevant policies at the local and regional levels.

Under Article 9 of the Energy Act, the Company is required to submit an annual investment plan to the Ministry of Trade, Industry and Energy outlining demand, management initiatives, and covering issues including improving efficiency in production, conversion, transportation, storage and use of energy, decreasing energy consumption and reducing the emission of greenhouse gases. Upon review, the Ministry of Trade, Industry and Energy may request the Company to revise or supplement such plan.

Energy Use Rationalization Basic Plan

Pursuant to the requirements of the Energy Act, an Energy Usage Plan is required to be formulated and issued every five years. In order for the plan to be issued, the relevant central administrative agencies must be consulted and the plan also has to pass a review conducted by the National Committee for Promoting Energy Conservation.

The most recent Energy Usage Plan was issued in 2014 and included plans relating to the following:

- transitioning to energy policies focused on demand management;
- building a distributed generation system;
- enhancing sustainability (environmental protection, improved safety and technology development);
- enhancing energy security to avoid energy isolation;
- establishing a stable supply system for each energy source; and
- shaping energy policies to reflect public opinion.

The most recent Energy Usage Plan establishes policies for improving energy efficiency by managing energy demand in order to achieve a balance between supply and demand. It also establishes policies in response to climate change issues by, among others, reducing greenhouse gasses and reducing the import of energy.

According to the second Basic Plan, details of the Energy Usage Plan as a subsidiary plan of the second Basic Plan were expected to be announced in 2014 and 2015; and among a total of 10 subsidiary plans, only the Basic Plan for Integrated Energy Supply was announced in March 2014. The Energy Usage Plan is expected to include, among others, the Energy Use Rationalization Plan, Renewable Energy Basic Plan, Basic Plan for Electricity Supply and Demand, Plan for Long-term Natural Gas Supply and Demand, Basic Plan for Integrated Energy Supply, Regional Energy Plan, Oil Stockpiling Plan, Basic Plan for Overseas Resource Development, Energy Technology Development Plan and Long-term Plan for the Coal Industry.

Framework Act on Low Carbon, Green Growth (as last amended in July 2013)

The purpose of the Framework Act on Low Carbon, Green Growth (the "**Green Act**") is to promote the development of the national economy by laying down the foundation necessary for low carbon dioxide emission and by utilizing environmentally friendly technology and industries as new engines for economic growth. Article 41 of the Green Act requires the Basic Plan, which is described below, to include the following:

- trends and forecasts of domestic and overseas energy supply and demand;

- measures to secure and manage stable energy supply;
- target of energy consumption;
- compositions of energy sources;
- saving energy and improving the efficiency of energy usage;
- supply and use of environmentally friendly energy, including new and renewable energy;
- measures to promote safe energy management;
- plans for the development and diffusion of energy related technology;
- measures to promote the training and cultivation of energy professionals and experts; and
- measures to promote (i) international cooperation in implementing energy policies, (ii) the development and use of natural energy resources and (iii) public welfare through energy policies.

Basic National Energy Plan

A Basic Plan is formulated and announced every five years after obtaining the consent of central administrative agencies and passing the review of the National Energy Commission under the Green Act. Each Basic Plan contains a long-term strategy to implement the plan over a period of 20 years. The Basic Plan also includes more specific energy-related plans, including the Long-Term Plan and the Energy Usage Plan.

The Basic Plan issued in January 2014 provides for, among other things, the following:

- reducing electricity demand by 15% by 2035 through adjustments of tax rates on coal and LNG used in power generation, rationalization of the electricity tariff system to account, among others, for expenses related to improvement of nuclear facilities and electricity transmission networks and incentives for installation of more energy-efficient smart grid systems;
- regional decentralization of electricity generation to reduce transmission losses through, among others, encouraging the supply of electricity through a community energy distribution system and renewable energy sources with the target percentage of electricity supplied through such means being set at 15% by 2035 from 5% currently;
- mandatory application of new greenhouse gas reduction technologies to newly established power plants;
- strengthening the capabilities for offshore resource development and encouraging the supply of renewable energy with the target of supplying renewable energy as a percentage of total energy being set at 11% by 2035;
- stabilizing the supply of conventional energy, such as oil and gas, by diversifying the import routes and increasing domestic reserves for such energy sources; and
- introducing an energy voucher system starting from 2015 to alleviate the cost of energy for low income households and individuals and encourage efficient energy consumption.

Environmental Legislation

Air Environment Preservation Act (as last amended in January 2015)

The purpose of the Air Environment Preservation Act (the "**Air Act**") is to protect public health and prevent environmental damage arising from air pollution.

Articles 41 and 42 of the Air Act provide for the Ministry of Environment to determine standards for the sulphur content of fuel and that the Ministry of Environment can determine the supply area and range of facilities to use the respective fuels and may in some circumstances prohibit or restrict the production, sale or use of certain fuels. According to Article 43 of the Enforcement Decree issued in connection with Article 42 of the Air Act, in the areas that fail, or are likely to fail, to meet minimum air quality standards, only clean energy such as LNG may be used.

TAXATION

Certain U.S. Federal Income Tax Considerations

The following is a summary of certain U.S. federal income tax considerations that may be relevant to a holder of a Note that is a citizen or resident of the United States or a domestic corporation or that otherwise is subject to U.S. federal income taxation on a net income basis in respect of the Note (a "**United States holder**"). This summary is based on laws, regulations, rulings and decisions now in effect, all of which are subject to change. This summary deals only with United States holders that will purchase the Notes in their initial issuance for their issue price and will hold Notes as capital assets, and does not address tax considerations applicable to investors that may be subject to special tax rules, such as financial institutions, real estate investment trusts, tax-exempt entities, insurance companies, dealers in securities or currencies, traders in securities electing to mark to market, persons liable for alternative minimum tax, United States expatriates, persons that hold Notes in bearer form, persons that will hold Notes as a position in a "straddle" or conversion transaction, or as part of a "synthetic security" or other integrated financial transaction or persons that have a "functional currency" other than the U.S. dollar. This summary does not address the effects of the Medicare contribution tax on net investment income or foreign, state, local or other tax considerations that may be relevant to United States holders in light of their particular circumstances. If a partnership holds our notes, the tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. Partners of a partnership holding our notes should consult their tax advisors. Any special U.S. federal income tax considerations relevant to a particular issue of Notes, including any Floating Rate Notes, Index Linked Notes, Dual Currency Notes, or Zero Coupon Notes will be provided in the applicable Pricing Supplement.

Investors should consult their own tax advisors in determining the tax consequences to them of holding Notes, including the application to their particular situation of the U.S. federal income tax considerations discussed below, as well as the application of state, local, foreign or other tax laws.

Payments of Interest

Payments of "qualified stated interest" (as defined below under "—Original Issue Discount") on a Note will be taxable to a United States holder as ordinary interest income at the time that such payments are accrued or are received (in accordance with the United States holder's method of tax accounting). If such payments of interest are made with respect to a Note denominated in a foreign currency (a "**Foreign Currency Note**"), the amount of interest income realized by a United States holder that uses the cash method of tax accounting will be the U.S. dollar value of the relevant foreign currency payment based on the exchange rate in effect on the date of receipt regardless of whether the payment in fact is converted into U.S. dollars. A United States holder that uses the accrual method of accounting for tax purposes will accrue interest income on the Note in the relevant foreign currency and translate the amount accrued into U.S. dollars based on the average exchange rate in effect during the interest accrual period (or portion thereof within the United States holder's taxable year), or, at the accrual basis United States holder's election, at the spot rate of exchange on the last day of the accrual period (or the last day of the taxable year within such accrual period if the accrual period spans more than one taxable year), or at the spot rate of exchange on the date of receipt, if such date is within five business days of the last day of the accrual period. A United States holder that makes such election must apply it consistently to all debt instruments from year to year and cannot change the election without the consent of the Internal Revenue Service (the "**IRS**"). A United States holder that uses the accrual method of accounting for tax purposes will recognize foreign currency gain or loss, as the case may be, on the receipt of an interest payment made with respect to a Foreign Currency Note if the exchange rate in effect on the date the payment is received differs from the rate applicable to a previous accrual of that interest income. This foreign currency gain or loss will be treated as ordinary income or loss but generally will not be treated as an adjustment to interest income received on the Note.

Additional Amounts

Although interest payments to a United States holder are generally currently exempt from Korean taxation unless such United States holder has a permanent establishment in Korea, (see "—Korean Taxation—Tax on Interest on the Senior Notes" below) if the Korean law providing for the exemption is repealed or otherwise limited with respect to the Notes held by such United States holder, then in addition to interest on the Notes, such United States holder would be required to include in income any Additional Amounts received and any tax withheld from interest payments, notwithstanding that such tax withheld is not in fact received by such United States holder. A United States holder may be entitled to deduct or credit such tax, subject to applicable limitations and conditions under U.S. federal income tax laws. However, the election to deduct or credit foreign taxes applies to all of the United States holder's foreign taxes for a particular taxable year. Interest income on a Note, including any Additional Amounts and any taxes withheld in respect thereof, generally will constitute foreign source income and generally will be considered "passive category income" in computing the foreign tax credit allowable to United States holder under U.S. federal income tax laws. A United States holder will generally be denied a foreign tax credit for foreign taxes imposed with respect to the Notes where it does not meet a minimum holding period requirement during which it is not protected from risk of loss. The rules governing the foreign tax credit are complex. Investors are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

Purchase, Sale and Retirement of Notes

A United States holder's tax basis in a Note generally will equal the cost of such Note to such holder, increased by any amounts includible in income by the holder as original issue discount and market discount and reduced by any amortized premium (each as described below) and any payments other than payments of qualified stated interest made on such Note. In the case of a Foreign Currency Note, the cost of such Note to a United States holder will be the U.S. dollar value of the foreign currency purchase price on the date of purchase. In the case of a Foreign Currency Note that is traded on an established securities market, a cash basis United States holder (and, if it so elects, an accrual basis United States holder) will determine the U.S. dollar value of the cost of such Note by translating the amount paid at the spot rate of exchange on the settlement date of the purchase. The amount of any subsequent adjustments to a United States holder's tax basis in a Note in respect of original issue discount and premium denominated in a foreign currency will be determined in the manner described under "—Original Issue Discount" and "—Premium" below. The conversion of U.S. dollars to the relevant foreign currency and the immediate use of the foreign currency to purchase a Foreign Currency Note generally will not result in taxable gain or loss for a United States holder.

Upon the sale, exchange or retirement of a Note, a United States holder generally will recognize gain or loss equal to the difference between the amount realized on the sale, exchange or retirement (less any accrued qualified stated interest, which will be taxable as such) and the United States holder's tax basis in such Note. If a United States holder receives a currency other than the U.S. dollar in respect of the sale, exchange or retirement of a Note, the amount realized will be the U.S. dollar value of the foreign currency received calculated at the exchange rate in effect on the date the instrument is disposed of or retired. In the case of a Foreign Currency Note that is traded on an established securities market, a cash basis United States holder, and if it so elects, an accrual basis United States holder will determine the U.S. dollar value of the amount realized by translating such amount at the spot rate on the settlement date of the sale. The election available to accrual basis United States holders in respect of the purchase and sale of Foreign Currency Notes traded on an established securities market, discussed above, must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the IRS.

Except as described below with respect to Short-Term Notes (as defined below) and foreign currency gain or loss, gain or loss recognized by a United States holder generally will be long-term capital gain or loss if the United States holder has held the Note for more than one year at the time of disposition. Long-term capital gains recognized by a non-corporate holder (including an individual holder) generally are subject to tax at a lower rate than short-term capital gains or ordinary income. The deductibility of capital losses is subject to limitations.

Gain or loss recognized by a United States holder on the sale, exchange or retirement of a Foreign Currency Note generally will be treated as ordinary income or loss to the extent that the gain or loss is attributable to changes in exchange rates during the period in which the holder held such Note. This foreign currency gain or loss will not be treated as an adjustment to interest income received on the Notes.

Original Issue Discount

If an Issuer issues Notes at a discount from their stated redemption price at maturity, and the discount is equal to or more than the product of one-fourth of one percent (0.25%) of the stated redemption price at maturity of the Notes multiplied by the number of full years to their maturity, the Notes will be "Original Issue Discount Notes." The difference between the issue price and the stated redemption price at maturity of the Notes will be the "original issue discount." The "issue price" of the Notes will be the first price at which a substantial amount of the notes are sold to the public (i.e., excluding sales of Notes to underwriters, placement agents, wholesalers, or similar persons). The "stated redemption price at maturity" will include all payments under the Notes other than payments of "qualified stated interest" (as determined below).

United States holders of Original Issue Discount Notes generally will be subject to the special tax accounting rules for obligations issued with original issue discount ("**OID**") provided by the Internal Revenue Code of 1986, as amended, and certain regulations promulgated thereunder (the "**OID Regulations**"). United States holders of such Notes should be aware that, as described in greater detail below, they generally must include OID in ordinary gross income for U.S. federal income tax purposes as it accrues, in advance of the receipt of cash attributable to that income.

In general, each United States holder of an Original Issue Discount Note, whether such holder uses the cash or the accrual method of tax accounting, will be required to include in ordinary gross income the sum of the "daily portions" of OID on the Note for all days during the taxable year that the United States holder owns the Note. The daily portions of OID on an Original Issue Discount Note are determined by allocating to each day in any accrual period a ratable portion of the OID allocable to that accrual period. Accrual periods may be of any length and may vary in length over the term of an Original Issue Discount Note, provided that no accrual period is longer than one year and each scheduled payment of principal or interest occurs on either the final day or the first day of an accrual period. In the case of an initial holder, the amount of OID on an Original Issue Discount Note allocable to each accrual period is determined by (a) multiplying the "adjusted issue price" (as defined below) of the Original Issue Discount Note at the beginning of the accrual period by the yield to maturity of such Original Issue

Discount Note (appropriately adjusted to reflect the length of the accrual period) and (b) subtracting from that product the amount (if any) of qualified stated interest (as defined below) allocable to that accrual period. The yield to maturity of a Note is the discount rate that causes the present value of all payments on the Note as of its original issue date to equal the issue price of such Note. The "adjusted issue price" of an Original Issue Discount Note at the beginning of any accrual period will generally be the sum of its issue price (generally including accrued interest, if any) and the amount of OID allocable to all prior accrual periods, reduced by the amount of all payments other than payments of qualified stated interest (if any) made with respect to such Note in all prior accrual periods. The term "qualified stated interest" generally means stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually during the entire term of an Original Issue Discount Note at a single fixed rate of interest or, subject to certain conditions, based on one or more interest indices. In the case of an Original Issue Discount Note that is a Floating Rate Note, both the "yield to maturity" and "qualified stated interest" will generally be determined for these purposes as though the Original Issue Discount Note will bear interest in all periods at a fixed rate generally equal to the rate that would be applicable to the interest payments on the Note on its date of issue or, in the case of certain Floating Rate Notes, the rate that reflects the yield that is reasonably expected for the Note. (Additional rules may apply if interest on a Floating Rate Note is based on more than one interest index.) As a result of this "constant yield" method of including OID in income, the amounts includible in income by a United States holder in respect of an Original Issue Discount Note denominated in U.S. dollars generally are lesser in the early years and greater in the later years than the amounts that would be includible on a straight-line basis.

A United States holder generally may make an irrevocable election to include in its income its entire return on a Note (i.e., the excess of all remaining payments to be received on the Note, including payments of qualified stated interest, over the amount paid by such United States holder for such Note) under the constant-yield method described above. For Notes purchased at a premium, the United States holder making such election will also be deemed to have made the election (discussed below in "—Premium") to amortize premium currently on a constant-yield basis.

In the case of an Original Issue Discount Note that is also a Foreign Currency Note, a United States holder should determine the U.S. dollar amount includible in income as OID for each accrual period by (a) calculating the amount of OID allocable to each accrual period in the foreign currency using the constant-yield method described above, and (b) translating the amount of the foreign currency so derived at the average exchange rate in effect during that accrual period (or portion thereof within a United States holder's taxable year) or, at the United States holder's election (as described above under "—Payments of Interest"), at the spot rate of exchange on the last day of the accrual period (or the last day of the taxable year within such accrual period if the accrual period spans more than one taxable year), or at the spot rate of exchange on the date of receipt, if such date is within five business days of the last day of the accrual period. Because exchange rates may fluctuate, a United States holder of an Original Issue Discount Note that is also a Foreign Currency Note may recognize a different amount of OID income in each accrual period than would the holder of an otherwise similar Original Issue Discount Note denominated in U.S. dollars. All payments on an Original Issue Discount Note (other than payments of qualified stated interest) will generally be viewed first as payments of previously-accrued OID (to the extent thereof), with payments attributed first to the earliest-accrued OID, and then as payments of principal. Upon the receipt of an amount attributable to OID (whether in connection with a payment of an amount that is not qualified stated interest or the sale or retirement of the Original Issue Discount Note), a United States holder will recognize ordinary income or loss measured by the difference between the amount received (translated into U.S. dollars at the exchange rate in effect on the date of receipt or on the date of disposition of the Original Issue Discount Note, as the case may be) and the amount accrued (using the exchange rate applicable to such previous accrual).

Floating Rate Notes generally will be treated as "variable rate debt instruments" under the OID Regulations. Accordingly, the stated interest on a Floating Rate Note generally will be treated as "qualified stated interest" and such a Note will not have OID solely as a result of the fact that it provides for interest at a variable rate. If a Floating Rate Note does not qualify as a "variable rate debt instrument," such Note will be subject to special rules (the "**Contingent Payment Regulations**") that govern the tax treatment of debt obligations that provide for contingent payments ("**Contingent Debt Obligations**"). A detailed description of the tax considerations relevant to United States holders of any such Notes will be provided in the applicable Pricing Supplement.

Certain of the Notes may be subject to special redemption, repayment or interest rate reset features, as indicated in the applicable Pricing Supplement. Notes containing such features, in particular Original Issue Discount Notes, may be subject to special rules that differ from the general rules discussed above. Purchasers of Notes with such features should carefully examine the applicable Pricing Supplement and should consult their own tax advisors with respect to such Notes since the tax consequences with respect to such features, and especially with respect to OID, will depend, in part, on the particular terms of the purchased Notes.

Premium

A United States holder of a Note that has an issue price (as determined under "—Original Issue Discount" above) greater than its stated redemption price at maturity (as determined above under "—Original Issue Discount" above) generally will be considered to have purchased the Note at a premium, and may elect to amortize such premium (as an offset to interest income), using a constant-yield method, over the remaining term of the Note. Such election, once made, generally applies to all bonds held or subsequently acquired by the United States holder on or after the first day of the first taxable year to which the election applies and may not be revoked without the consent of the IRS. A United States holder that elects to amortize such premium must reduce its tax basis in a Note by the amount of the premium amortized during its holding period. In the case of premium in respect of a Foreign Currency Note, a United States holder should calculate the amortization of such premium in the foreign currency. Amortization deductions attributable to a period reduce interest payments in respect of that period and therefore are translated into U.S. dollars at the exchange rate used by the United States holder for such interest payments. Exchange gain or loss will be realized with respect to amortized bond premium on such a Note based on the difference between the exchange rate on the date or dates such premium is recovered through interest payments on the Note and the exchange rate on the date on which the United States holder acquired the Note. With respect to a United States holder that does not elect to amortize bond premium, the amount of bond premium will be included in the United States holder's tax basis when the Note matures or is disposed of by the United States holder. Therefore, a United States holder that does not elect to amortize such premium and that holds the Note to maturity generally will be required to treat the premium as capital loss when the Note matures.

Short-Term Notes

The rules set forth above will also generally apply to Notes having maturities of not more than one year ("**Short-Term Notes**"), but with certain modifications.

The OID Regulations treat none of the interest on a Short-Term Note as qualified stated interest. Thus, all Short-Term Notes will be Original Issue Discount Notes. OID will be treated as accruing on a Short-Term Note ratably, or at the election of a United States holder, under a constant yield method.

A United States holder of a Short-Term Note that uses the cash method of tax accounting and is not a bank, securities dealer, regulated investment company or common trust fund, and does not identify the Short-Term Note as part of a hedging transaction, will generally not be required to include OID in income on a current basis. Such a United States holder may not be allowed to deduct all of the interest paid or accrued on any indebtedness incurred or maintained to purchase or carry such Note until the maturity of the Note or its earlier disposition in a taxable transaction. In addition, such a United States holder will be required to treat any gain realized on a sale, exchange or retirement of the Note as ordinary income to the extent such gain does not exceed the OID accrued with respect to the Note during the period the United States holder held the Note. Notwithstanding the foregoing, a cash-basis United States holder of a Short-Term Note may elect to accrue original issue discount into income on a current basis (in which case the limitation on the deductibility of interest described above will not apply). A United States holder using the accrual method of tax accounting and certain cash-basis United States holders (including banks, securities dealers, regulated investment companies and common trust funds) generally will be required to include original issue discount on a Short-Term Note in income on a current basis.

Index Linked Notes and Other Notes Providing for Contingent Payments

The Contingent Payment Regulations, which govern the tax treatment of Contingent Debt Obligations, generally require accrual of interest income on a constant-yield basis in respect of such obligations at a yield determined at the time of their issuance, and may require adjustments to such accruals when any contingent payments are made. A detailed description of the tax considerations relevant to United States holders of any contingent debt obligations will be provided in the applicable Pricing Supplement.

Estate and Gift Taxation

As discussed in "—Korean Taxation—Inheritance Tax and Gift Tax," Korea imposes an inheritance tax on property located or deemed to be located in Korea (including the Notes) that passes on death, even if the decedent is a Non-Resident. Similarly a Korean gift tax will be imposed on transfers of the Notes by gift. Subject to certain conditions and limitations, the amount of any inheritance tax paid to Korea may be eligible for credit against the amount of U.S. federal estate tax imposed on the estate of a United States holder. The Korean gift tax generally will not be treated as a creditable foreign tax for U.S. tax purposes. Prospective purchasers should consult their personal tax advisors regarding the consequences of the imposition of the Korean inheritance or gift tax.

Information Reporting and Backup Withholding

The Paying Agent will be required to file information returns with the IRS with respect to payments made to certain United States holders of Notes. In addition, certain United States holders may be subject to backup withholding tax in respect of such payments if they do not provide their taxpayer identification numbers to the Paying Agent. Persons holding Notes who are not United States holders may be required to comply with applicable certification procedures to establish that they are not United States holders in order to avoid the application of such information reporting requirements and backup withholding tax.

Information with Respect to Foreign Financial Assets

Individual United States holders that own "specified foreign financial assets" with an aggregate value in excess of U.S.$50,000 are generally required to file an information statement along with their tax returns, currently on Form 8938, with respect to such assets. "Specified foreign financial assets" include any financial accounts held at a non-United States financial institution, as well as securities issued by a non-United States issuer (which would include the Notes) that are not held in accounts maintained by financial institutions. Higher reporting thresholds apply to certain individuals living abroad and to certain married individuals. Regulations have been proposed that would extend this reporting requirement to certain entities that are treated as formed or availed of to hold direct or indirect interests in specified foreign financial assets based on certain objective criteria. United States holders who fail to report the required information could be subject to substantial penalties. Prospective investors should consult their own tax advisors concerning the application of these rules to their investment in Notes, including the application of the rules to their particular circumstances.

Reportable Transactions

A United States taxpayer that participates in a "reportable transaction" is required to disclose its participation to the IRS. Under the relevant rules, a United States holder may be required to treat a foreign currency exchange loss from Foreign Currency Notes as a reportable transaction if this loss exceeds the relevant threshold in the regulations (U.S.$50,000 in a single taxable year, if the United States holder is an individual or trust, or higher amounts for other non-individual United States holders), and to disclose its investment by filing Form 8886 with the IRS. A penalty in the amount of U.S.$10,000 in the case of a natural person and U.S.$50,000 in all other cases is generally imposed on any taxpayer that fails to timely file an information return with the IRS with respect to a transaction resulting in a loss that is treated as a reportable transaction. Prospective purchasers are urged to consult their tax advisors regarding the application of these rules.

Korean Taxation

Republic of Korea

The information provided below does not purport to be a complete summary of Korean tax law and practice currently applicable. Prospective investors who are in any doubt as to their tax position should consult with their own professional advisors.

The taxation of non-resident individuals and non-Korean corporations ("**Non-Residents**") depends on whether they have a "permanent establishment" (as defined under Korean law and applicable tax treaty) in Korea to which the relevant Korean source income is attributable or with which such income is effectively connected. Non-Residents without a permanent establishment in Korea are taxed in the manner described below. Non-Residents with permanent establishments in Korea are taxed in accordance with different rules.

Tax on Interest on the Senior Notes

Interest on the Senior Notes paid to Non-Residents (except for their permanent establishments in Korea), being foreign currency denominated bonds issued by the Company and/or its Korean subsidiaries outside of Korea, is exempt from income tax and corporation tax (whether payable by withholding or otherwise) pursuant to the Special Tax Treatment Control Law (the "**STTCL**").

If the tax exemption under the STTCL referred to above were to cease to be in effect, the rate of income tax or corporation tax applicable to interest on the Senior Notes paid by the Company and its Korean subsidiary, for a Non-Resident without a permanent establishment in Korea, would be 14% of income. In addition, a tax surcharge called a local income tax would be imposed at the rate of 10% of the income tax or corporation tax (raising the total tax rate to 15.4%).

The tax rates may be reduced by an applicable tax treaty, convention or agreement between Korea and the country of the recipient of the income. The relevant tax treaties are discussed below.

In order to obtain a reduction or exemption of withholding tax under an applicable tax treaty upon any income to which Korean withholding tax applies, a Non-Resident should submit either an application for tax exemption or an application for treaty-reduced tax rates to either the payer or the entity obligated to withhold such tax prior to the date upon which such income is to be paid to the Non-Resident.

For example, in order to obtain the benefit of a reduced rate available under applicable tax treaties, a Non-Resident holder must submit an application for reduced rate to either the payer or the Issuer obligated to withhold such tax liable for the withholding before the receipt of the relevant interest payment (if there is no change in the contents of such application, it is not required to submit such application again within 3 years thereafter), together with a certificate of the Non-Resident holder's tax residence issued by a competent authority of the Non-Resident holder's resident country. If the Non-resident holder was unable to receive the benefit of a reduced rate due to his or her failure to timely submit the aforementioned application, the Non-Resident holder may still receive a tax return if the submission to the relevant tax office is made within 3 years from the last day of the month in which the date of withholding occurs.

Tax on Capital Gains

Korean tax laws currently exclude from Korean taxation gains made by a Non-Resident without a permanent establishment in Korea from the sale of the Notes to other Non-Residents (other than to their permanent establishments in Korea). In addition, capital gains earned by Non-Residents with or without permanent establishments in Korea from the transfer taking place outside Korea of the Notes issued by the Company and/or its Korean subsidiaries are currently exempt from taxation by virtue of STTCL, provided that the issuance of the Notes issued by the Company and/or its Korean subsidiaries is deemed to be an overseas issuance under the STTCL.

If the exclusion or exemption from Korean taxation referred to above were to cease to be in effect, in the absence of an applicable tax treaty reducing or eliminating tax on capital gains, the applicable rate of tax would be the lower of 11% (including local income tax) of the gross realization proceeds or (subject to the production of satisfactory evidence of the acquisition cost and certain direct transaction costs of the relevant Note issued by the Company and/or its Korean subsidiaries) 22% (including local income tax) of the realized gain (i.e., the excess of the gross realization proceeds over the acquisition cost and certain direct transaction costs) made. If such evidence shows that no gain (or a loss) was made on the sale, no Korean tax is payable. There is no provision under relevant Korean law to allow offsetting of gains and losses or otherwise aggregating transactions for the purpose of computing the net gain attributable to sales of the Notes issued by Korean companies. The purchaser or any other designated withholding agent of the Notes issued by the Company and/or its Korean subsidiaries is obliged under Korean law to withhold the applicable amount of Korean tax and make payment thereof to the relevant Korean tax authority. Unless the seller can claim the benefit of an exemption from tax under an applicable tax treaty or on the failure of the seller to produce satisfactory evidence of his acquisition cost and certain direct transaction costs in relation to the instruments being sold, the purchaser or such withholding agent must withhold an amount equal to 11% of the gross realization proceeds. Any amounts withheld by the purchaser or such withholding agent must be paid to the competent Korean tax office. The purchaser or withholding agent must pay any withholding tax no later than the tenth day of the month following the month in which the payment for the purchase of the relevant instruments occurred. Failure to transmit the withheld tax to the Korean tax authorities in time subjects the purchaser or such withholding agent to penalties under Korean tax laws. The Korean tax authorities may attempt to collect such tax from a Non-Resident who is liable for payment of any Korean tax on gains, as a purchaser or withholding agent who is obliged to withhold such tax, through proceedings against payments due to the Non-Resident from its Korean investments and the assets or revenues of any of the Non-Resident's branch or representative offices in Korea.

Inheritance Tax and Gift Tax

Korean inheritance tax is imposed upon (a) all assets (wherever located) of the deceased if at the time of his death he was domiciled in Korea or resided in Korea for at least one year immediately prior to his death and (b) all property located in Korea that passes on death (irrespective of the domicile of the deceased). Gift tax is imposed in similar circumstances to the above. The taxes are imposed if the value of the relevant property is above a certain limit and the rate varies from 10% to 50%. At present, Korea has not entered into any tax treaties regarding its inheritance or gift taxes.

Under Korean inheritance and gift tax laws, bonds issued by Korean corporations are deemed located in Korea irrespective of where they are physically located or by whom they are owned, and, consequently, the Korean inheritance and gift taxes may be imposed on transfers of the Notes issued by the Company and/or its Korean subsidiaries by inheritance or gift. Prospective purchasers should consult their personal tax advisors regarding the consequences of the imposition of the Korean inheritance or gift tax.

Stamp Duty and Securities Transaction Tax

No stamp, issue or registration duties will be payable in Korea by the Holders in connection with the issue of the Notes except for a nominal amount of stamp duty on certain documents executed in Korea which will be paid by the Issuer. No securities transaction tax will be imposed upon the transfer of the Notes.

Tax Treaties

At the date of this offering circular, Korea has tax treaties with, inter alia, Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Luxembourg, The Netherlands, New Zealand, Norway, Singapore, Sweden, Switzerland, the United Kingdom and the United States of America, under which the rate of withholding tax on interest is reduced, generally to between 5 and 16.5% (including local income tax), and the tax on capital gains is often eliminated.

Each Holder should inquire whether he is entitled to the benefit of a tax treaty with respect to any transaction involving the Notes. It is the responsibility of the party claiming the benefits of a tax treaty in respect of interest payments to file with the payer or the Issuer a certificate as to his residence. In the absence of sufficient proof, the payer or the Issuer must withhold taxes in accordance with the above discussion.

Further, in order for a Non-Resident to obtain the benefit of a tax exemption on certain Korean source income (e.g., interest and capital gains) under an applicable tax treaty, Korean tax law requires such Non-Resident (or its agents) to submit to the payer of such Korean source income an application for tax exemption under a tax treaty along with a certificate of tax residency of such Non-Resident issued by a competent authority of the non-resident's country of tax residence, subject to certain exceptions. The payer of such Korean source income, in turn, is required to submit such application to the relevant district tax office by the ninth day of the month following the date of the first payment of such income. However, this requirement does not apply to exemptions under Korean tax law.

Withholding and Gross Up

As mentioned above, interest paid on the Senior Notes is exempt from any withholding or deduction on account of income tax or corporation tax pursuant to STTCL. However, in the event that the payer or the Issuer is required by law to make any withholding or deduction for or on account of any Korean taxes (as more fully described in "Terms and Conditions of the Notes—Taxation") the Issuer has agreed to pay (subject to the customary exceptions as set out in "Terms and Conditions of the Notes—Taxation") such Additional Amounts as may be necessary in order that the net amounts received by the Holder of any Note after such withholding or deduction shall equal the respective amounts which would have been received by such Holder in the absence of such withholding or deduction.

Payment of the Guarantee

It is not entirely clear whether the interest paid by a Korean parent company as a guarantor of the bonds issued by its foreign subsidiary is subject to Korean withholding tax under Korean tax law. The National Tax Service ("**NTS**") had interpreted in its ruling on May 20, 2010 that such interest should be subject to Korean withholding tax. However, the Ministry of Strategy and Finance issued a new tax ruling on May 20, 2011 that the interest paid by a Korean parent company as a guarantor of the borrowings of its foreign subsidiary from foreign financial institutions does not constitute Korean source income, and therefore would not be subject to Korean withholding tax. Although a ruling issued by the Ministry of Strategy and Finance can supersede a ruling issued by the NTS, it remains unclear whether the interest paid by the Guarantor to a Non-Resident under the Guarantee would be subject to Korean withholding tax (which, if applicable would be at the rate of 22% (including the local income tax) or such lower rate as is applicable under the tax treaty between Korea and the country in which the Non-Resident resides). In the event that any withholding or deduction is imposed on such interest paid under the Guarantee by law or by any Korean tax authority, the Issuer has agreed that such payment shall be increased by such amount as may be necessary to ensure that the Non-Resident receives a net amount, free and clear of all Korean taxes, equal to the full amount which such Non-Resident would have received had such payment not been subject to such taxes, subject to certain exceptions.

European Union Savings Directive

Under Council Directive 2003/48/EC on the taxation of savings income (the "**Savings Directive**"), each Member State of the European Union (the "**EU**") is required to provide to the tax authorities of another such Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or secured by such a person for, an individual beneficial owner resident in, or certain limited types of entity established in, that other Member State. However, for a transitional period, Austria will (unless during such period it elects otherwise) instead operate a withholding system in relation to such payments. The current rate of withholding is 35%. However, the beneficial owner of the interest (or similar income) payment may elect that certain provision of information procedures should be applied instead of withholding, provided certain conditions are met. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to exchange of information procedures relating to interest and other similar income. A number of non-EU countries and certain dependent or associated territories of certain Member States have adopted similar measures to the Savings Directive.

The Council of the European Union has adopted a Directive amending the Savings Directive (the "**Amending Directive**") which, if implemented, would broaden the Saving Directive's scope. The Member States will have until January 1, 2016 to adopt national legislation necessary to comply with the Amending Directive, which legislation must apply from January 1, 2017. The changes made under the Amending Directive include extending the scope of the Savings Directive to payments made to, or secured for, certain other entities and legal arrangements (including certain trusts and partnerships), where certain conditions are satisfied. They also broaden the definition of "interest payment" to cover certain additional types of income. Investors who are in any doubt as to their position should consult their professional advisers.

However, the European Commission has proposed the repeal of the Savings Directive from January 1, 2017 in the case of Austria and from January 1, 2016 in the case of all other Member States (subject to on-going requirements to fulfill administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of taxation (as amended by Council Directive 2014/107/EU). The proposal also provides that, if it proceeds, Member States will not be required to apply the new requirements of the Amending Directive.

If a payment under a Note were to be made and an amount of, or in respect of, tax were to be withheld from that payment pursuant to the Savings Directive (as amended from time to time) or any law implementing or complying with, or introduced in order to conform to such Directive, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts under the terms of such Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Savings Directive (as amended from time to time).

The Proposed Financial Transactions Tax

The European Commission has published a proposal (the "**Commission's Proposal**") for a Directive for a common financial transactions tax ("**FTT**") in Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovenia, Slovakia and Spain (the "**participating Member States**").

The Commission's Proposal has very broad scope and could, if introduced in its current form, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of the Notes should, however, be exempt.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT remains subject to negotiation between the participating Member States and the legality of the proposal is uncertain. It may therefore be altered prior to any implementation. Additional EU Member States may decide to participate and/or certain of the participating Member States may decide to withdraw.

Joint statements issued by several participating Member States indicate an intention to implement the FTT by January 1, 2016. Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

United Kingdom Provision of Information Requirements

The comments below are of a general nature and are based on current United Kingdom ("**UK**") tax law as applied in England and Wales and published practice of HM Revenue & Customs ("**HMRC**"), the UK tax authorities. Such law may be repealed, revoked or modified and such practice may not bind HMRC and/or may change (in each case, possibly with retrospective effect), resulting in UK tax consequences different from those discussed below. The comments below deal only with UK rules relating to information that may need to be provided to HMRC in connection with the Notes. They do not deal with any other UK tax consequences of acquiring, owning or disposing of the Notes. Each prospective investor should seek advice based on its particular circumstances from an independent tax adviser.

HMRC has powers to obtain information relating to securities in certain circumstances. This may include details of the beneficial owners of the Notes (or the persons for whom the Notes are held), details of the persons to whom payments derived from the Notes are or may be paid and information and documents in connection with transactions relating to the Notes. Information may be required to be provided by, amongst others, the holders of the Notes, persons by or through whom payments derived from the Notes are made or credited or who receive such payments (or who would be entitled to receive such payments if they were made), persons who effect or are a party to transactions relating to the Notes on behalf of others and certain registrars or administrators. In certain circumstances, the information obtained by HMRC may be exchanged with tax authorities in other countries.

CERTAIN ERISA CONSIDERATIONS

The following is a summary of certain considerations associated with the purchase of the Notes by employee benefit plans that are subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), plans, individual retirement accounts and other arrangements that are subject to Section 4975 of the Code or provisions under any other federal, state, local, non-U.S. or other laws or regulations that are similar to such provisions of ERISA or the Code (collectively, "**Similar Laws**"), and entities whose underlying assets are considered to include "plan assets" of any such plan, account or arrangement (each, a "**Plan**").

ERISA and the Code impose certain duties on persons who are fiduciaries of a Plan subject to Part 4 of Title I of ERISA or Section 4975 of the Code (an "**ERISA Plan**") and prohibit certain transactions involving the assets of an ERISA Plan and its fiduciaries or other interested parties. Under ERISA and the Code, any person who exercises any discretionary authority or control over the administration of such an ERISA Plan or the management or disposition of the assets of such an ERISA Plan, or who renders investment advice for a fee or other compensation to such an ERISA Plan, is generally considered to be a fiduciary of the ERISA Plan.

In considering an investment in the Notes of a portion of the assets of any Plan, a fiduciary should determine whether the investment is in accordance with the documents and instruments governing the Plan and the applicable provisions of ERISA, the Code or any Similar Law relating to a fiduciary's duties to the Plan including, without limitation, the prudence, diversification, delegation of control and prohibited transaction provisions of ERISA, the Code and any other applicable Similar Laws.

Section 406 of ERISA and Section 4975 of the Code prohibit ERISA Plans from engaging in certain transactions involving plan assets with persons or entities who are "parties in interest," within the meaning of ERISA, or "disqualified persons," within the meaning of Section 4975 of the Code, with respect to the Plan, unless an exemption is available. Thus, a fiduciary considering a purchase of the Notes should also consider whether such an investment might constitute or give rise to a prohibited transaction under ERISA or the Code. For example, if the Issuer, a Guarantor or any of their respective affiliates were considered to be a "party in interest" within the meaning of ERISA, or a "disqualified person" within the meaning of the Code, the acquisition or holding of the Notes by or on behalf of the ERISA Plan could result in a direct or indirect prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code unless the investment is acquired and is held in accordance with an applicable statutory, class or individual prohibited transaction exemption. A party in interest or disqualified person who engaged in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and/or the Code. In addition, the fiduciary of the Plan that engaged in such a non-exempt prohibited transaction may be subject to penalties and liabilities under ERISA and/or the Code.

Certain exemptions from the prohibited transaction provisions of ERISA and the Code could be applicable, depending on the plan fiduciary who makes the decision on behalf of the Plan to purchase the Notes and the terms of the Notes. Among these exemptions are Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code, relating to transactions with certain service providers, Prohibited Transaction Class Exemption 90-1, relating to investments by insurance company pooled separate accounts, Prohibited Transaction Class Exemption 91-38, relating to investments by bank collective investment funds, Prohibited Transaction Class Exemption 84-14, relating to investments made by a "qualified professional asset manager," Prohibited Transaction Class Exemption 95-60 relating to investments by insurance company general accounts and Prohibited Transaction Class Exemption 96-23, relating to investments made by in-house asset managers, although there can be no assurance that all of the conditions of any such exemptions will be satisfied.

Because of the foregoing, each purchaser and subsequent transferee of Notes or any interest therein will be deemed to have represented and warranted that either (i) no portion of the assets used by such purchaser or subsequent transferee to acquire or hold the Notes or any interest therein constitutes assets of any Plan or an employee benefit plan subject to provisions under any Similar Laws or (ii) the acquisition and holding of the Notes or any interest therein will not constitute a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a similar violation under any applicable Similar Law.

The foregoing discussion is general in nature and is not intended to be all-inclusive. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries, or other persons considering purchasing any Notes on behalf of, or with the assets of, any Plan, consult with their counsel regarding the potential applicability of ERISA, Section 4975 of the Code and any Similar Laws to such investment and whether an exemption would be applicable to the purchase and holding of the Notes, and the matters described herein.

INDEPENDENT ACCOUNTANTS

With respect to the unaudited interim consolidated financial statements of the Company as of March 31, 2015 and for the three months ended March 31, 2015 and 2014 included elsewhere in this offering circular, Samil PricewaterhouseCoopers, independent accountants, have reported that they have applied limited procedures in accordance with professional standards for a review of such information. Their separate report included herein states that they did not audit and they do not express an opinion on such interim consolidated financial statements. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

The consolidated annual financial statements of the Company as of and for the years ended December 31, 2014, 2013 and 2012, included elsewhere in this offering circular, have been audited by Samil PricewaterhouseCoopers, independent accountants, who did not audit the financial statements of certain consolidated subsidiaries, whose financial statements represent 12.1% and 11.7% of consolidated total assets as of December 31, 2013 and 2012, respectively, and 0.3% and 1.9% of consolidated total sales for the years ended December 31, 2013 and 2012, respectively, and the financial statements of certain associates, whose financial statements represent 1.8% of consolidated total assets as of December 31, 2013 and 87.9% of consolidated profit before income tax for the year ended December 31, 2013, as stated in their report appearing herein.

SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

The Dealers have, in a program agreement dated September 30, 2010, as further amended, supplemented and/or restated from time to time, (the "**Program Agreement**"), agreed with the Issuer and the Guarantor a basis upon which they or any of them may from time to time agree to purchase Notes or, in the case of Definitive IAI Registered Notes, procure purchasers of Notes. Any such agreement will extend to those matters stated under "Form of the Notes" and "Terms and Conditions of the Notes" above. In the Program Agreement, the Company and Guaranteed Issuers have agreed to reimburse the Dealers for certain of their expenses in connection with the establishment of the Program and the issue of Notes under the Program and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

In order to facilitate the offering of any Tranche of the Notes, certain persons participating in the offering of the Tranche may to the extent permitted by applicable laws and regulations engage in transactions that stabilize, maintain or otherwise affect the market price of the relevant Notes during and after the offering of the Tranche. Specifically, such persons may over-allot or create a short position in the Notes for their own account by selling more Notes than have been sold to them by the Issuer. Such persons may also elect to cover any such short position by purchasing Notes in the open market. In addition, such persons may stabilize or maintain the price of the Notes by bidding for or purchasing Notes in the open market and may impose penalty bids, under which selling concessions allowed to syndicate members or other broker-dealers participating in the offering of the Notes are reclaimed if Notes previously distributed in the offering are repurchased in connection with stabilization transactions or otherwise. The effect of these transactions may be to stabilize or maintain the market price of the Notes at a level above that which might otherwise prevail in the open market. The imposition of a penalty bid may also affect the price of the Notes to the extent that it discourages resales thereof. No representation is made as to the magnitude or effect of any such stabilizing or other transactions. Such transactions, if commenced, may be discontinued at any time. Stabilization activities are subject to certain prescribed time limits in certain jurisdictions.

Certain Relationships

Certain of the Dealers and their affiliates may from time to time perform various investment banking, commercial banking or advisory services for the Issuer, the Guarantor and their respective affiliates, for which they have received and may in the future receive customary compensation. The Dealers or their affiliates may own securities issued by the Issuer or the Guarantor. The Dealers or their affiliates may purchase the Notes and be allocated Notes for asset management and/or proprietary purposes but not with a view to distribution.

The Dealers or their respective affiliates may purchase Notes for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to Notes and/or other securities of the Issuer, the Guarantor or their respective subsidiaries or associates at the same time as the offer and sale of Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of Notes to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of Notes).

Transfer Restrictions

As a result of the following restrictions, purchasers of Notes in the United States are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such Notes.

Each purchaser of Registered Notes (other than a person purchasing an interest in a Registered Global Note with a view to holding it in the form of an interest in the same Global Note) will be deemed to have acknowledged, represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

(i) that either: (a) it is a QIB, purchasing (or holding) the Notes for its own account or for the account of one or more QIBs and it is aware that any sale to it is being made in reliance on Rule 144A or (b) it is an Institutional Accredited Investor, that, prior to its purchase of the Notes has delivered to the Registrar an IAI Investment Letter in the form as set forth below or (c) it is outside the United States and is not a U.S. person;

(ii) that the Notes have not been and will not be registered under the Securities Act or any other applicable U.S. state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;

(iii) that, unless it holds an interest in a Regulation S Global Note and either is a person located outside the United States or is not a U.S. person, if in the future it decides to resell, pledge or otherwise transfer the Notes or any beneficial interests in the Notes, it will do so, prior to the date which is one year after the later of the last Issue Date for the Series and the last date on which the Issuer or an affiliate of the Issuer was the owner of such Notes, only (a) to the Issuer or any affiliate thereof, (b) inside the United States to a person whom the seller reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (c) outside the United States in compliance with Rule 903 or Rule 904 under the Securities Act, (d) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available) or (e) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable U.S. state securities laws;

(iv) it will, and will require each subsequent holder to, notify any purchaser of the Notes from it of the resale restrictions referred to in paragraph (iii) above, if then applicable;

(v) that Notes initially offered in the United States to QIBs will be represented by one or more Rule 144A Global Notes, that Notes offered to Institutional Accredited Investors will be in the form of Definitive IAI Registered Notes and that Notes offered outside the United States in reliance on Regulation S will be represented by one or more Regulation S Global Notes;

(vi) that the Notes, other than the Regulation S Global Notes, will bear a legend to the following effect unless otherwise agreed to by the Company and Guaranteed Issuers:

"THE NOTES [AND THE RELATED GUARANTEE] ([COLLECTIVELY,] THE "SECURITIES") HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (A) REPRESENTS THAT (1) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING THE SECURITIES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS OR (2) IT IS AN INSTITUTIONAL

"ACCREDITED INVESTOR" (AS DEFINED IN RULE 501(A)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT) (AN "INSTITUTIONAL ACCREDITED INVESTOR"); (B) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THE SECURITIES EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND, PRIOR TO THE DATE WHICH IS ONE YEAR AFTER THE LATER OF THE LAST ISSUE DATE FOR THE SERIES AND THE LAST DATE ON WHICH THE ISSUER OR AN AFFILIATE OF THE ISSUER WAS THE OWNER OF SUCH SECURITIES OTHER THAN (1) TO THE ISSUER OR ANY AFFILIATE THEREOF, (2) INSIDE THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 UNDER THE SECURITIES ACT, (4) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; AND (C) IT AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THESE SECURITIES IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

THESE SECURITIES AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDERS OF SUCH SECURITIES SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR RESALES AND OTHER TRANSFERS OF THESE SECURITIES TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO RESALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THESE SECURITIES SHALL BE DEEMED, BY THEIR ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THESE SECURITIES AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON)".;

(vii) if it is outside the United States and is not a U.S. person, that if it should resell or otherwise transfer the Notes prior to the expiration of the distribution compliance period (defined as 40 days after the later of the commencement of the offering and the closing date with respect to the original issuance of the Notes), it will do so only (a)(i) outside the United States in compliance with Rule 903 or Rule 904 under the Securities Act or (ii) to a QIB in compliance with Rule 144A and (b) in accordance with all applicable U.S. state securities laws; and it acknowledges that the Regulation S Global Notes will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"THE NOTES [AND THE RELATED GUARANTEE] ([COLLECTIVELY,] THE "SECURITIES") HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED, OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR

BENEFIT OF, U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT. THIS LEGEND SHALL CEASE TO APPLY UPON THE EXPIRY OF THE PERIOD OF 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF ALL THE NOTES OF THE TRANCHE OF WHICH THIS NOTE FORMS A PART"; and

(viii) that the Company, the Guaranteed Issuers and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the Issuer and the Guarantor; and if it is acquiring any Notes as a fiduciary or agent for one or more accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Persons wishing to transfer an interest from one Registered Global Note to another or from global to definitive form or vice versa will be required to deliver to certain transfer certificate in the form attached to the Agency Agreement.

Institutional Accredited Investors who purchase Registered Notes in definitive form offered and sold in the United States in reliance upon the exemption from registration provided by Regulation D of the Securities Act are required to execute and deliver to the Registrar an IAI Investment Letter. Upon execution and delivery of an IAI Investment Letter by an Institutional Accredited Investor, Notes will be issued in definitive registered form; see "Form of the Notes".

The IAI Investment Letter will state, among other things, the following:

(i) that the Institutional Accredited Investor has received a copy of this offering circular and such other information as it deems necessary in order to make its investment decision;

(ii) that the Institutional Accredited Investor understands that any subsequent transfer of the Notes is subject to certain restrictions and conditions set forth in this offering circular and the Notes (including those set out above) and that it agrees to be bound by, and not to resell, pledge or otherwise transfer the Notes except in compliance with, such restrictions and conditions and the Securities Act;

(iii) that, in the normal course of its business, the Institutional Accredited Investor invests in or purchases securities similar to the Notes;

(iv) that the Institutional Accredited Investor is an Institutional Accredited Investor within the meaning of Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act that is an institution and has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its investment in the Notes, and it and any accounts for which it is acting are each able to bear the economic risk of its or any such accounts' investment for an indefinite period of time;

(v) that the Institutional Accredited Investor is acquiring the Notes purchased by it for its own account or for one or more accounts (each of which is an Institutional Accredited Investor) as to each of which it exercises sole investment discretion and not with a view to any distribution of the Notes, subject, nevertheless, to the understanding that the disposition of its property shall at all times be and remain within its control; and

(vi) that, in the event that the Institutional Accredited Investor purchases Notes, it will acquire Notes having a minimum purchase price of at least U.S.$500,000 (or the approximate equivalent in another Specified Currency).

No sale of Legended Notes in the United States to any one purchaser will be for less than U.S.$200,000 (or its foreign currency equivalent) principal amount or, in the case of sales to Institutional Accredited Investors, U.S.$500,000 (or its foreign currency equivalent) principal amount and no Legended Note will be issued in connection with such a sale in a smaller principal amount. If the purchaser is a non-bank fiduciary acting on behalf of others, each person for whom it is acting must purchase at least U.S.$200,000 (or its foreign currency equivalent) or, in the case of sales to Institutional Accredited Investors, U.S.$500,000 (or its foreign currency equivalent) principal amount of Registered Notes.

Selling Restrictions

United States of America

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except (i) to QIBs in reliance on Rule 144A, (ii) to Institutional Accredited Investors, that, prior to their purchase of the Notes have furnished an IAI Investment Letter and (iii) in accordance with Regulation S under the Securities Act.

The Bearer Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meaning given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

In connection with any Notes which are offered or sold outside the United States in reliance on an exemption from the registration requirements of the Securities Act provided under Regulation S ("**Regulation S Notes**") each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that it will not offer, sell or deliver such Regulation S Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution, as determined and certified by the Relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Regulation S Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Program will be required to agree, that it will send to each dealer to which it sells any Regulation S Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Regulation S Notes within the United States or to, or for the account or benefit of, U.S. persons.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an applicable exemption from registration under the Securities Act.

Dealers may arrange for the resale of Notes to QIBs pursuant to Rule 144A and each such purchaser of Notes is hereby notified that the Dealers may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. The minimum aggregate principal amount of Notes which may be purchased by a QIB pursuant to Rule 144A is U.S.$200,000 (or the approximate equivalent thereof in any other currency).

Each issuance of Index Linked Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the Issuer, the Guarantor and the Relevant Dealer may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Pricing Supplement.

Public Offer Selling Restrictions under the Prospectus Directive

In relation to each Member State of the EEA which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**"), it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this offering circular as completed by the Pricing Supplement in relation thereto, to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

(a) if the Pricing Supplement in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the Pricing Supplement contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or Pricing Supplement, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt offer;

(b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) as permitted under the Prospectus Directive, subject to obtaining the prior consent of the Relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer, the Guarantor or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in each Relevant Member State.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that:

(a) in relation to any Notes having a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the UK Financial Services and Markets Act 2000 (the "**FSMA**") by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended) (the "**FIEA**"). Each Dealer has represented and agreed and each further Dealer appointed under the Program will be required to represent and agree that it has not offered or sold and will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Control Law (Law No. 228 of 1949, as amended)) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and other applicable laws, regulations and ministerial guidelines of Japan.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Program will be required to acknowledge, that this offering circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"). Accordingly, each Dealer has represented, warranted and agreed and each further Dealer appointed under the Program will be required to represent, warrant and agree that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell the Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this offering circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)), the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes, as the case may be, pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person (as defined in Section 275(2) of the SFA) or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Hong Kong

Each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that:

(a) it has not offered or sold, and will not offer or sell, in Hong Kong Special Administrative Region of the People's Republic of China ("**Hong Kong**"), by means of any document, any Notes (except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) other than (i) to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance, or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(b) it has not issued, or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance of Hong Kong and any rules made under that Ordinance.

The Dealers may offer and sell Notes through certain of their affiliates. One or more of the Dealers may use affiliates or other appropriately licensed entities for sales of the Notes in jurisdictions in which such Dealers are not otherwise permitted.

Taiwan

The offer of the Notes has not been and will not be registered with the Financial Supervisory Commission of the Republic of China (the "**ROC**") pursuant to relevant securities laws and regulations and may not be sold, issued or offered within the ROC through a public offering or in a circumstance which constitutes an offer within the meaning of the Securities and Exchange Act of the ROC that requires a registration or approval of the Financial Supervisory Commission of the ROC. No person or entity in the ROC has been authorized to offer, sell, give advice regarding or otherwise intermediate the offering and sale of any Notes in the ROC.

Korea

Each Dealer has represented and agreed and each further Dealer appointed under the Program will be required to represent and agree that:

(a) it has not offered, sold or delivered and will not offer, sell or deliver, directly or indirectly, any Notes in Korea, or to, or for the account or benefit of, any resident of Korea (as defined in the Foreign Exchange Transaction Law), except as otherwise permitted by applicable Korean laws and regulations; and

(b) any securities dealer to whom each Dealer and each further dealer may sell the Notes will agree that it will not offer any Notes, directly or indirectly, in Korea, or to any resident of Korea, except as permitted by applicable Korean laws and regulations, or to any other dealer who does not so represent and agree.

General

Each Dealer has agreed and each further Dealer appointed under the Program will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this offering circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer, the Guarantor nor any other Dealer shall have any responsibility therefor.

If a jurisdiction requires that any offering of Notes under the Program be made by a licensed broker or dealer and the Dealers or any affiliate of the Dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Dealer or its affiliate on behalf of the Issuer in such jurisdiction.

Neither the Company, the Guaranteed Issuers nor any of the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the Relevant Dealer will be required to comply with such other additional restrictions as the Issuer, the Guarantor and the Relevant Dealer shall agree and as shall be set out in the applicable Pricing Supplement.

BOOK-ENTRY CLEARANCE SYSTEMS

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream (each a "**Clearing System**" and together, the "**Clearing Systems**") currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer and the Guarantor believe to be reliable, but none of the Company, the Guaranteed Issuers nor any Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Company, the Guaranteed Issuers, the Arranger, any Dealer nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. The relevant Pricing Supplement will specify the Clearing System(s) applicable for each Series.*

Book-entry Systems

DTC

DTC has advised the Company and the Guaranteed Issuers that it is a limited purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to Section 17A of the Exchange Act. DTC holds securities that its participants ("**Participants**") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("**DTCC**"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC System is also available to others such as securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("**Indirect Participants**").

Under the rules, regulations and procedures creating and affecting DTC and its operations (the "**Rules**"), DTC makes book-entry transfers of Registered Notes among Direct Participants on whose behalf it acts with respect to Notes accepted into DTC's book-entry settlement system ("**DTC Notes**") as described below and receives and transmits distributions of principal and interest on DTC Notes. The Rules are on file with the U.S. Securities and Exchange Commission. Direct Participants and Indirect Participants with which beneficial owners of DTC Notes ("**Owners**") have accounts with respect to the DTC Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Notes through Direct Participants or Indirect Participants will not possess Registered Notes, the Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest in respect of the DTC Notes.

Purchases of DTC Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Notes on DTC's records. The ownership interest of each actual purchaser of each DTC Note ("**Beneficial Owner**") is in turn to be recorded on the Direct and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book-entry system for the DTC Notes is discontinued.

To facilitate subsequent transfers, all DTC Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co, or such other name as may be requested by an authorized representative of DTC. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the DTC Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to DTC Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer and the Guarantor as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the DTC Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer, the Guarantor or the Principal Paying Agent on the due date for payment in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Issuer or the Guarantor, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer (and failing whom, the Guarantor), disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

Under certain circumstances, including if there is an Event of Default under the Notes, DTC will exchange the DTC Notes for definitive Registered Notes, which it will distribute to its Participants in accordance with their proportionate entitlements and which, if representing interests in a Rule 144A Global Note, will be legended as set forth under "Subscription and Sale and Transfer and Selling Restrictions."

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Owner desiring to pledge DTC Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Notes, will be required to withdraw its Registered Notes from DTC as described below.

Euroclear and Clearstream

Euroclear and Clearstream each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

Book-entry Ownership of and Payments in respect of DTC Notes

The Issuer and the Guarantor may apply to DTC in order to have any Tranche of Notes represented by a Registered Global Note accepted in its book-entry settlement system. Upon the issue of any such Registered Global Note, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by such Registered Global Note to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the Relevant Dealer. Ownership of beneficial interests in such a Registered Global Note will be limited to Direct Participants or Indirect Participants, including, in the case of any Regulation S Global Note, the respective depositaries of Euroclear and Clearstream. Ownership of beneficial interests in a Registered Global Note accepted by DTC will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. dollars of principal and interest in respect of a Registered Global Note accepted by DTC will be made to the order of DTC or its nominee as the registered holder of such Note. In the case of any payment in a currency other than U.S. dollars, payment will be made to the Exchange Agent on behalf of DTC or its nominee and the Exchange Agent will (in accordance with instructions received by it) remit all or a portion of such payment for credit directly to the beneficial holders of interests in the Registered Global Note in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. dollars and credited to the applicable Participants' account.

The Issuer and the Guarantor expect DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. The Issuer and the Guarantor also expect that payments by Participants to beneficial owners of Notes will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not the responsibility of DTC, the Principal Paying Agent, the Registrar, the Issuer or the Guarantor. Payment of principal, premium, if any, and interest, if any, on Notes to DTC is the responsibility of the Issuer (and failing whom, the Guarantor).

Transfers of Notes Represented by Registered Global Notes

Transfers of any interests in Notes represented by a Registered Global Note within DTC, Euroclear and Clearstream will be effected in accordance with the customary rules and operating procedures of the relevant clearing system. The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Notes represented by a Registered Global Note to such persons may depend upon the ability to exchange such Notes for Notes in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Notes represented by a Registered Global Note accepted by DTC to pledge such Notes to persons or entities that do not participate in the DTC system or otherwise to take action in respect of such Notes may depend upon the ability to exchange such Notes for Notes in definitive form. The ability of any holder of Notes represented by a Registered Global Note accepted by DTC to resell, pledge or otherwise transfer such Notes may be impaired if the proposed transferee of such Notes is not eligible to hold such Notes through a direct or indirect participant in the DTC system.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described under "Subscription and Sale and Transfer and Selling Restrictions", cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream or Euroclear accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Registrar, the Principal Paying Agent and any custodian ("Custodian") with whom the relevant Registered Global Notes have been deposited.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Clearstream and Euroclear and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream and Euroclear, on the other, transfers of interests in the relevant Registered Global Notes will be effected through the Registrar, the Principal Paying Agent and the Custodian receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross-market transfers, settlement between Euroclear or Clearstream accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC, Clearstream and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Notes among participants and accountholders of DTC, Clearstream and Euroclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuer, the Guarantor, the Agents or any Dealer will be responsible for any performance by DTC, Clearstream or Euroclear or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

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Report on Review of Interim Financial Statements

To the Shareholders and Board of Directors of
Korea Gas Corporation

Reviewed Financial Statements

We have reviewed the accompanying interim consolidated financial statements of Korea Gas Corporation (the “Corporation”) and its subsidiaries (collectively the “Group”). These financial statements consist of the interim consolidated statement of financial position of the Group as of March 31, 2015 and the related interim consolidated statements of comprehensive income, changes in equity and cash flows for the three-month periods ended March 31, 2015 and 2014, and a summary of significant accounting policies and other explanatory notes, expressed in Korean won.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the International Financial Reporting Standards as adopted by the Republic of Korea (“Korean IFRS”) 1034, *Interim Financial Reporting*, and for such internal control as management determines is necessary to enable the preparation of 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 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 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 financial statements in our audit report dated March 12, 2015. These 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 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.

/s/ Samil PricewaterhouseCoopers
Seoul, Korea
May 14, 2015

This interim report is effective as of May 14, 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.

Korea Gas Corporation and Subsidiaries
Interim Consolidated Statements of Financial Position
March 31, 2015 and December 31, 2014

(In millions of Korean won)	**Notes**	**March 31, 2015 (Unaudited)**		**December 31, 2014**	
Assets					
Current assets					
Cash and cash equivalents	6, 28	₩	1,024,222	₩	209,434
Financial assets at fair value through profit or loss	7, 28		10,009		12,564
Held-to-maturity financial assets	28		756		750
Short-term loans	28		142		136
Short-term financial instruments	28		18,151		17,015
Derivative financial assets	7, 28		30,085		29,116
Trade and other accounts receivable	28		6,490,242		7,694,672
Inventories			2,077,167		3,579,493
Prepaid income taxes			872		541
Non-financial assets	8		2,751,149		2,142,626
Disposal groups classified as assets held for sale	20		104,983		104,983
			12,507,778		13,791,330
Non-current assets					
Financial assets at fair value through profit or loss	7, 28		36,883		46,407
Available-for-sale financial assets	28		492,875		492,875
Held-to-maturity financial assets	28		1,638		1,666
Loans	28		173,570		171,094
Non-current derivative financial assets	7, 28		-		45
Long-term trade and other accounts receivable	28		191,750		195,743
Property, plant and equipment	10		25,332,665		25,032,075
Intangible assets	12		2,297,742		2,234,249
Investments in associates and joint ventures	9		1,556,808		1,742,243
Deferred tax assets			76,951		69,001
Non-current non-financial assets	8		2,261,955		2,995,294
			32,422,837		32,980,692
Total assets		₩	44,930,615	₩	46,772,022

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

Korea Gas Corporation and Subsidiaries
Interim Consolidated Statements of Financial Position
March 31, 2015 and December 31, 2014

(In millions of Korean won)	Notes	March 31, 2015 (Unaudited)	December 31, 2014
Liabilities			
Current liabilities			
Trade and other accounts payable	14,28	₩ 1,751,948	₩ 3,471,350
Financial liabilities at fair value through profit or loss	7, 28	13,775	9,826
Short-term borrowings	13, 28	2,444,639	3,236,271
Current portion of long-term borrowings	13, 28	190,839	414,575
Current portion of debentures	13, 28	2,161,432	2,474,811
Derivative financial liabilities	7, 28	116,769	114,098
Current income tax liabilities		17,210	14,171
Other current non-financial liabilities		83,507	74,723
Current provisions	16	67,622	52,288
		6,847,741	9,862,113
Non-current liabilities			
Long-term trade and other accounts payable	14,28	1,971,086	2,046,967
Non-current financial liabilities at fair value through profit or loss	7, 28	218,122	214,872
Long-term borrowings	13, 28	448,158	244,093
Debentures	13, 28	22,343,670	22,085,881
Non-current derivative financial liabilities	7, 28	251,532	187,767
Other non-current non-financial liabilities		6,182	6,924
Employee benefit liabilities	15	58,844	47,659
Deferred income tax liabilities		2,297,638	2,131,508
Non-current provisions	16	216,112	219,863
		27,811,344	27,185,534
Total liabilities		34,659,085	37,047,647
Equity			
Capital stock	1,17	461,565	461,565
Share premium	17	1,303,548	1,303,548
Retained earnings	18	6,694,314	6,137,500
Hybrid bonds	19	308,157	308,157
Other components of equity		1,503,946	1,513,605
Equity attributable to owners of the Corporation		10,271,530	9,724,375
Non-controlling interest		-	-
Total equity		10,271,530	9,724,375
Total liabilities and equity		₩ 44,930,615	₩ 46,772,022

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

Korea Gas Corporation and Subsidiaries
Interim Consolidated Statements of Comprehensive Income
Three-month periods ended March 31, 2015 and 2014

(In millions of Korean won, except earnings per share)	Notes	2015 (Unaudited)	2014 (Unaudited)
Revenue	5,21	₩ 10,212,107	₩ 12,522,394
Cost of sales	27	9,249,902	11,719,406
Gross profit		962,205	802,989
Selling, general and administrative expenses	22,27	96,824	81,890
Operating income	5	865,381	721,099
Other income	23	2,239	3,155
Other expenses	23	2,710	7,522
Other gains	24	10,761	23,028
Financial income	25	197,985	193,926
Financial expenses	25	374,803	411,274
Gains from associates and joint ventures	9	47,979	28,492
Income before income tax		746,832	550,904
Income tax expense	26	165,640	128,624
Net income		581,192	422,280
Other comprehensive income (loss) for the period, net of income tax			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of net defined benefit liabilities	15	(1,417)	138
Items that will be reclassified subsequently to profit or loss			
Change in fair value of available-for-sale financial assets		(21)	(1,575)
Effective portion of changes in fair value of cash flow hedges		(10,548)	(14,492)
Foreign currency translation gains(losses) from overseas operations		(9,054)	34,925
Hedges of net investment in a foreign operation		(541)	(28,858)
Share of other comprehensive income of associates and joint ventures	9	10,505	19,147
		(11,076)	9,285
Total comprehensive income for the period		₩ 570,116	₩ 431,565

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

Korea Gas Corporation and Subsidiaries
Interim Consolidated Statements of Comprehensive Income
Three-month periods ended March 31, 2015 and 2014

(In millions of Korean won, except earnings per share)	Notes	2015 (Unaudited)	2014 (Unaudited)
Net income for the period attributable to:			
Owners of the Corporation		581,192	422,280
Non-controlling interest		-	-
		581,192	422,280
Total comprehensive income for the period attributable to:			
Owners of the Corporation		570,116	431,565
Non-controlling interest		-	-
		₩ 570,116	₩ 431,565
Earnings per share in Korean won			
Basic earnings per share		₩ 6,620	₩ 4,819
Diluted earnings per share		₩ 6,296	₩ 4,819

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

Korea Gas Corporation and Subsidiaries
Interim Consolidated Statements of Changes in Equity
Three-month periods ended March 31, 2015 and 2014

(In millions of Korean won)	Capital stock	Share premium	Retained earnings	Hybrid bonds	Other components of equity	Owners of the Corporation	Non-controlling interest	Total equity
Balance at January 1, 2014	₩ 461,565	₩ 1,303,545	₩ 5,669,113	₩ -	₩ 1,498,556	₩ 8,932,779	₩ -	₩ 8,932,779
Comprehensive income								
Net income	-	-	422,280	-	-	422,280	-	422,280
Other comprehensive income								
Items that will not be reclassified subsequently to profit or loss								
Remeasurement of net defined benefit liabilities	-	-	138	-	-	138	-	138
Items that will be reclassified subsequently to profit or loss								
Change in fair value of available-for-sale financial assets	-	-	-	-	(1,575)	(1,575)	-	(1,575)
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	(14,492)	(14,492)	-	(14,492)
Hedges of net investment in foreign operation	-	-	-	-	(28,858)	(28,858)	-	(28,858)
Share of other comprehensive income of associates and joint ventures	-	-	-	-	19,147	19,147	-	19,147
Foreign currency translation gains from overseas operations	-	-	-	-	34,925	34,925	-	34,925
Balance at March 31, 2014 (Unaudited)	₩ 461,565	₩ 1,303,545	₩ 6,091,531	₩ -	₩ 1,507,703	₩ 9,364,344	₩ -	₩ 9,364,344

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

Korea Gas Corporation and Subsidiaries
Interim Consolidated Statements of Changes in Equity
Three-month periods ended March 31, 2015 and 2014

(In millions of Korean won)	Capital stock	Share premium	Retained earnings	Hybrid bonds	Other components of equity	Owners of the Corporation	Non-controlling interest	Total equity
Balance at January 1, 2015	₩ 461,565	₩ 1,303,548	₩ 6,137,500	₩ 308,157	₩ 1,513,605	₩ 9,724,375	₩ -	₩ 9,724,375
Comprehensive income								
Net income	-	-	581,192	-	-	581,192	-	581,192
Other comprehensive income								
Items that will not be reclassified subsequently to profit or loss								
Remeasurement of net defined benefit liabilities	-	-	(1,417)	-	-	(1,417)	-	(1,417)
Items that will be reclassified subsequently to profit or loss								
Change in fair value of available-for-sale financial assets	-	-	-	-	(21)	(21)	-	(21)
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	(10,548)	(10,548)	-	(10,548)
Hedges of net investment in foreign operation	-	-	-	-	(541)	(541)	-	(541)
Share of other comprehensive income of associates and joint ventures	-	-	-	-	10,505	10,505	-	10,505
Foreign currency translation gains(losses) from overseas operations	-	-	-	-	(9,054)	(9,054)	-	(9,054)
Transaction with owners of the Corporation, recognized directly in equity								
Dividends paid	-	-	(21,909)	-	-	(21,909)	-	(21,909)
Other	-	-	(1,052)	-	-	(1,052)	-	(1,052)
Balance at March 31, 2015 (Unaudited)	₩ 461,565	₩ 1,303,548	₩ 6,694,314	₩ 308,157	₩ 1,503,946	₩10,271,530	₩ -	₩10,271,530

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

Korea Gas Corporation and Subsidiaries
Interim Consolidated Statements of Cash flows
Three-month periods ended March 31, 2015 and 2014

(In millions of Korean won)		2015 (Unaudited)		2014 (Unaudited)
Cash flows from operating activities				
Net income	₩	581,192	₩	422,280
Adjustments for:				
Income tax expense		165,640		128,624
Interest expense		205,483		224,932
Depreciation and amortization expense		278,061		259,747
Gains on foreign currency translation, net		(13,835)		(26,786)
Losses on valuation of derivative instruments, net		22,035		19,894
Losses(gains) on disposal of non-current assets		4,454		(56)
Others, net		(65,978)		(17,668)
Changes in operating assets and liabilities				
Inventories		1,502,405		(1,340,702)
Trade accounts receivable		1,320,479		(348,926)
Other receivables		14,354		663,677
Trade accounts payable		(1,659,894)		249,759
Other payables		(51,854)		(144,403)
Net cash generated from operations		2,302,542		90,372
Dividends received		82,841		25,165
Interest paid		(281,765)		(266,053)
Interest received		5,060		2,796
Income taxes paid		(536)		(1,186)
Net cash provided by(used in) operating activities		2,108,142		(148,906)
Cash flows from investing activities				
Acquisition of equity or debt instruments		(15,337)		(39,627)
Proceeds from disposal of equity or debt instruments		212,667		-
Proceeds from disposal of property, plant and equipment		715		160
Acquisition of property, plant and equipment		(519,504)		(889,677)
Acquisition of intangible assets		(62,625)		(65,962)
Proceeds from disposal of held-to-maturity financial assets		99		30
Acquisition of held-to-maturity financial assets		(78)		(48)
Receipt of government grants		130		5
Increase in loans		(13,647)		(11,914)
Decrease in loans		10,646		44,994
Others, net		(2,300)		(4,208)
Net cash used in investing activities		(389,234)		(966,247)

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

Korea Gas Corporation and Subsidiaries
Interim Consolidated Statements of Cash flows
Three-month periods ended March 31, 2015 and 2014

(In millions of Korean won)	**2015 (Unaudited)**	**2014 (Unaudited)**
Cash flows from financing activities		
Proceeds from borrowings	4,920,583	8,807,574
Repayments of borrowings	(5,738,736)	(8,157,404)
Proceeds from issuance of debentures	408,339	1,111,574
Repayments of debentures	(409,920)	(440,000)
Payments of finance lease liabilities	(74,745)	(63,632)
Interest payment of hybrid bonds	(1,389)	-
Net cash provided by(used in) financing activities	(895,868)	1,258,112
Exchange gains on cash and cash equivalents	(8,252)	15,550
Net increase in cash and cash equivalents	823,040	142,959
Cash and cash equivalents at the beginning of period	209,434	222,566
Cash and cash equivalents at the end of period	₩ 1,024,222	₩ 381,075

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

1. General Information

Korea Gas Corporation ("KOGAS" or the "Corporation") was incorporated as a government-invested entity on August 18, 1983, under the Korea Gas Corporation Act to engage in the development, production and distribution of liquefied natural gas (LNG). Under Articles 3 and 5 of the supplementary provisions of the Act on the Management of Public Institution, it was designated as "Market-oriented Public Enterprise" on April 2, 2007.

The Corporation's stock was listed on the Korea Stock Exchange on December 15, 1999 and the ownership of the Corporation's common stock issued as of March 31, 2015 is as follows:

Shareholders	Number of shares	Percentage of ownership
Government of the Republic of Korea	24,144,353	26.2%
Korea Electric Power Corporation	18,900,000	20.5%
Others	44,592,887	48.2%
	87,637,240	94.9%
Treasury stock[1]	4,675,760	5.1%
	92,313,000	100.0%

[1] The treasury stock which can be exchanged for hybrid bonds issued by the Corporation is deposited with the Korea Securities Depository.

Details of the consolidated subsidiaries as of March 31, 2015 and December 31, 2014 are as follows:

Subsidiary	Business	Location	Percentage of ownership March 31, 2015	Percentage of ownership December 31, 2014
Korea Gas Technology Corporation	Construction & service	Korea	100.00%	100.00%
KOGAMEX Investment Manzanillo B.V.	Service	Netherlands	100.00%	100.00%
KOMEX-GAS, S. de R.L. de C.V.	LNG terminal construction	Mexico	99.97%	99.97%
KOGAS Iraq B.V.	Resource development	Netherlands	100.00%	100.00%
KOGAS Badra B.V.	Resource development	Netherlands	100.00%	100.00%
KOGAS Akkas B.V.	Resource development	Netherlands	100.00%	100.00%
KOGAS Mansuriya B.V.	Resource development	Netherlands	100.00%	100.00%
KOGAS Canada Ltd.	Resource development	Canada	100.00%	100.00%
KOGAS Canada LNG Ltd.	Resource development	Canada	100.00%	100.00%
KOGAS Australia Pty. Ltd.	Resource development	Australia	100.00%	100.00%
KOGAS Prelude Pty. Ltd.	Resource development	Australia	100.00%	100.00%
KG Timor Leste Ltd.	Resource development	Marshall Islands	100.00%	100.00%
KG Krueng Mane Ltd.	Resource development	Marshall Islands	100.00%	100.00%
KG Mozambique Ltd.	Resource development	Marshall Islands	100.00%	100.00%
KOGAS Mozambique, Lda.	Construction & service	Mozambique	99.99%	99.99%
Manzanillo Gas Tech, S. de R.L. de C.V.	LNG terminal operation	Mexico	51.00%	51.00%
KGLNG E&P Pty Ltd.	Resource development	Australia	100.00%	100.00%
KGLNG E&P Ⅱ Pty Ltd.	Resource development	Australia	100.00%	100.00%
KGLNG Liquefaction Pty Ltd.	LNG plant management	Australia	100.00%	100.00%
KOGAS Cyprus Ltd.	Resource development	Cyprus	100.00%	100.00%

Financial information of consolidated subsidiaries as of March 31, 2015 and December 31, 2014 and for the three-month periods ended March 31, 2015 and 2014, are as follows:

(In millions of Korean won)	2015			
	Assets	**Liabilities**	**Sales**	**Income(loss)**
Korea Gas Technology Corporation	₩ 131,841	₩ 34,713	₩ 40,427	₩ 2,151
KOGAMEX Investment Manzanillo B.V.	53,238	64,211	-	1,975
KOMEX-GAS, S. de R.L. de C.V.	2,821	797	1,478	557
KOGAS Iraq B.V.	1,023,591	188,448	84,532	28,336
KOGAS Badra B.V.	683,780	107,424	8,997	1,741
KOGAS Akkas B.V.	366,072	7,338	-	1
KOGAS Mansuriya B.V.	26,904	546	-	(13)
KOGAS Canada Ltd.	298,670	122,752	6,144	(4,127)
KOGAS Canada LNG Ltd.	102,656	1,168	-	(1,464)
KOGAS Australia Pty. Ltd.	4,726,538	2,971,373	3,131	(1,170)
KOGAS Prelude Pty. Ltd.	1,452,473	735,284	-	(946)
KG Timor Leste Ltd.	8,486	41,111	-	(179)
KG Krueng Mane Ltd.	47,835	54,839	-	(238)
KG Mozambique Ltd.	269,700	280,115	-	(1,188)
KOGAS Mozambique, Lda.	44,731	43,775	1,312	1,094
KOGAS Cyprus Ltd.	96,242	5	-	(545)

(In millions of Korean won)	2014			
	Assets	**Liabilities**	**Sales**	**Income(loss)**
Korea Gas Technology Corporation	₩ 128,736	₩ 29,183	₩ 40,705	₩ 1,160
KOGAMEX Investment Manzanillo B.V.	30,212	62,950	-	(488)
KOMEX-GAS, S. de R.L. de C.V.	2,335	814	1,295	478
KOGAS Iraq B.V.	966,768	164,317	72,919	18,407
KOGAS Badra B.V.	631,745	60,153	-	(125)
KOGAS Akkas B.V.	365,366	10,168	-	(18)
KOGAS Mansuriya B.V.	26,267	742	-	(1)
KOGAS Canada Ltd.	331,314	135,878	11,860	(798)
KOGAS Canada LNG Ltd.	104,061	1,755	-	(1,593)
KOGAS Australia Pty. Ltd.	4,614,256	2,926,530	4,341	(5,529)
KOGAS Prelude Pty. Ltd.	1,383,733	669,363	-	(325)
KG Timor Leste Ltd.	8,441	40,716	-	(170)
KG Krueng Mane Ltd.	47,583	54,314	-	(222)
KG Mozambique Ltd.	254,863	264,037	-	(836)
KOGAS Mozambique, Lda	44,102	44,199	5,917	270
KOGAS Cyprus Ltd.	80,880	-	-	-

2. Basis of Preparation and Significant Accounting Policies

2.1 Basis of Presentation

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 three-month period ended March 31, 2015, have been prepared in accordance with Korean IFRS 1034, *Interim Financial Reporting*. These interim financial statements have been prepared in accordance with Korean IFRS which is effective or has been early adopted as of March 31, 2015.

(a) New and amended standards adopted by the Group

The Group newly applied the following amended and enacted standards and interpretations for the annual period beginning on January 1, 2015 and this application does not have a material impact on the interim consolidated financial statements.

- Amendment to Korean IFRS 1019, Employee Benefits
- Annual improvements to Korean IFRS 2010-2012 Cycle
- Annual improvements to Korean IFRS 2011-2013 Cycle

(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, 2015 and not early adopted would not have a material impact on its interim consolidated financial statements.

2.2 Accounting Policies

Significant accounting policies and methods adopted in the preparation of the interim consolidated financial statements are consistent with the accounting policies and method adopted for the annual consolidated financial statements as of and for the year ended December 31, 2014, except for the changes due to the application of amendment and enactments of standards described in Note 2.1. and the one described below.

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.

3. Critical Accounting Estimates and Judgments

The preparation of the financial statements requires management to make estimates and assumptions that affect amounts reported therein. Estimations 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.

These estimations and assumptions have been consistently applied to all the periods presented, except for the estimation method to determine income tax.

4. Characteristics of Business

The Group's operations are highly cyclical as the revenue is generally high in winter season due to the demand of heating gas in the cities.

5. Operating Segments

Details of reportable segments are summarized as follows:

Operating segments	Activity
Natural gas wholesale	Import, production and wholesale of LNG, Compressed Natural Gas, Natural Gas
Others	Supply of power and heat, equipment conservation, terminal management, labor force management, exploration, and development and production of gas and oil

Details of segment results for the three-month periods ended March 31, 2015 and 2014, are as follows:

(In millions of Korean won)	2015				
	Total revenue	**Inter-segment revenue**	**External revenue**	**Operating income[1]**	**Depreciation and amortization[1]**
Natural gas wholesale	₩ 10,104,058	₩ -	₩ 10,104,058	₩ 841,950	₩ 236,696
Others	146,019	(37,970)	108,049	20,528	41,480
Adjustments[1]	-	-	-	2,903	(115)
	₩ 10,250,077	₩ (37,970)	₩ 10,212,107	₩ 865,381	₩ 278,061

(In millions of Korean won)	2014 Total revenue	Inter-segment revenue	External revenue	Operating income[1]	Depreciation and amortization[1]
Natural gas wholesale	₩ 12,420,243	₩ -	₩ 12,420,243	₩ 695,966	₩ 222,544
Others	137,037	(34,886)	102,151	24,600	37,309
Adjustments[1]	-	-	-	533	(106)
	₩ 12,557,280	₩ (34,886)	₩ 12,522,394	₩ 721,099	₩ 259,747

[1] Changes from elimination of intra-group transactions in operating income of reportable segment and depreciation are presented as adjustments.

Details of assets and liabilities of operating segments as of March 31, 2015 and December 31, 2014, are as follows:

(In millions of Korean won)	March 31, 2015 Assets	Investment in associates and joint ventures[1]	Acquisition of non-current assets[2]	Liabilities
Natural gas wholesale	₩ 43,263,117	₩ 1,501,861	₩ 292,652	₩ 33,764,862
Others	9,335,576	54,947	341,726	4,653,899
Adjustments[3]	(7,668,078)	-	-	(3,759,675)
	₩ 44,930,615	₩ 1,556,808	₩ 634,378	₩ 34,659,086

(In millions of Korean won)	December 31, 2014 Assets	Investment in associates and joint ventures[1]	Acquisition of non-current assets[2]	Liabilities
Natural gas wholesale	₩ 45,116,042	₩ 1,711,873	₩ 1,849,525	₩ 36,149,843
Others	9,020,663	30,370	2,073,181	4,465,120
Adjustments[3]	(7,364,683)	-	-	(3,567,316)
	₩ 46,772,022	₩ 1,742,243	₩ 3,922,706	₩ 37,047,647

[1] Investment in associates and joint ventures represent amounts after the assessment of invested shares included in reportable segment assets.

[2] Aggregate amount of tangible and intangible assets acquired during the three months ended March 31, 2015 and the year ended December 31, 2014 before elimination of intra-group transactions.

[3] Changes from elimination of intra-group transactions in assets and liabilities are presented as adjustments.

Details of external revenue for the three-month periods ended March 31, 2015 and 2014, and details of non-current assets by geographic locations as of March 31, 2015 and December 31, 2014, are as follows:

(In millions of Korean won)	**External revenue**		**Non-current assets**[1]	
	2015	**2014**	**March 31, 2015**	**December 31, 2014**
Korea	₩ 10,106,514	₩ 12,426,062	₩ 19,481,180	₩ 19,431,305
Mexico	1,478	1,295	65	71
Australia	3,131	4,341	5,943,263	5,745,445
Canada	6,144	11,860	355,788	377,732
Iraq	93,528	72,919	1,443,119	1,331,168
Indonesia	-	-	47,835	47,583
Mozambique	1,312	5,917	269,733	254,899
Timor	-	-	8,485	8,440
Cyprus	-	-	91,561	80,266
	₩ 10,212,107	₩ 12,522,394	₩ 27,641,029	₩ 27,276,909

[1] Aggregate amounts of tangible and intangible assets before elimination of intra-group transactions.

6. Restricted Financial Instruments

Restricted financial instruments as of March 31, 2015 and December 31, 2014, are as follows:

(In millions of Korean won)	**Description**	**March 31, 2015**	**December 31, 2014**
Cash and cash equivalents	Reserves for special purpose business	₩ 988	₩ 751
	Usage restricted	95	102

7. Derivative Instruments

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

(In millions of Korean won)	March 31, 2015 Current	March 31, 2015 Non-current	December 31, 2014 Current	December 31, 2014 Non-current
Derivative instruments assets				
Foreign currency forward	₩ 34,524	₩ -	₩ 32,970	₩ -
Foreign currency swap	5,570	36,883	8,709	45,021
Interest rate swap	-	-	-	1,430
	₩ 40,094	₩ 36,883	₩ 41,679	₩ 46,451
Derivative instruments liabilities				
Foreign currency forward	₩ (16,397)	₩ -	₩ (12,250)	₩ -
Foreign currency swap	(111,618)	(462,168)	(108,459)	(397,523)
Interest rate swap	(2,529)	(7,487)	(3,215)	(5,116)
	₩ (130,544)	₩ (469,655)	₩ (123,924)	₩ (402,639)

Details of foreign currency swap contracts as of March 31, 2015, are as follows:

(In millions of Korean won and Japanese yen and in thousands of US dollars, Euro, Confoederatio Helvetica Franc, Hong Kong Dollars, Chinese Yuan, Canadian Dollars and Australian Dollars)

Purpose	Financial institutions	Period	Amount of contract Sell	Amount of contract Buy	Interest rate of contract Sell	Interest rate of contract Buy	Exchange rate
Trading	BNP Paribas	2011.07 ~ 2016.07	USD 189,982	JPY 15,000	3.60%	1.38%	USD 1 = JPY 78.95
	Goldman Sachs	2011.07 ~ 2016.07	USD 189,982	JPY 15,000	3.62%	1.38%	USD 1 = JPY 78.95
	RBS	2011.10 ~ 2016.10	USD 114,025	CHF 100,000	3.14%	2.01%	USD 1 = CHF 0.877
	Barclays	2011.10 ~ 2016.10	USD 114,025	CHF 100,000	3.14%	2.01%	USD 1 = CHF 0.877
	BNP Paribas	2011.10 ~ 2016.10	USD 57,013	CHF 50,000	3.14%	2.01%	USD 1 = CHF 0.877
	BNP Paribas	2011.10 ~ 2019.10	USD 114,025	CHF 100,000	4.28%	2.89%	USD 1 = CHF 0.877
	BNP Paribas	2012.06 ~ 2017.06	CAD 39,113	44,490	3.74%	3.64%	CAD 1 = KRW 1137.5
	RBS	2012.06 ~ 2017.06	USD 38,665	44,781	2.72%	3.66%	USD 1 = KRW 1158.2
	HSBC	2012.06 ~ 2017.06	USD 64,443	74,650	2.73%	3.66%	USD 1 = KRW 1158.4
	Barclays	2012.06 ~ 2017.06	USD 25,117	29,134	2.58%	3.32%	USD 1 = KRW 1159.9
	Bank of America	2012.09 ~ 2017.09	CAD 37,417	42,854	3M CDOR+1.67%	3M CD+flat	CAD 1 = KRW 1145.3
	ANZ	2012.09 ~ 2015.09	USD 104,225	116,711	1.64%	3.10%	USD 1 = KRW 1119.8
	DBS	2012.09 ~ 2015.09	USD 104,225	116,711	1.63%	3.10%	USD 1 = KRW 1119.8
	HSBC	2012.09 ~ 2015.09	USD 104,225	116,711	1.64%	3.10%	USD 1 = KRW 1119.8

(In millions of Korean won and Japanese yen and in thousands of US dollars, Euro, Confoederatio Helvetica Franc, Hong Kong Dollars, Chinese Yuan, Canadian Dollars and Australian Dollars)

Purpose	Financial institutions	Period	Amount of contract: Sell	Amount of contract: Buy	Interest rate of contract: Sell	Interest rate of contract: Buy	Exchange rate
	BNP Paribas	2013.02 ~ 2020.02	USD 108,613	118,801	2.54%	3.11%	USD 1 = KRW 1093.8
	Credit Suisse	2013.02 ~ 2020.02	USD 108,613	118,801	2.55%	3.11%	USD 1 = KRW 1093.8
	RBS	2013.02 ~ 2020.02	USD 108,613	118,801	2.54%	3.11%	USD 1 = KRW 1093.8
	DBS	2013.06 ~ 2028.06	USD 50,196	55,788	4.28%	3.30%	USD 1 = KRW 1111.4
	Barclays	2013.07 ~ 2023.07	USD 65,325	74,601	4.27%	3.17%	USD 1 = KRW 1142.0
	BNP Paribas	2013.08 ~ 2023.08	USD 82,910	92,635	4.27%	3.54%	USD 1 = KRW 1117.3
	BNP Paribas	2013.08 ~ 2023.08	USD 41,133	46,049	4.24%	3.68%	USD 1 = KRW 1119.5
	Barclays	2013.10 ~ 2019.04	USD 135,570	145,372	3.12%	3.50%	USD 1 = KRW 1072.3
	BNP Paribas	2013.10 ~ 2019.04	USD 135,570	145,372	3.12%	3.50%	USD 1 = KRW 1072.3
	KDB	2013.10 ~ 2019.04	USD 135,570	145,372	3.12%	3.50%	USD 1 = KRW 1072.3
	RBS	2013.10 ~ 2019.04	USD 135,570	145,372	3.12%	3.50%	USD 1 = KRW 1072.3
	SOGE	2013.10 ~ 2019.04	USD 135,570	145,372	3.12%	3.50%	USD 1 = KRW 1072.3
Cash flow hedge	BNP Paribas	2011.04 ~ 2015.10	355,608	CHF 300,000	4.03%	2.26%	CHF 1 = KRW 1185.4
	BNP Paribas	2012.06 ~ 2017.06	44,490	JPY 3,000	3.64%	1.28%	JPY 1 = KRW 14.83
	RBS	2012.06 ~ 2017.06	44,781	HKD 300,000	3.66%	2.50%	HKD 1 = KRW 149.27
	HSBC	2012.06 ~ 2017.06	74,650	HKD 500,000	3.66%	2.60%	HKD 1 = KRW 149.30
	Barclays	2012.06 ~ 2017.06	29,134	CNY 160,000	3.32%	3.25%	CNY 1 = KRW 182.09
	Credit Agricole	2012.07 ~ 2017.07	114,810	USD 100,000	3.15%	2.25%	USD 1 = KRW 1148.1
	Barclays	2012.07 ~ 2017.07	114,810	USD 100,000	3.16%	2.25%	USD 1 = KRW 1148.1
	Bank of America	2012.09 ~ 2017.09	42,854	JPY 3,000	3M CD+flat	3M JPY Libor+0.76%	JPY 1 = KRW 14.28
	ANZ	2012.09 ~ 2015.09	116,711	AUD 100,000	3.10%	4.50%	AUD 1 = KRW 1167.1
	DBS	2012.09 ~ 2015.09	116,711	AUD 100,000	3.10%	4.50%	AUD 1 = KRW 1167.1
	HSBC	2012.09 ~ 2015.09	116,711	AUD 100,000	3.10%	4.50%	AUD 1 = KRW 1167.1
	BNP Paribas	2013.02 ~ 2020.02	118,801	CHF 100,000	3.11%	1.13%	CHF 1 = KRW 1188.0
	Credit Suisse	2013.02 ~ 2020.02	118,801	CHF 100,000	3.11%	1.13%	CHF 1 = KRW 1188.0
	RBS	2013.02 ~ 2020.02	118,801	CHF 100,000	3.11%	1.13%	CHF 1 = KRW 1188.0
	DBS	2013.06 ~ 2028.06	55,788	EUR 38,000	3.30%	3.02%	EUR 1 = KRW 1468.1
	Barclays	2013.07 ~ 2023.07	74,601	EUR 50,000	3.17%	3.00%	EUR 1 = KRW 1492.0
	BNP Paribas	2013.08 ~ 2023.08	92,635	JPY 8,000	3.54%	1.46%	JPY 1 = KRW 11.58
	BNP Paribas	2013.08 ~ 2023.08	46,049	JPY 4,000	3.68%	1.46%	JPY 1 = KRW 11.51
	Barclays	2013.10 ~ 2019.04	145,372	EUR 100,000	3.50%	2.38%	EUR 1 = KRW 1453.7

(In millions of Korean won and Japanese yen and in thousands of US dollars, Euro, Confoederatio Helvetica Franc, Hong Kong Dollars, Chinese Yuan, Canadian Dollars and Australian Dollars)

Purpose	Financial institutions	Period	Amount of contract		Interest rate of contract		Exchange rate
			Sell	Buy	Sell	Buy	
	BNP Paribas	2013.10 ~ 2019.04	145,372	EUR 100,000	3.50%	2.38%	EUR 1 = KRW 1453.7
	KDB	2013.10 ~ 2019.04	145,372	EUR 100,000	3.50%	2.38%	EUR 1 = KRW 1453.7
	RBS	2013.10 ~ 2019.04	145,372	EUR 100,000	3.50%	2.38%	EUR 1 = KRW 1453.7
	SOGE	2013.10 ~ 2019.04	145,372	EUR 100,000	3.50%	2.38%	EUR 1 = KRW 1453.7

Details of interest rate swap contracts as of March 31, 2015, are as follows:

(In millions of Korean won and in thousands of US dollars)

Purpose	Financial institutions	Period	Amount	Interest rate of contract	
				Sell	Buy
Trading	JP Morgan	2011.09~ 2016.09	USD 200,000	2.32%	6M Libor+1.00%
	DBS	2011.11~ 2015.11	USD 400,000	2.55%	3M Libor+1.45%
	KEB	2012.06~ 2016.06	USD 50,000	1.96%	3M Libor+1.20%
	SOGE	2012.06~ 2016.06	USD 50,000	1.96%	3M Libor+1.20%
	JP Morgan	2012.06~ 2017.06	USD 50,000	2.30%	3M Libor+1.27%
	Credit Agricole	2012.06~ 2017.06	USD 50,000	2.30%	3M Libor+1.27%
	MIZUHO	2013.02~ 2018.02	USD 200,000	2.10%	3M Libor+0.90%
	KDB	2013.02~ 2018.02	USD 150,000	2.04%	3M Libor+0.90%
	Barclays	2013.07~ 2018.07	USD 100,000	2.39%	3M Libor+0.80%
Cash flow hedge	Morgan Stanley	2010.09~ 2020.09	20,000	4.69%	Min{10.0%, Max[2.0%,(28 X index)]}

Details of foreign currency forward contracts as of March 31, 2015, are as follows:

(In millions of Korean won, in thousands of US dollars, Euro)

Purpose	Financial institutions	Contract date	Expiration	Amount				Exchange rate
				Sell		Buy		
Trading	SC	2015-03-04	2015-04-01		32,933	USD	30,000	1,097.8
	Bank of America	2015-03-23	2015-04-01		33,487	USD	30,000	1,116.2
	Credit Agricole	2015-03-03	2015-04-01		66,116	USD	60,000	1,101.9
	KEB	2015-03-19	2015-04-01		111,504	USD	100,000	1,115.0
	DBS	2015-03-23	2015-04-01		16,745	USD	15,000	1,116.4
	Citi Bank	2015-03-05	2015-04-02		55,058	USD	50,000	1,101.2
	ING Bank	2015-03-05	2015-04-02		55,062	USD	50,000	1,101.2
	Daegu Bank	2015-03-05	2015-04-03		55,065	USD	50,000	1,101.3
	KEB	2015-03-05	2015-04-03		77,086	USD	70,000	1,101.2
	Goldman Sachs	2015-03-10	2015-04-06		84,035	USD	75,000	1,120.5
	SMBC	2015-03-12	2015-04-06		90,566	USD	80,000	1,132.1
	DB	2015-03-12	2015-04-07		56,549	USD	50,000	1,131.0
	KEB	2015-03-12	2015-04-07		90,487	USD	80,000	1,131.1
	MIZUHO	2015-03-13	2015-04-09		90,051	USD	80,000	1,125.6
	SC	2015-03-13	2015-04-10		45,105	USD	40,000	1,127.6
	DB	2015-03-25	2015-04-10		33,047	USD	30,000	1,101.6
	JP Morgan	2015-03-24	2015-04-13		55,374	USD	50,000	1,107.5
	DBS	2015-03-24	2015-04-13		44,317	USD	40,000	1,107.9
	HSBC	2015-03-25	2015-04-14		44,111	USD	40,000	1,102.8
	Morgan Stanley	2015-03-25	2015-04-14		44,167	USD	40,000	1,104.2
	KEB	2015-03-25	2015-04-15		49,606	USD	45,000	1,102.4
	Daegu Bank	2015-03-26	2015-04-20		55,255	USD	50,000	1,105.1
	SOGE	2015-03-26	2015-04-20		33,153	USD	30,000	1,105.1
	Bank of America	2015-03-26	2015-04-20		33,153	USD	30,000	1,105.1
	Credit Suisse	2015-03-26	2015-04-21		49,698	USD	45,000	1,104.4
	DBS	2015-03-26	2015-04-21		33,260	USD	30,000	1,108.7
	Scotia	2015-03-26	2015-04-21		33,119	USD	30,000	1,104.0
	ING Bank	2015-03-26	2015-04-21		33,188	USD	30,000	1,106.3
	Daegu Bank	2015-03-31	2015-04-22		72,171	USD	65,000	1,110.3
	SC	2015-01-16	2015-04-20		54,036	USD	50,000	1,080.7
	KEB	2015-02-27	2015-05-29	EUR	36,538		45,153	1,235.8
Cash flow hedge	KDB	2014-11-04	2015-04-23		64,085	USD	59,248	1,081.6
	KDB	2014-11-04	2015-04-23		58,351	USD	53,948	1,081.6
	KDB	2014-11-04	2015-04-24		56,155	USD	51,915	1,081.7
	KDB	2014-11-03	2015-04-24		48,552	USD	45,578	1,065.2
	KDB	2014-11-03	2015-04-24		51,402	USD	48,254	1,065.2
	BTMU	2014-11-14	2015-05-15		106,429	USD	96,194	1,106.4
	KEB	2014-11-19	2015-05-20		222,718	USD	200,503	1,110.8
	KEB	2014-11-28	2015-05-28		222,147	USD	200,503	1,107.9
	DB	2014-10-15	2015-04-16		51,848	USD	48,606	1,066.7
	Credit Agricole	2014-10-15	2015-04-16		57,173	USD	53,313	1,072.4

(In millions of Korean won, in thousands of US dollars, Euro)

Purpose	Financial institutions	Contract date	Expiration	Amount Sell		Buy	Exchange rate
	DBS	2014-10-15	2015-04-17	56,392	USD	52,866	1,066.7
	DBS	2014-10-15	2015-04-17	57,414	USD	53,824	1,066.7
	KDB	2014-10-30	2015-04-29	49,565	USD	46,722	1,060.8
	KDB	2014-10-30	2015-04-29	51,455	USD	48,504	1,060.8
	KEB	2014-12-01	2015-06-01	111,446	USD	100,253	1,111.7
	DBS	2014-12-02	2015-06-02	56,949	USD	50,705	1,123.1
	DBS	2014-12-02	2015-06-03	59,696	USD	53,602	1,113.7
	DBS	2014-12-02	2015-06-03	48,182	USD	43,263	1,113.7
	DBS	2014-12-04	2015-06-04	59,976	USD	53,464	1,121.8
	DBS	2014-12-04	2015-06-05	53,754	USD	47,858	1,123.2
	MIZUHO	2014-12-08	2015-06-09	53,814	USD	47,811	1,125.5
	MIZUHO	2014-12-11	2015-06-09	59,405	USD	53,419	1,112.1
	KDB	2014-12-12	2015-06-10	53,822	USD	48,679	1,105.7
	KDB	2014-12-10	2015-06-11	51,565	USD	46,380	1,111.8
	BTMU	2014-12-17	2015-06-16	48,765	USD	44,519	1,095.4
	SMBC	2014-12-17	2015-06-17	57,865	USD	52,818	1,095.5
	SMBC	2014-12-17	2015-06-17	50,467	USD	46,065	1,095.5
	ANZ	2014-12-17	2015-06-18	49,530	USD	45,216	1,095.4
	ANZ	2014-12-17	2015-06-18	51,147	USD	46,692	1,095.4
	ANZ	2014-12-17	2015-06-18	57,520	USD	52,510	1,095.4
	Credit Agricole	2015-01-28	2015-04-10	55,439	USD	51,078	1,085.4
	Bank of America	2015-01-28	2015-04-10	83,158	USD	76,616	1,085.4
	Credit Agricole	2015-01-29	2015-04-14	52,519	USD	48,348	1,086.3
	MIZUHO	2015-01-30	2015-04-07	52,315	USD	47,823	1,093.9
	Barclays	2013-12-13	2015-06-15	108,760	USD	100,000	1,087.6

Gains or losses on valuation of derivatives for the three-month periods ended March 31, 2015 and 2014, are as follows:

(In millions of Korean won)	Gains (losses) on valuation of derivatives 2015	2014	Gains (losses) on transaction of derivatives 2015	2014	Other comprehensive income 2015	2014
Foreign currency forward	₩ (6,806)	₩ (4,387)	₩ (4,565)	₩ 12,438	₩ (5,560)	₩ (6,326)
Foreign currency swap	(12,170)	(17,603)	-	2,137	7,376	22,830
Interest rate swap	(3,059)	2,096	-	-	(58)	7
Total	₩ (22,035)	₩ (19,894)	₩ (4,565)	₩ 14,575	₩ 1,758	₩ 16,511

As of March 31, 2015, losses on valuation of derivatives amounting to ₩ 20,844 million (December 31, 2014: ₩ 22,177 million) in accumulated other comprehensive income are presented net of income tax.

Hedging on non-financial items

The Group currently uses LNG ships that were built specifically for the Group's use for stable LNG supply through a long-term financial lease contract in US dollars with the lessor. As the lease expense is recovered through the sales price as a component of shipping expense, the lease expense and raw material cost, which is also denominated in US dollars, form part of the selling price and have same exposure to foreign currency change.

In order for the Group to hedge the risk of foreign exchange rate change on foreign revenue from the natural gas for the use of power, only foreign currency revenue with the same maturity date as the lease liability has been distinguished from long-term supply contract to be designated as the hedged item, and the payment of lease liability has been designated as hedging instrument of non-financial items to apply the hedge accounting.

For the three-month periods ended March 31, 2015 and 2014, losses on hedging instruments amounts to ₩ (-)15,675 million and ₩ (-)35,630 million, respectively, and gains on hedging instruments recognized in other comprehensive income are net of tax effect amounting to ₩ 3,793 million and ₩ 8,623 million, respectively.

Hedging on net investments in a foreign operation

In order for the Group to hedge the risk of exchange rate fluctuation caused by the foreign currency translation, hedge accounting has been applied to the net investment of overseas business regarding the difference in foreign exchange which arose between the functional currency of overseas business and of the Corporation.

The amounts recognized on the comprehensive income statements for the three-month periods ended March 31, 2015 and 2014, are as follows:

(In millions of Korean won)	2015	2014
Losses on hedge of net investment in foreign operation, net of income tax.	₩ (541)	₩ (28,858)

8. Settled Income of Natural Gas

In accordance with the standard for natural gas supply price and the guidelines for raw material costs pass-through adjustment system for city gas and power generation, the settled income, the difference between actual costs incurred and current year's revenues, is reflected in the following year's rate upon the approval of the government.

The Group recognizes the settled income by adjusting cost of sales, and relevant assets and liabilities as other non-financial assets and non-financial liabilities, respectively.

Details of other non-financial assets and liabilities arising from settled income of natural gas as March 31, 2015 and December 31, 2014, are as follows:

(In millions of Korean won)	March 31, 2015				
	Material costs		Supply costs		
	City gas	Power generating	City gas	Power generating	Total
Current assets	₩ 1,623,543	₩ 288,639	₩ 293,285	₩ 192,422	₩ 2,397,889
Non-current assets	2,227,205	-	-	-	2,227,205
Total	₩ 3,850,748	₩ 288,639	₩ 293,285	₩ 192,422	₩ 4,625,094

(In millions of Korean won)	December 31, 2014				
	Material costs		Supply costs		
	City gas	Power generating	City gas	Power generating	Total
Current assets	₩ 1,333,983	₩ 120,163	₩ 154,055	₩ 120,459	₩ 1,728,660
Non-current assets	2,940,945	-	-	-	2,940,945
Total	₩ 4,274,928	₩ 120,163	₩ 154,055	₩ 120,459	₩ 4,669,605

9. Investments in Associates and Joint Ventures

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

(In millions of Korean won, except percentage of ownership)

				March 31, 2015		
	Business	**Location**	**Fiscal year end**	**Percentage of ownership**	**Acquisition costs**	**Book value**
Associates						
Korea Ras Laffan LNG Ltd.[2]	Resource development	Bermuda	December 31	60.00%	₩ 19,532	₩ 483,885
Korea LNG Ltd.	Resource development	Bermuda	December 31	24.00%	3,298	94,930
Hyundai Yemen LNG Company [3]	Resource development	Bermuda	December 31	49.00%	482	171,517
Korea LNG Trading Co., Ltd.[1]	Shipping industry	Korea	December 31	28.00%	601	601
Kor-Uz Gas Chemical Investment Ltd.	Resource development	Uzbekistan	December 31	45.00%	347,451	330,694
South-East Asia Gas Pipeline Company Limited [4]	Pipe construction	Hong Kong	March 31	4.17%	25,160	31,588
Sulawesi LNG Development Limited	LNG terminal construction & management	United Kingdom	December 31	25.00%	172,182	147,864
TOMORI E&P Limited	Resource development	United Kingdom	December 31	49.00%	255,970	233,289
AMEC Partners Korea LTD.[1,4]	Engineering and technique service	Korea	December 31	15.00%	558	558
					825,234	1,494,926
Joint ventures						
Kor-Uz Gas cylinder Investment Ltd.[1]	Cylinder business investment	Korea	December 31	37.73%	4,394	4,394
Kor-Uz Gas C&G Investment Ltd.[1]	Charge business investment	Korea	December 31	38.00%	2,541	2,541
TERMINAL KMS de GNL, S. De R.L. De C.V.	LNG terminal construction & management	Mexico	December 31	25.00%	47,521	53,149
JV SACOTEC [1]	Service	Russia	December 31	50.00%	-	-
GLNG Operations Pty. Ltd.[1]	LNG Plant management	Australia	December 31	15.00%	17	12
GLNG Property Pty. Ltd.[1]	Property Lease	Australia	December 31	15.00%	26	20
CORDOVA GAS RESOURCES LTD.	Resource development	Canada	December 31	10.00%	18,268	-
ENH - KOGAS, SA.[2]	Pipe construction	Mozambique	June 30	70.00%	78	1,766
LNG Canada Development Inc.[1]	LNG Plant construction	Canada	December 31	15.00%	-	-
					72,845	61,882
					₩ 898,079	₩ 1,556,808

(In millions of Korean won, except percentage of ownership)

	Business	Location	Fiscal year end	December 31, 2014 Percentage of ownership	Acquisition costs	Book value
Associates						
Korea Ras Laffan LNG Ltd.[2]	Resource development	Bermuda	December 31	60.00%	₩ 19,532	₩ 481,672
Korea LNG Ltd.	Resource development	Bermuda	December 31	24.00%	3,298	94,449
Hyundai Yemen LNG Company [3]	Resource development	Bermuda	December 31	49.00%	482	170,159
Korea LNG Trading Co., Ltd.[1]	Shipping industry	Korea	December 31	28.00%	601	601
Kor-Uz Gas Chemical Investment Ltd.	Resource development	Uzbekistan	December 31	45.00%	347,451	334,707
South-East Asia Gas Pipeline Company Limited [4]	Pipe construction	Hong Kong	March 31	4.17%	25,160	29,305
Sulawesi LNG Development Limited	LNG terminal construction & management	United Kingdom	December 31	25.00%	382,744	370,364
TOMORI E&P Limited	Resource development	United Kingdom	December 31	49.00%	245,388	223,123
AMEC Partners Korea LTD.[1,4]	Engineering and technique service	Korea	December 31	15.00%	558	558
					1,025,214	1,704,938
Joint ventures						
Kor-Uz Gas cylinder Investment Ltd.[1]	Cylinder business investment	Korea	December 31	37.73%	4,393	4,394
Kor-Uz Gas C&G Investment Ltd.[1]	Charge business investment	Korea	December 31	38.00%	2,541	2,541
TERMINAL KMS de GNL, S. De R.L. De C.V.	LNG terminal construction & management	Mexico	December 31	25.00%	47,521	30,120
JV SACOTEC [1]	Service	Russia	December 31	50.00%	-	-
GLNG Operations Pty. Ltd.[1]	LNG Plant management	Australia	December 31	15.00%	17	14
GLNG Property Pty. Ltd.[1]	Property Lease	Australia	December 31	15.00%	26	22
CORDOVA GAS RESOURCES LTD.	Resource development	Canada	December 31	10.00%	18,268	-
ENH - KOGAS, SA.[2]	Pipe construction	Mozambique	June 30	70.00%	78	214
LNG Canada Development Inc.[1]	LNG Plant construction	Canada	December 31	15.00%	-	-
					72,844	37,305
					₩ 1,098,058	₩ 1,742,243

[1] The entity is not accounted for using the equity method, as the difference between book value and identifiable net asset is not significant.

[2] The entity is classified as an associate or joint venture, as it needs the unanimous approval in its decisions.

[3] As of March 31, 2015, goodwill on Hyundai Yemen LNG Company amounts to ₩ 8,306 million.

[4] Although the percentage of ownership of the above associate is less than 20%, the Group has significant influence considering the corporation's right to participate in the investee's board of directors and shareholders' meetings.

Valuations of equity method investments for the three-month period ended March 31, 2015 and for the year ended December 31, 2014, are as follows:

	March 31, 2015							
(In millions of Korean won)	Beginning Balance	Acquisition	Disposal	Dividends received	Equity method gains or losses	Other comprehensive income (loss)	Others	Ending Balance
Associates								
Korea Ras Laffan LNG Ltd.	₩ 481,672	₩ -	₩ -	₩ (39,290)	₩ 39,042	₩ 2,461	₩ -	₩ 483,885
Korea LNG Ltd.	94,449	-	-	(6,104)	6,113	472	-	94,930
Hyundai Yemen LNG Company[1]	170,159	-	-	(9,912)	10,109	1,161	-	171,517
Korea LNG Trading Co., Ltd.	601	-	-	-	-	-	-	601
Kor-Uz Gas Chemical Investment Ltd.	334,707	-	-	-	(5,754)	1,741	-	330,694
South-East Asia Gas Pipeline Company Limited	29,305	-	-	-	2,118	165	-	31,588
Sulawesi LNG Development Limited	370,364	4,755	(215,316)	(9,647)	(3,669)	1,377	-	147,864
TOMORI E&P Limited	223,123	10,582	-	-	(1,821)	1,405	-	233,289
AMEC Partners Korea LTD	558	-	-	-	-	-	-	558
	1,704,938	15,337	(215,316)	(64,953)	46,138	8,782	-	1,494,926
Joint ventures								
Kor-Uz Gas cylinder Investment Ltd.	4,394	-	-	-	-	-	-	4,394
Kor-Uz Gas C&G Investment Ltd.	2,541	-	-	-	-	-	-	2,541
TERMINAL KMS de GNL, S. De R.L. De C.V.	30,120	-	-	-	2,904	2,169	17,956	53,149
JV SACOTEC	-	-	-	-	-	-	-	-
GLNG Operations Pty Ltd.	14	-	-	-	-	-	(2)	12
GLNG Property Pty Ltd.	22	-	-	-	-	-	(2)	20
CORDOVA GAS RESOURCES LTD[2].	-	-	-	-	-	-	-	-
ENH-KOGAS, SA.	214	-	-	-	1,588	(45)	9	1,766
LNG Canada Development Inc.	-	-	-	-	-	-	-	-
	37,305	-	-	-	4,492	2,124	17,961	61,882
Total	₩ 1,742,243	₩ 15,337	₩ (215,316)	₩ (64,953)	₩ 50,630	₩ 10,906	₩ 17,961	₩ 1,556,808

[1] Although the percentage of ownership of the Group in the above equity securities is 49%, the equity method is applied considering the contractual terms regarding different dividends.

[2] The Group ceased to recognize changes in investments in associates since their book value fell below zero when applying losses of the above equity securities.

(In millions of Korean won)	December 31, 2014 Beginning Balance	Acquisition	Disposal	Dividends received	Equity method gains or losses	Other comprehensive income (loss)	Others	Ending Balance
Associates								
Korea Ras Laffan LNG Ltd.	₩ 677,599	₩ -	₩ -	₩ (84,879)	₩ 83,359	₩ (194,407)	₩ -	₩ 481,672
Korea LNG Ltd.	91,521	-	-	(22,335)	22,347	2,916	-	94,449
Hyundai Yemen LNG Company[1]	108,591	-	(7,824)	(1,593)	3,430	67,555	-	170,159
Korea LNG Trading Co., Ltd.	601	-	-	-	-	-	-	601
Kor-Uz Gas Chemical Investment Ltd.	325,454	185	-	-	(4,296)	13,364	-	334,707
South-East Asia Gas Pipeline Company Limited	23,368	-	-	-	4,758	1,179	-	29,305
Sulawesi LNG Development Limited	319,755	40,224	-	-	(3,910)	14,295	-	370,364
TOMORI E&P Limited	188,392	36,912	-	-	(10,202)	8,021	-	223,123
AMEC Partners Korea LTD	558	-	-	-	-	-	-	558
	1,735,839	77,321	(7,824)	(108,807)	95,486	(87,077)	-	1,704,938
Joint ventures								
KOMAN ENERGY FZCO	1,286	-	(1,286)	-	-	-	-	-
Kor-Uz Gas cylinder Investment Ltd.	4,226	168	-	-	-	-	-	4,394
Kor-Uz Gas C&G Investment Ltd.	2,541	-	-	-	-	-	-	2,541
TERMINAL KMS de GNL, S. De R.L. De C.V.	28,573	-	-	(6,056)	9,829	(3,579)	1,353	30,120
JV SACOTEC	-	-	-	-	-	-	-	-
GLNG Operations Pty Ltd.	14	-	-	-	-	-	-	14
GLNG Property Pty Ltd.	22	-	-	-	-	-	-	22
CORDOVA GAS RESOURCES LTD[2].	9,987	757	-	-	(10,372)	-	(372)	-
ENH-KOGAS, SA.	-	-	-	-	1,081	-	(867)	214
LNG Canada Development Inc.	-	-	-	-	-	-	-	-
	46,649	925	(1,286)	(6,056)	538	(3,579)	114	37,305
Total	₩1,782,488	₩ 78,246	₩ (9,110)	₩ (114,863)	₩ 96,024	₩ (90,656)	₩ 114	₩ 1,742,243

[1] Although the percentage of ownership of the Group in the above equity securities is 49%, the equity method is applied considering the contractual terms regarding different dividends.

[2] The Group ceased to recognize changes in investments in associates since their book value fell below zero when applying losses of the above equity securities.

Financial information of associates and joint ventures as of March 31, 2015 and December 31, 2014, and for the three-month periods ended March 31, 2015 and for the year ended December 31, 2014, are as follows:

(In millions of Korean won)	March 31, 2015			
	Assets	**Liabilities**	**Sales**	**Net income (loss)**
Associates				
Korea Ras Laffan LNG Ltd.	₩ 840,312	₩ 33,837	₩ 65,615	₩ 65,070
Korea LNG Ltd.	403,982	8,442	25,966	25,472
Hyundai Yemen LNG Company	526,995	44,988	20,695	20,629
Korea LNG Trading Co., Ltd.	781,173	776,571	2,138	86
Kor-Uz Gas Chemical Investment Ltd.	734,875	-	-	(12,788)
South-East Asia Gas Pipeline Company Limited	2,034,340	1,277,479	122,873	50,759
Sulawesi LNG Development Limited	591,560	106	-	(14,678)
TOMORI E&P Limited	496,449	30,608	146	(4,427)
AMEC Partners Korea LTD	1,170	73	145	43
Joint ventures				
Kor-Uz Gas cylinder Investment Ltd.	9,441	2	-	(56)
Kor-Uz Gas C&G Investment Ltd.	5,160	307	-	(52)
TERMINAL KMS de GNL, S. De R.L. De C.V.	1,080,149	867,554	29,627	11,615
JV SACOTEC	63	37	-	(21)
GLNG Operations Pty Ltd.	110	6	-	1
GLNG Property Pty. Ltd.	-	-	-	-
CORDOVA GAS RESOURCES LTD.	87,624	428,132	4,798	(8,435)
ENH-KOGAS, SA.	54,423	51,900	22,824	2,279
LNG Canada Development Inc.	1	-	-	-

(In millions of Korean won)	December 31, 2014			
	Assets	**Liabilities**	**Sales**	**Net income (loss)**
Associates				
Korea Ras Laffan LNG Ltd.	₩ 833,311	₩ 30,524	₩ 141,369	₩ 138,931
Korea LNG Ltd.	393,581	45	94,983	93,148
Hyundai Yemen LNG Company	523,092	44,616	8,223	7,001
Korea LNG Trading Co., Ltd.	778,492	773,999	8,726	290
Kor-Uz Gas Chemical Investment Ltd.	743,793	-	-	(9,546)
South-East Asia Gas Pipeline Company Limited	2,009,136	1,306,957	353,614	113,998
Sulawesi LNG Development Limited	1,481,653	198	-	(15,641)
TOMORI E&P Limited	484,230	39,136	10,810	(18,336)
AMEC Partners Korea LTD	1,234	180	671	60
Joint ventures				
KOMAN ENERGY FZCO	-	-	-	-
Kor-Uz Gas cylinder Investment Ltd.	9,497	3	-	(345)
Kor-Uz Gas C&G Investment Ltd.	5,216	311	-	(200)
TERMINAL KMS de GNL, S. De R.L. De C.V.	995,305	874,824	124,248	39,317
JV SACOTEC	65	38	-	(34)
GLNG Operations Pty Ltd.	110	6	-	1
GLNG Property Pty. Ltd.	-	-	-	-
CORDOVA GAS RESOURCES LTD.	96,641	464,995	21,145	(413,314)
ENH-KOGAS, SA.	40,252	39,944	-	1,544
LNG Canada Development Inc.	1	-	-	-

10. Property, Plant and Equipment

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

	March 31, 2015					
(In millions of Korean won)	Beginning balance	Acquisition /capital expenditure	Disposal	Depreciation	Others	Ending balance
Land	₩ 2,537,033	₩ 263	₩ (42)	₩ -	₩ 1,204	₩ 2,538,458
Buildings	733,458	21	(33)	(8,730)	9,740	734,456
(Government grant)	(2,347)	-	-	22	-	(2,325)
Structure	3,879,294	30	-	(49,991)	23,520	3,852,853
(Government grant)	(2,175)	-	-	27	-	(2,148)
Machinery	7,490,718	79	(3,046)	(115,999)	114,648	7,486,400
(Government grant)	(132,523)	-	-	1,315	-	(131,208)
Computerized facility	12,729	534	(2)	(1,528)	8,840	20,573
(Government grant)	(170)	(22)	-	12	-	(180)
Vehicles	10,539	72	-	(798)	(28)	9,785
Office equipment	12,741	641	-	(976)	62	12,468
(Government grant)	(6)	-	-	-	-	(6)
Tools and instruments	13,541	118	-	(1,309)	-	12,350
(Government grant)	(349)	(26)	-	28	-	(347)
Timber	45,939	-	-	-	79	46,018
Construction in progress	5,319,458	450,806	-	-	(152,025)	5,618,239
(Government grant)	(12,202)	-	-	-	-	(12,202)
Finance lease assets	2,491,715	-	-	(55,287)	-	2,436,428
Others	2,634,682	127,699	-	(36,671)	(12,657)	2,713,053
Total	₩ 25,032,075	₩ 580,215	₩ (3,123)	₩ (269,885)	₩ (6,617)	₩ 25,332,665

(In millions of Korean won)	December 31, 2014						
	Beginning balance	**Acquisition /capital expenditure**	**Disposal**	**Depreciation**	**Impairment loss**	**Others**	**Ending balance**
Land	₩ 2,454,390	₩ 1,597	₩ (3,212)	₩ -	₩ -	₩ 84,258	₩ 2,537,033
Buildings	523,567	6,519	(2,125)	(32,781)	-	238,278	733,458
(Government grants)	(2,336)	(97)	-	86	-	-	(2,347)
Structure	3,461,463	1,292	(2,245)	(190,724)	-	609,508	3,879,294
(Government grants)	(2,281)	-	-	106	-	-	(2,175)
Machinery	6,579,990	362	(12,026)	(447,031)	-	1,369,423	7,490,718
(Government grants)	(64,614)	-	-	5,270	-	(73,179)	(132,523)
Computerized facility	12,589	3,732	(13)	(3,785)	-	206	12,729
(Government grants)	(123)	(101)	-	45	-	9	(170)
Vehicles	8,363	4,203	(8)	(3,097)	-	1,078	10,539
Office equipment	9,457	7,653	(3)	(4,572)	-	206	12,741
(Government grants)	(12)	(4)	-	18	-	(8)	(6)
Tools and instruments	12,322	4,878	(274)	(5,080)	-	1,695	13,541
(Government grants)	(232)	(212)	-	95	-	-	(349)
Timber	37,112	-	(26)	-	-	8,853	45,939
Construction in progress	5,009,862	2,653,519	(10,439)	-	-	(2,333,484)	5,319,458
(Government grants)	(85,699)	-	-	-	-	73,497	(12,202)
Finance lease assets	2,712,861	-	-	(221,146)	-	-	2,491,715
Others	1,790,954	893,166	(93)	(211,547)	(43,799)	206,001	2,634,682
Total	₩22,457,633	₩ 3,576,507	₩ (30,464)	₩ (1,114,143)	₩ (43,799)	₩ 186,341	₩25,032,075

Impairment loss in relation to non-traditional mineral facilities of KOGAS Canada Ltd. amounting to ₩ 43,799 million, was recognized as other gains (losses) in the statement of comprehensive income.

11. Construction and Service Contracts

Changes in outstanding construction and service contracts for the three-month periods ended March 31, 2015 and 2014, are as follows:

(In millions of Korean won)	2015			
	Beginning balance	**Increase (Decrease) [1]**	**Sales recognized**	**Ending balance**
Construction contracts				
Domestic construction contracts	₩ 3,270	₩ (1,093)	₩ 730	₩ 1,447
Overseas construction contracts	3,096	11	1,312	1,795
	6,366	(1,082)	2,042	3,242
Service contracts				
Domestic service contracts	5,173	910	968	5,115
Overseas service contracts	1,146	981	412	1,715
	6,319	1,891	1,380	6,830
Total	₩ 12,685	₩ 809	₩ 3,422	₩ 10,072

[1] For the three-month period ended March 31, 2015, the increase is ₩ 819 million due to the new contracts and the decrease is ₩ 10 million due to the change in size of existing construction contracts.

(In millions of Korean won)	**2014**			
	Beginning balance	**Increase (Decrease)** [1]	**Sales recognized**	**Ending balance**
Construction contracts				
Domestic construction contracts	₩ 3,369	₩ 38	₩ 361	₩ 3,046
Overseas construction contracts	21,390	-	5,642	15,748
	24,759	38	6,003	18,794
Service contracts				
Domestic service contracts	6,666	801	1,238	6,229
Overseas service contracts	15,588	42	3,992	11,638
	22,254	843	5,230	17,867
Total	₩ 47,013	₩ 881	₩ 11,233	₩ 36,661

[1] For the three-month period ended March 31, 2014, the increase is ₩ 1,498 million due to the new contracts and the decrease ₩ 617 million due to the change in size of existing construction contracts.

Accumulated revenues and costs of construction in progress as of March 31, 2015 and December 31, 2014, are as follows:

(In millions of Korean won)	**March 31, 2015**		
	Accumulated revenue	**Accumulated costs**	**Accumulated income**
Construction contracts			
Domestic construction contracts	₩ 2,613	₩ 2,251	₩ 362
Overseas construction contracts	-	-	-
	2,613	2,251	362
Service contracts			
Domestic service contracts	13,273	10,159	3,114
Overseas service contracts	29,961	21,365	8,596
	43,234	31,524	11,710
Total	₩ 45,847	₩ 33,775	₩ 12,072

(In millions of Korean won)	**December 31, 2014**		
	Accumulated revenue	**Accumulated costs**	**Accumulated income**
Construction contracts			
Domestic construction contracts	₩ 2,563	₩ 2,218	₩ 345
Overseas construction contracts	31,692	30,271	1,421
	34,255	32,489	1,766
Service contracts			
Domestic service contracts	12,958	9,575	3,383
Overseas service contracts	27,589	18,834	8,755
	40,547	28,409	12,138

Total	₩ 74,802	₩ 60,898	₩ 13,904

Unbilled amount and overbilled amount arising from construction and service contracts as of March 31, 2015 and December 31, 2014, are as follows:

	March 31, 2015		December 31, 2014	
(In millions of Korean won)	Unbilled amount[1]	Overbilled amount[2]	Unbilled amount[1]	Overbilled amount[2]
Construction contracts				
Domestic construction contracts	₩ 445	₩ 46	₩ 482	₩ 35
Overseas construction contracts	-	-	834	-
	445	46	1,316	35
Service contracts				
Domestic service contracts	932	322	940	428
Overseas service contracts	1,189	-	1,548	213
	2,121	322	2,488	641
Total	₩ 2,566	₩ 368	₩ 3,804	₩ 676

[1] Unbilled amount is recognized as accounts receivable in the statement of financial position.

[2] Overbilled amount is recognized as advanced receipts in the statement of financial position.

12. Intangible Assets

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

	March 31, 2015					
(In millions of Korean won)	Beginning balance	Acquisition /capital expenditure	Disposal	Amortization	Others	Ending balance
Exploration and evaluation assets	₩ 417,198	₩ 34,069	₩ -	₩ -	₩ (7,884)	₩ 443,383
Computer software	25,683	396	-	(1,972)	4,657	28,764
(Government grants)	(731)	(68)	-	61	-	(738)
Patents	542	-	-	(20)	-	522
(Government grants)	(79)	-	-	2	-	(77)
Development costs	-	-	-	(1)	49	48
Right to donated assets	39,840	-	-	(1,224)	(1,524)	37,092
Land use rights	1,055	33	-	(25)	-	1,063
Mineral rights	1,402,025	-	-	(2,150)	19,523	1,419,398
Others	348,738	19,747	-	(2,848)	2,685	368,322
(Government grants)	(22)	(14)	-	1	-	(35)
	₩ 2,234,249	₩ 54,163	₩ -	₩ (8,176)	₩ 17,506	₩ 2,297,742

(In millions of Korean won)	December 31, 2014 Beginning balance	Acquisition /capital expenditure	Disposal	Amortization	Others	Ending balance
Exploration and evaluation assets	₩ 305,485	₩ 103,371	₩ (81,421)	₩ -	₩ 89,763	₩ 417,198
Computer software	18,105	2,321	-	(6,539)	11,796	25,683
(Government grants)	(414)	(482)	-	165	-	(731)
Patents	492	-	-	(79)	129	542
(Government grants)	(70)	(17)	-	8	-	(79)
Development costs	-	-	-	-	-	-
Right to donated assets	48,050	-	-	(5,606)	(2,604)	39,840
Land use rights	982	142	-	(94)	25	1,055
Mineral rights	1,436,028	45,947	-	(9,395)	(70,555)	1,402,025
Others	266,674	114,266	(321)	(11,592)	(20,289)	348,738
(Government grants)	-	(23)	-	1	-	(22)
	₩ 2,075,332	₩ 265,525	₩ (81,742)	₩ (33,131)	₩ 8,265	₩ 2,234,249

Details of individually significant intangible assets as of March 31, 2015 and December 31, 2014, are as follows:

(In millions of Korean won)	March 31, 2015 Details	Amount	Remaining amortization period
Intangible exploration and evaluation assets	Acquisition in exploration phase	₩ 443,383	Phase in exploration
Right to contributed assets	Harbor facility usage right	37,092	3.37 years
Mineral rights	Mining Rights	415,186	Phase in development approval
	Mining Rights	52,094	23.77 years
	Mining Rights	952,118	31.00 years

(In millions of Korean won)	December 31, 2014 Details	Amount	Remaining amortization period
Intangible exploration and evaluation assets	Acquisition in exploration phase	₩ 417,198	Phase in exploration
Right to contributed assets	Harbor facility usage right	39,840	4.85 years
Mineral rights	Mining Rights	413,007	Phase in development approval
	Mining Rights	52,847	24.02 years
	Mining Rights	936,171	32.00 years

13. Borrowings and Debentures

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

(In millions of Korean won)	March 31, 2015	December 31, 2014
Current		
Short-term borrowings	₩ 2,444,639	₩ 3,236,271
Current portion of long-term borrowings	190,839	414,575
Current portion of debentures	2,163,511	2,477,756
Less : Discount on debentures	(2,079)	(2,945)
	4,796,910	6,125,657
Non-current		
Long-term borrowings, net of current portion	448,158	244,093
Debentures, net of current portion	22,403,429	22,146,379
Less : Discount on debentures	(59,759)	(60,497)
	22,791,828	22,329,975
Total	₩ 27,588,738	₩ 28,455,632

Short-term borrowings as of March 31, 2015 and December 31, 2014, are summarized as follows:

(In millions of Korean won)

Lender	Interest rate	Maturity	March 31, 2015	December 31, 2014
Local currency borrowings (Electronic short-term debentures)				
Woori Investment Bank Co., Ltd.	-	-	₩ -	₩ 40,000
Local short-term currency borrowings(Commercial paper)				
KTB Investment & Securities Co., Ltd.	-	-	-	560,000
SK Securities Co., Ltd.	-	-	-	60,000
Dongbu Securities Co., Ltd.	-	-	-	40,000
Meritz Securities Co., Ltd.	-	-	-	50,000
Samsung Securities Co., Ltd.	-	-	-	10,000
Shinyoung Securities Co., Ltd.	-	-	-	20,000
Shinhan Bank	-	-	-	100,000
Woori Investment Bank Co., Ltd.	-	-	-	50,000
Hyundai Securities Co., Ltd.	-	-	-	110,000
Foreign short-term currency borrowings				
Scotia	CDOR + 0.50%	2016.01	112,259	121,908
MIZUHO	0.58% ~ 0.71%	2015.04~06	160,088	103,168
ANZ	0.71%	2015.06	159,012	158,177

(In millions of Korean won)

Lender	Interest rate	Maturity	March 31, 2015	December 31, 2014
BTMU	0.73% ~ 0.74%	2015.05~06	154,924	154,111
Credit Agricole	0.61% ~ 0.62%	2015.04	196,070	58,421
DB	0.67% ~ 0.68%	2015.04~06	115,120	108,792
DBS	0.64% ~ 0.65%	2015.04~06	330,038	334,030
KDB	0.72% ~ 0.74%	2015.04~06	502,411	499,774
KEXIM	0.50%	2015.05~06	552,500	549,600
SMBC	0.74%	2015.06	108,861	108,290
Bank of America	0.62%	2015.04	53,356	-
Total			₩ 2,444,639	₩ 3,236,271

Long-term borrowings as of March 31, 2015 and December 31, 2014, are summarized as follows:

(In millions of Korean won, thousands of US dollars)

Lender	Interest rate	Maturity	March 31, 2015 Foreign currency (USD)	March 31, 2015 Local currency (KRW)	December 31, 2014 Foreign currency (USD)	December 31, 2014 Local currency (KRW)
Local currency borrowings						
Korea National Oil Corporation	3-year government bond floating rate	2015.06 ~ 2019.09	-	₩ 147,920	-	₩ 169,038
Citi bank	5-year government bond floating rate	2016.09 ~ 2018.09	-	5,328	-	5,943
Foreign currency borrowings						
Korea National Oil Corporation[1]	3-year government bond rate - 2.25%	2017.12	USD 139,592	154,249	USD 140,035	153,927
MIZUHO	3M Libor + 0.50%, 0.80%	2015.06 ~ 2020.02	USD 300,000	331,500	USD 300,000	329,760
			USD 439,592	638,997	USD 440,035	658,668
Less : current portion			(USD 104,109)	(190,839)	(USD304,109)	(414,575)
Total			USD 335,483	₩ 448,158	USD 135,926	₩ 244,093

[1] As of March 31, 2015, the Group provided 16 blank promissory notes to the Korea National Oil Corporation as collaterals for the Group's borrowings.

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

(In millions of Korean won and Japanese yen and thousands of US dollars, Euro, Confoederatio Helvetica Franc, Hong Kong Dollars, Chinese Yuan, Canadian Dollars and Australian Dollars)

List	Interest rate	Period	March 31, 2015 Foreign currency	March 31, 2015 Local currency (KRW)	December 31, 2014 Foreign currency	December 31, 2014 Local currency (KRW)
195th	5.76%	2015.01	-	₩ -	-	₩ 80,000
197th	5.42%	2015.04	-	110,000	-	110,000
199th	6.03%	2015.06	-	120,000	-	120,000
201st	6.17%	2015.06	-	110,000	-	110,000
202nd	6.36%	2015.06	-	110,000	-	110,000
203rd	6.33%	2015.06	-	110,000	-	110,000
243rd	5.35%	2015.03	-	-	-	100,000
244th	5.30%	2015.03	-	-	-	120,000
250th	5.39%	2015.06	-	110,000	-	110,000
258th	5.51%	2015.07	-	170,000	-	170,000
303rd	3.97%	2015.04	-	185,000	-	185,000
245th ~ 257th	5.16% ~ 5.66%	2016.03 ~ 2019.11	-	1,130,000	-	1,130,000
259th ~ 285th	4.08% ~ 7.00%	2017.04 ~ 2021.05	-	2,560,000	-	2,560,000
286th ~ 309th	3.87% ~ 4.93%	2016.07 ~ 2022.05	-	2,870,000	-	2,870,000
310th ~ 316th	3.80% ~ 4.09%	2019.05 ~ 2022.09	-	900,000	-	900,000
317th ~ 324th	3.07% ~ 3.28%	2018.04 ~ 2027.07	-	1,050,000	-	1,050,000
325th ~ 338th	2.94% ~ 3.86%	2023.04 ~ 2028.08	-	1,650,000	-	1,650,000
339th ~355th	3.14% ~ 4.02%	2016.10 ~ 2034.05	-	2,080,000	-	2,080,000
356th ~ 358th	3.67% ~ 3.83%	2024.03 ~ 2034.02	-	370,000	-	370,000
359th ~ 362nd	3.50% ~ 3.84%	2024.04 ~ 2034.04	-	420,000	-	420,000
363rd ~ 366th	2.95% ~ 3.18%	2021.08 ~ 2024.07	-	470,000	-	470,000
367th ~ 370th	2.75% ~ 2.93%	2024.10 ~ 2029.11	-	500,000	-	500,000
371st ~ 373rd	2.41% ~ 2.46%	2025.03 ~ 2030.08	-	410,000	-	-
Switzerland franc	2.25%	2015.10	CHF 300,000	342,831	CHF 300,000	333,429
Global 3rd	4.25%	2020.11	USD 500,000	552,500	USD 500,000	549,600
289th US Dollar	3M LIBOR + 1.05%	2015.03	-	-	USD 100,000	109,920
Maple bond	4.58%	2016.05	CAD 300,000	261,486	CAD 300,000	283,959
6th Samurai	1.38%	2016.07	JPY 30,000	276,078	JPY 30,000	276,042
Shogun	6M LIBOR + 1.00%	2016.09	USD 200,000	221,000	USD 200,000	219,840
Switzerland franc 2nd	2.00%	2016.10	CHF 250,000	285,692	CHF 250,000	277,858
Switzerland franc 3rd	2.88%	2019.10	CHF 100,000	114,277	CHF 100,000	111,143
Switzerland franc 4th	1.13%	2020.02	CHF 300,000	342,831	CHF 300,000	333,429
FRN foreign 1st	3M LIBOR + 0.90%	2018.02	USD 200,000	221,000	USD 200,000	219,840
Syndicate bond	3M LIBOR + 1.45%	2015.11	USD 400,000	442,000	USD 400,000	439,680
Global 4th	6.25%	2042.01	USD 750,000	828,750	USD 750,000	824,400
MTN 2nd	1.28%	2017.06	JPY 3,000	27,608	JPY 3,000	27,604
MTN 3rd	2.50%	2017.06	HKD 300,000	42,747	HKD 300,000	42,510
MTN 4th	2.60%	2017.06	HKD 500,000	71,245	HKD 500,000	70,850
MTN 10th	3.25%	2017.06	CNY 160,000	28,475	CNY 160,000	28,290
MTN 12th	3M JPY Libor+0.76%	2017.09	JPY 3,000	27,608	JPY 3,000	27,604
MTN 13th	3.02%	2028.06	EUR 38,000	45,477	EUR 38,000	50,788

			March 31, 2015		December 31, 2014	
List	Interest rate	Period	Foreign currency	Local currency (KRW)	Foreign currency	Local currency (KRW)
MTN 14th	3M Libor+0.80%	2018.07	USD 100,000	110,500	USD 100,000	109,920
MTN 15th	3.00%	2023.07	EUR 50,000	59,839	EUR 50,000	66,826
MTN 16th	1.46%	2023.08	JPY 8,000	73,621	JPY 8,000	73,611
MTN 16th(2)	1.46%	2023.08	JPY 4,000	36,810	JPY 4,000	36,806
MTN 17th	4.00%	2024.01	USD 200,000	221,000	USD 200,000	219,840
MTN 18th	3.58%	2029.07	USD 100,000	110,500	USD 100,000	109,920
MTN 19th	3.58%	2029.07	USD 150,000	165,750	USD 150,000	164,880
MTN 20th	3.58%	2029.07	USD 100,000	110,500	USD 100,000	109,920
Shogun 3rd	3M LIBOR + 1.20%	2016.06	USD 100,000	110,500	USD 100,000	109,920
Shogun 4th	3M LIBOR + 1.27%	2017.06	USD 100,000	110,500	USD 100,000	109,920
Shogun 5th	3M LIBOR + 90Bp	2018.02	USD 150,000	165,750	USD 150,000	164,880
Global 5th	2.25%	2017.07	USD 700,000	773,500	USD 700,000	769,440
Global 6th	2.88%	2018.07	USD 500,000	552,500	USD 500,000	549,600
Global 7th	3.88%	2024.02	USD 500,000	552,500	USD 500,000	549,600
Global 8th	3.50%	2026.07	USD 500,000	552,500	USD 500,000	549,600
EUR BOND	2.38%	2019.04	EUR 500,000	598,385	EUR 500,000	668,260
AUD BOND	4.50%	2015.09	AUD 300,000	253,680	AUD 300,000	269,727
MTN 21st	3.50%	2029.10	USD 100,000	110,500	USD 100,000	109,920
MTN 22nd	3.13%	2025.10	USD 200,000	221,000	USD 200,000	219,840
MTN 23rd	3.30%	2025.11	USD 50,000	55,250	USD 50,000	54,960
MTN 24th	3.30%	2025.11	USD 50,000	55,250	USD 50,000	54,960
				24,566,940		24,624,136
Less : Discount on debentures				(61,838)		(63,443)
Less : Current portion				(2,163,511)		(2,477,756)
Less : Current portion of discount on debentures				2,079		2,945
				₩ 22,343,670		₩ 22,085,882

14. Finance Lease Liabilities

As of March 31, 2015, the Group has lease contracts with shipping agents for the vessels used for LNG transportation. Since the substantial risks on long-term use of LNG transportation vessels were transferred to the Group, the leases are accounted for as finance leases. The lower amount of the present value of minimum lease payment or the fair value of lease asset was recognized as a finance lease asset and finance lease liability.

Finance lease liabilities as of March 31, 2015 and December 31, 2014, are summarized as follows:

	March 31, 2015		December 31, 2014	
(In millions of Korean won)	Minimum lease payment	Present value of minimum lease payment	Minimum lease payment	Present value of minimum lease payment
1 year or less	₩ 315,572	₩ 286,551	₩ 309,220	₩ 278,487
1~5 years	1,260,667	1,185,432	1,282,211	1,198,431
More than 5 years	760,244	656,407	828,879	710,557
Total	₩ 2,336,483	₩ 2,128,390	₩ 2,420,310	₩ 2,187,475

15. Employee Benefit Liabilities

The Group operates a defined benefit plan. According to the defined benefit plan, employees will receive their average salaries for the past three months multiplied by the rate of payment considering the year of service on their retirement. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

Changes in the carrying amount of defined benefit obligations for the three-month periods ended March 31, 2015 and for the year ended December 31, 2014 are as follows:

(In millions of Korean won)	March 31, 2015	December 31, 2014
Beginning balance	₩ 199,698	₩ 202,076
Current service costs	7,980	36,334
Interest costs	2,218	10,815
Remeasurements	1,693	(32,649)
Benefits paid	(2,959)	(4,765)
Employee contribution	-	(540)
Foreign exchange difference	1	9
Past service costs from amendments, curtailments, or settlements of the plan	-	(11,582)
Others	860	-
Ending balance	₩ 209,491	₩ 199,698

The movements in the fair value of plan assets for the three-month periods ended March 31, 2015 and for the year ended December 31, 2014 are as follows:

(In millions of Korean won)	**March 31, 2015**	**December 31, 2014**
Beginning balance	₩ 152,039	₩ 146,693
Interest income	1,691	7,354
Remeasurement	(123)	(3,354)
Employer contribution	-	6,111
Benefits paid	(2,960)	(4,765)
Ending balance	₩ 150,647	₩ 152,039

The amounts recognized in profit or loss for the three-month periods ended March 31, 2015 and 2014, are as follows:

(In millions of Korean won)	**2015**	**2014**
Current service costs	₩ 7,980	₩ 9,002
Net interest expense	527	732
	₩ 8,507	₩ 9,734

16. Provisions

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

(In millions of Korean won)	**March 31, 2015**			**December 31, 2014**		
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Provision for employee benefits	₩ 67,622	₩ -	₩ 67,622	₩ 52,287	₩ -	₩ 52,287
Provision for financial guarantee	-	21,395	21,395	1	23,208	23,209
Provision for restoration	-	194,647	194,647	-	196,584	196,584
Others	-	70	70	-	71	71
Total	₩ 67,622	₩ 216,112	₩ 283,734	₩ 52,288	₩ 219,863	₩ 272,151

Changes in provisions for the three-month period ended March 31, 2015 and for the year ended December 31, 2014, are as follows:

(In millions of Korean won)	**March 31, 2015**					
	Beginning balance	**Increase**	**Utilization**	**Reversal**	**Others**	**Ending balance**
Provision for employee benefits	₩ 52,287	₩ 15,341	₩ (6)	₩ -	₩ -	₩ 67,622
Provision for financial guarantee	23,209	-	(27)	-	(1,787)	21,395
Provision for restoration	196,584	1,366	-	(463)	(2,840)	194,647
Others	71	-	(1)	-	-	70
Total	₩ 272,151	₩ 16,707	₩ (34)	₩ (463)	₩ (4,627)	₩ 283,734

(In millions of Korean won)	**December 31, 2014**					
	Beginning balance	**Increase**	**Utilization**	**Reversal**	**Others**	**Ending balance**
Provision for employee benefits	₩ 52,665	₩ 25,696	₩ (25,884)	₩ -	₩ (190)	₩ 52,287
Provision for financial guarantee	1,827	21,536	(134)	-	(20)	23,209
Provision for restoration	185,677	6,506	(4,135)	-	8,536	196,584
Others	143	-	(4)	(68)	-	71
Total	₩ 240,312	₩ 53,738	₩ (30,157)	₩ (68)	₩ 8,326	₩ 272,151

17. Equity

As of March 31, 2015 and December 31, 2014, the number of authorized shares, number of issued shares and par value per share are 200,000,000, 92,313,000 and ₩ 5,000, respectively.

Changes in the number of shares outstanding for the three-month period ended March 31, 2015 and for the year ended December 31, 2014, are as follows:

(In shares)	**March 31, 2015**	**December 31, 2014**
Beginning of the period	87,637,240	87,637,240
Ending of the period	87,637,240	87,637,240

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

(In millions of Korean won)	**March 31, 2015**	**December 31, 2014**
Share premium	₩ 1,303,548	₩ 1,303,548

18. Retained Earnings

Retained earnings as of March 31, 2015 and December 31, 2014, consist of:

(In millions of Korean won)		March 31, 2015		December 31, 2014
Legal reserve[1]	₩	202,512	₩	193,211
Other reserves		5,616,769		5,536,243
Unappropriated retained earnings		875,033		408,046
Total	₩	6,694,314	₩	6,137,500

[1] The Korea Gas Corporation Act requires the Corporation to appropriate as a legal reserve an amount equal to at least 10% of profits for each reporting period until the reserve equals 50% of the capital. The legal reserve may be used to reduce a deficit or may be transferred to common stock in connection with a free issuance of shares.

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

(In millions of Korean won)		March 31, 2015		December 31, 2014
Business expansion	₩	4,913,154	₩	4,841,928
Reserve for dividend equalization		219,282		219,282
Business rationalization		792		792
Accident compensation		395,723		386,423
Improvement of financial structure		87,818		87,818
Total	₩	5,616,769	₩	5,536,243

Changes in retained earnings for the three-month period ended March 31, 2015 and for the year of ended December 31, 2014, are as follows:

(In millions of Korean won)		March 31, 2015		December 31, 2014
Beginning balance	₩	6,137,500	₩	5,669,113
Net income		581,192		447,222
Dividends		(21,909)		-
Remeasurements of defined benefit liability		(1,417)		22,217
Interest payment of hybrid bonds		(1,052)		(1,052)
Ending balance	₩	6,694,314	₩	6,137,500

Details of dividends for the three-month period ended March 31, 2015 and for the year ended December 31, 2014, are as follows:

(In Korean won)

	March 31, 2015				
	Shares outstanding	**Treasury stock**	**Shares eligible for dividends**	**Dividends per share**	**Total dividends**
Common stock	92,313,000	4,675,760	87,637,240	₩ 250	₩ 21,909,310,000

(In Korean won)

	December 31, 2014				
	Shares outstanding	**Treasury stock**	**Shares eligible for dividends**	**Dividends per share**	**Total dividends**
Common stock	92,313,000	4,675,760	87,637,240	₩ -	₩ -

19. Hybrid Bonds

Details of hybrid bonds as of March 31, 2015, are as follows:

(In Korean won)	**Details**
Amount	₩ 308,600,160,000
Maturity(date)	August 22, 2044 (the Corporation has the right to extend the maturity date)
Interest rate	1.8% per year In accordance with a step-up clause, the interest rate is subject to change after 5 years from the issuance by additionally applying the average interest rate of non-guaranteed corporate bond with a 5-year maturity on the original interest rate; and the Corporation recalculates the interest rate of the hybrid bonds every five years.
Condition for interest payment	Interest is payable every three months and the repayment date is selectively extendable.
Condition for dividends	If the interest payment for the hybrid bonds is postponed, the interest or dividends of the debt, preferred stock and common stock should not be paid until the payment of the interest payable is completed.
Condition for exchange	A bond in the amount of ₩ 66,000 (face value) can be exchanged for one treasury share of the Corporation
Period for exchange	September 22, 2014 ~ July 22, 2044
Others	The Corporation is able to exercise a call option for the securities not exchanged at the discretion of the Corporation after 5 years from the issuance date or every interest payment date afterwards; and if the bonds do not qualify as capital for accounting purposes due to the changes in IFRS standards and others, the call options are also exercisable for the securities not exchanged.

As the Group has no contractual obligation for payment of the principal and interests of the hybrid bonds above, the Group categorized the aforementioned hybrid bonds as equity.

20. Assets Held for sale

Details of assets held-for-sale as of March 31, 2015 are as follows:

(In millions of Korean won)		March 31, 2015		December 31, 2014
Land[1]	₩	80,284	₩	80,284
Building[1]		24,699		24,699
Total	₩	104,983	₩	104,983

[1] The Group plans to dispose its land and buildings, which are not utilized anymore, in the next 12 months. These buildings and land have been used for the head office and the Group is currently looking for buyers for the assets. As of March 31, 2015, impairment losses on the said buildings and land which are classified as assets held for sale are not recognized.

21. Revenue

Details of revenue for the three-month periods ended March 31, 2015 and 2014, are as follows:

(In millions of Korean won)		2015		2014
Revenue from sales of goods and services				
Revenue - Finished goods	₩	10,102,755	₩	12,430,534
Revenue - Services		96,386		79,637
Construction		2,042		6,279
Government grants		1,517		1,054
Other revenue		9,407		4,890
Total	₩	10,212,107	₩	12,522,394

22. Selling, General and Administrative Expenses

Details of selling, general and administrative expenses for the three-month periods ended March 31, 2015 and 2014, are as follows:

(In millions of Korean won)		2015		2014
Salaries	₩	18,767	₩	11,593
Severance benefits		1,474		1,834
Other employee benefits		1,437		1,544
Insurance		933		1,117
Depreciation		6,269		4,956
Amortization		1,561		1,129
Bad debts expense		3		-
Commission		9,002		7,943
Advertising		1,259		1,028
Training		936		1,269
Vehicles maintenance expenses		81		112
Periodicals and printing expenses		96		122
Business promotion expenses		134		198
Rent		1,486		1,160
Communication		352		332
Taxes and dues		31,238		28,467
Supplies		97		117
Water, lighting and heating		505		270
Repairs and maintenance expenses		373		112
Research and development expense		10,211		9,667
Travel and transportation		640		734
Clothing expenses		1		3
Association fee		61		128
Sales promotion costs		216		105
Promotional expenses		37		39
Other expenses		9,655		7,911
Total	₩	96,824	₩	81,890

23. Other Income and Expenses

Details of other income for the three-month periods ended March 31, 2015 and 2014, are as follows:

(In millions of Korean won)		**2015**		**2014**
Reversal of other allowance for doubtful accounts	₩	-	₩	275
Gains from contribution to construction		23		12
Gains from subsidies and reimbursement		1,875		2,466
Rental income		341		402
Total	₩	2,239	₩	3,155

Details of other expenses for the three-month periods ended March 31, 2015 and 2014, are as follows:

(In millions of Korean won)		**2015**		**2014**
Donations	₩	2,709	₩	4,021
Losses from subsidies and reimbursement		-		3,500
Others		1		1
Total	₩	2,710	₩	7,522

24. Other Gains and Losses

Details of other gains (losses) for the three-month periods ended March 31, 2015 and 2014, are as follows:

(In millions of Korean won)		**2015**		**2014**
Gains on disposal of property plant and equipment	₩	624	₩	64
Miscellaneous gains		24,758		32,706
Losses on disposal of property plant and equipment		(3,032)		(8)
Miscellaneous losses		(11,589)		(9,734)
Total	₩	10,761	₩	23,028

25. Financial Income and Expenses

Details of financial income for the three-month periods ended March 31, 2015 and 2014, are as follows:

(In millions of Korean won)		2015		2014
Interest income	₩	4,010	₩	4,143
Dividend income		21,772		7
Gains on valuation of derivative instruments		23,974		20,142
Gains on transaction of derivative instruments		40,652		28,484
Foreign currency translation gains		40,621		109,874
Foreign currency transaction gains		66,956		31,276
Total	₩	197,985	₩	193,926

Details of finance expense for the three-month periods ended March 31, 2015 and 2014, are as follows:

(In millions of Korean won)		2015		2014
Interest expenses	₩	205,483	₩	224,932
Losses on valuation of derivative instruments		46,008		40,036
Losses on transaction of derivative instruments		45,217		13,909
Foreign currency translation losses		26,786		83,088
Foreign currency transaction losses		51,309		49,309
Total	₩	374,803	₩	411,274

26. Income Tax Expense

Income tax expense for the interim period is recognized based on estimated weighted average annual tax rate for the year. For the fiscal year ended December 31, 2015, the estimated weighted average annual tax rate is 22.2%.

27. Nature of Expenses

Details of nature of expenses for the three-month periods ended March 31, 2015 and 2014, are as follows:

(In millions of Korean won)	2015			
	Changes in inventories	**Selling, general and administrative expenses**	**Cost of sales**	**Total**
Changes in inventories:				
Finished goods	₩ 14,083	₩ -	₩ -	₩ 14,083
Raw materials used	-	-	8,975,553	8,975,553
Salaries	-	18,767	48,440	67,207
Severance benefits	-	1,474	4,029	5,503
Other employee benefits	-	1,437	3,595	5,032
Insurance	-	933	1,616	2,549
Depreciation	-	6,269	260,723	266,992
Amortization	-	1,561	6,476	8,037
Bad debts expense	-	3	-	3
Commission	-	9,002	31,892	40,894
Advertising	-	1,259	58	1,317
Training	-	936	41	977
Vehicles maintenance expenses	-	81	87	168
Periodicals and printing expenses	-	96	62	158
Business promotion expenses	-	134	62	196
Rent	-	1,486	4,710	6,196
Communication	-	352	1,040	1,392
Freight expenses	-	-	-	-
Taxes and dues	-	31,238	1,720	32,958
Supplies	-	97	692	789
Water, lighting and heating	-	505	56,039	56,544
Repairs and maintenance expenses	-	373	32,279	32,652
Research and development expense	-	10,211	-	10,211
Travel and transportation	-	640	689	1,329
Clothing expenses	-	1	290	291
Association fees	-	61	84	145
Sales promotion costs	-	216	-	216
Promotional expenses	-	37	-	37
Other expenses	-	9,655	(194,358)	(184,703)
Total	₩ 14,083	₩ 96,824	₩ 9,235,819	₩ 9,346,726

(In millions of Korean won)	2014			
	Changes in inventories	**Selling, general and administrative expenses**	**Cost of sales**	**Total**
Changes in inventories:				
Finished goods	₩ (3,847)	₩ -	₩ -	₩ (3,847)
Raw materials used	-	-	11,287,500	11,287,500
Salaries	-	11,593	26,262	37,855
Severance benefits	-	1,834	4,765	6,599
Other employee benefits	-	1,544	3,581	5,125
Insurance	-	1,117	1,473	2,590
Depreciation	-	4,956	244,890	249,846
Amortization	-	1,129	5,275	6,404
Commission	-	7,943	29,867	37,810
Advertising	-	1,028	41	1,069
Training	-	1,269	105	1,374
Vehicles maintenance expenses	-	112	192	304
Periodicals and printing expenses	-	122	63	185
Business promotion expenses	-	198	78	276
Rent	-	1,160	4,881	6,041
Communication	-	332	988	1,320
Taxes and dues	-	28,467	3,420	31,887
Supplies	-	117	207	324
Water, lighting and heating	-	270	74,052	74,322
Repairs and maintenance expenses	-	112	22,312	22,424
Research and development expense	-	9,667	-	9,667
Travel and transportation	-	734	679	1,413
Clothing expenses	-	3	52	55
Association fees	-	128	436	564
Sales promotion costs	-	105	6,584	6,689
Other expenses	-	7,950	5,550	13,500
Total	₩ (3,847)	₩ 81,890	₩ 11,723,253	₩ 11,801,296

28. Categorizations of Financial Instruments

Categorizations of financial instruments as of March 31, 2015 and December 31, 2014, are as follows:

	March 31, 2015					
(In millions of Korean won)	**Financial assets at fair value through profit or loss**	**Loans and receivables**	**Available-for-sale financial assets**	**Held-to-maturity financial assets**	**Hedging derivative instruments**	**Total**
Current financial assets						
Cash and cash equivalents	₩ -	₩ 1,024,222	₩ -	₩ -	₩ -	₩ 1,024,222
Financial assets at fair value through profit or loss	10,009	-	-	-	-	10,009
Held-to-maturity financial assets	-	-	-	756	-	756
Loans	-	142	-	-	-	142
Short-term financial assets	-	18,151	-	-	-	18,151
Derivative financial assets	-	-	-	-	30,085	30,085
Trade and other accounts receivable	-	6,490,242	-	-	-	6,490,242
Total	₩ 10,009	₩ 7,532,757	₩ -	₩ 756	₩ 30,085	₩ 7,573,607

	March 31, 2015				
(In millions of Korean won)	**Financial assets at fair value through profit or loss**	**Loans and receivables**	**Available-for-sale financial assets**	**Held-to-maturity financial assets**	**Total**
Non-current financial assets					
Financial assets at fair value through profit or loss	₩ 36,883	₩ -	₩ -	₩ -	₩ 36,883
Available-for-sale financial assets	-	-	492,875	-	492,875
Held-to-maturity financial assets	-	-	-	1,638	1,638
Loans	-	173,570	-	-	173,570
Trade and other accounts receivable	-	191,750	-	-	191,750
Total	₩ 36,883	₩ 365,320	₩ 492,875	₩ 1,638	₩ 896,716

(In millions of Korean won)	March 31, 2015 Financial liabilities at fair value through profit or loss	Financial liability measured at amortized cost	Hedging derivative instruments	Total
Current financial liabilities				
Trade and other accounts payable	₩ -	₩ 1,751,948	₩ -	₩ 1,751,948
Financial liabilities at fair value through profit or loss	13,775	-	-	13,775
Short-term borrowings	-	2,444,640	-	2,444,640
Long-term borrowings	-	190,839	-	190,839
Debentures	-	2,161,432	-	2,161,432
Derivative financial liabilities	-	-	116,769	116,769
Total	₩ 13,775	₩ 6,548,859	₩ 116,769	₩ 6,679,403

(In millions of Korean won)	March 31, 2015 Financial liabilities at fair value through profit or loss	Financial liability measured at amortized cost	Hedging derivative instruments	Total
Non-current financial liabilities				
Trade and other accounts payable	₩ -	₩ 1,971,086	₩ -	₩ 1,971,086
Financial liabilities at fair value through profit or loss	218,122	-	-	218,122
Long-term borrowings	-	448,158	-	448,158
Debentures	-	22,343,670	-	22,343,670
Derivative financial liabilities	-	-	251,532	251,532
Total	₩ 218,122	₩ 24,762,914	₩ 251,532	₩ 25,232,568

(In millions of Korean won)	**December 31, 2014** **Financial assets at fair value through profit or loss**	**Loans and receivables**	**Held-to-maturity financial assets**	**Hedging derivative instruments**	**Total**
Current financial assets					
Cash and cash equivalents	₩ -	₩ 209,434	₩ -	₩ -	₩ 209,434
Financial financial at fair value through profit or loss	12,564	-	-	-	12,564
Held-to-maturity financial assets	-	-	750	-	750
Loans and receivables	-	136	-	-	136
Short-term financial instruments	-	17,015	-	-	17,015
Derivative instrument assets	-	-	-	29,116	29,116
Trade and other accounts receivable	-	7,694,672	-	-	7,694,672
Total	₩ 12,564	₩ 7,921,257	₩ 750	₩ 29,116	₩ 7,963,687

(In millions of Korean won)	**December 31, 2014** **Financial assets at fair value through profit or loss**	**Loans and receivables**	**Available-for-sale financial assets**	**Held-to-maturity financial assets**	**Hedging derivative instruments**	**Total**
Non-current financial assets						
Financial assets at fair value through profit or loss	₩ 46,407	₩ -	₩ -	₩ -	₩ -	₩ 46,407
Available-for-sale financial assets	-	-	492,875	-	-	492,875
Held-to-maturity financial assets	-	-	-	1,666	-	1,666
Loans	-	171,094	-	-	-	171,094
Derivative financial assets	-	-	-	-	44	44
Trade and other accounts receivable	-	195,743	-	-	-	195,743
Total	₩ 46,407	₩ 366,837	₩ 492,875	₩ 1,666	₩ 44	₩ 907,829

(In millions of Korean won)	December 31, 2014 Financial liabilities at fair value through profit or loss	Financial liability measured at amortized cost	Hedging derivative instruments	Total
Current financial liabilities				
Trade and other accounts payable	₩ -	₩ 3,471,350	₩ -	₩ 3,471,350
Financial liabilities at fair value through profit or loss	9,826	-	-	9,826
Short-term borrowings	-	3,236,271	-	3,236,271
Long-term borrowings	-	414,575	-	414,575
Debentures	-	2,474,811	-	2,474,811
Derivative financial liabilities	-	-	114,097	114,097
Total	₩ 9,826	₩ 9,597,007	₩ 114,097	₩ 9,720,930

(In millions of Korean won)	December 31, 2014 Financial liabilities at fair value through profit or loss	Financial liability measured at amortized cost	Hedging derivative instruments	Total
Non-current financial liabilities				
Trade and other accounts payable	₩ -	₩ 2,046,966	₩ -	₩ 2,046,966
Financial liabilities at fair value through profit or loss	214,872	-	-	214,872
Long-term borrowings	-	244,093	-	244,093
Debentures	-	22,085,882	-	22,085,882
Derivative financial liabilities	-	-	187,767	187,767
Total	₩ 214,872	₩ 24,376,941	₩ 187,767	₩ 24,779,580

Details of financial income and expenses for the three-month periods ended March 31, 2015 and 2014, are as follows:

(In millions of Korean won)	2015	2014
Cash and cash equivalents		
Interest income	₩ 1,710	₩ 1,216
Gains (losses) on foreign currency transactions	137	(172)
Gains on foreign currency translation	900	14,698
Financial assets at fair value through profit or loss		
Gains on valuation of instruments	23,974	20,142
Gains on transaction of derivative instruments	40,652	28,484
Loans and receivables		
Interest income	2,288	2,914
Gains on foreign currency transactions	537	477
Gains on foreign currency translation	15,662	33,846
Available-for-sale financial assets		
Dividends income	21,772	-
Held-to-maturity financial assets		
Interest income	12	13
Financial liabilities at fair value through profit or loss		
Losses on valuation of derivative instruments	(46,009)	(40,036)
Losses on transaction of derivative instruments	(45,217)	(13,909)
Financial liabilities measured at amortized cost		
Interest expense	(249,789)	(260,515)
Gains (losses) on foreign currency transactions	14,973	(18,337)
Losses on foreign currency translation	(2,727)	(21,758)
Comprehensive losses recognized during the period	(15,675)	(35,630)
Hedging derivative instruments		
Interest expense	(24,887)	(25,041)
Comprehensive income recognized during the period	1,758	16,511
Others		
Capitalization of interest	69,193	60,624
Total	₩ (190,736)	₩ (236,473)

29. Risk Management

(a) Risk management framework

The Group manages various risks that may incur by each business unit and the main risks are capital risk, credit risk, liquidity risk, exchange rate risk, interest rate risk and others. These risks are recognized, measured, controlled and reported in accordance with the basic policy for risk management determined by the Group.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

(b) Equity risk 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.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'short and long-term borrowings' as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

The gearing ratios as of March 31, 2015 and December 31, 2014, are as follows:

(In millions of Korean won, except net liabilities ratio)

	March 31, 2015	December 31, 2014
Liabilities		
Short-term borrowings	₩ 2,444,640	₩ 3,236,271
Current portion of long-term debt	190,839	414,575
Current portion of debentures	2,161,432	2,474,811
Current portion of finance lease liabilities	286,551	278,487
Long-term borrowings, net of current portion	448,158	244,093
Debentures, net of current portion	22,343,670	22,085,882
Finance lease liabilities, net of current portion	1,841,839	1,908,988
Total Liabilities	29,717,129	30,643,107
Cash equivalents		
Cash and cash equivalents	1,024,222	209,434
Short-term financial instruments	18,151	17,015
Total cash equivalents	1,042,373	226,449
Net debt	28,674,756	30,416,658
Total equity	10,271,530	9,724,375
Total capital	₩ 38,946,286	₩ 40,141,033
Gearing ratio	73.63%	75.77%

(c) Financial risk management

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets. The book value of financial assets means maximum exposure in respect of credit and counterparty risk.

The maximum exposure by credit risks as of March 31, 2015 and December 31, 2014, are summarized as follows:

(In millions of Korean won)		**March 31, 2015**		**December 31, 2014**
Cash and cash equivalents	₩	1,022,498	₩	207,494
Financial assets at fair value through profit or loss		46,892		58,970
Short-term and long-term financial instruments		18,151		17,015
Held-to-maturity financial assets		2,394		2,415
Loans		173,713		171,230
Trade and other accounts receivable		6,681,992		7,890,415
Derivative financial assets		30,085		29,160
Financial guarantee contracts[1]		363,709		112,561
Total	₩	8,339,434	₩	8,489,260

[1] The amount is the maximum guaranteed amount that the Group should pay upon the guarantee's claims.

Details of financial guarantee contracts as of March 31, 2015, are as follows:

(In millions of Korean won, In thousands of US dollars and Canadian dollars)	**Currency**			**Total guaranteed amount**
Related parties				
CORDOVA GAS RESOURCES LTD	CAD	27,000	₩	23,534
TERMINAL KMS de GNL, S. De R.L. De C.V.	USD	32,526		35,941
TERMINAL KMS de GNL, S. De R.L. De C.V.	USD	8,500		9,393
Sulawesi LNG Development Limited	USD	38,127		42,130
Sulawesi LNG Development Limited	USD	228,698		252,711

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. The management of the Group believes that they are able to repay the financial liabilities by cash flows from operating activities and cash inflows from financial assets.

Aggregate maturities of the Group's financial liabilities as of March 31, 2015, are summarized as follows:

(In millions of Korean won)	Book value	Cash flows in contract	1 year or less	1 ~ 5 years	More than 5 years
Non-derivative financial liabilities					
Debentures	₩ 24,505,102	₩ 30,879,493	₩ 3,015,301	₩ 13,083,016	₩ 14,781,176
Borrowings	3,083,636	3,103,659	2,644,010	319,022	140,627
Finance lease liabilities	2,128,390	2,336,483	315,572	1,260,667	760,244
Trade and other accounts payable[1]	1,594,645	1,594,645	1,465,397	129,248	-
Other guarantee	21,395	363,709	363,709	-	-
Total	₩ 31,333,168	₩ 38,277,989	₩ 7,803,989	₩ 14,791,953	₩ 15,682,047
Derivative financial liabilities					
Derivative financial liabilities	₩ 600,198	₩ 646,273	₩ 150,588	₩ 404,345	₩ 91,340

[1] These trade and other accounts payable exclude finance lease liabilities.

Aggregate maturities of the Group's financial liabilities as of December 31, 2014, are summarized as follows:

(In millions of Korean won)	Book value	Cash flows in contract	1 year or less	1 ~ 5 years	More than 5 years
Non-derivative financial liabilities					
Debentures	₩ 24,560,692	₩ 31,043,626	₩ 3,344,693	₩ 12,770,360	₩ 14,928,573
Borrowings	3,894,939	3,912,462	3,664,296	107,789	140,377
Finance lease liabilities	2,187,475	2,420,310	309,220	1,282,211	828,879
Trade and other accounts payable[1]	3,330,842	3,330,842	3,192,864	137,978	-
Other guarantee	23,207	112,561	112,561	-	-
Total	₩ 33,997,155	₩ 40,819,801	₩ 10,623,634	₩ 14,298,338	₩ 15,897,829
Derivative financial liabilities					
Derivative financial liabilities	₩ 526,562	₩ 661,642	₩ 156,237	₩ 423,304	₩ 82,101

[1] These trade and other accounts payable exclude finance lease liabilities.

Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily the US Dollars (USD), but also Canadian Dollars (CAD) and Australian Dollars (AUD). Foreign exchange risk on interests and principals of borrowings and bonds denominated in foreign currency is hedged by currency swap contracts which have identical redemption date and maturity date of the borrowings and bonds.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

The book values of foreign currency assets and liabilities as of March 31, 2015 and December 31, 2014, are summarized as follows:

(In millions of Korean won)	March 31, 2015						
	USD	**EUR**	**AUD**	**CAD**	**JPY**	**CHF**	**GBP**
Assets							
Cash and cash equivalents	₩ 222,680	₩ 1,071	₩ 25,963	₩ -	₩ -	₩ -	₩ -
Trade and other accounts receivable	430,813	-	331	1,468	247	-	-
Loans and receivables	91,075	2	99	-	-	-	-
Available-for-sale financial assets	-	-	-	-	-	-	-
Total assets	744,568	1,073	26,393	1,468	247	-	-
Liabilities							
Trade and other accounts payable	1,235,395	282	95,990	-	-	-	348
Borrowings	2,818,129	-	-	-	-	-	-
Debentures	6,243,250	703,701	253,680	261,486	441,725	1,085,632	-
Finance lease liabilities	2,128,390	-	-	-	-	-	-
Financial guarantee liabilities	2,830	-	-	-	-	-	-
Total liabilities	12,427,994	703,983	349,670	261,486	441,725	1,085,632	348
Net exposure	₩ (11,683,426)	₩ (702,910)	₩ (323,277)	₩ (260,018)	₩ (441,478)	₩ (1,085,632)	₩ (348)

(In millions of Korean won)	March 31, 2015 THB	CNY	MXN	RUB	HKD	AED	MZN	IQD
Assets								
Cash and cash equivalents	₩ 27	₩ -	₩ 37	₩ -	₩ -	₩ 57	₩ 495	₩ 127
Trade and other accounts receivable	-	-	-	-	-	-	-	-
Loans and receivables	-	-	-	130	-	-	-	-
Available-for-sale financial assets	-	-	-	-	-	15	-	-
Total assets	27	-	37	130	-	72	495	127
Liabilities								
Trade and other accounts payable	-	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-	-
Debentures	-	28,475	-	-	113,992	-	-	-
Finance lease liabilities	-	-	-	-	-	-	-	-
Financial guarantee liabilities	-	-	-	-	-	-	-	-
Total liabilities	-	28,475	-	-	113,992	-	-	-
Net exposure	₩ 27	₩ (28,475)	₩ 37	₩ 130	₩ (113,992)	₩ 72	₩ 495	₩ 127

(In millions of Korean won)	December 31, 2014 USD	EUR	AUD	CAD	JPY	CHF	MYR
Assets							
Cash and cash equivalents	₩ 113,579	₩ 777	₩ 52,916	₩ 7,942	₩ -	₩ -	₩ -
Trade and other accounts receivable	630,760	610	82	5,188	118	-	-
Loans and receivables	127,121	-	-	-	-	-	-
Available-for-sale financial assets	56	-	1,643	-	-	-	-
Other financial assets	-	-	-	-	-	-	168
Total assets	871,516	1,387	54,641	13,130	118	-	168
Liabilities							
Trade and other accounts payable	2,676,777	3,829	157,260	8,417	-	-	-
Borrowings	2,558,050	-	-	121,908	-	-	-
Debentures	6,320,400	785,874	269,727	283,959	441,667	1,055,859	-
Finance lease liabilities	2,187,475	-	-	-	-	-	-
Financial guarantee liabilities	2,859	-	-	-	-	-	-
Other financial liabilities	2	-	-	-	-	-	-
Total liabilities	13,745,563	789,703	426,987	436,943	441,667	1,055,859	-
Net exposure	₩ (12,874,047)	₩ (788,316)	₩ (372,346)	₩ (423,813)	₩ (441,549)	₩ (1,055,859)	₩ 168

(In millions of Korean won)	December 31, 2014						
	THB	CNY	MXN	RUB	HKD	AED	MZN
Assets							
Cash and cash equivalents	₩ 27	₩ 47	₩ 1,543	₩ -	₩ -	₩ 71	₩ 179
Trade and other accounts receivable	-	-	663	-	-	-	-
Loans and receivables	-	-	-	134	-	-	-
Available-for-sale financial assets	-	-	-	-	-	-	-
Other financial assets	-	-	-	-	-	-	-
Total assets	27	47	2,206	134	-	71	179
Liabilities							
Trade and other accounts payable	-	-	4	-	-	-	-
Borrowings	-	-	-	-	-	-	-
Debentures	-	28,290	-	-	113,360	-	-
Finance lease liabilities	-	-	-	-	-	-	-
Financial guarantee liabilities	-	-	-	-	-	-	-
Other financial liabilities	-	-	-	-	-	-	-
Total liabilities	-	28,290	4	-	113,360	-	-
Net exposure	₩ 27	₩ (28,243)	₩ 2,202	₩ 134	₩ (113,360)	₩ 71	₩ 179

Foreign currency exchange rates as of March 31, 2015 and December 31, 2014, are as follows:

(In Korean won)	March 31, 2015	December 31, 2014
USD	₩ 1,105.00	₩ 1,099.20
EUR	1,196.77	1,336.52
AUD	845.60	899.09
CAD	871.62	946.53
JPY	9.20	9.20
CHF	1,142.77	1,111.43
MYR	297.60	314.24
THB	33.91	33.44
CNY	177.97	176.81
MXN	72.39	74.60
RUB	19.18	19.77
HKD	142.49	141.70
AED	300.87	299.26
MZN	29.86	32.90
IQD	0.95	0.96

Sensitivity analysis of income before taxes from changes of foreign exchange rate for the three-month period ended March 31, 2015, are as follows:

(In millions of Korean won)	10% Increase		10% Decrease	
Income before income taxes	₩	36,921	₩	(36,921)

Interest rate risk

The Group borrows funds at fixed and variable interest rate. Also, the Group's management monitors the level of interest rates and maintains the balance of borrowings at variable rates and fixed rates.

Financial instruments at variable interest rate as of March 31, 2015 and December 31, 2014, are summarized as follows:

(In millions of Korean won)	March 31, 2015		December 31, 2014	
Short-term borrowings	₩	112,260	₩	121,908
Long-term borrowings		498,369		188,531
Debentures		27,608		27,604
Finance lease liabilities		2,128,390		2,187,475
Total	₩	2,766,627	₩	2,525,518

Sensitivity analysis of income before taxes from changes of interest rate for the three-month period ended March 31, 2015 and for the year ended December 31, 2014, are as follows:

(In millions of Korean won)	March 31, 2015				December 31, 2014			
	100bp Increase		100bp Decrease		100bp Increase		100bp Decrease	
Income before income taxes	₩	(27,666)	₩	27,666	₩	(25,255)	₩	25,255

(d) Fair value of financial assets and liabilities

No significant changes in the business and economic environment that could affect the fair value of financial assets and financial liabilities occurred during the reporting period.

The level of fair value hierarchy is as follows:

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

The fair value measurements classified by fair value hierarchy as of March 31, 2015 and December 31, 2014, are as follows:

	March 31, 2015			
(In millions of Korean won)	**Level 1**	**Level 2**	**Level 3**	**Total**
Available-for-sale financial assets	₩ 1,644	₩ -	₩ 489,589	₩ 491,233
Financial assets at fair value through profit or loss	-	46,892	-	46,892
Derivative instruments assets / Foreign currency forwards	-	30,085	-	30,085
Financial liabilities at fair value through profit or loss	-	231,897	-	231,897
Derivative instruments liabilities / Foreign currency swap	-	361,652	-	361,652
Derivative instruments liabilities / Interest rate swap	-	1,499	-	1,499
Derivative instruments liabilities / Foreign currency forwards	-	5,151	-	5,151

	December 31, 2014			
(In millions of Korean won)	**Level 1**	**Level 2**	**Level 3**	**Total**
Available-for-sale financial assets	₩ 1,643	₩ -	₩ 489,589	₩ 491,232
Financial assets at fair value through profit or loss	-	58,970	-	58,970
Derivative instruments assets / Foreign currency swap	-	45	-	45
Derivative instruments assets / Foreign currency forwards	-	29,116	-	29,116
Financial liabilities at fair value through profit or loss	-	224,697	-	224,697
Derivative instruments liabilities / Foreign currency swap	-	1,441	-	1,441
Derivative instruments liabilities / Interest rate swap	-	5,639	-	5,639
Derivative instruments liabilities / Foreign currency forwards	-	294,786	-	294,786

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

(In millions of Korean won)

Category	March 31, 2015		December 31, 2014	
Available-for-sale financial assets[1]	₩	1,643	₩	1,643

[1] The available-for-sale financial assets are unlisted equities. As these assets do not have a quoted price in an active market and their fair value cannot be measured reliably, these instruments are measured at cost.

30. Related Party Transactions

List of related parties as of March 31, 2015, is as follows:

Relationship	Related parties
Subsidiaries	Korea Gas Technology Corp.
	KOGAMEX Investment Manzanillo B.V.
	KOMEX-GAS,S.de R.L de C.V
	KOGAS Iraq B.V.
	KOGAS Badra B.V.
	KOGAS Akkas B.V.
	KOGAS Mansuriya B.V.
	KOGAS Canada Ltd.
	KOGAS Canada LNG Ltd.
	KOGAS Australia Pty. Ltd.
	KOGAS Prelude Pty. Ltd.
	KG Timor Leste Ltd.
	KG Krueng Mane Ltd.
	KG Mozambique Ltd.
	KOGAS Mozambique Lda.
	KOGAS Cyprus Ltd.
	Manzanillo Gas Tech, S. de R.L. de C.V.
	KGLNG E&P Pty. Ltd.
	KGLNG Liquefaction Pty. Ltd.
	KGLNG E&PⅡ Pty. Ltd.

Relationship	Related parties
Associates	Korea Ras Laffan LNG Ltd.
	Korea LNG Ltd.
	Hyundai Yemen LNG Company
	Korea LNG Trading Co., Ltd.
	Kor-Uz Gas Chemical Investment Ltd.
	South-East Asia Gas Pipeline Company Limited
	Sulawesi LNG Development Limited
	TOMORI E&P LIMITED
	AMEC Partners Korea LTD
Joint ventures	Kor-Uz Gas cylinder Investment Ltd.
	Kor-Uz Gas C&G Investment Ltd.
	TERMINAL KMS de GNL, S. De R.L. De C.V.
	JV SACOTECH
	GLNG Operations Pty Ltd
	GLNG Property Pty Ltd
	CORDOVA GAS RESOURCES LTD
	ENH - KOGAS, SA.
	LNG Canada Development
Others[1]	Korea Electric Power Corporation
	Korea Southern Power Co., Ltd.
	Korea Midland Power co., Ltd.
	Korea Western Power Co., Ltd
	Korea East-West Power Co., Ltd.
	Korea South-East Power Co., Ltd

[1] Korea Electric Power Corporation and significant subsidiaries of Korea Electric Power Corporation, which exercises significant influence on the Group.

Significant transactions which occurred in the normal course of business with related parties for the three-month periods ended March 31, 2015 and 2014, are summarized as follows:

(In millions of Korean won)		Sales and other income		Purchases and other expense	
Related party	**Transaction**	**2015**	**2014**	**2015**	**2014**
Korea Ras Laffan LNG Ltd.	Dividends	₩ 39,290	₩ 28,550	₩ -	₩ -
Korea LNG Ltd.	Dividends	6,104	6,561	-	-
Hyundai Yemen LNG Company	Interest income	95	165	-	-
	Dividends	9,912	-	-	-
Korea LNG Trading Co., Ltd.	Costs of sales	-	-	24,116	29,813
	Interest expense	-	-	1,829	1,886
South-East Asia Gas Pipeline Company Limited	Interest income	1,236	3,921	-	-
Terminal KMS de GNL, S. de R.L. de C.V.	Miscellaneous gains	-	109	-	-
ENH-KOGAS, SA.	Construction revenue	1,312	-	-	-
Korea Electric Power Corporation	Miscellaneous gains and others	20	175	-	-
	Utility expenses and others	-	-	25,795	25,332
Korea Southern Power Co., Ltd.	Revenue[1]	540,264	1,209,052	-	-
Korea Midland Power Co., Ltd.	Revenue[1]	266,709	839,754	-	-
	Rent and others	-	-	363	492
Korea Western Power Co., Ltd.	Revenue[1]	473,410	762,552	-	-
	Utility expenses and others	-	-	118	918
Korea East-West Power Co., Ltd.	Revenue[1]	295,236	445,813	-	-
Korea South-East Power Co., Ltd.	Revenue[1]	182,288	244,462	-	-
	Fuel maintenance costs	-	-	210	175

[1] Special Consumption tax amounts are included.

Account balances with related parties as of March 31, 2015 and December 31, 2014, are summarized as follows:

(In millions of Korean won)

		Receivables		Payables	
Related party	**Account**	**March 31, 2015**	**December 31, 2014**	**March 31, 2015**	**December 31, 2014**
Korea Ras laffan LNG Ltd.	Non-trade accounts receivable	₩ 9,393	₩ 7,523	₩ -	₩ -
Korea LNG Ltd.	Non-trade accounts receivable	2,016	-	-	-
Hyundai Yemen LNG Company	Accrued income	8,491	8,396	-	-
Korea LNG Trading Co., Ltd.	Finance lease liabilities	-	-	733,986	730,134
	Current portion of finance lease liabilities	-	-	31,195	35,394
	Non-trade accounts payable	-	-	2,301	3,847
	Accrued expense	-	-	2,983	3,301
	Prepaid expense	612	927	-	-
South-East Asia Gas Pipeline Company Limited	Accrued income	-	-	-	-
Sulawesi LNG Development Limited	Non-trade accounts receivable	401	436	-	-
TERMINAL KMS de GNL, S. De R.L. De C.V.	Non-trade accounts receivable.	542	546	-	-
CORDOVA GAS RESOURCES LTD	Non-trade accounts receivable	1,019	22,659	-	-
Korea Electric Power Corporation	Non-trade accounts payable	-	-	53	68
Korea Southern Power Co., Ltd.	Trade accounts receivable	176,121	311,223	-	-
Korea Midland Power Co., Ltd.	Trade accounts receivable	69,657	235,585	-	-
Korea Western Power Co., Ltd.	Trade accounts receivable	155,452	283,772	-	-
Korea East-West Power Co., Ltd.	Trade accounts receivable	79,782	173,529	-	-
Korea South-East Power Co., Ltd.	Trade accounts receivable	51,383	99,966	-	-
	Non-trade accounts payable	-	-	51	55
ENH-KOGAS, SA.	Unbilled construction (Trade accounts receivable)	-	834	-	-
	Overbilled construction (short-term advanced receipts)	1,164	-	-	-

Loans to related parties as of March 31, 2015 and December 31, 2014, are summarized as follows:

(In millions of Korean won)		**March 31, 2015**	**December 31, 2014**
Associates	Hyundai Yemen LNG Company	₩ 15,921	₩ 15,837
	South-East Asia Gas Pipeline Company Limited	47,922	49,225
Joint venture	ENH-KOGAS, SA.	42,134	41,913
Total		₩ 105,977	₩ 106,975

Financial transactions with related parties for the three-month periods ended March 31, 2015 and for the year ended December 31, 2014, are as follows:

(In millions of Korean won)

		March 31, 2015			
		Loan transactions		Cash contribution	
Relationship	Related party	Loans	Repayment	Acquisition	Disposal
Associates	Sulawesi LNG Development Limited	₩ -	₩ -	₩ 4,755	₩ (215,316)
	South East Asia Gas Piepline Company Ltd	-	(1,554)	-	-
	TOMORI E&P LIMITED	-	-	10,582	-

The Group entered into a financial agreement proportionate to the interest percentage of the Group in accordance with the joint arrangement among the Group, the Group's subsidiaries and the Group's associates in relation to the overseas resources development.

(In millions of Korean won)

		December 31, 2014			
		Loan transactions		Cash contribution	
Relationship	Related party	Loans	Repayment	Acquisition	Disposal
Associates	Hyundai Yemen LNG	₩ -	₩ (49,055)	₩ -	₩ (7,824)
	Kor_Uz Gas Chemical Investment Ltd	-	-	185	-
	Sulawesi LNG Development Limited	-	-	40,224	-
	South-East Asia Gas Piepline Company Ltd	7,348	(497)	-	-
	TOMORI E&P LIMITED	-	-	36,912	-
Joint venture	KOMAN ENERGY FZCO	-	-	-	(1,287)
	Kor-Uz Gas cylinder Investment Ltd.	-	-	168	-
	CORDOVA GAS RESOURCES LTD	-	-	757	-
	ENH - KOGAS, SA.	12,038	-	-	-

As of March 31, 2015, the Group has provided payment guarantees amounting to USD 308 million and CAD 27 million for the long-term debts of Terminal KMS de GNL, S. de R.L. de C.V. and others to Korea Exchange Bank and others.

In addition to guarantees described above, the Group has provided guarantees for the shareholder of Donggi-Senoro LNG Company and Donggi-Senoro LNG Company on a funding obligation as a shareholder of Sulawesi LNG Development. Also the Group has provided performance guarantees for Terminal KMS de GNL, S. de R.L. de C.V.

The Group provides its shares in KOGAMEX Investment Manzanillo B.V as collaterals in relation to a transaction with Terminal KMS de GNL, S. de R.L. de C.V., and the details are as follows:

(In millions of Korean won and thousands of US dollars)

Beneficiary	Contract date	Maturity date	Collateralized amount	Carrying amount	Remark
KEXIM and others	2009.09.16	2029.08.31	USD 48,800	₩ 25	Shares invested in KOGAMEX Investment Manzanillo B.V. and all related rights

Key management compensation for the three-month periods ended March 31, 2015 and 2014, consists of:

(In millions of Korean won)	2015		2014	
Short-term employee benefits	₩	198	₩	235
Retirement benefits		20		46
Total	₩	218	₩	281

31. Purchase Agreements

As of March 31, 2015, the Group has purchase agreements for the property, plant and equipment amounting to ₩ 392,895 million (December 31, 2014: ₩ 452,718 million) related to Samcheok LNG Terminal and ₩ 586,727 million (December 31, 2014: ₩ 549,467 million) related to other main pipeline construction.

The Group's inventory purchase contracts as of March 31, 2015, are as follows:

(In thousands of tons)	Contract period	Total contract quantity
PT PERTAMINA	1998~2017	1,000
DSLNG	2015~2027	700
MLNG	1995~2018 [1]	2,000
	2008~2028	2,000
Rasgas Company Limit	1999~2024	4,920
	2007~2026	2,100
	2012~2016 [2]	1,500~2,000
	2013~2032 [3]	1,500~2,000
Oman LNG LLC	2000~2024	4,060
Yemen LNG Company	2008~2028	2,000
Sakhalin Energy Inve	2008~2028	1,500
BRUNEI LNG SENDIRIAN	1997~2018	1,000
the East Sea gas field	2004~2018	400
North West Shelf Aus	2003~2016	500
GLNG	2015~2035	3,500
Shell Eastern LNG	2013~2038	3,640
TOTAL	2014~2031	2,000
Savine Pass LNG	2017~2037	2,800
BG LNG Trading, LLC	2008~2016	1,320

[1] 1,000,000 tons from 2015 to 2018.

[2] 2,000,000 tons after 2015.

[3] 2,000,000 tons after 2015.

The Group entered into a royalty payment agreement with Tri-star Petroleum Company and another company in relation to GLNG in Australia, and recognized fair value of payment obligation as other non-current liabilities (carrying amount of ₩70,296 million). In connection to this, the Group is required to obtain consent to the disposal of drilling rights (carrying amount of ₩952,118 million).

32. Commitments and Contingencies

The Group is involved in various lawsuits and claims for alleged damages totaling ₩ 6,992 million and USD 1,740 thousand and ₩ 10,276 million as of March 31, 2015 and December 31, 2014, respectively, which arose in the ordinary course of business. No provision was recorded related to lawsuits. Management is of the opinion that the foregoing lawsuits and claims will not have a materially adverse effect on the Group's financial position, operating results or cash flows. Additional losses can arise based on the outcome of the lawsuits.

As of March 31, 2015, the Group has provided guarantees on the payment of debts amounting to USD 1,333 thousand (December 31, 2014: USD 1,333 thousand).

The Group provides its shares in Kor-Uz Gas Chemical Investment Ltd. as a collateral in relation to borrowings of Uz-Kor Gas Chemical LLC, a company owned by Kor-Uz Gas Chemical Investment Ltd. The borrowings are to be provided by the creditors of Uz-Kor Gas Chemical LLC. Details of collaterals provided by the Group as of March 31, 2015, are as follows:

(In millions of Korean won and thousands of US dollars)

Beneficiary	Contract date	Maturity date	Collateralized amount	Carrying amount (In millions)	Remark
ING Bank N.V	2013.01.14	2027.06.20	USD 310,140[1]	₩ 330,694	Shares invested in Kor-Uz and all related rights
Bank of Tokyo Mitsubishi	2008.05.19	Until the completion of the obligation performance (2023 is the expected year)	USD 2	489,589	Providing guarantees to perform obligations related to PF of YLNG
			Equity Funding	7,982	

[1] The collateralized amount is subject to a change based on a future investment plan.

Details of commitments held by the Group as of March 31, 2015, are as follows:

(In millions of Korean won and Japanese yen and in thousands of US dollars, Canadian dollars, Euros and Great British Pound)

	Financial institutions	Limit		Amount	
Commercial paper issuance	Hana Bank	KRW	3,000	KRW	-
Corporate card	Korea Exchange Bank	KRW	3,000	KRW	1,328
Bank overdraft	Hana Bank and others	KRW	310,000	KRW	-
General loan	Korea Exchange Bank and others	KRW	355,328	KRW	5,328
Foreign currency borrowings	The Export-Import Bank of Korea and others	USD	3,375,000	USD	2,111,000
		CAD	55,000	CAD	-
Foreign currency commitment	Mitsui Sumitomo and others	USD	552,000	USD	503,553
				EUR	6,000
		CAD	227,000	CAD	155,794
Commitments to letter of credit	Korea Exchange Bank	USD	52,000	EUR	2,577
				GBP	213
Loans secured by accounts receivables electronically	Hana Bank	KRW	3,000	KRW	-

Total comprehensive limit amounts to ₩400,000 million including a bank overdraft, a general loan, and other commitments in foreign currency amounting to ₩200,000 million, ₩300,000 million and USD 100 million, respectively, with Korea Exchange Bank, which is included in the above table.

The activities of the gas field development project are mostly limited to the KOGAS Akkas B.V. and KOGAS Mansuriya B.V., which represent 0.8% of the Group’s total assets as of December 31, 2014, are design and purchase of ground facilities due to the civil war in Iraq. The related field work is expected to resume when safety of the gas field is ensured.

Independent Auditor's Report

To the Shareholders and Board of Directors of
Korea Gas Corporation

We have audited the accompanying consolidated financial statements of Korea Gas Corporation and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as of December 31, 2014, 2013 and 2012 and the consolidated statements of 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.

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.

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 Korea Gas Corporation and its subsidiaries as of December 31, 2014, 2013 and 2012 and their financial performance and cash flows for the years then ended in accordance with Korean IFRS.

Other Matters

The consolidated financial statements of the Group as of and for the years ended December 31, 2013 and 2012 were audited in accordance with the previous Korean Standards on Auditing.

We did not audit the financial statements of Korea Gas Technology Corp. and certain other consolidated subsidiaries, whose financial statements represent 12.1% and 12% of the Group's consolidated total assets as of December 31, 2013 and 2012, respectively and 0.3% and 2% of the Group's consolidated total sales for the years ended December 31, 2013 and 2012, respectively and the financial statements of Korea Ras Laffan LNG Ltd. and certain other associate, whose financial statements represent 1.8% of the Group's consolidated total assets as of December 31, 2013, and 87.9% of the Group's consolidated profit before income tax for the year ended December 31, 2013. These statements were audited by other auditors whose reports have been furnished to us and our opinion, insofar as it relates to the amounts included for Korea Gas Technology Corp. and certain other consolidated subsidiaries and Korea Ras Laffan LNG Ltd. and certain other associate, is based solely on the reports of the other auditors.

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.

/s/ Samil PricewaterhouseCoopers
Seoul, Korea
March 12, 2015

This report is effective as of March 12, 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.

Korea Gas Corporation and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2014, 2013 and 2012

(In millions of Korean won)	Notes		2014	2013	2012
Assets					
Current assets					
Cash and cash equivalents	5,6,43	₩	209,434	222,566	245,466
Financial assets at fair value through profit or loss	7,43		12,564	29,197	15,327
Held-to-maturity financial assets	10,43		750	144	139
Short-term loans	11,43		136	112	439
Short-term financial instruments	12,43		17,015	28,920	61,582
Derivative financial assets	7,43		29,116	-	-
Trade and other accounts receivable	8,43		7,694,672	7,424,596	8,066,955
Inventories	13		3,579,493	2,493,238	1,894,016
Prepaid income taxes			541	1,423	967
Non-financial assets	14		2,142,626	2,039,251	1,500,765
Assets held for sale	40		104,983	-	-
			13,791,330	12,239,447	11,785,656
Non-current assets					
Financial assets at fair value through profit or loss	7,43		46,407	82,822	42,081
Available-for-sale financial assets	9,43		492,875	306,132	24,401
Held-to-maturity financial assets	10,43		1,666	2,009	1,430
Loans	11,43		171,094	281,948	345,763
Long-term financial assets	12,43		-	1,000	-
Non-current Derivative financial assets	7,43		45	14,758	1,349
Long-term trade and other accounts receivable	8,43		195,743	183,967	188,316
Property, plant and equipment	16		25,032,075	22,457,633	19,582,966
Intangible assets	18		2,234,249	2,075,332	2,406,601
Investments in associates and joint ventures	15		1,742,243	1,782,488	1,579,492
Deferred tax assets	39		69,001	40,425	18,859
Non-current Non-financial assets	14		2,995,294	4,198,415	4,644,805
			32,980,692	31,426,929	28,836,063
Total assets		₩	46,772,022	43,666,376	40,621,719

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

Korea Gas Corporation and Subsidiaries
Consolidated Statements of Financial Position
Years Ended December 31, 2014, 2013 and 2012

(In millions of Korean won)	Notes		2014	2013	2012
Liabilities					
Current liabilities					
Trade and other accounts payable	20,43	₩	3,471,350	2,646,330	3,124,295
Financial liabilities at fair value through profit or loss	7,19,43		9,826	7,724	4,382
Short-term borrowings	21,43		3,236,271	3,218,493	4,626,514
Current portion of long-term borrowings	21,43		414,575	99,556	110,184
Current portion of debentures	21,43		2,474,811	2,159,100	2,170,153
Derivative financial liabilities	7,43		114,098	54,716	22,168
Current tax liabilities	39		14,171	23,146	13,544
Other current non-financial liabilities	27		74,723	76,676	60,991
Current provisions	24		52,288	52,664	50,919
			9,862,113	8,338,405	10,183,150
Non-current liabilities					
Long-term trade and other accounts payable	20,43		2,046,967	2,280,341	2,494,278
Non-current financial liabilities at fair value through profit or loss	7,19,43		214,872	141,027	95,380
Long-term borrowings	21,43		244,093	626,352	409,291
Debentures	21,43		22,085,881	20,697,002	17,009,901
Non-current derivative financial liabilities	7,43		187,767	162,651	93,242
Other non-financial liabilities	27		6,924	10,214	26,775
Employee benefit liabilities	23		47,659	55,383	24,867
Deferred tax liabilities	39		2,131,508	2,234,574	1,777,082
Non-current provisions	24		219,863	187,648	138,787
			27,185,534	26,395,192	22,069,603
Total liabilities			37,047,647	34,733,597	32,252,753
Equity					
Capital stock	1,28		461,565	461,565	386,423
Share premium	28		1,303,548	1,303,545	669,640
Retained earnings	29,30		6,137,500	5,669,113	5,995,870
Hybrid bonds	31		308,157	-	-
Other equity	32		1,513,605	1,498,556	1,326,400
Equity attributable to owners of the Corporation			9,724,375	8,932,779	8,378,333
Non-controlling interests			-	-	(9,367)
Total equity			9,724,375	8,932,779	8,368,966
Total liabilities and equity		₩	46,772,022	43,666,376	40,621,719

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

Korea Gas Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2014, 2013 and 2012

(In millions of Korean won, except earnings per share)	Notes		2014	2013	2012
Revenue	33	₩	37,284,867	38,062,712	35,031,319
Cost of sales	41		35,856,993	36,214,797	33,421,893
Gross profit			1,427,874	1,847,915	1,609,426
Selling, general and administrative expenses	34,41		355,968	359,708	342,774
Operating income			1,071,906	1,488,207	1,266,652
Other income	35		4,811	6,259	5,216
Other expenses	35		51,504	15,137	13,029
Other gains(losses)	36		(16,279)	(610,022)	7,888
Finance income	37		528,544	855,444	499,905
Finance cost	38		1,249,987	1,694,005	1,362,962
Gains from associates and joint ventures			96,625	118,368	114,857
Income before income tax			384,116	149,114	518,527
Income tax expense(benefit)	39		(63,107)	352,753	156,481
Net income(loss)			447,223	(203,639)	362,046
Other comprehensive income (loss), net of income tax					
Items that will not be reclassified subsequently to profit or loss					
Remeasurement of net defined benefit liabilities			22,217	(6,971)	(5,863)
Items that will be reclassified subsequently to profit or loss					
Change in fair value of available-for-sale financial assets			140,725	213,835	9,590
Effective portion of changes in fair value of cash flow hedges			(95,163)	2,673	148,671
Foreign currency translation gains(losses) from overseas operations			160,736	(132,568)	(270,834)
Hedges of net investment in foreign operation			(137,556)	87,348	235,793
Share of other comprehensive income(loss) items of associates and joint ventures			(53,693)	868	(99,154)
			37,266	165,185	18,203
Total comprehensive income(loss)		₩	484,489	(38,454)	380,249

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

Korea Gas Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2014, 2013 and 2012

(In millions of Korean won, except earnings per share)	Notes		2014	2013	2012
Net income(loss) attributable to:					
Owners of the Corporation		₩	447,223	(200,707)	366,675
Non-controlling interests			-	(2,932)	(4,629)
			447,223	(203,639)	362,046
Total comprehensive income (loss) attributable to:					
Owners of the Corporation			484,489	(35,522)	384,105
Non-controlling interests			-	(2,932)	(3,856)
			484,489	(38,454)	380,249
Earnings(loss) per share in Korean won					
Basic earnings(loss) per share	42	₩	5,091	(2,669)	5,050
Diluted earnings(loss) per share			5,007	(2,669)	5,050

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

Korea Gas Corporation and Subsidiaries
Consolidated Statements of Changes in Equity
Years Ended December 31, 2014, 2013 and 2012

(In millions of Korean won)	Capital stock	Share premium	Retained earnings	Other components of equity	Owners of the Corporation	Non-controlling interests	Total equity
Balance at January 1, 2012	₩ 386,423	₩ 669,640	₩ 5,690,241	₩ 1,303,107	₩ 8,049,411	₩ (5,510)	₩ 8,043,901
Comprehensive income							
Net income	-	-	366,675	-	366,675	(4,629)	362,046
Other comprehensive income							
Items that will not be reclassified subsequently to profit or loss							
Remeasurement of net defined benefit liabilities	-	-	(5,863)	-	(5,863)	-	(5,863)
Items that will be reclassified subsequently to profit or loss							
Change in fair value of available-for-sale financial assets	-	-	-	9,590	9,590	-	9,590
Effective portion of changes in fair value of cash flow hedges	-	-	-	147,898	147,898	773	148,671
Hedges of net investment in a foreign operation	-	-	-	235,793	235,793	-	235,793
Share of other comprehensive income of associates and joint ventures	-	-	-	(99,154)	(99,154)	-	(99,154)
Foreign currency translation gains(losses) from overseas operations	-	-	-	(270,834)	(270,834)	-	(270,834)
Transaction with owners of the Corporation, recognized directly in equity							
Dividends paid	-	-	(55,183)	-	(55,183)	(1)	(55,184)
Balance at December 31, 2012	₩ 386,423	₩ 669,640	₩ 5,995,870	₩ 1,326,400	₩ 8,378,333	₩ (9,367)	₩ 8,368,966

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

Korea Gas Corporation and Subsidiaries
Consolidated Statements of Changes in Equity
Years Ended December 31, 2014, 2013 and 2012

(In millions of Korean won)	**Capital stock**	**Share premium**	**Retained earnings**	**Other components of equity**	**Owners of the Corporation**	**Non-controlling interests**	**Total equity**
Balance at January 1, 2013	₩ 386,423	₩ 669,640	₩ 5,995,870	₩ 1,326,400	₩ 8,378,333	₩ (9,367)	₩ 8,368,966
Comprehensive income							
Net loss	-	-	(200,707)	-	(200,707)	(2,932)	(203,639)
Other comprehensive income							
Items that will not be reclassified subsequently to profit or loss							
Remeasurement of net defined benefit liabilities	-	-	(6,971)	-	(6,971)	-	(6,971)
Items that will be reclassified subsequently to profit or loss							
Change in fair value of available-for-sale financial assets	-	-	-	213,835	213,835	-	213,835
Effective portion of changes in fair value of cash flow hedges	-	-	-	2,673	2,673	-	2,673
Hedges of net investment in a foreign operation	-	-	-	87,348	87,348	-	87,348
Share of other comprehensive income of associates and joint ventures	-	-	-	868	868	-	868
Foreign currency translation gains(losses) from overseas operations	-	-	-	(132,568)	(132,568)	-	(132,568)
Transaction with owners of the Corporation, recognized directly in equity							
Stock issuance	75,142	633,905	-	-	709,047	-	709,047
Dividends paid	-	-	(119,079)	-	(119,079)	(1)	(119,080)
Changes in scope of consolidation	-	-	-	-	-	12,300	12,300
Balance at December 31, 2013	₩ 461,565	₩ 1,303,545	₩ 5,669,113	₩ 1,498,556	₩ 8,932,779	₩ -	₩ 8,932,779

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

Korea Gas Corporation and Subsidiaries
Consolidated Statements of Changes in Equity
Years Ended December 31, 2014, 2013 and 2012

(In millions of Korean won)	Capital stock	Share premium	Retained earnings	Hybrid bonds	Other components of equity	Owners of the Corporation	Non-controlling interests	Total equity
Balance at January 1, 2014	₩ 461,565	₩ 1,303,545	₩ 5,669,113	₩ -	₩ 1,498,556	₩ 8,932,779	₩ -	₩ 8,932,779
Comprehensive income								
Net income	-	-	447,223	-	-	447,223	-	447,223
Other comprehensive income								
Items that will not be reclassified subsequently to profit or loss								
Remeasurement of net defined benefit liability	-	-	22,217	-	-	22,217	-	22,217
Items that will be reclassified subsequently to profit or loss								
Change in fair value of available-for-sale financial assets	-	-	-	-	140,725	140,725	-	140,725
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	(95,163)	(95,163)	-	(95,163)
Hedges of net investment in a foreign operation	-	-	-	-	(137,556)	(137,556)	-	(137,556)
Share of other comprehensive income of associates and joint ventures	-	-	-	-	(53,693)	(53,693)	-	(53,693)
Foreign currency translation gains(losses) from overseas operations	-	-	-	-	160,736	160,736	-	160,736
Transaction with owners of the Corporation, recognized directly in equity								
Issuance of hybrid bonds	-	-	-	308,157	-	308,157	-	308,157
Others	-	3	(1,053)	-	-	(1,050)	-	(1,050)
Balance at December 31, 2014	₩ 461,565	₩ 1,303,548	₩ 6,137,500	₩ 308,157	₩ 1,513,605	₩ 9,724,375	₩ -	₩ 9,724,375

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

Korea Gas Corporation and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2014, 2013 and 2012

(In millions of Korean won)		2014	2013	2012
Cash flows from operating activities				
Net income(loss)	₩	447,223	(203,639)	362,046
Adjustments for:				
Income tax expense(benefit)		(63,107)	352,753	156,481
Interest expense		843,046	837,532	857,312
Depreciation and amortization expense		1,147,274	1,122,329	1,056,422
Gains on foreign currency translation, net		(158,852)	(1,655)	(21,606)
Impairment loss recognized in profit or loss		43,799	603,571	-
Losses(gains) on valuation of derivative instruments, net		107,488	(16,568)	7,525
Losses on disposal of non-current assets		9,692	12,348	1,058
Other, net		(90,729)	(86,877)	(65,604)
Changes in operating assets and liabilities				
Inventories		(1,086,090)	(599,779)	1,468,071
Trade accounts receivable		(302,755)	651,211	(1,567,049)
Other receivables		1,141,680	73,994	(1,304,010)
Trade accounts payable		895,404	(544,641)	227,690
Other payables		(65,121)	(56,475)	(3,535)
Net cash generated from operation		2,868,952	2,144,104	1,174,801
Dividends received		139,213	132,944	121,663
Interest paid		(972,230)	(923,370)	(903,458)
Interest received		14,006	12,159	13,807
Income taxes paid		(19,649)	(5,704)	(3,434)
Net cash provided by operating activities		2,030,292	1,360,133	403,379
Cash flows from investing activities				
Loss of control in subsidiaries and other entities		-	(413)	-
Proceeds from disposal of equity or debt instruments		9,046	-	-
Acquisition of equity or debt instruments		(78,252)	(220,245)	(391,456)
Proceeds from disposal of investments in joint ventures		666	8,760	-
Acquisition of investments in joint ventures		-	(715)	(17,161)
Proceeds from disposal of property, plant and equipment		21,080	1,294	23,312
Acquisition of property, plant and equipment		(3,387,815)	(3,815,059)	(3,210,574)
Receipt of government grants		934	38,134	39,244
Proceeds from disposal of intangible assets		(10,342)	902	1,589
Acquisition of intangible assets		(329,416)	(572,533)	(1,102,103)
Proceeds from disposal of available-for-sale financial assets		-	5	5
Acquisition of available-for-sale financial assets		(20)	-	-
Proceeds from disposal of held-to-maturity financial assets		144	142	311
Acquisition of held-to-maturity financial assets		(407)	(726)	(268)
Increase in loans		(41,009)	(59,636)	(42,187)
Decrease in loans		169,780	118,658	50,665
Others, net		(29,801)	32,148	(66,243)
Net cash used in investing activities	₩	(3,675,412)	(4,469,284)	(4,714,866)

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

Korea Gas Corporation and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2014, 2013 and 2012

(In millions of Korean won)		2014	2013	2012
Cash flows from financing activities				
Stock issuance		-	709,047	-
Return of registration fees		3	-	-
Issuance of hybrid bonds		308,157	-	-
Interest payment of hybrid bonds		(1,389)	-	-
Proceeds from borrowings		25,814,155	26,633,410	38,294,035
Repayments of borrowings		(25,872,401)	(27,774,774)	(37,114,423)
Proceeds from issuance of debentures		3,778,738	6,112,765	4,894,341
Repayments of debentures		(2,160,778)	(2,170,172)	(1,310,000)
Payments of finance lease liabilities		(269,635)	(265,665)	(231,950)
Dividends paid		-	(119,079)	(55,184)
Net cash provided by financing activities		1,596,850	3,125,532	4,476,819
Exchange gains on cash and cash equivalents		35,138	(39,281)	(74,441)
Net increase (decrease) in cash and cash equivalents		(48,270)	16,381	165,332
Cash and cash equivalents at beginning of year		222,566	245,466	154,575
Cash and cash equivalents at end of year	₩	209,434	222,566	245,466

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

1. General Information

Korea Gas Corporation ("KOGAS" or the "Corporation") was incorporated as a government-invested entity on August 18, 1983, under the Korea Gas Corporation Act to engage in the development, production and distribution of liquefied natural gas (LNG). Under Article 3 and Article 5 of the supplementary provisions of the 'Act on the Management of Public Institution', it was designated as "Market-Oriented Public Enterprise" on April 2, 2007.

The Corporation's stock was listed on the Korea Stock Exchange on December 15, 1999. The ownership of the Corporation's common stock issued as of December 31, 2014 is as follows:

Shareholder	Number of shares	Percentage of ownership
Government of the Republic of Korea	24,144,353	26.2%
Korea Electric Power Corporation	18,900,000	20.5%
Others	44,592,887	48.2%
	87,637,240	94.9%
Treasury stock[1]	4,675,760	5.1%
	92,313,000	100.0%

[1] The treasury stock which can be exchanged for hybrid bonds issued by the Corporation is deposited with the Korea Securities Depository.

Details of the consolidated subsidiaries as of December 31, 2014, 2013 and 2012, are as follows:

Subsidiary	Business	Location	Percentage of ownership 2014	2013	2012
Korea Gas Technology Corporation	Construction&service	Korea	100.00%	100.00%	100.00%
KOGAMEX Investment Manzanillo B.V.	Service	Netherlands	100.00%	100.00%	100.00%
KOMEX-GAS, S. de R.L. de C.V.	LNG terminal construction	Mexico	99.97%	99.97%	99.97%
KOGAS Vostok LLC	LNG terminal inspection	Russia	-	-	100.00%
KOGAS Iraq B.V.	Resource development	Netherlands	100.00%	100.00%	100.00%
KOGAS Badra B.V.	Resource development	Netherlands	100.00%	100.00%	100.00%
KOGAS Akkas B.V.	Resource development	Netherlands	100.00%	100.00%	100.00%
KOGAS Mansuriya B.V.	Resource development	Netherlands	100.00%	100.00%	100.00%
KOGAS Canada Ltd.	Resource development	Canada	100.00%	100.00%	100.00%
KOGAS Canada LNG Ltd.	Resource development	Canada	100.00%	100.00%	100.00%
KOGAS Australia Pty. Ltd.	Resource development	Australia	100.00%	100.00%	100.00%

KOGAS Prelude Pty. Ltd.	Resource development	Australia	100.00%	100.00%	100.00%
KG Timor Leste Ltd.	Resource development	Marshall Islands	100.00%	100.00%	100.00%
KG Krueng Mane Ltd.	Resource development	Marshall Islands	100.00%	100.00%	100.00%
KG Mozambique Ltd.	Resource development	Marshall Islands	100.00%	100.00%	100.00%
KOGAS Mozambique, Lda.	Construction&service	Mozambique	99.99%	99.99%	99.99%
Manzanillo Gas Tech, S. de R.L. de C.V.	LNG terminal operation	Mexico	51.00%	51.00%	51.00%
KGLNG E&P Pty Ltd.	Resource development	Australia	100.00%	100.00%	100.00%
KGLNG E&P Ⅱ Pty Ltd.	Resource development	Australia	100.00%	100.00%	100.00%
KGLNG Liquefaction Pty Ltd.	LNG plant management	Australia	100.00%	100.00%	100.00%
KOGAS Cyprus Ltd.	Resource development	Cyprus	100.00%	-	-

Financial information of consolidated subsidiaries as of and for the years ended December 31, 2014, 2013 and 2012, are as follows:

(a) December 31, 2014

(In millions of Korean won)		Total assets	Total liabilities	Sales	Net income(loss)
Korea Gas Technology Corporation	₩	128,736	29,183	191,051	14,669
KOGAMEX Investment Manzanillo B.V.		30,212	62,950	-	6,049
KOMEX-GAS, S. de R.L. de C.V.		2,335	814	4,669	1,431
KOGAS Iraq B.V.		966,768	164,317	402,951	203,318
KOGAS Badra B.V.		631,745	60,153	34,940	7,094
KOGAS Akkas B.V.		365,366	10,168	-	(5)
KOGAS Mansuriya B.V.		26,267	742	-	(42)
KOGAS Canada Ltd.		331,314	135,878	45,182	(50,392)
KOGAS Canada LNG Ltd.		104,061	1,755	-	(3,120)
KOGAS Australia Pty. Ltd.		4,614,256	2,926,530	15,777	(9,720)
KOGAS Prelude Pty. Ltd.		1,383,733	669,363	-	(646)
KG Timor Leste Ltd.		8,441	40,716	-	(674)
KG Krueng Mane Ltd.		47,583	54,314	-	(916)
KG Mozambique Ltd.		254,863	264,037	-	(3,847)
KOGAS Mozambique, Lda		44,102	44,199	17,384	304
KOGAS Cyprus Ltd.		80,880	-	-	(14)

(b) December 31, 2013

(In millions of Korean won)		Total assets	Total liabilities	Sales	Net income(loss)
Korea Gas Technology Corporation	₩	126,748	32,552	178,367	13,927
KOGAMEX Investment Manzanillo B.V.		28,664	62,719	-	(3,611)
KOMEX-GAS, S. de R.L. de C.V.		2,158	1,002	4,884	1,026
KOGAS Iraq B.V.		802,617	235,934	504,234	89,008
KOGAS Badra B.V.		375,792	36,694	-	(162)
KOGAS Akkas B.V.		163,684	11,579	-	4
KOGAS Mansuriya B.V.		15,509	704	-	(59)
KOGAS Canada Ltd.		394,715	137,427	41,256	(574,191)
KOGAS Canada LNG Ltd.		63,111	2,248	-	(7,372)
KOGAS Australia Pty. Ltd.		3,603,053	2,124,114	18,518	(12,429)
KOGAS Prelude Pty. Ltd.		1,020,123	333,636	-	(2,426)
KG Timor Leste Ltd.		7,872	38,183	-	(28,357)
KG Krueng Mane Ltd.		44,536	50,080	-	(915)
KG Mozambique Ltd.		174,921	179,874	-	(2,796)
KOGAS Mozambique, Lda		39,537	39,934	14,876	(550)

(c) December 31, 2012

(In millions of Korean won)		Total assets	Total liabilities	Sales	Net income(loss)
Korea Gas Technology Corporation.	₩	124,279	43,746	188,992	8,528
KOGAMEX Investment Manzanillo B.V.		23,472	68,256	-	888
KOMEX-GAS, S. de R.L. de C.V.		3,656	1,150	7,961	2,247
KOGAS Vostok LLC		1,149	607	164	(482)
KOGAS Iraq B.V.		664,436	242,977	415,762	51,794
KOGAS Badra B.V.		171,991	7,566	-	(85)
KOGAS Akkas B.V.		40,664	4,857	-	4
KOGAS Mansuriyah B.V.		7,819	634	-	(47)
KOGAS Canada Ltd.		919,481	38,013	-	(6,548)
KOGAS Canada LNG Ltd.		50,386	406	-	(5,885)
KOGAS Australia Pty. Ltd.		2,500,125	1,889,646	26,113	(24,449)
KOGAS Prelude Pty. Ltd.		702,824	190,515	-	(2,625)
KG Timor Leste Ltd.		33,752	38,067	-	(4,208)
KG Krueng Mane Ltd.		45,274	50,006	-	(5,134)
KG Mozambique Ltd.		99,362	101,655	-	(2,418)
KOGAS Mozambique, Lda		22,136	22,002	-	(261)
Kyung-Ki CES Corp.		63,953	85,397	14,340	(10,597)

2. Basis of Preparation and Significant Accounting Policies

2.1 Basis of Presentation

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.

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 consolidated financial statements.

The consolidated financial statements of the Group have been prepared in accordance with Korean IFRS. These are the standards, subsequent amendments and related interpretations issued by the International Accounting Standards Board (IASB) that have been adopted by the Republic of Korea.

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:

- 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.

- 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. The application of this amendment does not have a material impact on the consolidated financial statements.

- 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.

- 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.

(b) New standards and interpretations not yet adopted

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 Accounting Policy

2.3.1 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 Corporation has control. The Corporation 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 Corporation obtains control of a subsidiary and ceases when the Corporation 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 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. 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) Investments in 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) Investments in joint ventures

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.

2.3.2 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) Sale of goods

Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

(b) Services

Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

2.3.3 Construction contracts

A construction contract is defined by Korean IFRS 1011, *Construction Contracts*, as a contract specifically negotiated for the construction of an asset.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognized over the period of the contract by reference to the stage of completion. Contract costs are recognized as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss on the construction contract is immediately recognized as an expense. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured. Contract costs are recognized as an expense in the period in which they are incurred.

The Group uses the ‘percentage-of-completion method’ to determine the appropriate amount to recognize in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. These amounts are recognized as inventory, prepaid expenses or other assets.

On the statement of financial position, the Group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognized profits (less recognized losses) exceed progress billings (due from customers for contract work); a contract represents a liability where the opposite is the case (due to customers for contract work).

2.3.4 Lease

A lease is an agreement, whereby the lessor conveys to the lessee, in return for a payment or series of payments, the right to use an asset for an agreed period of time. Leases where all the risks and rewards of ownership are not transferred to the Group are classified as operating leases. Lease payments under operating leases are recognized as expenses on a straight-line basis over the lease term.

Leases where the Group has substantially all the risks and rewards of ownership are classified as finance leases and recognized as lease assets and liabilities at the lower of the fair value of the leased property and the present value of the minimum lease payments on the opening date of the lease period.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership at the inception of the lease. A lease other than a finance lease is classified as an operating lease. Lease income from operating leases is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred by the lessor in negotiating and arranging an operating lease is added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income.

2.3.5 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 Corporation'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.

Exchange differences arising on non-monetary financial assets and liabilities such as equity instruments at fair value through profit or loss and available-for-sale equity instruments are recognized in profit or loss and included in other comprehensive income, respectively, as part of the fair value gain or loss.

2.3.6 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.

2.3.7 Governments grants

Government grants are not recognized unless there is reasonable assurance that the Group will comply with the grant's conditions and that the grant will be received.

Government grants related to assets shall be presented in the statement of financial position by deducting the grant in arriving at the carrying amount of asset. The grant is recognized in profit or loss over the life of a related asset by reducing depreciation expense.

If the Group received grants related to income, government grants which are intended to compensate the Group for expenses incurred are recognized as other income in profit or loss over the periods in which the Group recognizes the related costs as expenses. The government grants which are intended to give immediate financial support to the Group with no future related costs are recognized as government grant income in profit or loss at the time such grants can be rightfully claimed by the Group.

2.3.8 Retirement benefit costs

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 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.

2.3.9 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.

Management periodically evaluates tax policies that are applied in tax returns in which applicable tax regulation is subject to interpretation. The Group recognizes current income tax on the basis of the amount expected to be paid to the tax authorities.

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 income 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.

2.3.10 Assets held-for-sale

Non-current assets are classified as assets held-for-sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The assets are measured at the lower amount between their carrying amount and the fair value less costs to sell.

2.3.11 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.

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:

	Useful lives (years)
Buildings	15, 30, 40
Structures	15, 30
Machinery	12, 20, 30
Vehicles	4~5
Tools and Instruments	4~5
Office equipment	4~6
Computerized facility	5
Finance lease assets	25
Others	Units of production method

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.

2.3.12 Intangible assets

(a) Intangible assets acquired separately

Intangible assets, except for resource development with finite useful lives that is acquired separately, are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

The followings are expenditures that are recognized at acquisition costs: acquisition of rights to explore for resource developments; topographical, geological and geophysical studies incurred in the exploration stage; and direct costs incurred in relation to trenching or drilling. If natural resources are not found, the intangible exploration and evaluation assets are written off.

If hydrocarbons are found, further appraisal activities, which may include the drilling of deeper wells, are carried out. If as a result of appraisal, the commercial development is expected to be certain, the intangible exploration and evaluation asset is classified as a mineral right.

Intangible exploration and evaluation assets are subject to technical, commercial and management review at least once a year to evaluate possibilities for entering into the development stage. When this is no longer the case, the costs are written off. When proven reserves of oil and natural gas are determined and development is sanctioned, the relevant intangible exploration and evaluation assets are depreciated using the unit of production method.

Expenditure on the construction, installation or completion of infrastructure facilities, such as platforms, pipelines and the drilling of development wells, is capitalized within property, plant and equipment, and depreciation is computed using the unit of production method.

(b) Internally-generated intangible assets – Research and Development expenditure

Research and development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Other development expenditures are recognized in profit or loss as incurred.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria described above. When the development expenditure does not meet the criteria described above, an internally generated intangible asset cannot be recognized and the expenditure is recognized in profit or loss in the period in which it is incurred.

Internally generated intangible assets are carried at acquisition cost less accumulated depreciation and accumulated impairment losses.

(c) Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in profit or loss when the asset is derecognized.

2.3.13 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 the end of each reporting period.

2.3.14 Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined using the weighted average method for raw materials and finished goods, by the specific identification method for materials in transit, by the moving average method for supplies and by the gross average method for all other inventories.

2.3.15 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.

2.3.16 Financial assets

(a) Classification and measurement

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

Regular purchases and sales of financial assets are recognized on the trade date. At initial recognition, financial assets are measured at fair value plus, in the case of financial assets not carried at fair value through profit or loss, transaction costs. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of income. After the initial recognition, available-for-sale financial assets and financial assets at fair value through profit or loss 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 financial assets at fair value through profit or loss are recognized in profit or loss and 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) Impairment

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; or the disappearance of an active market for that financial asset because of financial difficulties.

(c) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position where there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the assets and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

2.3.17 Financial liabilities

(a) Classification and measurement

Financial liabilities at fair value through profit or loss are derivatives that are not designated as hedges.

The Group classifies non-derivative financial liabilities, except for financial liabilities at fair value through profit or loss, financial guarantee contracts and financial liabilities that arise when a transfer of financial assets does not qualify for derecognition, as financial liabilities carried at amortized cost and presented as ‘trade payables’, ‘borrowings’, and ‘other financial liabilities’ in the statement of financial position.

(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.

2.3.18 Derivative instruments

Derivatives are initially recognized at fair value on the date when a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of the derivatives that are not qualified for hedge accounting are recognized in the statement of income within 'finance income (costs)' according to the nature of transactions.

(a) Hedge accounting

The Group designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedging relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

(b) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in the same line of the statement of comprehensive income relating to the hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortized to profit or loss from that date.

(c) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gains or losses relating to the ineffective portion is recognized immediately in profit or loss, and is included in the 'finance income and costs' line item.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognized in profit or loss, in the same line of the statement of comprehensive income as the recognized hedged item. However, when the forecasted transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or it no longer qualifies for hedge accounting. Any gains or losses accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecasted transaction is no longer expected to occur, the gains or losses accumulated in equity is recognized immediately in profit or loss.

(d) Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized in foreign currency translation reserve in other comprehensive income. The gains or losses relating to the ineffective portion is recognized immediately in profit or loss, and is included in the 'finance income and costs'.

Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the foreign currency translation reserve are reclassified to profit or loss in the same way as exchange rates change relating to the foreign operation.

2.3.19 Financial Guarantee Contracts

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 'provision for financial guarantee':

- the amount determined in accordance with Korean IFRS 1037, *Provisions, Contingent Liabilities and Contingent Assets*; or
- the initial amount, less accumulated amortization recognized in accordance with Korean IFRS1018, *Revenue*.

2.3.20 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 approval of the shareholders at the annual shareholders' meeting.

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.

3.1 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 (Note 39).

3.2 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 (Note 44).

3.3 Provisions

The Group recognizes provisions for decommissioning, restoration, environmental rehabilitation and financial guarantee as of the reporting date. The amounts are estimated based on historical data (Note 24).

3.4 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 (Note 23).

4. Operating segments

(a) Details of reportable segments are summarized as follows:

Operating segments	Activity
Natural gas wholesale	Import, production and wholesale of LNG, Compressed Natural Gas, Natural Gas
Others	Supply of power and heat, equipment conservation, terminal management, labor force management, exploration, and development and production of gas and oil

(b) Details of segment results for the years ended December 31, 2014, 2013 and 2012 are as follows:

(i) December 31, 2014

(In millions of Korean won)		Total revenue	Inter-segment revenue	External revenue	Operating income[1]	Depreciation and amortization[1]
Natural gas wholesale	₩	36,733,401	-	36,733,401	938,060	910,382
Others		711,953	(160,487)	551,466	129,729	237,212
Adjustments[1]		-	-	-	4,117	(320)
	₩	37,445,354	(160,487)	37,284,867	1,071,906	1,147,274

(ii) December 31, 2013

(In millions of Korean won)		Total revenue	Inter-segment revenue	External revenue	Operating income[1]	Depreciation and amortization[1]
Natural gas wholesale	₩	37,442,517	-	37,442,517	1,361,117	828,099
Others		771,878	(151,682)	620,196	125,190	294,620
Adjustments[1]		-	-	-	1,900	(390)
	₩	38,214,395	(151,682)	38,062,713	1,488,207	1,122,329

(iii) December 31, 2012

(In millions of Korean won)		Total revenue	Inter-segment revenue	External revenue	Operating income[1]	Depreciation and amortization[1]
Natural gas wholesale	₩	34,516,666	-	34,516,666	1,196,603	783,455
Others		653,331	(138,678)	514,653	59,284	273,326
Adjustments[1]		-	-	-	10,766	(360)
	₩	35,169,997	(138,678)	35,031,319	1,266,653	1,056,421

[1] Changes from elimination of intra-group transactions in reportable segment operating income and depreciation are represented as adjustments.

(c) Details of assets and liabilities about operating segments as of December 31, 2014, 2013 and 2012 are as follows:

(i) December 31, 2014

(In millions of Korean won)		Assets	Investment in associates and joint ventures[1]	Acquisition of non-current assets[2]	Liabilities
Natural gas wholesale	₩	45,116,042	1,711,873	1,849,525	36,149,843
Others		9,020,663	30,370	2,073,181	4,465,120
Adjustments[3]		(7,364,683)	-	-	(3,567,316)
	₩	46,772,022	1,742,243	3,922,706	37,047,647

(ii) December 31, 2013

(In millions of Korean won)		Assets	Investment in associates and joint ventures[1]	Acquisition of non-current assets[2]	Liabilities
Natural gas wholesale	₩	42,271,828	1,743,893	2,065,825	33,775,979
Others		6,863,041	38,595	2,376,886	3,286,683
Adjustments[3]		(5,468,493)	-	-	(2,329,065)
	₩	43,666,376	1,782,488	4,442,711	34,733,597

(iii) December 31, 2012

(In millions of Korean won)		Assets	Investment in associates and joint ventures[1]	Acquisition of non-current assets[2]	Liabilities
Natural gas wholesale	₩	39,356,467	1,538,600	1,720,084	31,390,455
Others		5,474,762	40,892	2,326,518	2,785,501
Adjustments[3]		(4,209,510)	-	-	(1,923,203)
	₩	40,621,719	1,579,492	4,046,602	32,252,753

[1] Investment in associates and joint ventures represent amounts after the assessment of invested shares included in reportable segment assets.

[2] Aggregate amount of tangible and intangible assets acquired during period before elimination of intra-group transactions.

[3] Changes from elimination of intra-group transactions in assets and liabilities are presented as adjustments.

(d) Details of external revenue for the years ended December 31, 2014, 2013 and 2012, and details of non-current assets by geographic locations as of December 31, 2014, 2013 and 2012 are as follows:

		External revenue			Non-current assets[1]		
(In millions of Korean won)		**2014**	**2013**	**2012**	**2014**	**2013**	**2012**
Korea	₩	36,763,964	37,478,821	34,581,319	19,431,305	18,691,838	17,564,374
Mexico		4,669	4,884	7,961	71	156	179
Australia		15,777	18,518	26,113	5,745,445	4,405,618	2,993,395
Canada		45,182	41,256	-	377,732	402,322	855,962
Iraq		437,891	504,234	415,762	1,331,168	816,497	406,524
Russia		-	124	164	-	-	71
Indonesia		-	-	-	47,583	44,536	45,274
Mozambique		17,384	14,876	-	254,899	174,963	99,382
Timor		-	-	-	8,440	7,872	33,752
Cyprus		-	-	-	80,266	-	-
	₩	37,284,867	38,062,713	35,031,319	27,276,909	24,543,802	21,998,913

[1] Aggregate amount of tangible and intangible assets before elimination of intra-group transactions.

5. Cash and Cash Equivalents

Cash and cash equivalents include cash and ordinary deposits. Cash and cash equivalents in the consolidated statements of cash flows are the same as the cash and cash equivalents in the consolidated statements of financial position.

(In millions of Korean won)		**2014**	**2013**	**2012**
Cash on hand	₩	1,940	666	2,720
Demand deposits		192,351	201,795	200,434
Short-term deposits classified as cash equivalents		15,143	20,105	42,312
	₩	209,434	222,566	245,466

6. Restricted financial instruments

Restricted financial instruments as of December 31, 2014, 2013 and 2012 are as follows:

(In millions of Korean won)	Description		2014	2013	2012
Cash and cash equivalents	Provisional attachment by lawsuit	₩	-	52	-
	Reserves for special purpose business		751	661	-
	Usage restricted		102	105	-
	Deposits for operating activities		-	31,111	-
Short-term financial instruments	Deposits for damage compensation		-	-	55,000

7. Derivative instruments

(a) Financial assets at fair value through profit or loss as of December 31, 2014, 2013 and 2012 are as follows:

(In millions of Korean won)		2014 Current	2014 Non-current	2013 Current	2013 Non-current	2012 Current	2012 Non-current
Derivative for trading	₩	12,564	46,407	29,197	82,822	15,327	42,081

(b) Details of derivative instruments as of December 31, 2014, 2013 and 2012 are as follows:

(In millions of Korean won)		2014 Current	2014 Non-current	2013 Current	2013 Non-current	2012 Current	2012 Non-current
Derivative instrument assets							
Foreign currency forwards	₩	32,970	-	3,319	96	5	-
Foreign currency swap		8,709	45,021	25,878	94,067	15,313	43,429
Interest rate swap		-	1,431	-	3,417	9	-
	₩	41,679	46,452	29,197	97,580	15,327	43,429
Derivatives instrument liabilities							
Foreign currency forwards	₩	(12,250)	-	(45,011)	(416)	(6,638)	(12,305)
Foreign currency swap		(108,459)	(397,523)	(17,429)	(291,137)	(19,910)	(157,743)
Interest rate swap		(3,215)	(5,116)	-	(12,125)	-	(18,574)
	₩	(123,924)	(402,639)	(62,440)	(303,678)	(26,548)	(188,622)

(c) Details of foreign currency swap contracts as of December 31, 2014, are as follows:

(In millions of Korean won and Japanese yen, and in thousands of US dollars, Euro, Confoederatio Helvetica Franc, Hong Kong Dollars, Chinese Yuan, Canadian Dollars and Australian Dollars)

	Financial		Amount of contract		Interest rate of contract		
Purpose	**institutions**	**Period**	**Sell**	**Buy**	**Sell**	**Buy**	**Exchange rate**
Trading	BNP Paribas	2011.07 ~ 2016.07	USD 189,982	JPY 15,000	3.60%	1.38%	USD 1 = JPY 78.95
	Goldman Sachs	2011.07 ~ 2016.07	USD 189,982	JPY 15,000	3.62%	1.38%	USD 1 = JPY 78.95
	RBS	2011.10 ~ 2016.10	USD 114,025	CHF 100,000	3.14%	2.01%	USD 1 = CHF 0.8770
	Barclays	2011.10 ~ 2016.10	USD 114,025	CHF 100,000	3.14%	2.01%	USD 1 = CHF 0.8770
	BNP Paribas	2011.10 ~ 2016.10	USD 57,013	CHF 50,000	3.14%	2.01%	USD 1 = CHF 0.8770
	BNP Paribas	2011.10 ~ 2019.10	USD 114,025	CHF 100,000	4.28%	2.89%	USD 1 = CHF 0.8770
	BNP Paribas	2012.06 ~ 2017.06	CAD 39,113	44,490	3.74%	3.64%	CAD 1 = KRW 1137.5
	RBS	2012.06 ~ 2017.06	USD 38,665	44,781	2.72%	3.66%	USD 1 = KRW 1158.2
	HSBC	2012.06 ~ 2017.06	USD 64,443	74,650	2.73%	3.66%	USD 1 = KRW 1158.4
	Barclays	2012.06 ~ 2017.06	USD 25,117	29,134	2.58%	3.32%	USD 1 = KRW 1159.9
	Bank of America	2012.09 ~ 2017.09	CAD 37,417	42,854	3M CDOR+1.67%	3M CD+flat	CAD 1 = KRW 1145.3
	ANZ	2012.09 ~ 2015.09	USD 104,225	116,711	1.64%	3.10%	USD 1 = KRW 1119.8
	DBS	2012.09 ~ 2015.09	USD 104,225	116,711	1.63%	3.10%	USD 1 = KRW 1119.8
	HSBC	2012.09 ~ 2015.09	USD 104,225	116,711	1.64%	3.10%	USD 1 = KRW 1119.8
	BNP Paribas	2013.02 ~ 2020.02	USD 108,613	118,801	2.54%	3.11%	USD 1 = KRW 1093.8
	Credit Suisse	2013.02 ~ 2020.02	USD 108,613	118,801	2.55%	3.11%	USD 1 = KRW 1093.8
	RBS	2013.02 ~ 2020.02	USD 108,613	118,801	2.54%	3.11%	USD 1 = KRW 1093.8
	DBS	2013.06 ~ 2028.06	USD 50,196	55,788	4.28%	3.30%	USD 1 = KRW 1111.4
	Barclays	2013.07 ~ 2023.07	USD 65,325	74,601	4.27%	3.17%	USD 1 = KRW 1142.0
	BNP Paribas	2013.08 ~ 2023.08	USD 82,910	92,635	4.27%	3.54%	USD 1 = KRW 1117.3
	BNP Paribas	2013.08 ~ 2023.08	USD 41,133	46,049	4.24%	3.68%	USD 1 = KRW 1119.5
	Barclays	2013.10 ~ 2019.04	USD 135,570	145,372	3.12%	3.50%	USD 1 = KRW 1072.3
	BNP Paribas	2013.10 ~ 2019.04	USD 135,570	145,372	3.12%	3.50%	USD 1 = KRW 1072.3
	KDB	2013.10 ~ 2019.04	USD 135,570	145,372	3.12%	3.50%	USD 1 = KRW 1072.3
	RBS	2013.10 ~ 2019.04	USD 135,570	145,372	3.12%	3.50%	USD 1 = KRW 1072.3
	SOGE	2013.10 ~ 2019.04	USD 135,570	145,372	3.12%	3.50%	USD 1 = KRW 1072.3

(In millions of Korean won and Japanese yen, and in thousands of US dollars, Euro, Confoederatio Helvetica Franc, Hong Kong Dollars, Chinese Yuan, Canadian Dollars and Australian Dollars)

Purpose	Financial institutions	Period	Amount of contract Sell	Amount of contract Buy		Interest rate of contract Sell	Interest rate of contract Buy	Exchange rate
Cash flow hedge	BNP Paribas	2011.04 ~ 2015.10	355,608	CHF	300,000	4.03%	2.26%	CHF 1 = KRW 1185.4
	DBS	2011.03 ~ 2015.03	56,525	USD	50,000	4.21%	3M Libor+1.05%	USD 1 = KRW 1130.5
	SMBC	2011.03 ~ 2015.03	56,525	USD	50,000	4.21%	3M Libor+1.05%	USD 1 = KRW 1130.5
	BNP Paribas	2012.06 ~ 2017.06	44,490	JPY	3,000	3.64%	1.28%	JPY 1 = KRW 14.83
	RBS	2012.06 ~ 2017.06	44,781	HKD	300,000	3.66%	2.50%	HKD 1 = KRW 149.27
	HSBC	2012.06 ~ 2017.06	74,650	HKD	500,000	3.66%	2.60%	HKD 1 = KRW 149.30
	Barclays	2012.06 ~ 2017.06	29,134	CNY	160,000	3.32%	3.25%	CNY 1 = KRW 182.09
	Credit Agricole	2012.07 ~ 2017.07	114,810	USD	100,000	3.15%	2.25%	USD 1 = KRW 1148.1
	Barclays	2012.07 ~ 2017.07	114,810	USD	100,000	3.16%	2.25%	USD 1 = KRW 1148.1
	Bank of America	2012.09 ~ 2017.09	42,854	JPY	3,000	3M CD+flat	3M JPY Libor+0.76%	JPY 1 = KRW 14.28
	ANZ	2012.09 ~ 2015.09	116,711	AUD	100,000	3.10%	4.50%	AUD 1 = KRW 1167.1
	DBS	2012.09 ~ 2015.09	116,711	AUD	100,000	3.10%	4.50%	AUD 1 = KRW 1167.1
	HSBC	2012.09 ~ 2015.09	116,711	AUD	100,000	3.10%	4.50%	AUD 1 = KRW 1167.1
	BNP Paribas	2013.02 ~ 2020.02	118,801	CHF	100,000	3.11%	1.13%	CHF 1 = KRW 1188.0
	Credit Suisse	2013.02 ~ 2020.02	118,801	CHF	100,000	3.11%	1.13%	CHF 1 = KRW 1188.0
	RBS	2013.02 ~ 2020.02	118,801	CHF	100,000	3.11%	1.13%	CHF 1 = KRW 1188.0
	DBS	2013.06 ~ 2028.06	55,788	EUR	38,000	3.30%	3.02%	EUR 1 = KRW 1468.1
	Barclays	2013.07 ~ 2023.07	74,601	EUR	50,000	3.17%	3.00%	EUR 1 = KRW 1492.0
	BNP Paribas	2013.08 ~ 2023.08	92,635	JPY	8,000	3.54%	1.46%	JPY 1 = KRW 11.58
	BNP Paribas	2013.08 ~ 2023.08	46,049	JPY	4,000	3.68%	1.46%	JPY 1 = KRW 11.51
	Barclays	2013.10 ~ 2019.04	145,372	EUR	100,000	3.50%	2.38%	EUR 1 = KRW 1453.7
	BNP Paribas	2013.10 ~ 2019.04	145,372	EUR	100,000	3.50%	2.38%	EUR 1 = KRW 1453.7
	KDB	2013.10 ~ 2019.04	145,372	EUR	100,000	3.50%	2.38%	EUR 1 = KRW 1453.7
	RBS	2013.10 ~ 2019.04	145,372	EUR	100,000	3.50%	2.38%	EUR 1 = KRW 1453.7
	SOGE	2013.10 ~ 2019.04	145,372	EUR	100,000	3.50%	2.38%	EUR 1 = KRW 1453.7

(d) Details of the interest rate swap contracts as of December 31, 2014, are as follows:

(In millions of Korean won and in thousands of US dollars)

Purpose	Financial institutions	Period	Amount		Interest rate of contract	
					Sell	Buy
Trading	JP Morgan	2011.09 ~ 2016.09	USD	200,000	2.32%	6M Libor+1.00%
	DBS	2011.11 ~ 2015.11	USD	400,000	2.55%	3M Libor+1.45%
	KEB	2012.06 ~ 2016.06	USD	50,000	1.96%	3M Libor+1.20%
	SOGE	2012.06 ~ 2016.06	USD	50,000	1.96%	3M Libor+1.20%
	JP Morgan	2012.06 ~ 2017.06	USD	50,000	2.30%	3M Libor+1.27%
	CAL	2012.06 ~ 2017.06	USD	50,000	2.30%	3M Libor+1.27%
	MIZUHO	2013.02 ~ 2018.02	USD	200,000	2.10%	3M Libor+0.90%
	KDB	2013.02 ~ 2018.02	USD	150,000	2.04%	3M Libor+0.90%
	Barclays	2013.07 ~ 2018.07	USD	100,000	2.39%	3M Libor+0.80%
Cash flow hedge	Morgan Stanley	2010.09 ~ 2020.09		20,000	4.69%	Min{10.0%, Max[2.0%,(28 Ｘ index)]}

(e) Details of foreign currency forwards contract as of December 31, 2014, are as follows:

(In millions of Korean won, in thousands of US dollars, and Euro)

Purpose	Financial institutions	Contract Date	Expiration	Amount		Exchange rate
				Sell	Buy	
Trading	KEB	2014-12-23	2015-01-02	66,113	USD 60,000	1,101.9
	SC	2014-12-24	2015-01-02	55,195	USD 50,000	1,103.9
	KEB	2014-12-11	2015-01-05	109,891	USD 100,000	1,098.9
	KEB	2014-12-19	2015-01-05	55,122	USD 50,000	1,102.4
	MUFJ	2014-12-24	2015-01-05	77,386	USD 70,000	1,105.5
	MUFJ	2014-12-11	2015-01-06	87,947	USD 80,000	1,099.3
	KEB	2014-12-15	2015-01-06	49,682	USD 45,000	1,104.1
	MUFJ	2014-12-24	2015-01-06	33,167	USD 30,000	1,105.6
	Nova Scotia	2014-12-23	2015-01-07	164,738	USD 150,000	1,098.3
	KEB	2014-12-30	2015-01-07	31,896	USD 29,000	1,099.9
	HSBC	2014-12-12	2015-01-08	77,426	USD 70,000	1,106.1
	ING	2014-12-12	2015-01-08	77,368	USD 70,000	1,105.3
	Nova Scotia	2014-12-16	2015-01-09	76,577	USD 70,000	1,094.0
	Nova Scotia	2014-12-17	2015-01-09	43,851	USD 40,000	1,096.3
	Nova Scotia	2014-12-30	2015-01-12	43,996	USD 40,000	1,099.9
	MIZUHO	2014-12-30	2015-01-12	32,997	USD 30,000	1,099.9
	ING	2014-12-30	2015-01-12	88,001	USD 80,000	1,100.0
	ANZ	2014-12-17	2015-01-12	130,808	USD 120,000	1,090.1
	KEB	2014-12-18	2015-01-13	165,675	USD 150,000	1,104.5
	Daegu Bank	2014-12-18	2015-01-14	110,435	USD 100,000	1,104.4
	SC	2014-12-18	2015-01-14	55,223	USD 50,000	1,104.5
	RBS	2014-12-29	2015-01-14	153,818	USD 140,000	1,098.7
	SC	2014-12-30	2015-01-14	164,994	USD 150,000	1,100.0
	Credit Suisse	2014-12-18	2015-01-15	143,480	USD 130,000	1,103.7
	ING	2014-12-18	2015-01-15	55,198	USD 50,000	1,104.0
	MUFJ	2014-12-19	2015-01-16	55,133	USD 50,000	1,102.7
	Shinhan Bank	2014-12-22	2015-01-16	54,917	USD 50,000	1,098.3
	MIZUHO	2014-12-23	2015-01-16	66,231	USD 60,000	1,103.9
	Shinhan Bank	2014-12-30	2015-01-19	154,034	USD 140,000	1,100.2
	SC	2014-12-24	2015-01-20	55,245	USD 50,000	1,104.9
	Nova Scotia	2014-12-23	2015-01-20	110,079	USD 100,000	1,100.8
	Credit Suisse	2014-12-24	2015-01-21	176,822	USD 160,000	1,105.1
	KEB	2014-12-29	2015-01-21	109,987	USD 100,000	1,099.9
	ING	2014-12-24	2015-01-22	110,529	USD 100,000	1,105.3
	SMBC	2014-12-26	2015-01-23	121,029	USD 110,000	1,100.3
	KDB	2014-12-29	2015-01-23	109,943	USD 100,000	1,099.4
	Hana Bank	2014-12-29	2015-01-23	54,954	USD 50,000	1,099.1
	KEB	2014-11-27	2015-02-27	EUR 36,538	50,623	1,385.5
	KEB	2014-12-09	2015-01-08	USD 1,467	1,637	1,115.6
Cash flow hedge	KDB	2014-11-04	2015-04-23	64,085	USD 59,248	1,081.6
	KDB	2014-11-04	2015-04-23	58,351	USD 53,948	1,081.6
	KDB	2014-11-04	2015-04-24	56,155	USD 51,915	1,081.7
	KDB	2014-11-03	2015-04-24	48,552	USD 45,578	1,065.3
	KDB	2014-11-03	2015-04-24	51,402	USD 48,254	1,065.3
	MUFJ	2014-11-14	2015-05-15	106,429	USD 96,194	1,106.4
	KEB	2014-11-19	2015-05-20	222,718	USD 200,503	1,110.8
	KEB	2014-11-28	2015-05-28	222,147	USD 200,503	1,108.0
	Deutsche Bank	2014-10-15	2015-04-16	51,848	USD 48,606	1,066.7

(In millions of Korean won, in thousands of US dollars, and Euro)

Purpose	Financial institutions	Contract Date	Expiration	Amount Sell		Buy	Exchange rate
	Credit Agricole	2014-10-15	2015-04-16	57,173	USD	53,313	1,072.4
	DBS	2014-10-15	2015-04-17	56,392	USD	52,866	1,066.7
	DBS	2014-10-15	2015-04-17	57,414	USD	53,824	1,066.7
	KDB	2014-10-30	2015-04-29	49,565	USD	46,722	1,060.9
	KDB	2014-10-30	2015-04-29	51,455	USD	48,504	1,060.9
	KEB	2014-12-01	2015-06-01	111,446	USD	100,253	1,111.7
	Deutsche Bank	2014-12-02	2015-06-02	56,949	USD	50,705	1,123.2
	DBS	2014-12-02	2015-06-03	59,696	USD	53,602	1,113.7
	DBS	2014-12-02	2015-06-03	48,182	USD	43,263	1,113.7
	DBS	2014-12-04	2015-06-04	59,976	USD	53,464	1,121.8
	DBS	2014-12-04	2015-06-05	53,754	USD	47,858	1,123.2
	MIZUHO	2014-12-08	2015-06-09	53,814	USD	47,811	1,125.6
	MIZUHO	2014-12-11	2015-06-09	59,405	USD	53,419	1,112.1
	KDB	2014-12-12	2015-06-10	53,822	USD	48,679	1,105.7
	KDB	2014-12-10	2015-06-11	51,565	USD	46,380	1,111.8
	MUFJ	2014-12-17	2015-06-16	48,765	USD	44,519	1,095.4
	SMBC	2014-12-17	2015-06-17	57,865	USD	52,818	1,095.6
	SMBC	2014-12-17	2015-06-17	50,467	USD	46,065	1,095.6
	ANZ	2014-12-17	2015-06-18	49,530	USD	45,216	1,095.4
	ANZ	2014-12-17	2015-06-18	51,147	USD	46,692	1,095.4
	ANZ	2014-12-17	2015-06-18	57,520	USD	52,510	1,095.4
	Barclays	2013-12-13	2015-02-13	216,600	USD	200,000	1,083.0
	Barclays	2013-12-13	2015-06-15	108,760	USD	100,000	1,087.6

(f) Gains or losses on valuation of derivatives for the years ended December 31, 2014, 2013 and 2012 are as follows:

(In millions of Korean won)		Gains (losses) on valuation of derivatives			Gains (losses) on transaction of derivatives			Other comprehensive income		
		2014	2013	2012	2014	2013	2012	2014	2013	2012
Foreign currency forwards	₩	(2,722)	(4,404)	(4,377)	(46,504)	(22,318)	(92,251)	10,271	(15,612)	557
Foreign currency swap		(106,212)	11,769	10,372	-	(6,685)	(17,090)	(23,118)	5,149	(3,442)
Interest rate swap		1,446	9,203	(13,520)	3,558	(16,780)	(6,807)	362	661	1,037
Firm commitment		-	-	-	-	(2)	-	-	-	-
Total	₩	(107,488)	16,568	(7,525)	(42,946)	(45,785)	(116,148)	(12,485)	(9,802)	(1,848)

As of December 31, 2014, losses on valuation of derivatives amounting to ₩ 22,177 million (2013: ₩ 12,714 million, 2012: ₩ 5,284 million) in accumulated other comprehensive income are presented net of income tax.

(g) Hedging on non-financial items

The Group currently uses LNG ships that were built specifically for the Group's use for stable LNG supply through a long-term financial lease contract in US dollars with the lessor. As the lease expense is recovered through the sales price as a component of shipping expense, the lease expense and raw material cost, which is also denominated in US dollars, form part of the selling price and have same exposure to foreign currency change.

In order for the Group to hedge the risk of foreign exchange rate change on foreign revenue from the natural gas for the use of power, only foreign currency revenue with the same maturity date as the lease liability has been distinguished from long-term supply contract to be designated as the hedged item, and the payment of lease liability has been designated as hedging instrument of non-financial items to apply the hedge accounting. Currency swap exchange rate uses the spot exchange rate at the time of payment by applying the hedge accounting. For the years ended December 31, 2014, 2013 and 2012 gains (losses) on hedging instruments amounts to ₩ (-) 113,059 million, ₩ 13,328 million and ₩ 197,418 million respectively, and for the years ended December 31, 2014, 2013 and 2012 gains (losses) on hedging instruments recognized in other comprehensive income are net of tax effect amounting to ₩ (-) 27,360 million, ₩ 3,225 million and ₩ 47,775 million respectively.

Purpose	Period	Hedged item	Hedging instrument	Currency swap exchange rate
Cash flow hedge	Lease contract period (2010~2028)	Foreign currency risk in LNG forecast sales	Payment in financial lease liabilities in foreign currency	Currency exchange rate of lease payment

(h) Hedges of net investments in a foreign operation

In order for the Group to hedge the risk of exchange rate fluctuation caused by the foreign currency translation, hedge accounting has been applied to the net investment of overseas business regarding the difference in foreign exchange which arose between the functional currency of overseas business and of the Corporation.

The amounts recognized on the comprehensive income statements for the years ended December 31, 2014, 2013 and 2012, are as follows:

(In millions of Korean won)		2014	2013	2012
Net gains (losses) on hedge of net investment in a foreign operation, net of income tax	₩	(-)137,556	87,348	235,793

8. Trade and other accounts receivable

(a) Trade and other accounts receivables as of December 31, 2014, 2013 and 2012 are as follows:

(i) December 31, 2014

(In millions of Korean won)		Principal	Allowance for doubtful receivables	Present value discount	Book value
Current					
Trade accounts receivable	₩	7,471,544	(1,270)	(43)	7,470,231
Other accounts receivable		224,441	-	-	224,441
		7,695,985	(1,270)	(43)	7,694,672
Non-current					
Trade accounts receivable		3,268	(1,557)	(239)	1,472
Other accounts receivable		194,271	-	-	194,271
		197,539	(1,557)	(239)	195,743
Total	₩	7,893,524	(2,827)	(282)	7,890,415

(ii) December 31, 2013

(In millions of Korean won)		Principal	Allowance for doubtful receivables	Present value discount	Book value
Current					
Trade accounts receivable	₩	7,169,205	(14,694)	(43)	7,154,468
Other accounts receivable		270,128	-	-	270,128
		7,439,333	(14,694)	(43)	7,424,596
Non-current					
Trade accounts receivable		3,992	-	(294)	3,698
Other accounts receivable		180,269	-	-	180,269
		184,261	-	(294)	183,967
Total	₩	7,623,594	(14,694)	(337)	7,608,563

(iii) December 31, 2012

(In millions of Korean won)		**Principal**	**Allowance for doubtful receivables**	**Present value discount**	**Book value**
Current					
Trade accounts receivable	₩	7,823,631	(234)	(48)	7,823,349
Other accounts receivable		243,606	-	-	243,606
		8,067,237	(234)	(48)	8,066,955
Non-current					
Trade accounts receivable		4,919	(44)	(370)	4,505
Other accounts receivable		183,810	-	-	183,810
		188,729	(44)	(370)	188,315
Total	₩	8,255,966	(278)	(418)	8,255,270

(b) Other accounts receivable as of December 31, 2014, 2013 and 2012 are as follows:

(i) December 31, 2014

(In millions of Korean won)		**Principal**	**Allowance for doubtful receivables**	**Present value discount**	**Book value**
Current					
Non-trade receivables	₩	211,131	-	-	211,131
Accrued income		13,188	-	-	13,188
Deposits		122	-	-	122
		224,441	-	-	224,441
Non-current					
Non-trade receivables		116,008	-	-	116,008
Deposits		78,263	-	-	78,263
		194,271	-	-	194,271
Total	₩	418,712	-	-	418,712

(ii) December 31, 2013

(In millions of Korean won)		Principal	Allowance for doubtful receivables	Present value discount	Book value
Current					
Non-trade receivables	₩	254,881	-	-	254,881
Accrued income		15,136	-	-	15,136
Deposits		111	-	-	111
		270,128	-	-	270,128
Non-current					
Non-trade receivables		120,705	-	-	120,705
Deposits		59,564	-	-	59,564
		180,269	-	-	180,269
Total	₩	450,397	-	-	450,397

(iii) December 31, 2012

(In millions of Korean won)		Principal	Allowance for doubtful receivables	Present value discount	Book value
Current					
Non-trade receivables	₩	221,341	-	-	221,341
Accrued income		12,148	-	-	12,148
Deposits		10,117	-	-	10,117
		243,606	-	-	243,606
Non-current					
Non-trade receivables		126,070	-	-	126,070
Deposits		51,280	-	-	51,280
Others		6,460	-	-	6,460
		183,810	-	-	183,810
Total	₩	427,416	-	-	427,416

(c) Credit risk and allowance for doubtful account

The Group's average period for credit offering on sale of city gas is 45 days. During the initial 45 days from the billing date, interests on trade receivables do not accrue. However, after the period, interests are charged on the balance of payables as the amount calculated by considering interest rate of general entity loans of Korea Exchange Bank, the main bank of the Group.

The Group's average period for credit offering on the sale of power generation is 19 days. According to the contract by each customer, the billings are collected over one to three installments. Interests on trade receivables are not charged until the payment date. However, after the due date, interests are charged on the balance of payables as the amount calculated by considering interest rate of general entity loans of Korea Exchange Bank, the main bank of the Group.

The Group has certain portion of receivables over 120 days past due and recognized allowances for doubtful accounts based on past experiences.

(i) The aging analysis of trade accounts receivable as of December 31, 2014, 2013 and 2012 is as follows:

(In millions of Korean won)		2014	2013	2012
Receivables that are neither past due nor impaired	₩	7,468,779	7,154,761	7,828,162
Receivables that are past due but not impaired				
45~60 days		-	-	-
60~90 days		333	41	103
90~120 days		-	-	49
More than 120 days		37	55	-
Receivables verified after impairment test				
More than 120 days		5,664	18,340	236
		7,474,813	7,173,197	7,828,550
Less : Allowance for doubtful receivables		(2,827)	(14,694)	(278)
Less : Present value discount		(283)	(337)	(418)
Total	₩	7,471,703	7,158,166	7,827,854

(ii) The aging analysis of other accounts receivable as of December 31, 2014, 2013 and 2012 is as follows:

(In millions of Korean won)		2014	2013	2012
Receivables that are neither past due nor impaired	₩	418,712	450,397	427,414
Receivables that are past due but not impaired				
60~90 days		-	-	2
90~120 days		-	-	-
		418,712	450,397	427,416
Less : Allowance for doubtful receivables		-	-	-
Less : Present value discount		-	-	-
Total	₩	418,712	450,397	427,416

(iii) Changes in allowance for doubtful receivables for the years ended December 31, 2014, 2013 and 2012 are as follows:

(In millions of Korean won)		2014 Trade accounts receivable	2014 Other accounts receivable	2013 Trade accounts receivable	2013 Other accounts receivable	2012 Trade accounts receivable	2012 Other accounts receivable
Beginning balance	₩	(14,694)	-	(278)	-	(90)	-
Provision for receivables impairment		(1,890)	-	(784)	-	(241)	-
Write-off		13,482	-	102	-	53	-
Reversal		275	-	23	-	-	-
Changes in scope of consolidation		-	-	(13,757)	-	-	-
Ending balance	₩	(2,827)	-	(14,694)	-	(278)	-

9. Available-for-sale financial assets

Details of available-for-sale financial assets as of December 31, 2014, 2013 and 2012 are as follows:

(In millions of Korean won)		2014 Current	2014 Non-current	2013 Current	2013 Non-current	2012 Current	2012 Non-current
Equity instruments:							
Marketable	₩	-	1,643	-	4,392	-	3,422
Nonmarketable [1]		-	491,232	-	301,740	-	20,979
	₩	-	492,875	-	306,132	-	24,401

[1] Carrying amount of equity instruments measured at cost is ₩ 1,643 million, ₩ 1,621 million and ₩ 20,979 million as of December 31, 2014, 2013 and 2012, respectively.

10. Held-to-maturity financial assets

Details of held-to-maturity financial assets as of December 31, 2014, 2013 and 2012 are as follows:

(In millions of Korean won)		2014 Current	2014 Non-current	2013 Current	2013 Non-current	2012 Current	2012 Non-current
Government bonds	₩	750	1,666	144	2,009	139	1,430

11. Loans

(a) Details of short-term and long-term loans as of December 31, 2014, 2013 and 2012 are as follows:

(i) December 31, 2014

(In millions of Korean won)		Face value	Present value discount	Present value premium	Allowance for doubtful accounts	Book value
Student loans [1]	₩	8,870	-	-	-	8,870
Employee stock ownership loans [2]		4,849	-	-	-	4,849
Housing loans [3]		23,297	-	-	-	23,297
Housing lease support loans [4]		19,164	-	-	-	19,164
Associates		65,062	-	-	-	65,062
Joint ventures		41,913	-	-	-	41,913
Others		36,551	-	-	(28,476)	8,075
	₩	199,706	-	-	(28,476)	171,230

(ii) December 31, 2013

(In millions of Korean won)		Face value	Present value discount	Present value premium	Allowance for doubtful accounts	Book value
Student loans [1]	₩	8,415	-	-	-	8,415
Employee stock ownership loans [2]		6,160	-	-	-	6,160
Housing loans [3]		23,268	-	-	-	23,268
Housing lease support loans [4]		12,301	-	-	-	12,301
Associates		104,658	-	-	-	104,658
Joint ventures		28,177	-	-	(876)	27,301
Others		128,433	-	-	(28,476)	99,957
	₩	311,412	-	-	(29,352)	282,060

(iii) December 31, 2012

(In millions of Korean won)		Face value	Present value discount	Present value premium	Allowance for doubtful accounts	Book value
Student loans [1]	₩	7,570	-	-	-	7,570
Employee stock ownership loans [2]		11,128	-	-	-	11,128
Housing loans [3]		25,908	(1)	-	-	25,907
Housing lease support loans [4]		11,490	-	-	-	11,490
Associates		132,324	-	-	(615)	131,709
Others		186,875	-	-	(28,476)	158,399
	₩	375,295	(1)	-	(29,091)	346,203

[1] The Group provides loans to support education expenses for the children of employees who have served over one year. Repayments of loans are made by deducting a certain amount from the employees' wages.

[2] The Group provides loans at 4% interest rate for the purpose of encouraging employees to retain employee stock ownership in the long-term and to mitigate debt burden. Repayments of loans are made by deducting a certain amount from the employees' wages.

[3] In relation to relocation to the provinces, the Group provides loans at a market interest rate (3 to 4% as of December 31, 2014) to employees who do not own a house as support. The loans mature in three years and a lump sum payment for the loan should be paid on maturity.

[4] To support housing stability, the Group provides loans at 3% interest rate to employees who reside near the workplace and don't own house. Loans should be repaid at the end of the lease term.

(b) Details of loans to associates and other loans as of December 31, 2014, 2013 and 2012, are as follows:

(In millions of Korean won)

			Book value			Bad debt expenses		
	Maturity	Interest rate	2014	2013	2012	2014	2013	2012
Associates								
Hyundai Yemen LNG Company Limited	2017	Min{ Weighted average of YLNG PF interest rate after May, 2008 - 1%, 8%}	₩15,837	64,259	103,850	-	-	615
South East Asia Gas Piepline Company Ltd	One year grace period after CTD (December 2013), principal payment in 8 years	10.00%	49,225	40,399	28,474	-	-	-
Joint ventures								
ENH-KOGAS, SA.	June, 2020	-	41,913	27,301	-	-	876	-
Others								
K.K.Korea Kamchatka Co. Ltd.	Within 30 days from the distributable amount(=Cash flow - USD 10,000) exceeds nil	LIBOR+2.00%	-	-	-	-	-	-
Primorsky Gas	December 2015 (deposited for 2 years)	6.90% (Floating rate)	135	410	600	-	-	-
Manzanillo Gas Tech	-	-	-	-	113	-	-	-
Yemen LNG Company Limited	2017	Min{ Weighted average of YLNG PF interest rate after May, 2008 - 1%, 8%}	7,941	99,547	157,686	-	-	-

12. Financial Instruments

Details of financial instruments as of December 31, 2014, 2013 and 2012, are as follows:

(In millions of Korean won)		2014 Current	2014 Non-current	2013 Current	2013 Non-current	2012 Current	2012 Non-current
Financial instruments	₩	17,015	-	28,920	1,000	61,582	-

13. Inventories

Details of inventories as of December 31, 2014, 2013 and 2012 are as follows:

(i) December 31, 2014

(In millions of Korean won)		Acquisition cost	Provision for loss on inventory valuation	Book value
Raw materials	₩	2,843,354	-	2,843,354
Finished goods		84,893	-	84,893
Supplies		36,973	-	36,973
Goods in transit		610,644	-	610,644
Others		3,629	-	3,629
Total	₩	3,579,493	-	3,579,493

(ii) December 31, 2013

(In millions of Korean won)		Acquisition cost	Provision for loss on inventory valuation	Book value
Raw materials	₩	1,838,526	-	1,838,526
Finished goods		68,603	-	68,603
Supplies		36,451	-	36,451
Goods in transit		549,658	-	549,658
Total	₩	2,493,238	-	2,493,238

(iii) December 31, 2012

(In millions of Korean won)		Acquisition cost	Provision for loss on inventory valuation	Book value
Raw materials	₩	1,350,941	-	1,350,941
Finished goods		54,501	-	54,501
Supplies		34,704	-	34,704
Goods in transit		453,870	-	453,870
Total	₩	1,894,016	-	1,894,016

14. Non-financial assets

Details of non-financial assets as of December 31, 2014, 2013 and 2012 are as follows:

(In millions of Korean won)		2014		2013		2012	
		Current	Non-current	Current	Non-current	Current	Non-current
Advance payments	₩	174,164	4,012	181,091	3,855	193,807	5,851
Prepaid expenses		14,813	28	11,868	32	27,240	37
Other non-financial assets		1,953,649	2,991,254	1,846,292	4,194,528	1,279,718	4,638,917
Total	₩	2,142,626	2,995,294	2,039,251	4,198,415	1,500,765	4,644,805

Details of other non-financial assets as of December 31, 2014, 2013 and 2012, are as follows:

(In millions of Korean won)		2014		2013		2012	
		Current	Non-current	Current	Non-current	Current	Non-current
Special consumption tax	₩	131,543	-	133,007	-	104,065	-
Deposits		90	-	179	-	170	-
Others		1,822,016	2,991,254	1,713,106	4,194,528	1,175,483	4,638,917
Total	₩	1,953,649	2,991,254	1,846,292	4,194,528	1,279,718	4,638,917

In accordance with the standard for natural gas supply price and the guidelines for raw material cost pass-through adjustment system for city gas and power generation, difference between actual cost incurred and current year's revenues, referred to as the settled income, is reflected in following year's rate upon the approval of the government.

The Group recognizes the settled income by adjusting cost of sales, and related assets and liabilities as other non-financial assets and non-financial liabilities, respectively.

Details of other non-financial assets and liabilities arising from the settled income of natural gas as of December 31, 2014, 2013 and 2012 are as follows:

(i) December 31, 2014

(In millions of Korean won)	Material cost		Supply cost		
	City gas	Power generating	City gas	Power generating	Total
Other current non-financial assets	₩ 1,333,983	120,163	154,055	120,459	1,728,660
Other non-current non-financial assets	2,940,945	-	-	-	2,940,945
Total	₩ 4,274,928	120,163	154,055	120,459	4,669,605

(ii) December 31, 2013

(In millions of Korean won)	Material cost		Supply cost		
	City gas	Power generating	City gas	Power generating	Total
Other current non-financial assets	₩ 1,064,126	348,992	105,831	91,439	1,610,388
Other non-current non-financial assets	4,100,251	-	-	-	4,100,251
Total	₩ 5,164,377	348,992	105,831	91,439	5,710,639

(iii) December 31, 2012

(In millions of Korean won)	Material cost		Supply cost		
	City gas	Power generating	City gas	Power generating	Total
Other current non-financial assets	₩ 896,761	237,979	11,117	9,692	1,155,549
Other non-current non-financial assets	4,638,885	-	-	-	4,638,885
Total	₩ 5,535,646	237,979	11,117	9,692	5,794,434

15. Investments in associates and joint ventures

(a) Details of investments in associates and joint ventures as of December 31, 2014, 2013 and 2012 are as follows:

(i) December 31, 2014

(In millions of Korean won, except percentage of ownership)	Business	Location	Fiscal year end	Percentage of ownership	Acquisition cost	Book value
Associates						
Korea Ras Laffan LNG Ltd. [2]	Resource development	Bermuda	December 31	60.00%	₩ 19,532	₩ 481,672
Korea LNG Ltd.	Resource development	Bermuda	December 31	24.00%	3,298	94,449
Hyundai Yemen LNG Company[3]	Resource development	Bermuda	December 31	49.00%	482	170,159
Korea LNG Trading Co., Ltd. [1]	Shipping industry	Korea	December 31	28.00%	601	601
Kor-Uz Gas Chemical Investment Ltd.	Resource development	Uzbekistan	December 31	45.00%	347,451	334,707
South-East Asia Gas Pipeline Company Limited [4]	Pipe construction	Hong Kong	March 31	4.17%	25,160	29,305
Sulawesi LNG Development Limited	LNG terminal construction & management	United Kingdom	December 31	25.00%	382,744	370,364
TOMORI E&P Limited	Resource development	United Kingdom	December 31	49.00%	245,388	223,123
AMEC Partners Korea LTD[1,4]	Engineering and technique service	Korea	December 31	15.00%	558	558
					1,025,214	1,704,938
Joint ventures						
KOMAN ENERGY FZCO [5]	LNG Trading	UAE	December 31	-	-	-
Kor-Uz Gas cylinder Investment Ltd. [1]	Cylinder business investment	Korea	December 31	37.73%	4,393	4,394
Kor-Uz Gas C&G Investment Ltd.[1]	Charge business investment	Korea	December 31	38.00%	2,541	2,541
TERMINAL KMS de GNL, S. De R.L. De C.V.	LNG terminal construction & management	Mexico	December 31	25.00%	47,521	30,120
JV SACOTEC [1]	Service	Russia	December 31	50.00%	-	-
GLNG Operations Pty. Ltd. [1]	LNG Plant management	Australia	December 31	15.00%	17	14
GLNG Property Pty. Ltd. [1]	Property Lease	Australia	December 31	15.00%	26	22
CORDOVA GAS RESOURCES LTD.	Resource development	Canada	December 31	10.00%	18,268	-
ENH - KOGAS, SA. [2]	Pipe construction	Mozambique	June 30	70.00%	78	214
LNG Canada Development Inc.[1]	LNG Plant construction	Canada	December 31	15.00%	-	-
					72,844	37,305
Total					₩ 1,098,058	₩ 1,742,243

(ii) December 31, 2013

(In millions of Korean won, except percentage of ownership)	Business	Location	Fiscal year end	Percentage of ownership	Acquisition cost	Book value
Associates						
Korea Ras Laffan LNG Ltd. [2]	Resource development	Bermuda	December 31	60.00%	₩ 19,532	₩ 677,599
Korea LNG Ltd.	Resource development	Bermuda	December 31	24.00%	3,298	91,521
Hyundai Yemen LNG Company[3]	Resource development	Bermuda	December 31	49.00%	8,306	108,591
Korea LNG Trading Co., Ltd. [1]	Shipping industry	Korea	December 31	28.00%	601	601
Kor-Uz Gas Chemical Investment Ltd.	Resource development	Uzbekistan	December 31	45.00%	347,266	325,454
South-East Asia Gas Pipeline Company Limited [4]	Pipe construction	Hong Kong	March 31	4.17%	25,160	23,368
Sulawesi LNG Development Limited	LNG terminal construction & management	United Kingdom	December 31	25.00%	342,520	319,755
TOMORI E&P Limited	Resource development	United Kingdom	December 31	49.00%	208,476	188,392
AMEC Partners Korea LTD[1,4]	Engineering and technique service	Korea	December 31	15.00%	558	558
					955,717	1,735,839
Joint ventures						
KOMAN ENERGY FZCO [5]	LNG Trading	UAE	December 31	50.00%	1,286	1,286
Kor-Uz Gas cylinder Investment Ltd. [1]	Cylinder business investment	Korea	December 31	37.30%	4,226	4,226
Kor-Uz Gas C&G Investment Ltd.[1]	Charge business investment	Korea	December 31	38.00%	2,541	2,541
TERMINAL KMS de GNL, S. De R.L. De C.V.	LNG terminal construction & management	Mexico	December 31	25.00%	47,521	28,573
JV SACOTEC [1]	Service	Russia	December 31	50.00%	-	-
GLNG Operations Pty. Ltd. [1]	LNG Plant management	Australia	December 31	15.00%	17	14
GLNG Property Pty. Ltd. [1]	Property Lease	Australia	December 31	15.00%	26	22
CORDOVA GAS RESOURCES LTD.	Resource development	Canada	December 31	10.00%	17,511	9,987
ENH - KOGAS, SA. [2]	Pipe construction	Mozambique	June 30	70.00%	78	-
					73,206	46,649
Total					₩ 1,028,923	₩ 1,782,488

(iii) December 31, 2012

(In millions of Korean won, except percentage of ownership)	Business	Location	Fiscal year end	Percentage of ownership	Acquisition cost	Book value
Associates						
Korea Ras Laffan LNG Ltd. [2]	Resource development	Bermuda	December 31	60.00%	₩ 19,532	₩ 728,840
Korea LNG Ltd.	Resource development	Bermuda	December 31	24.00%	3,298	130,987
Hyundai Yemen LNG Company [3]	Resource development	Bermuda	December 31	49.00%	8,306	8,306
Korea LNG Trading Co., Ltd. [1]	Shipping industry	Korea	December 31	28.00%	601	601
Kor-Uz Gas Chemical Investment Ltd.	Resource development	Uzbekistan	December 31	45.00%	255,706	244,291
South-East Asia Gas Pipeline Company Limited [4]	Pipe construction	Hong Kong	December 31	4.17%	25,160	24,139
Sulawesi LNG Development Limited	LNG terminal construction & management	United Kingdom	December 31	25.00%	248,577	234,806
TOMORI E&P Limited	Resource development	United Kingdom	December 31	49.00%	173,734	158,019
AMEC Partners Korea LTD[1,4]	Engineering and technique service	Korea	December 31	15.00%	558	558
					735,472	1,530,547
Joint ventures						
KOMAN ENERGY FZCO [1]	LNG Trading	UAE	December 31	50.00%	1,286	1,286
Kor-Uz Gas cylinder Investment Ltd. [1]	Cylinder business investment	Korea	December 31	37.30%	4,226	4,226
Kor-Uz Gas C&G Investment Ltd.[1]	Charge business investment	Korea	December 31	38.00%	2,541	2,541
TERMINAL KMS de GNL, S. De R.L. De C.V.	LNG terminal construction & management	Mexico	December 31	25.00%	56,281	23,381
JV SACOTEC [1]	Service	Russia	December 31	50.00%	-	-
GLNG Operations Pty. Ltd. [1]	LNG Plant management	Australia	December 31	15.00%	17	17
GLNG Property Pty. Ltd. [1]	Property Lease	Australia	December 31	15.00%	26	26
CORDOVA GAS RESOURCES LTD.	Resource development	Canada	December 31	10.00%	16,873	17,468
ENH - KOGAS, SA. [2]	Pipe construction	Mozambique	December 31	-	-	-
					81,250	48,945
Total					₩ 816,722	₩ 1,579,492

[1] The entity is not accounted for using the equity method, as the difference between book value and identifiable net asset is not significant.

[2] The entity is classified as an associate or joint venture, as it needs the unanimous approval in its decisions.

[3] As of December 31, 2014, goodwill on Hyundai Yemen LNG Company amounts to ₩ 8,306 million.

[4] Although the percentage of ownership of the above associate is less than 20%, the Group has significant influence considering the corporation's right to participate in the investee's board of directors and shareholders' meetings.

[5] The joint venture was liquidated in 2014.

(b) Valuations of equity method investments for the years ended December 31, 2014, 2013 and 2012 are as follows:

(i) December 31, 2014

(In millions of Korean won)		Beginning Balance	Acquisition	Disposal	Dividends received	Equity method gains or losses	Other comprehensive income (loss)	Others	Ending Balance
Associates									
Korea Ras Laffan LNG Ltd.	₩	677,599	-	-	(84,879)	83,359	(194,407)	-	481,672
Korea LNG Ltd.		91,521	-	-	(22,335)	22,347	2,916	-	94,449
Hyundai Yemen LNG Company[1]		108,591	-	(7,824)	(1,593)	3,430	67,555	-	170,159
Korea LNG Trading Co., Ltd.		601	-	-	-	-	-	-	601
Kor-Uz Gas Chemical Investment Ltd.		325,454	185	-	-	(4,296)	13,364	-	334,707
South-East Asia Gas Pipeline Company Limited		23,368	-	-	-	4,758	1,179	-	29,305
Sulawesi LNG Development Limited		319,755	40,224	-	-	(3,910)	14,295	-	370,364
TOMORI E&P Limited		188,392	36,912	-	-	(10,202)	8,021	-	223,123
AMEC Partners Korea LTD		558	-	-	-	-	-	-	558
		1,735,839	77,321	(7,824)	(108,807)	95,486	(87,077)	-	1,704,938
Joint ventures									
KOMAN ENERGY FZCO		1,286	-	(1,286)	-	-	-	-	-
Kor-Uz Gas cylinder Investment Ltd.		4,226	168	-	-	-	-	-	4,394
Kor-Uz Gas C&G Investment Ltd.		2,541	-	-	-	-	-	-	2,541
TERMINAL KMS de GNL, S. De R.L. De C.V.		28,573	-	-	(6,056)	9,829	(3,579)	1,353	30,120
JV SACOTEC		-	-	-	-	-	-	-	-
GLNG Operations Pty Ltd.		14	-	-	-	-	-	-	14
GLNG Property Pty Ltd.		22	-	-	-	-	-	-	22
CORDOVA GAS RESOURCES LTD.[2]		9,987	757	-	-	(10,372)	-	(372)	-
ENH-KOGAS, SA.		-	-	-	-	1,081	-	(867)	214
LNG Canada Development Inc.		-	-	-	-	-	-	-	-
		46,649	925	(1,286)	(6,056)	538	(3,579)	114	37,305
Total	₩	1,782,488	78,246	(9,110)	(114,863)	96,024	(90,656)	114	1,742,243

[1] Although the percentage of ownership of the Group in the above equity securities is 49%, the equity method is applied considering the contractual terms regarding different dividends.

[2] The Group ceased to recognize changes in investments in associates since their book value fell below zero when applying losses of the above equity securities.

(ii) December 31, 2013

(In millions of Korean won)		Beginning Balance	Acquisition	Disposal	Dividends received	Equity method gains or losses	Other comprehensive income (loss)	Others	Ending Balance
Associates									
Korea Ras Laffan LNG Ltd.	₩	728,840	-	-	(106,439)	104,739	(49,541)	-	677,599
Korea LNG Ltd.		130,987	-	-	(26,396)	26,271	(39,341)	-	91,521
Hyundai Yemen LNG Company[1]		8,306	-	-	-	55	100,845	(615)	108,591
Korea LNG Trading Co., Ltd.		601	-	-	-	-	-	-	601
Kor-Uz Gas Chemical Investment Ltd.		244,291	91,560	-	-	(1,711)	(8,686)	-	325,454
South-East Asia Gas Pipeline Company Limited		24,139	-	-	-	(431)	(340)	-	23,368
Sulawesi LNG Development Limited		234,806	93,943	-	-	(1,861)	(7,133)	-	319,755
TOMORI E&P Limited		158,019	34,742	-	-	(971)	(3,398)	-	188,392
AMEC Partners Korea LTD		558	-	-	-	-	-	-	558
		1,530,547	220,245	-	(132,835)	126,091	(7,594)	(615)	1,735,839
Joint ventures									
KOMAN ENERGY FZCO		1,286	-	-	-	-	-	-	1,286
Kor-Uz Gas cylinder Investment Ltd.		4,226	-	-	-	-	-	-	4,226
Kor-Uz Gas C&G Investment Ltd.		2,541	-	-	-	-	-	-	2,541
TERMINAL KMS de GNL, S. De R.L. De C.V.		23,382	-	(8,760)	-	446	13,505	-	28,573
JV SACOTEC		-	-	-	-	-	-	-	-
GLNG Operations Pty Ltd.		16	-	-	-	-	-	(2)	14
GLNG Property Pty Ltd.		26	-	-	-	-	-	(4)	22
CORDOVA GAS RESOURCES LTD.		17,468	638	-	-	(7,183)	(936)	-	9,987
ENH-KOGAS, SA.[2]		-	78	-	-	(986)	32	876	-
		48,945	716	(8,760)	-	(7,723)	12,601	870	46,649
Total	₩	1,579,492	220,961	(8,760)	(132,835)	118,368	5,007	255	1,782,488

[1] Although the percentage of ownership of the Group in the above equity securities is 49%, the equity method is applied considering the contractual terms regarding different dividends.

[2] The Group ceased to recognize changes in investments of its associates because the book value, other than goodwill of investment in associates, fell below zero when applying losses of equity securities. The Group has established the allowance for doubtful accounts of ₩ 876 million on long-term receivables to cover the loss under equity method.

(iii) December 31, 2012

(In millions of Korean won)		Beginning Balance	Acquisition	Dividends received	Equity method gain or loss	Other comprehensive income (loss)	Others	Ending Balance
Associates								
Korea Ras Laffan LNG Ltd.	₩	776,889	-	(96,547)	94,988	(46,490)	-	728,840
Korea LNG Ltd.		141,066	-	(25,842)	25,909	(10,146)	-	130,987
Hyundai Yemen LNG Company[1]		47,288	-	-	(508)	48	(38,522)	8,306
Korea LNG Trading Co., Ltd.		601	-	-	-	-	-	601
Kor-Uz Gas Chemical Investment Ltd.		4,757	250,949	-	520	(11,935)	-	244,291
South-East Asia Gas Pipeline Company Limited		22,676	3,208	-	25	(1,770)	-	24,139
Sulawest LNG Development Limited		126,646	125,340	-	(2,462)	(14,718)	-	234,806
TOMORI E&P Limited		161,776	11,958	-	(2,185)	(13,530)	-	158,019
AMEC Partners Korea LTD.		558	-	-	-	-	-	558
		1,282,257	391,455	(122,389)	116,287	(98,541)	(38,522)	1,530,547
Joint ventures								
KOMAN ENERGY FZCO		1,286	-	-	-	-	-	1,286
Kor-Uz Gas cylinder Investment Ltd.		4,226	-	-	-	-	-	4,226
Kor-Uz Gas C&G Investment Ltd.		2,541	-	-	-	-	-	2,541
TERMINAL KMS de GNL, S. De R.L. De C.V.		17,909	-	-	5,114	1,215	(856)	23,382
JV SACOTEC		-	-	-	-	-	-	-
GLNG Operations Pty Ltd.		17	-	-	-	(1)	-	16
GLNG Property Pty Ltd.		-	26	-	-	-	-	26
CORDOVA GAS RESOURCES LTD		8,704	17,135	-	(6,544)	(1,827)	-	17,468
		34,683	17,161	-	(1,430)	(613)	(856)	48,945
	₩	1,316,940	408,616	(122,389)	114,857	(99,154)	(39,378)	1,579,492

[1] The Group ceased to recognize changes in investments of its associates because the book value, other than goodwill of investment in associates, fell below zero when applying losses of equity securities. The Group has established allowance for doubtful accounts of ₩ 460 million on long-term receivables to cover the loss under equity method.

(c) Financial information of associates and joint ventures as of December 31, 2014, 2013 and 2012, and for the years ended December 31, 2014, 2013 and 2012, follows:

(i) December 31, 2014

(In millions of Korean won)	Assets	Liabilities	Sales	Net income (loss)
Associates				
Korea Ras Laffan LNG Ltd.	₩ 833,311	30,524	141,369	138,931
Korea LNG Ltd.	393,581	45	94,983	93,148
Hyundai Yemen LNG Company	523,092	44,616	8,223	7,001
Korea LNG Trading Co., Ltd.	778,492	773,999	8,726	290
Kor-Uz Gas Chemical Investment Ltd.	743,793	-	-	(9,546)
South-East Asia Gas Pipeline Company Limited	2,009,136	1,306,957	353,614	113,998
Sulawesi LNG Development Limited	1,481,653	198	-	(15,641)
TOMORI E&P Limited	484,230	39,136	10,810	(18,336)
AMEC Partners Korea LTD	1,234	180	671	60
Joint ventures				
KOMAN ENERGY FZCO	-	-	-	-
Kor-Uz Gas cylinder Investment Ltd.	9,497	3	-	(345)
Kor-Uz Gas C&G Investment Ltd.	5,216	311	-	(200)
TERMINAL KMS de GNL, S. De R.L. De C.V.	995,305	874,824	124,248	39,317
JV SACOTEC	65	38	-	(34)
GLNG Operations Pty Ltd.	110	6	-	1
GLNG Property Pty. Ltd.	-	-	-	-
CORDOVA GAS RESOURCES LTD.	96,641	464,995	21,145	(413,314)
ENH-KOGAS, SA.	40,252	39,944	-	1,544
LNG Canada Development Inc.	1	-	-	-

(ii) December 31, 2013

(In millions of Koeran won)	Assets	Liabilities	Sales	Net income (loss)
Associates				
Korea Ras Laffan LNG Ltd.	₩ 1,145,668	16,336	177,134	174,564
Korea LNG Ltd.	381,437	98	111,627	109,571
Hyundai Yemen LNG Company	465,308	159,376	-	-
Korea LNG Trading Co., Ltd.	782,594	778,573	10,569	314
Kor-Uz Gas Chemical Investment Ltd.	723,230	-	-	(1,100)
South-East Asia Gas Pipeline Company Limited	1,755,847	1,195,935	-	(10,325)
Sulawesi LNG Development Limited	1,279,422	402	-	(7,445)
TOMORI E&P Limited	395,505	21,292	9,867	(5,420)
AMEC Partners Korea LTD	1,594	600	1,650	251
Joint ventures				
KOMAN ENERGY FZCO	1,515	10	-	(441)
Kor-Uz Gas cylinder Investment Ltd.	8,806	21	-	(527)
Kor-Uz Gas C&G Investment Ltd.	5,884	689	-	(178)
TERMINAL KMS de GNL, S. De R.L. De C.V.	960,975	861,272	126,709	15,185
JV SACOTEC	145	62	-	(40)

GLNG Operations Pty Ltd.	123	7	-	1
GLNG Property Pty. Ltd.	-	-	-	-
CORDOVA GAS RESOURCES LTD.	529,703	466,121	21,255	(78,663)
ENH-KOGAS, SA.	26,949	28,201	-	(796)

(iii) December 31, 2012

(In millions of Korean won)		Assets	Liabilities	Sales	Net income (loss)
Associates :					
Korea Ras Laffan LNG Ltd.	₩	1,237,968	23,235	160,803	158,314
Korea LNG Ltd.		545,841	64	109,992	108,021
Hyundai Yemen LNG Company		237,370	238,976	-	(1,037)
Korea LNG Trading Co., Ltd.		818,255	814,461	12,989	545
Kor-Uz Gas Chemical Investment Ltd.		542,870	-	-	(76)
South-East Asia Gas Pipeline Company Limited		1,341,510	763,116	-	589
Sulawesi LNG Development Limited		939,536	314	-	(9,508)
TOMORI E&P Limited		318,060	5,832	14,273	(4,459)
AMEC Partners Korea LTD		1,119	375	1,045	181
Joint ventures :					
KOMAN ENERGY FZCO		1,974	16	46,151	(594)
Kor-Uz Gas cylinder Investment Ltd.		10,296	232	-	(526)
Kor-Uz Gas C&G Investment Ltd.		5,385	12	-	(460)
TERMINAL KMS de GNL, S. De R.L. De C.V.		1,018,886	925,360	73,613	20,456
JV SACOTEC		214	76	487	63
GLNG Operations Pty Ltd.		128	7	-	3
CORDOVA GAS RESOURCES LTD.		603,792	516,937	15,896	(65,440)

16. Property, plant and equipment

(a) Details of property, plant and equipment as of December 31, 2014, 2013 and 2012 are as follows:

(i) December 31, 2014

(In millions of Korean won)	Acquisition cost	Governments grants	Accumulated depreciation	Accumulated impairment loss	Book value
Land	₩ 2,537,033	-	-	-	2,537,033
Buildings	989,268	(2,347)	(255,810)	-	731,111
Structure	5,007,406	(2,175)	(1,128,111)	-	3,877,120
Machinery	10,480,527	(132,523)	(2,989,809)	-	7,358,195
Computerized facility	65,310	(170)	(52,581)	-	12,559
Vehicles	34,310	-	(23,771)	-	10,539
Office equipment	40,184	(6)	(27,443)	-	12,735
Tools and instruments	50,783	(349)	(37,244)	-	13,190
Timber	45,939	-	-	-	45,939
Construction in progress	5,319,458	(12,201)	-	-	5,307,257
Finance lease assets	5,528,659	-	(3,036,944)	-	2,491,715
Others	3,990,504	-	(791,794)	(564,028)	2,634,682
Total	₩ 34,089,381	(149,771)	(8,343,507)	(564,028)	25,032,075

(ii) December 31, 2013

(In millions of Korean won)	Acquisition cost	Governments grants	Accumulated depreciation	Accumulated impairment loss	Book value
Land	₩ 2,454,390	-	-	-	2,454,390
Buildings	769,863	(2,336)	(246,296)	-	521,231
Structure	4,401,587	(2,281)	(940,124)	-	3,459,182
Machinery	9,141,069	(64,614)	(2,561,079)	-	6,515,376
Computerized facility	63,382	(123)	(50,793)	-	12,466
Vehicles	30,443	-	(22,080)	-	8,363
Office equipment	33,962	(12)	(24,505)	-	9,445
Tools and instruments	46,023	(232)	(33,701)	-	12,090
Timber	37,112	-	-	-	37,112
Construction in progress	5,009,862	(85,699)	-	-	4,924,163
Finance lease assets	5,528,660	-	(2,815,799)	-	2,712,861
Others	2,887,037	-	(550,640)	(545,443)	1,790,954
Total	₩ 30,403,390	(155,297)	(7,245,017)	(545,443)	22,457,633

(iii) December 31, 2012

(In millions of Korean won)	Acquisition cost	Government grants	Accumulated depreciation	Accumulated impairment loss	Book value
Land	₩ 2,325,143	-	-	-	2,325,143
Buildings	638,292	(654)	(224,481)	-	413,157
Structure	4,328,990	(904)	(763,024)	-	3,565,062
Machinery	8,007,264	(21,236)	(2,201,703)	(9,509)	5,774,816
Computerized facility	57,676	(128)	(50,047)	-	7,501
Vehicles	29,639	-	(21,838)	-	7,801
Office equipment	29,928	(20)	(22,457)	-	7,451
Tools and instruments	42,162	(226)	(30,963)	-	10,973
Timber	31,344	-	-	-	31,344
Construction in progress	3,637,401	(97,883)	-	-	3,539,518
Finance lease assets	5,528,659	-	(2,594,651)	-	2,934,008
Others	1,276,527	-	(310,335)	-	966,192
Total	₩ 25,933,025	(121,051)	(6,219,499)	(9,509)	19,582,966

(b) Changes in property, plant and equipment for the years ended December 31, 2014, 2013 and 2012, are as follows:

(i) December 31, 2014

(In millions of Korean won)		Beginning balance	Acquisition	Disposal	Depreciation	Impairment loss	Other	Ending balance
Land	₩	2,454,390	1,597	(3,212)	-	-	84,258	2,537,033
Buildings		523,567	6,519	(2,125)	(32,781)	-	238,278	733,458
(Government grants)		(2,336)	(97)	-	86	-	-	(2,347)
Structure		3,461,463	1,292	(2,245)	(190,724)	-	609,508	3,879,294
(Government grants)		(2,281)	-	-	106	-	-	(2,175)
Machinery		6,579,990	362	(12,026)	(447,031)	-	1,369,423	7,490,718
(Government grants)		(64,614)	-	-	5,270	-	(73,179)	(132,523)
Computerized facility		12,589	3,732	(13)	(3,785)	-	206	12,729
(Government grants)		(123)	(101)	-	45	-	9	(170)
Vehicles		8,363	4,203	(8)	(3,097)	-	1,078	10,539
Office equipment		9,457	7,653	(3)	(4,572)	-	206	12,741
(Government grants)		(12)	(4)	-	18	-	(8)	(6)
Tools and instruments		12,322	4,878	(274)	(5,080)	-	1,695	13,541
(Government grants)		(232)	(212)	-	95	-	-	(349)
Timber		37,112	-	(26)	-	-	8,853	45,939
Construction in progress		5,009,862	2,653,519	(10,439)	-	-	(2,333,484)	5,319,458
(Government grants)		(85,699)	-	-	-	-	73,497	(12,202)
Finance lease assets		2,712,861	-	-	(221,146)	-	-	2,491,715
Others		1,790,954	893,166	(93)	(211,547)	(43,799)	206,001	2,634,682
Total	₩	22,457,633	3,576,507	(30,464)	(1,114,143)	(43,799)	186,341	25,032,075

Impairment loss in relation to non-traditional mineral facilities of KOGAS Canada Ltd. amounting to ₩ 43,799 million, was recognized as other gains (losses) in the statement of comprehensive income.

(ii) December 31, 2013

(In millions of Korean won)		Beginning balance	Acquisition	Disposal	Depreciation	Other	Changes in scope of consolidation	Ending balance
Land	₩	2,325,143	1,887	(637)	-	143,613	(15,616)	2,454,390
Buildings		413,811	4,378	(2,316)	(24,827)	136,851	(4,330)	523,567
(Government grants)		(654)	-	-	83	(1,765)	-	(2,336)
Structure		3,565,966	260	(2,502)	(177,360)	75,099	-	3,461,463
(Government grants)		(904)	(57)	-	105	(1,425)	-	(2,281)
Machinery		5,796,052	28,737	(8,008)	(391,744)	1,194,296	(39,343)	6,579,990
(Government grants)		(21,236)	-	-	2,814	(46,192)	-	(64,614)
Computerized facility		7,630	8,209	(1)	(1,092)	(2,157)	-	12,589
(Government grants)		(128)	-	-	47	(42)	-	(123)
Vehicles		7,801	3,049	(21)	(3,337)	872	(1)	8,363
Office equipment		7,473	5,168	(31)	(5,669)	2,530	(14)	9,457
(Government grants)		(23)	-	-	11	-	-	(12)
Tools and instruments		11,199	4,432	(1)	(4,191)	903	(20)	12,322
(Government grants)		(226)	-	-	65	(71)	-	(232)
Timber		31,344	-	(24)	-	5,792	-	37,112
Construction in progress		3,637,401	2,898,030	-	-	(1,525,569)	-	5,009,862
(Government grants)		(97,883)	-	-	-	12,184	-	(85,699)
Finance lease assets		2,934,008	-	-	(221,147)	-	-	2,712,861
Others		966,192	992,783	-	(272,832)	104,811	-	1,790,954
Total	₩	19,582,966	3,946,876	(13,541)	(1,099,074)	99,730	(59,324)	22,457,633

(iii) December 31, 2012

(In millions of Korean won)		Beginning Balance	Acquisition	Disposal	Depreciation	Impairment loss	Other	Ending Balance
Land	₩	2,149,996	602	(13,475)	-	-	188,020	2,325,143
Buildings		384,754	2,512	(791)	(22,280)	-	49,616	413,811
(Government grants)		(503)	-	-	24	-	(175)	(654)
Structure		3,380,089	89	(517)	(170,799)	-	357,104	3,565,966
(Government grants)		(835)	-	-	36	-	(105)	(904)
Machinery		5,226,845	14,685	(7,443)	(358,703)	-	920,668	5,796,052
(Government grants)		(17,750)	-	-	755	-	(4,241)	(21,236)
Computerized facility		-	-	-	-	-	7,629	7,629
(Government grants)		-	-	-	-	-	(128)	(128)
Vehicles		6,448	3,329	(252)	(2,776)	(11)	1,063	7,801
Office equipment		14,245	6,524	(66)	(6,064)	-	(7,165)	7,474
(Government grants)		(98)	-	-	41	-	34	(23)
Tools and instruments		10,069	4,428	(2)	(3,730)	-	434	11,199
(Government grants)		(20)	-	-	60	-	(266)	(226)
Tangible exploration and evaluation assets		6,811	-	-	-	-	(6,811)	-
Timber		24,860	-	-	-	-	6,484	31,344
Construction in progress		2,789,003	2,415,360	-	-	-	(1,566,962)	3,637,401
(Government grants)		(64,079)	-	-	-	-	(33,804)	(97,883)
Finance lease assets		3,155,154	-	-	(221,146)	-	-	2,934,008
Others		428,006	775,430	(1,824)	(256,265)	-	20,845	966,192
Total	₩	17,492,995	3,222,959	(24,370)	(1,040,847)	(11)	(67,760)	19,582,966

17. Construction and service contracts

(a) Changes in outstanding construction and service contracts for the year ended December 31, 2014, 2013 and 2012, are as follows:

(i) December 31, 2014

(In millions of Korean won)		Beginning balance	Increase (Decrease) [1]	Sales recognized	Ending balance
Construction contracts :					
Domestic construction contracts	₩	3,369	3,883	3,982	3,270
Overseas construction contracts		21,390	(910)	17,384	3,096
		24,759	2,973	21,366	6,366
Service contracts :					
Domestic service contracts		6,666	4,267	5,760	5,173
Overseas service contracts		15,588	5,819	20,261	1,146
		22,254	10,086	26,021	6,319
Total	₩	47,013	13,059	47,387	12,685

[1] During 2014, the increase is ₩ 16,018 million due to the new contracts and the decrease is ₩ 2,959 million due to the change in size of existing construction contracts.

(ii) December 31, 2013

(In millions of Korean won)		Beginning balance	Increase (Decrease) [1]	Sales recognized	Ending balance
Construction contracts					
Domestic construction contracts	₩	3,403	6,171	6,205	3,369
Overseas construction contracts		-	36,266	14,876	21,390
		3,403	42,437	21,081	24,759
Service contracts					
Domestic service contracts		8,155	5,761	7,250	6,666
Overseas service contracts		12,136	15,501	12,049	15,588
		20,291	21,262	19,299	22,254
Total	₩	23,694	63,699	40,380	47,013

[1] During 2013, the increase is ₩ 64,463 million due to the new contracts and the decrease is ₩ 764 million due to the change in size of existing construction contracts.

(iii) December 31, 2012

(In millions of Korean won)		Beginning balance	Increase (Decrease) [1]	Sales recognized	Ending balance
Construction contracts					
Domestic construction contracts	₩	1,202	4,922	2,721	3,403
Overseas construction contracts		-	175	175	-
		1,202	5,097	2,896	3,403
Service contracts					
Domestic service contracts		6,663	6,601	5,109	8,155
Overseas service contracts		47,406	7,234	42,504	12,136
		54,069	13,835	47,613	20,291
Total	₩	55,271	18,932	50,509	23,694

[1] During 2012, the increase was ₩ 19,060 million due to the new contracts and the decrease was ₩ 128 million due to the change in size of existing construction contracts.

(b) Accumulated revenues and costs of construction in progress as of December 31, 2014, 2013 and 2012 are as follows:

(i) December 31, 2014

(In millions of Korean won)		Accumulated revenue	Accumulated cost	Accumulated income
Construction contracts :				
Domestic construction contracts	₩	2,563	2,218	345
Overseas construction contracts		31,692	30,271	1,421
		34,255	32,489	1,766
Service contracts :				
Domestic service contracts		12,958	9,575	3,383
Overseas service contracts		27,589	18,834	8,755
		40,547	28,409	12,138
Total	₩	74,802	60,898	13,904

(ii) December 31, 2013

(In millions of Korean won)		Accumulated revenue	Accumulated cost	Accumulated income
Construction contracts :				
Domestic construction contracts	₩	2,181	1,999	182
Overseas construction contracts		14,876	13,838	1,038
		17,057	15,837	1,220
Service contracts :				
Domestic service contracts		9,015	6,547	2,468
Overseas service contracts		62,923	57,593	5,330
		71,938	64,140	7,798
Total	₩	88,995	79,977	9,018

(iii) December 31, 2012

(In millions of Korean won)		Accumulated revenue	Accumulated cost	Accumulated income
Construction contracts :				
Domestic construction contracts	₩	1,458	1,317	141
Overseas construction contracts		175	176	(1)
		1,633	1,493	140
Service contracts :				
Domestic service contracts		8,795	6,792	2,003
Overseas service contracts		52,057	49,978	2,079
		60,852	56,770	4,082
Total	₩	62,485	58,263	4,222

(c) Unbilled amount and overbilled amount arising from construction and service contracts as of December 31, 2014, 2013 and 2012 are as follows:

(In millions of Korean won)		2014		2013		2012	
		Unbilled amount[1]	Overbilled amount[2]	Unbilled amount[1]	Overbilled amount[2]	Unbilled amount[1]	Overbilled amount[2]
Construction contracts :							
Domestic construction contracts	₩	482	35	1,037	1	239	9
Overseas construction contracts		834	-	-	3,887	-	-
		1,316	35	1,037	3,888	239	9
Service contracts :							
Domestic service contracts		940	428	747	2,517	431	1,936
Overseas service contracts		1,548	213	650	675	509	3,557
		2,488	641	1,397	3,192	940	5,493
	₩	3,804	676	2,434	7,080	1,179	5,502

[1] Unbilled amount is recognized as accounts receivable in the statement of financial position.
[2] Overbilled amount is recognized as advanced receipts in the statement of financial position.

18. Intangible assets

(a) Details of intangible assets as of December 31, 2014, 2013 and 2012 are as follows:

(i) December 31, 2014

(In millions of Korean won)		**Acquisition cost**	**Governments grants**	**Accumulated amortization**	**Accumulated impairment loss**	**Book value**
Exploration and evaluation assets	₩	453,717	-	-	(36,519)	417,198
Computer software		64,963	(731)	(39,280)	-	24,952
Patents		1,209	(79)	(667)	-	463
Development costs		35,414	-	(35,414)	-	-
Right to donated assets		108,745	-	(68,905)	-	39,840
Land use rights		2,833	-	(1,778)	-	1,055
Mineral rights		1,431,282	-	(29,257)	-	1,402,025
Others		354,673	(22)	(5,935)	-	348,716
Total	₩	2,452,836	(832)	(181,236)	(36,519)	2,234,249

(ii) December 31, 2013

(In millions of Korean won)		**Acquisition cost**	**Governments grants**	**Accumulated amortization**	**Accumulated impairment loss**	**Book value**
Exploration and evaluation assets	₩	341,420	-	-	(35,935)	305,485
Computer software		50,813	(414)	(32,708)	-	17,691
Patents		1,079	(70)	(587)	-	422
Development costs		35,414	-	(35,414)	-	-
Right to donated assets		134,218	-	(86,168)	-	48,050
Land use rights		2,666	-	(1,684)	-	982
Mineral rights		1,454,887	-	(18,859)	-	1,436,028
Others		271,996	-	(5,322)	-	266,674
Total	₩	2,292,493	(484)	(180,742)	(35,935)	2,075,332

(iii) December 31, 2012

(In millions of Korean won)		Acquisition cost	Government grants	Accumulated amortization	Accumulated impairment loss	Book value
Exploration and evaluation assets	₩	883,118	-	-	-	883,118
Computer software		43,551	(199)	(23,359)	-	19,993
Patents		1,016	-	(625)	-	391
Development costs		35,414	-	(35,414)	-	-
Right to donated assets		134,218	-	(80,211)	-	54,007
Land use rights		2,583	-	(1,602)	-	981
Mineral rights		1,392,239	-	-	-	1,392,239
Others		60,668	-	(4,796)	-	55,872
Total	₩	2,552,807	(199)	(146,007)	-	2,406,601

(b) Changes in intangible assets for the years ended December 31, 2014, 2013 and 2012, are as follows:

(i) December 31, 2014

(In millions of Korean won)	Beginning balance	Acquisition/ Capital expenditure	Disposal	Amortization	Impairment loss	Other	Ending balance
Exploration and evaluation assets	₩ 305,485	103,371	(81,421)	-	-	89,763	417,198
Computer software	18,105	2,321	-	-	-	11,796	25,683
(Government grants)	(414)	(482)	-	165	-	-	(731)
Patents	492	-	-	(79)	-	129	542
(Government grants)	(70)	(17)	-	8	-	-	(79)
Development costs	-	-	-	-	-	-	-
Right to donated assets	48,050	-	-	(5,606)	-	(2,604)	39,840
Land use rights	982	142	-	(94)	-	25	1,055
Mineral rights	1,436,028	45,947	-	(9,395)	-	(70,555)	1,402,025
Others	266,674	114,266	(321)	(11,592)	-	(20,289)	348,738
(Government grants)	-	(23)	-	1	-	-	(22)
Total	₩ 2,075,332	265,525	(81,742)	(33,131)	-	8,265	2,234,249

(ii) December 31, 2013

(In millions of Korean won)	**Beginning balance**	**Acquisition/ Capital expenditure**	**Disposal**	**Amortization**	**Impairment loss**	**Other**	**Changes in scope of consolidation**	**Ending balance**
Exploration and evaluation assets	₩ 883,118	142,344	(875)	-	(603,571)	(115,531)	-	305,485
Computer software	20,191	2,271	-	(9,352)	-	4,995	-	18,105
(Government grants)	(198)	-	-	126	-	(342)	-	(414)
Patents	391	-	-	(65)	-	166	-	492
(Government grants)	-	-	-	8	-	(78)	-	(70)
Development costs	-	-	-	-	-	-	-	-
Right to donated assets	54,007	-	-	(4,097)	-	(1,860)	-	48,050
Land use rights	981	70	(1)	(86)	-	18	-	982
Mineral rights	1,392,239	82,411	-	(9,136)	-	(29,486)	-	1,436,028
Others	55,872	268,784	(126)	(653)	-	(57,150)	(53)	266,674
Total	₩ 2,406,601	495,880	(1,002)	(23,255)	(603,571)	(199,268)	(53)	2,075,332

Impairment loss amounting to ₩ 603,571 million is recognized in relation to intangible exploration and evaluation assets of KOGAS Canada Ltd. and KG Timor Leste Ltd., and impairment loss is included in other gains (losses) in the statement of comprehensive income.

(iii) December 31, 2012

(In millions of Koeran won)	**Beginning Balance**	**Acquisition/Capital expenditure**	**Disposal**	**Amortization**	**Impairment loss**	**Other**	**Ending Balance**
Exploration and evaluation assets	₩ 126,048	315,813	-	-	-	441,257	883,118
Computer software	17,072	2,315	-	(7,174)	-	7,978	20,191
(Government grants)	-	-	-	108	-	(306)	(198)
Patents	294	-	-	(50)	-	147	391
Development costs	1	12,908	-	(1)	-	(12,908)	-
Right to donated assets	63,367	-	(1,589)	(7,771)	-	-	54,007
Land use rights	793	70	-	(92)	-	210	981
Mineral rights	1,521,485	465,417	-	-	-	(594,663)	1,392,239
Others	19,691	26,186	-	(595)	-	10,590	55,872
Total	₩ 1,748,751	822,709	(1,589)	(15,575)	-	(147,695)	2,406,601

(c) Details of individually significant intangible assets as of December 31, 2014, 2013 and 2012 are as follows:

(i) December 31, 2014

(In millions of Korean won)	**Details**		**Amount**	**Remaining amortization period**
Intangible exploration and evaluation assets	Acquisition in exploration phase	₩	417,198	Phase in exploration
Right to contributed assets	Harbor facility usage right		39,840	4.85 years
Mineral rights	Mining Rights		413,007	Phase in development approval
	Mining Rights		52,847	24.02 years
	Mining Rights		936,171	32.00 years

(ii) December 31, 2013

(In millions of Korean won)	**Details**		**Amount**	**Remaining amortization period**
Intangible exploration and evaluation assets	Acquisition in exploration phase	₩	305,485	Phase in exploration
Right to contributed assets	Harbor facility usage right		48,050	8.07 years
Mineral rights	Mining Rights		1,414,288	Phase in development approval
	Mining Rights		21,740	23.52 years

(iii) December 31, 2012

(In millions of Korean won)	**Details**		**Amount**	**Remaining amortization period**
Intangible exploration and evaluation assets	Acquisition in exploration phase	₩	883,118	Phase in exploration approval
Right to contributed assets	Harbor facility usage right		54,007	6.95 years
Mineral rights	Mining Rights		1,392,239	Phase in development approval

19. Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss as of December 31, 2014, 2013 and 2012 are as follows:

(In millions of Korean won)		2014 Current	2014 Non-current	2013 Current	2013 Non-current	2012 Current	2012 Non-current
Derivative for trading	₩	9,826	214,872	7,724	141,027	4,382	95,380

20. Trade and other accounts payables

Trade and other accounts payables as of December 31, 2014, 2013 and 2012 are as follows:

(In millions of Korean won)		2014 Current	2014 Non-current	2013 Current	2013 Non-current	2012 Current	2012 Non-current
Trade accounts payable	₩	2,559,727	-	1,672,253	-	2,189,738	-
Non-trade payables		451,782	79,280	549,432	158,793	533,754	74,345
Accrued expenses		179,174	20,009	172,608	-	159,233	-
Lease deposits received		-	-	-	-	2	-
Finance lease liabilities		278,487	1,908,988	251,575	2,092,503	241,156	2,381,929
Others		2,180	38,690	462	29,045	412	38,004
Total	₩	3,471,350	2,046,967	2,646,330	2,280,341	3,124,295	2,494,278

21. Borrowings and debentures

(a) Borrowings and debentures as of December 31, 2014, 2013 and 2012 are summarized as follows:

(In millions of Korean won)		2014	2013	2012
Current				
Short-term borrowings	₩	3,236,271	3,218,493	4,626,514
Current portion of long-term borrowings		414,575	99,556	110,184
Current portion of debentures		2,477,756	2,160,777	2,170,172
Less : Discount on debentures		(2,945)	(1,677)	(19)
		6,125,657	5,477,149	6,906,851
Non-current				
Long-term borrowings, net of current portion		244,093	626,352	409,291
Debentures, net of current portion		22,146,379	20,758,864	17,067,364
Less : Discount on debentures		(60,498)	(61,862)	(57,463)
		22,329,974	21,323,354	17,419,192
Total	₩	28,455,631	26,800,503	24,326,043

(b) Short-term borrowings as of December 31, 2014, 2013 and 2012 are summarized as follows:

(i) December 31, 2014

(In millions of Korean won)

Lender	Interest rate	Maturity	2014
Local currency borrowings (Electronic short-term debentures)			
Woori Investment Bank Co., Ltd.	2.13%	2015.01	₩ 40,000
Local short-term currency borrowings (Commercial Paper)			
KTB Investment & Securities Co., Ltd.	2.10 ~ 2.32%	2015.02~03	560,000
SK Securities Co., Ltd.	2.26 ~ 2.32%	2015.02~03	60,000
Dongbu Securities Co., Ltd.	2.26 ~ 2.32%	2015.02~03	40,000
Meritz Securities Co., Ltd.	2.32%	2015.02	50,000
Samsung Securities Co., Ltd.	2.32%	2015.02	10,000
Shinyoung Securities Co., Ltd.	2.26%	2015.03	20,000
Shinhan Bank	2.27 ~ 2.32%	2015.02~03	100,000
Woori Investment Bank Co., Ltd.	2.26 ~ 2.32%	2015.02~03	50,000
Hyundai Securities Co., Ltd.	2.26%	2015.03	110,000
			1,000,000
Foreign short-term currency borrowings			
Mizuho	0.7% ~ 0.71%	2015.06	103,168
ANZ	0.71%	2015.06	158,177
BTMU	0.73% ~ 0.74%	2015.05~06	154,111
Credit Agricole	0.61%	2015.04	58,421
DB	0.67% ~ 0.68%	2015.04~06	108,792
DBS	0.64% ~ 0.65%	2015.04~06	334,030
KDB	0.72% ~ 0.74%	2015.04~06	499,774
KEXIM	0.50%	2015.05~06	549,600
SMBC	0.74%	2015.06	108,290
Scotia	CAD LIBOR + 0.50%	2015.01	121,908
			2,196,271
Total			₩ 3,236,271

(ii) December 31, 2013

(In millions of Korean won)

Lender	Interest rate	Maturity		2013
Local currency borrowings (Electronic short-term debentures)				
KTB Investment & Securities Co., Ltd.	2.63%	2014.01	₩	90,000
Local short-term currency borrowings (Commercial Paper)				
KTB Investment & Securities Co., Ltd.	2.61% ~ 2.65%	2014.01		510,000
SK Securities Co.,Ltd.	2.61% ~ 2.65%	2014.01		240,000
Dongbu Securities Co.,Ltd	2.65%	2014.01		30,000
Meritz Securities Co.,Ltd.	2.61% ~ 2.64%	2014.01		110,000
Samsung Securities Co.,Ltd.	2.61% ~ 2.63%	2014.01		170,000
Shinhan Bank	2.61%~ 2.64%	2014.01		220,000
KEB	2.61%	2014.01		65,000
Woori Investment Bank Co.,Ltd	2.61% ~ 2.65%	2014.01		60,000
				1,405,000
Foreign short-term currency borrowings				
ANZ	0.74%	2014.02		43,506
BNP	0.70% ~ 0.72%	2014.05		204,727
BTMU	0.70%	2014.04		177,715
Credit Agricole	0.64% ~ 0.67%	2014.04~05		317,686
Deutsche Bank	0.65%	2014.05		96,775
DBS	0.65%	2014.05		115,016
HSBC	0.84%	2014.05		49,096
ING	1.61% ~1.69%	2014.01~04		71,285
JP Morgan	0.83%	2014.01~05		56,394
KDB	0.60%	2014.01~02		203,579
Mizuho	0.79% ~1.82%	2014.05~06		102,247
RBS	0.61%	2014.04		52,072
Scotia	0.84%	2014.05		53,683
	CAD LIBOR + 0.50%	2014-01-31		125,634
Industrial & Commercial Bank of China	0.73%	2014.02		54,078
				1,723,493
Total			₩	3,218,493

(iii) December 31, 2012

(In millions of Korean won)

Lender	Interest rate	Maturity		2012
Local currency borrowings (Commercial Paper)				
KTB Investment & Securities Co., Ltd.	2.93% ~ 2.94%	2013.02~03	₩	600,000
SK Securities Co.,Ltd.	2.93% ~ 2.94%	2013.02~03		620,000
Meritz Securities Co.,Ltd.	2.93% ~ 2.94%	2013.02~03		180,000
Samsung Securities Co.,Ltd.	2.93% ~ 2.94%	2013.01~03		130,000
Shinhan Bank	2.93% ~ 2.94%	2013.02~03		420,000
Korea Exchange Bank	2.93% ~ 2.94%	2013.02~03		420,000
Woori Bank	2.93% ~ 2.94%	2013.02~03		1,080,000
Kookmin Bank	18.00%	-		8,628
	18.00%	-		4,625
				3,463,253
Foreign currency borrowings				
BTMU	0.85% ~ 1.97%	2013.01~02		179,199
Credit Agricole	0.85%	2013.02		54,512
Deutsche Bank	0.65%	2013.03		92,767
DBS	0.65%	2013.02~03		105,653
ING	0.90%	2013.02		49,672
JP Morgan	0.60%	2013.02		150,072
Mizuho	1.80%	2013.02		94,739
RBS	0.64%	2013.02		52,727
Scotia	0.75% ~ 0.81%	2013.02		76,270
Bank of America	0.65% ~ 1.70%	2013.02~03		209,328
SMBC	0.76%	2013.03		98,322
				1,163,261
Total			₩	4,626,514

(c) Long-term borrowings as of December 31, 2014, 2013 and 2012, are summarized as follows:

(In millions of Korean won, thousands of US Dollars))

			2014		2013		2012	
Lender	Interest rate	Maturity	Foreign currency (USD)	Local currency (KRW)	Foreign currency (USD)	Local currency (KRW)	Foreign currency (USD)	Local currency (KRW)
Local currency borrowings								
Korea National Oil Corporation	3-year government bond floating rate	2015.03 ~ 2019.09	-	169,038	-	261,795	-	364,265
Citibank	5-year government bond floating rate	2016.09 ~ 2018.09	-	5,943	-	8,406	-	10,868
Kookmin Bank	18.00%	2023.06.02	-	-	-	-	-	17,000
	18.00%	2021.06.15	-	-	-	-	-	4,853
Foreign currency borrowings								
Korea National Oil Corporation [1]	3-year government bond rate -2.25%	2017.12	140,035	153,927	131,827	139,117	114,358	122,489
MIZUHO	0.56% ~ 0.73%	2015.02 ~ 2015.06	300,000	329,760	300,000	316,590	-	-
Less : current portion			(4,409)	(414,575)	(4,109)	(99,556)	(4,109)	(110,184)
Total			435,626	244,093	427,718	626,352	110,249	409,291

[1] As of December 31, 2014, the Group provided 16 blank promissory notes to Korea National Oil Corporation as collateral for the Group's borrowings.

(d) Debentures as of December 31, 2014, 2013 and 2012 are summarized as follows:

(i) December 31, 2014

(In millions of Korean won and Japanese yen, and in thousands of US dollars, Euro, Confoederatio Helvetica Franc, Hong Kong Dollars, Chinese Yuan, Canadian Dollars and Australian Dollars)

List	Interest rate	Maturity	Foreign currency		Local currency (KRW)
195th ~ 203rd	5.42% ~ 6.36%	2015.01 ~ 2015.06		-	640,000
243rd ~ 257th	5.16% ~ 5.66%	2015.03 ~ 2019.11		-	1,460,000
258th ~ 285th	4.08% ~ 7.00%	2015.07 ~ 2021.05		-	2,730,000
286th ~ 309th	3.87% ~ 4.93%	2015.04 ~ 2022.05		-	3,055,000
310th ~ 316th	3.80% ~ 4.09%	2019.05 ~ 2022.09		-	900,000
317th ~ 324th	3.07% ~ 3.28%	2018.04 ~ 2027.07		-	1,050,000
325th ~ 338th	2.94% ~ 3.86%	2023.04 ~ 2028.08		-	1,650,000
339th ~ 355th	3.14% ~ 4.02%	2016.10 ~ 2034.05		-	2,080,000
356th ~ 358th	3.67% ~ 3.83%	2024.03 ~ 2034.02		-	370,000
359th ~ 362nd	3.50% ~ 3.84%	2024.04 ~ 2034.04		-	420,000
363rd ~ 366th	2.95% ~ 3.18%	2021.08 ~ 2024.07		-	470,000
367th ~ 370th	2.75% ~ 2.93%	2024.10 ~2029.11		-	500,000
Switzerland franc	2.25%	2015.10	CHF	300,000	333,429
Global 3rd	4.25%	2020.11	USD	500,000	549,600
289th US Dollar	3M LIBOR + 1.05%	2015.03	USD	100,000	109,920
Maple bond	4.58%	2016.05	CAD	300,000	283,959
6th Samurai	1.38%	2016.07	JPY	30,000	276,042
Shogun	6M LIBOR + 1.00%	2016.09	USD	200,000	219,840
Switzerland franc 2nd	2.00%	2016.10	CHF	250,000	277,858
Switzerland franc 3rd	2.88%	2019.10	CHF	100,000	111,143
Switzerland franc 4th	1.13%	2020.02	CHF	300,000	333,429
FRN foreign 1st	3M LIBOR + 0.90%	2018.02	USD	200,000	219,840
Syndicate bond	3M LIBOR + 1.45%	2015.11	USD	400,000	439,680
Global 4th	6.25%	2042.01	USD	750,000	824,400
MTN 2nd	1.28%	2017.06	JPY	3,000	27,604
MTN 3rd	2.50%	2017.06	HKD	300,000	42,510
MTN 4th	2.60%	2017.06	HKD	500,000	70,850
MTN 10th	3.25%	2017.06	CNY	160,000	28,290
MTN 12th	3M JPY Libor+0.76%	2017.09	JPY	3,000	27,604
MTN 13th	3.02%	2028.06	EUR	38,000	50,788
MTN 14th	3M Libor+0.80%	2018.07	USD	100,000	109,920
MTN 15th	3.00%	2023.07	EUR	50,000	66,826
MTN 16th	1.46%	2023.08	JPY	8,000	73,611
MTN 16th(2)	1.46%	2023.08	JPY	4,000	36,806
MTN 17th	4.00%	2024.01	USD	200,000	219,840
MTN 18th	3.58%	2029.07	USD	100,000	109,920
MTN 19th	3.58%	2029.07	USD	150,000	164,880
MTN 20th	3.58%	2029.07	USD	100,000	109,920
Shogun 3rd	3M LIBOR + 1.20%	2016.06	USD	100,000	109,920
Shogun 4th	3M LIBOR + 1.27%	2017.06	USD	100,000	109,920
Shogun 5th	3M LIBOR + 90Bp	2018.02	USD	150,000	164,880
Global 5th	2.25%	2017.07	USD	700,000	769,440
Global 6th	2.88%	2018.07	USD	500,000	549,600
Global 7th	3.88%	2024.02	USD	500,000	549,600
Global 8th	3.50%	2026.07	USD	500,000	549,600

EUR BOND	2.38%	2019.04	EUR	500,000	668,260
AUD BOND	4.50%	2015.09	AUD	300,000	269,727
MTN 21st	3.50%	2029.10	USD	100,000	109,920
MTN 22nd	3.13%	2025.10	USD	200,000	219,840
MTN 23rd	3.30%	2025.11	USD	50,000	54,960
MTN 24th	3.30%	2025.11	USD	50,000	54,960
					24,624,136
Less : Discount on debentures					(63,443)
Less : Current portion					(2,477,756)
Less : Current portion of discount on debentures					2,945
					22,085,882

(ii) December 31, 2013

(In millions of Korean won and Japanese yen, and in thousands of US dollars, Euro, Confoederatio Helvetica Franc, Hong Kong Dollars, Chinese Yuan, Canadian Dollars and Australian Dollars)

List	Interest rate	Maturity	Foreign currency		Local currency (KRW)
183rd	5.07%	2014.03.09		-	120,000
184th	5.09%	2014.03.15		-	100,000
185th	5.07%	2014.03.23		-	120,000
198th	5.97%	2014.05.15		-	110,000
205th	6.68%	2014.07.11		-	130,000
207th	6.59%	2014.07.24		-	150,000
211th	7.00%	2014.08.19		-	140,000
239th	5.97%	2014.02.03		-	100,000
249th	5.17%	2014.05.28		-	100,000
192nd ~ 193rd	5.79% ~ 5.94%	2014.10 ~ 2014.11		-	220,000
195th ~ 203rd	5.42% ~ 6.36%	2015.01 ~ 2015.06		-	640,000
243rd ~ 257th	5.16% ~ 5.66%	2015.03 ~ 2019.11		-	1,460,000
258th ~ 285th	4.08% ~ 7.00%	2015.07 ~ 2021.05		-	2,730,000
286th ~ 309th	3.87% ~ 4.93%	2015.04 ~ 2022.05		-	3,055,000
310th ~ 316th	3.80% ~ 4.09%	2019.05 ~ 2022.09		-	900,000
317th ~ 324th	3.07% ~ 3.28%	2018.04 ~ 2027.07		-	1,050,000
325th ~ 338th	2.94% ~ 3.86%	2023.04 ~ 2028.08		-	1,650,000
339th ~ 355th	3.14% ~ 4.02%	2016.10 ~ 2034.05		-	2,080,000
Global 2nd	6.00%	2014.07	USD	500,000	527,650
267th US Dollar	3M LIBOR + 1.10%	2014.05	USD	100,000	105,530
Switzerland franc	2.25%	2015.10	CHF	300,000	356,601
Global 3rd	4.25%	2020.11	USD	500,000	527,650
289th US Dollar	3M LIBOR + 1.05%	2015.03	USD	100,000	105,530
Maple bond	4.58%	2016.05	CAD	300,000	297,255
6th Samurai	1.38%	2016.07	JPY	30,000	301,398
Shogun	6M LIBOR + 1.00%	2016.09	USD	200,000	211,060
Switzerland franc 2nd	2.00%	2016.10	CHF	250,000	297,168
Switzerland franc 3rd	2.88%	2019.10	CHF	100,000	118,867
Switzerland franc 4th	1.13%	2020.02	CHF	300,000	356,601
FRN foreign 1st	3M LIBOR + 0.90%	2018.02	USD	200,000	211,060
Syndicate bond	3M LIBOR + 1.45%	2015.11	USD	400,000	422,120
Global 4th	6.25%	2042.01	USD	750,000	791,475
MTN 2nd	1.28%	2017.06	JPY	3,000	30,140
MTN 3rd	2.50%	2017.06	HKD	300,000	40,827

MTN 4th	2.60%	2017.06	HKD	500,000	68,045
MTN 7th	1.65%	2014.06	HKD	195,000	26,538
MTN 10th	3.25%	2017.06	CNY	160,000	27,854
MTN 12th	3M JPY Libor+0.76%	2017.09	JPY	3,000	30,140
MTN 13th	3.02%	2028.06	EUR	38,000	55,338
MTN 14th	3M Libor+0.80%	2018.07	USD	100,000	105,530
MTN 15th	3.00%	2023.07	EUR	50,000	72,813
MTN 16th	1.46%	2023.08	JPY	8,000	80,373
MTN 16th(2)	1.46%	2023.08	JPY	4,000	40,186
Shogun 2nd	3M LIBOR + 0.65%	2014.06	USD	200,000	211,060
Shogun 3rd	3M LIBOR + 1.20%	2016.06	USD	100,000	105,530
Shogun 4th	3M LIBOR + 1.27%	2017.06	USD	100,000	105,530
Shogun 5th	3M LIBOR + 90Bp	2018.02	USD	150,000	158,295
Global 5th	2.25%	2017.07	USD	700,000	738,710
Global 6th	2.88%	2018.07	USD	500,000	527,650
EUR BOND	2.38%	2019.04	EUR	500,000	728,130
AUD BOND	4.50%	2015.09	AUD	300,000	281,987
					22,919,641
Less : Discount on debentures					(63,539)
Less : Current portion					(2,160,777)
Less : Current portion of discount on debentures					1,677
					20,697,002

(iii) December 31, 2012

(In millions of Korean won and Japanese yen, and in thousands of US dollars, Euro, Confoederatio Helvetica Franc, Hong Kong Dollars, Chinese Yuan, Singapore Dollars, Canadian Dollars and Australian Dollars)

List	Interest rate	Maturity	Foreign currency	Local currency (KRW)
146th	5.50%	2013.02.20	-	100,000
176th	4.95%	2013.09.27	-	100,000
177th	4.87%	2013.10.11	-	120,000
178th	4.86%	2013.10.17	-	100,000
179th	4.91%	2013.10.25	-	100,000
180th	4.95%	2013.11.06	-	100,000
183th	5.07%	2014.03.09	-	120,000
184th	5.09%	2014.03.15	-	100,000
185th	5.07%	2014.03.23	-	120,000
191th	5.61%	2013.08.23	-	120,000
192th	5.79%	2014.10.23	-	120,000
193th	5.94%	2014.11.05	-	100,000
195th	5.76%	2015.01.23	-	80,000
197th	5.42%	2015.04.29	-	110,000
198th	5.74%	2014.05.15	-	110,000
199th	6.03%	2015.06.03	-	120,000
201th	6.17%	2015.06.19	-	110,000
202th	6.36%	2015.06.24	-	110,000
203th	6.33%	2015.06.27	-	110,000
205th	6.68%	2014.07.11	-	130,000
206th	6.60%	2013.07.18	-	130,000
207th	6.59%	2014.07.24	-	150,000
208th	6.55%	2013.07.30	-	90,000
209th	6.63%	2013.08.01	-	90,000

210th	6.63%	2013.08.08		-	100,000
211th	7.00%	2014.08.19		-	140,000
222th	7.00%	2013.10.13		-	50,000
236th	5.05%	2013.07.23		-	120,000
237th	5.35%	2013.07.30		-	100,000
239th	5.97%	2014.02.03		-	100,000
241th	5.33%	2013.02.17		-	150,000
242th	5.41%	2013.08.26		-	100,000
243th	5.35%	2015.03.04		-	100,000
244th	5.3%	2015.03.09		-	120,000
245th	5.16%	2016.03.13		-	100,000
246th	5.4%	2019.04.07		-	90,000
247th	5.4%	2019.05.08		-	150,000
248th	5.2%	2016.05.19		-	110,000
249th	5.17%	2014.05.28		-	100,000
250th	5.39%	2015.06.18		-	110,000
251th	5.4%	2019.07.03		-	80,000
252th	5.63%	2016.09.08		-	120,000
253th	5.53%	2016.09.29		-	120,000
254th	5.66%	2019.10.15		-	80,000
255th	5.64%	2019.11.03		-	80,000
256th	5.66%	2019.11.17		-	120,000
257th	5.38%	2017.06.01		-	80,000
258th ~ 285th	4.08% ~ 7.00%	2015.07 ~ 2021.05		-	2,730,000
286th ~ 309th	3.87%~4.93%	2015.04 ~ 2022.11		-	3,055,000
310th ~ 316th	3.80%~4.09%	2019.05 ~ 2022.09		-	900,000
317th ~ 324th	3.07%~3.28%	2018.04 ~ 2027.07		-	1,050,000
Global 2nd	6.00%	2014.07	USD	500,000	535,550
262nd US Dollar	3M LIBOR + 1.35%	2013.02	USD	150,000	160,665
267th US Dollar	3M LIBOR + 1.10%	2014.05	USD	100,000	107,110
Switzerland franc	2.25%	2015.10	CHF	300,000	351,930
Global 3rd	4.25%	2020.11	USD	500,000	535,550
287th US Dollar	3M LIBOR + 1.10%	2013.02	USD	100,000	107,110
289th US Dollar	3M LIBOR + 1.05%	2015.03	USD	100,000	107,110
Maple bond	4.58%	2016.05	CAD	300,000	322,815
6th Samurai	1.38%	2016.07	JPY	30,000	374,250
Shogun	6M LIBOR + 1.00%	2016.09	USD	200,000	214,220
Switzerland franc 2nd	2.00%	2016.10	CHF	250,000	293,275
Switzerland franc 3rd	2.88%	2019.10	CHF	100,000	117,310
Syndicate bond	3M LIBOR + 1.45%	2015.11	USD	400,000	428,440
Global 4th	6.25%	2042.01	USD	750,000	803,325
MTN 1st	1.53%	2013.04	USD	40,000	42,844
MTN 2nd	1.28%	2017.06	JPY	3,000	37,425
MTN 3rd	2.50%	2017.06	HKD	300,000	41,454
MTN 4th	2.60%	2017.06	HKD	500,000	69,090
MTN 5th	3M EURIBOR + 0.40%	2013.06	EUR	40,000	56,650
MTN 6th	1.55%	2013.06	USD	30,000	32,133
MTN 7th	1.65%	2014.06	HKD	195,000	26,945
MTN 8th	1.10%	2013.06	SGD	30,000	26,264
MTN 8th(2)	1.10%	2013.06	SGD	10,000	8,755
MTN 9th	3M EURIBOR + 0.45%	2013.06	EUR	20,000	28,325
MTN 10th	3.25%	2017.06	CNY	160,000	27,501
MTN 11th	0.95%	2013.07	JPY	3,000	37,425
MTN 12th	3M JPY Libor+0.76%	2017.09	JPY	3,000	37,425
Shogun 2nd	3M LIBOR + 0.65%	2014.06	USD	200,000	214,220

Shogun 3rd	3M LIBOR + 1.20%	2016.06	USD	100,000	107,110
Shogun 4th	3M LIBOR + 1.27%	2017.06	USD	100,000	107,110
Global 5th	2.25%	2017.07	USD	700,000	749,770
AUD BOND	4.50%	2015.09	AUD	300,000	333,430
					19,237,536
Less : Discount on debentures					(57,482)
Less : Current portion					(2,170,172)
Less : Current portion of discount on debentures					19
					17,009,901

22. Finance lease liabilities

As of December 31, 2014, the Group has lease contracts with shipping agents for the vessels used for LNG transportation. Since the substantial risks on long-term use of LNG transportation vessels were transferred to the Group, the leases are accounted for as finance leases. The lower amount of the present value of minimum lease payment or the fair value of lease asset was recognized as a finance lease asset and finance lease liability.

(a) Finance lease liabilities as of December 31, 2014, 2013 and 2012 are summarized as follows:

(In millions of Korean won)

		2014		2013		2012	
		Minimum lease payment	Present value of minimum lease payment	Minimum lease payment	Present value of minimum lease payment	Minimum lease payment	Present value of minimum lease payment
1year or less	₩	309,220	278,487	293,720	251,575	298,293	241,156
1 ~ 5 years		1,282,211	1,198,431	1,223,821	1,096,518	1,212,120	1,051,957
More than 5 years		828,879	710,557	1,138,143	995,986	1,468,168	1,329,972
Total	₩	2,420,310	2,187,475	2,655,684	2,344,079	2,978,581	2,623,085

(b) Financial leases liabilities liquidity classification as of December 31, 2014, 2013 and 2012 are as follows:

(In millions of Korean won)		2014	2013	2012
Current liabilities	₩	278,487	251,575	241,156
Non-current liabilities		1,908,988	2,092,504	2,381,929
Total	₩	2,187,475	2,344,079	2,623,085

23. Employee Benefit Liabilities

The Group operates a defined benefit plan. According to defined benefit plan, employees will receive average their salaries for the past three months multiplied by the rate of payment considering the year of service on their retirement. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

(a) Defined benefit liability recognized on the statements of financial position as of December 31, 2014, 2013 and 2012, are as follows:

(In millions of Korean won)		2014	2013	2012
Present value of defined benefit liability	₩	199,698	202,076	158,054
Fair value of plan assets		(152,039)	(146,693)	(133,187)
	₩	47,659	55,383	24,867

(b) Changes in the carrying amount of defined benefit obligations for the years ended December 31, 2014, 2013 and 2012, are as follows:

(In millions of Korean won)		2014	2013	2012
Beginning balance	₩	202,076	158,054	125,447
Current service cost		36,334	31,252	28,782
Interest cost		10,815	7,861	7,038
Remeasurements		(32,649)	7,601	7,572
Benefits paid		(4,765)	(2,676)	(10,776)
Employee contribution		(540)	-	-
Foreign exchange difference		9	(3)	(9)
Changes in scope of consolidation		-	(13)	-
Past service cost from amendments, curtailments, or settlements of the plan		(11,582)	-	-
Ending balance	₩	199,698	202,076	158,054

(c) The movement in the fair value of plan assets for the years ended December 31, 2014, 2013 and 2012, are as follows:

(In millions of Korean won)		2014	2013	2012
Beginning balance	₩	146,693	133,187	86,418
Interest income		7,354	6,329	3,914
Remeasurement		(3,354)	(1,651)	(132)
Employer contribution		6,111	11,504	48,309
Benefits paid		(4,765)	(2,676)	(5,322)
Ending balance	₩	152,039	146,693	133,187

Accumulated actuarial gains, net of tax, recorded in other comprehensive income accounts to ₩ 14,724 million, ₩ 36,942 million and ₩ 29,970 million as of December 31, 2014, 2013 and 2012, respectively.

(d) Plan assets as of December 31, 2014, 2013 and 2012, consist of:

(In millions of Korean won)		2014	2013	2012
Deposits	₩	55,619	65,980	124,042
Insurance instruments		70,071	61,890	11
Debt instruments		10,370	9,490	2,873
Others		15,979	9,333	6,261
	₩	152,039	146,693	133,187

(e) The principal actuarial assumptions as of December 31, 2014, 2013 and 2012, are as follows:

	2014	2013	2012
Discount rate	4.49%	5.33%	4.94%
Future salary increases	2.8%+promotion rate	7.31%	7.31%

(f) Promotion rate used for future salary increases calculations in 2014, are as follows:

	Age	Experience rate
Promotion rate	30	3.772%
	35	3.174%
	40	2.739%
	45	2.409%
	50	2.150%

(g) The amounts recognized in profit or loss for the years ended December 31, 2014, 2013 and 2012, are as follows:

(In millions of Korean won)		2014	2013	2012
Current service cost	₩	36,334	31,252	28,782
Interest expense		10,815	7,861	7,038
Interest income		(7,354)	(6,329)	(3,914)
Past service cost from amendments, curtailments, or settlements of the plan		(11,582)	-	-
Total	₩	28,213	32,784	31,906

(h) The amounts recognized in the statements of comprehensive income for the years ended December 31, 2014, 2013 and 2012, are as follows:

(In millions of Korean won)		2014	2013	2012
Cost of sales	₩	19,804	11,283	15,779
Selling, general and administrative expenses(severance benefits)		6,063	12,288	6,195
Construction in progress		2,319	9,213	9,932
Other intangible assets		27	-	-
Total	₩	28,213	32,784	31,906

(i) Remeasurements recognized as other comprehensive income for the years ended December 31, 2014, 2013 and 2012, are as follows:

(In millions of Korean won)		2014	2013	2012
Remeasurements of defined benefit plan	₩	(32,649)	7,601	7,572
Return on plan assets		3,354	1,651	132
Total	₩	(29,295)	9,252	7,704

Details of remeasurements are as follows:

(In millions of Korean won)		Beginning balance		Increase		Decrease		Ending balance
Remeasurements of defined benefit plan	₩	(36,942)	₩	25,939	₩	(3,721)	₩	(14,724)

The Group expects contribution payments amounting to ₩14,705 million (2014: ₩6,111 million) in relation to the defined benefit plan in 2015.

24. Provisions

(a) Details of provisions as of December 31, 2014, 2013 and 2012 , are as follows:

(In millions of Korean won)		2014			2013			2012		
		Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
Provision for employee benefits	₩	52,287	-	52,287	52,664	-	52,664	50,919	-	50,919
Provision for financial guarantee		1	23,208	23,209	-	1,827	1,827	-	2,047	2,047
Provision for restoration		-	196,583	196,583	-	185,677	185,677	-	136,587	136,587
Others		-	72	72	-	143	143	-	153	153
Total	₩	52,288	219,863	272,151	52,664	187,647	240,311	50,919	138,787	189,706

(b) Changes in provisions for the years ended December 31, 2014, 2013 and 2012, are as follows:

(i) December 31, 2014

(In millions of Korean won)		Beginning balance	Increase	Utilization	Reversal	Others	Ending balance
Provision for employee benefits	₩	52,665	25,696	(25,884)	-	(190)	52,287
Provision for financial guarantee		1,827	21,536	(134)	-	(20)	23,209
Provision for restoration		185,677	6,506	(4,135)	-	8,536	196,584
Others		143	-	(4)	(68)	-	71
Total	₩	240,312	53,738	(30,157)	(68)	8,326	272,151

(ii) December 31, 2013

(In millions of Korean won)		Beginning balance	Increase	Utilization	Reversal	Others	Ending balance
Provision for employee benefits	₩	50,919	52,665	(50,417)	-	(502)	52,665
Provision for financial guarantee		2,046	-	(139)	-	(80)	1,827
Provision for restoration		136,587	125,565	(1,473)	-	(75,002)	185,677
Others		154	11	(14)	(8)	-	143
Total	₩	189,706	178,241	(52,043)	(8)	(75,584)	240,312

(iii) December 31, 2012

(In millions of Korean won)		Beginning balance	Increase	Utilization	Reversal	Others	Ending balance
Provision for employee benefits	₩	40,881	50,919	(40,881)	-	-	50,919
Provision for financial guarantee		-	2,210	(26)	-	(138)	2,046
Provision for restoration		134,933	11,786	-	-	(10,132)	136,587
Others		214	91	(65)	(86)	-	154
Total	₩	176,028	65,006	(40,972)	(86)	(10,270)	189,706

25. Government grants

Government grants relating to property, plant and equipment are presented as the deduction of related assets

(a) Details of government grants as of December 31, 2014, 2013 and 2012, are as follows:

(i) December 31, 2014

(In millions of Korean won)	Assets		Liabilities	
Deferred government grants revenue	₩	-	₩	2,924

(ii) December 31, 2013

(In millions of Korean won)	Assets		Liabilities	
Deferred government grants revenue	₩	-	₩	4,084

(iii) December 31, 2012

(In millions of Korean won)	Assets		Liabilities	
Deferred government grants revenue	₩	-	₩	6,018

(b) Changes in deferred government grants revenue for the years ended December 31, 2014, 2013 and 2012, are as follows:

(i) December 31, 2014

(In millions of Korean won)		Beginning balance	Receipt	Offset	Revenue recognition	Others	Ending balance
Deferred government grants revenue	₩	4,084	7,453	-	(6,887)	(1,726)	2,924

(ii) December 31, 2013

(In millions of Korean won)		Beginning balance	Receipt	Offset	Revenue recognition	Others	Ending balance
Deferred government grants revenue	₩	6,018	3,942	-	(5,876)	-	4,084

(iii) December 31, 2012

(In millions of Korean won)		Beginning balance	Receipt	Offset	Revenue recognition	Others	Ending balance
Deferred government grants revenue	₩	6,430	4,578	-	(4,990)	-	6,018

(c) Revenue from government grants for the years ended December 31, 2014, 2013 and 2012, are as follows:

(In millions of Korean won)		2014	2013	2012
Government grants income recognized during the year	₩	19,325	-	-
Offsetting of government grants related to deferred revenue		6,887	5,876	4,990

26. Customer's contribution to construction costs

(a) Changes in gains from contribution to construction for the years ended December 31, 2014, 2013 and 2012, are as follows:

(In millions of Korean won)		2014	2013	2012
Offset of deferred income related to contribution to construction cost	₩	90	583	807
Total	₩	90	583	807

(b) Changes in deferred revenue related to contribution from customer for the years ended December 31, 2014, 2013 and 2012, are as follows:

(In millions of Korean won)		2014	2013	2012
Beginning balance	₩	1,479	14,730	2,821
Increase		919	270	12,716
Offset		(90)	(583)	(807)
Others		-	(12,938)	-
Ending balance	₩	2,308	1,479	14,730

27. Non-financial liabilities

Details of non-financial liabilities as of December 31, 2014, 2013 and 2012, are summarized as follows

(In millions of Korean won)		2014		2013		2012	
		Current	Non-current	Current	Non-current	Current	Non-current
Advanced receipts	₩	10,017	-	7,878	-	3,022	-
Unearned revenues		36,522	-	34,945	-	19,241	-
Withholdings		17,868	-	15,458	-	13,444	-
Deferred revenue		172	5,061	36	5,527	703	20,045
Others		10,144	1,863	18,359	4,687	24,581	6,730
Total	₩	74,723	6,924	76,676	10,214	60,991	26,775

28. Equity

(a) As of December 31, 2014, the number of authorized shares, number of issued shares and par value per share are 200,000,000, 92,313,000 and ₩ 5,000, respectively.

(b) Changes in the number of common shares for years ended December 31, 2014, 2013 and 2012, are as follow:

	2014	2013	2012
Beginning balance	87,637,240	72,608,750	72,608,750
Stock issuance	-	15,028,490	-
Ending balance	87,637,240	87,637,240	72,608,750

(c) Details of share premium as of December 31, 2014, 2013 and 2012, are as follows:

(In millions of Korean won)		2014	2013	2012
Share premium	₩	1,303,548	1,303,544	669,640

29. Retained earnings and Dividends

(a) Retained earnings as of December 31, 2014, 2013 and 2012, consist of:

(In millions of Korean won)		2014	2013	2012
Legal reserve[1]	₩	193,211	193,211	193,211
Other reserves		5,536,243	5,809,868	5,427,757
Unappropriated retained earnings (undisposed deficit)		408,046	(333,966)	374,902
Total	₩	6,137,500	5,669,113	5,995,870

[1] The Korea Gas Corporation Act requires the Corporation to appropriate as a legal reserve an amount equal to at least 10% of profits for each accounting period until the reserve equals 50% of the capital. The legal reserve may be used to reduce a deficit or may be transferred to capital stock.

(b) Other reserves as of December 31, 2014, 2013 and 2012, are as follows:

(In millions of Korean won)		2014	2013	2012
Business expansion	₩	4,841,928	5,115,553	4,733,442
Reserve for dividend equalization		219,282	219,282	219,282
Business rationalization		792	792	792
Accident compensation		386,423	386,423	386,423
Improvement of financial structure		87,818	87,818	87,818
Total	₩	5,536,243	5,809,868	5,427,757

(c) Changes in retained earnings for the years ended December 31, 2014, 2013 and 2012, are as follows:

(In millions of Korean won)		2014	2013	2012
Beginning balance	₩	5,669,113	5,995,870	5,690,241
Net income(loss)		447,222	(200,707)	366,675
Dividends		-	(119,078)	(55,183)
Remeasurements of defined benefit liability		22,217	(6,972)	(5,863)
Interest payment of hybrid bonds		(1,052)	-	-
Ending balance	₩	6,137,500	5,669,113	5,995,870

(d) Details of dividends for the years ended December 31, 2014, 2013 and 2012, are as follows:

(i) December 31, 2014

	Shares outstanding	Treasury stocks	Shares eligible for dividends		Dividends for share	Total dividends
Common stock	92,313,000	4,675,760	87,637,240	₩	-	-

(ii) December 31, 2013

	Shares outstanding	Treasury stocks	Shares eligible for dividends		Dividends for share	Total dividends
Common stock	77,284,510	4,675,760	72,608,750	₩	1,640	119,078,350,000

(iii) December 31, 2012

	Shares outstanding	Treasury stocks	Shares eligible for dividends		Dividends for share	Total dividends
Common stock	77,284,510	4,675,760	72,608,750	₩	760	55,182,650,000

(e) Changes in remeasurements for the years ended December 31, 2014, 2013 and 2012, are as follows:

(In millions of Korean won)		2014	2013	2012
Beginning balance	₩	(36,942)	(29,970)	(24,108)
Gains (losses)		29,295	(9,252)	(7,703)
Tax effect		(7,077)	2,280	1,841
Ending balance	₩	(14,724)	(36,942)	(29,970)

30. Appropriation of Retained Earnings (Disposition of Deficit)

The disposition of deficit or appropriation of retained earnings for the years ended December 31, 2014, 2013 and 2012, follow

(In millions of Korean won)

Date of Appropriation for 2014: March 27, 2015
Date of Appropriation for 2013: March 28, 2014
Date of Appropriation for 2012: March 29, 2013

		2014	2013	2012
Balance at beginning of year	₩	-	2,000	2,500
Net income(loss)		93,008	(267,179)	505,724
Remeasurements of defined benefit liability		21,780	(8,446)	(5,035)
Interest payment of hybrid bonds		(1,053)	-	-
Retained earnings before appropriation (Deficit for disposition)		113,735	(273,625)	503,189
Transfers from voluntary reserves				
Reserve for business expansion		-	273,625	-
Unappropriated retained earnings available for appropriation		113,735	-	503,189
Appropriation of retained earnings				
Legal reserve		9,301	-	-
Reserve for accident compensation		9,301	-	-
Cash dividends		21,909	-	119,078
Reserve for business expansion		71,224	-	382,111
Unappropriated retained earnings	₩	2,000	-	2,000

31. Hybrid Bonds

Details of hybrid bonds as of December 31, 2014, follow:

	Details
Amount	₩ 308,600,160,000
Maturity(date)	August 22, 2044 (the Corporation has the right to extend the maturity date)
Interest rate	1.8% per year In accordance with a step-up clause, the interest rate is subject to change after 5 years from the issuance by additionally applying the average interest rate of non-guaranteed corporate bond with a 5-year maturity on the original interest rate; and the Corporation recalculates the interest rate of the hybrid bonds every five years.
Condition for interest payment	Interest is payable every three months and the repayment date is selectively extendable.
Condition for dividends	If the interest payment for the hybrid bonds is postponed, the interest or dividends of the debt, preferred stock and common stock should not be paid until the payment of the interest payable is completed.
Condition for exchange	A bond in the amount of ₩ 66,000 (face value) can be exchanged for one treasury share of the Corporation
Period for exchange	September 22, 2014 ~ July 22, 2044
Others	The Corporation is able to exercise a call option for the securities not exchanged at the discretion of the Corporation after 5 years from the issuance date or every interest payment date afterwards; and if the bonds do not qualify as capital for accounting purposes due to the changes in IFRS standards and others, the call options are also exercisable for the securities not exchanged.

As the Group has no contractual obligation for payment of the principal and interests of the hybrid bonds above, the Group categorized the aforementioned hybrid bonds as equity.

32. Other Component of Equity

(a) Other component of equity as of December 31, 2014, 2013 and 2012 are as follows:

(In millions of Korean won)		2014	2013	2012
Other capital surplus	₩	21,353	21,353	21,353
Accumulated other comprehensive income		900,798	885,749	713,593
Treasury stock		(102,423)	(102,423)	(102,423)
Other equity		693,877	693,877	693,877
Total	₩	1,513,605	1,498,556	1,326,400

(b) Other capital surplus for the years ended December 31, 2014, 2013 and 2012, consists of:

(In millions of Korean won)		2014	2013	2012
Gains on sale of treasury stock	₩	21,353	21,353	21,353

(c) Accumulated other comprehensive income for the years ended December 31, 2014, 2013 and 2012, consists of:

(In millions of Korean won)		2014	2013	2012
Change in fair value of available-for-sale financial assets	₩	354,560	213,835	1
Effective portion of changes in fair value of cash flow hedges		80,495	175,658	172,985
Hedges of net investment in a foreign operation		175,515	313,071	225,723
Share of other comprehensive income of associates and joint ventures		503,987	557,680	556,811
Foreign currency translation gains(losses) from overseas operations		(213,759)	(374,495)	(241,927)
Total	₩	900,798	885,749	713,593

(d) Changes in treasury stock for the years ended December 31, 2014, 2013 and 2012, are as follows:

(In millions of Korean won, except share data)	2014			2013			2012		
	Shares		Book value	Shares		Book value	Shares		Book value
Beginning balance	4,675,760	₩	102,423	4,675,760	₩	102,423	4,675,760	₩	102,423
Ending balance	4,675,760		102,423	4,675,760		102,423	4,675,760		102,423

(e) Other component of equity for the years ended December 31, 2014, 2013 and 2012, consists of:

(In millions of Korean won)		2014	2013	2012
Revaluation surplus	₩	693,877	693,877	693,877

33. Revenue

(a) Details of revenue for the years ended December 31, 2014, 2013 and 2012, are as follows:

(In millions of Korean won)

		2014		2013		2012	
		Domestic	Overseas	Domestic	Overseas	Domestic	Overseas
Revenue from sale of goods and services							
Revenue - Finished goods	₩	36,628,552	116,665	37,426,908	64,016	34,498,966	23,394
Revenue – Services		5,760	462,821	20,619	509,093	47,582	423,722
Construction		3,982	17,384	21,081	-	2,896	-
Government grants		26,211	-	5,876	-	4,989	-
Other revenue		10,051	13,441	12,302	2,817	27,050	2,720
Total	₩	36,674,556	610,311	37,486,786	575,926	34,581,483	449,836

The Group's operations are highly cyclical as the revenue is generally higher during the winter season due to the heating demand of gas in the cities

34. Selling, General and Administrative Expenses

(a) Details of selling, general and administrative expenses for the years ended December 31, 2014, 2013 and 2012, are as follows:

(In millions of Korean won)		2014	2013	2012
Salaries	₩	65,219	67,174	63,352
Severance benefits		4,968	11,395	6,195
Other employee benefits		7,585	9,417	10,577
Insurance		4,040	4,009	2,762
Depreciation		22,232	19,525	21,211
Amortization		5,074	8,743	7,178
Bad debts expense		1,615	784	241
Commission		39,374	34,396	24,329
Advertising		6,325	5,252	6,395
Training		8,418	8,275	6,713
Vehicles maintenance expenses		452	522	584
Periodicals and printing expenses		726	659	707
Business promotion expenses		724	861	808
Rent		5,003	4,516	4,144
Communication		1,418	1,377	1,323
Taxes and dues		88,463	97,945	96,141
Supplies		916	656	877
Water, lighting and heating		1,155	830	780
Repairs and maintenance expenses		1,116	972	1,288
Research and development expense		53,558	48,175	48,170
Travel and transportation		3,584	2,458	4,487
Clothing expenses		1,111	629	440
Association fee		378	495	412
Sales promotion costs		2,733	3,584	5,638
Sales commission		-	13	8

Promotional expenses		295	21	137
Other expenses		29,486	27,025	27,877
Total	₩	355,968	359,708	342,774

(b) Details of other expenses for the years ended December 31, 2014, 2013 and 2012, are as follows:

(In millions of Korean won)		2014	2013	2012
Reward	₩	444	671	702
Resource development		25,557	24,536	24,392
Mining operation		1,273	188	-
Miscellaneous expenses		2,212	1,630	2,783
Total	₩	29,486	27,025	27,877

35. Other Income and Expenses

(a) Details of other income for the years ended December 31, 2014, 2013 and 2012, are as follows:

(In millions of Korean won)		2014	2013	2012
Reversal of other provisions	₩	68	9	86
Reversal of other allowance for doubtful accounts		-	23	-
Gains from contribution to construction		90	583	808
Gains from subsidies and reimbursement		3,650	4,610	2,007
Rental income		1,003	1,034	2,315
Total	₩	4,811	6,259	5,216

(b) Details of other expense for the years ended December 31, 2014, 2013 and 2012, are as follows:

(In millions of Korean won)		2014	2013	2012
Other provisions	₩	21,536	-	120
Donations		26,395	14,480	12,100
Losses from subsides and reimbursement		3,559	640	788
Others		14	17	21
Total	₩	51,504	15,137	13,029

36. Other Gains and Losses

(a) Details of other gains (losses) for the years ended December 31, 2014, 2013 and 2012, are as follows:

(In millions of Korean won)		2014	2013	2012
Gains on disposal of property, plant and equipment	₩	5,075	2,295	2,848
Gains on disposal of intangible assets		-	11	-
Miscellaneous gains		91,807	111,665	48,721
Loss on disposal of property, plant and equipment		(14,459)	(14,543)	(3,906)
Loss on disposal of intangible assets		(308)	(111)	-
Loss on impairment of property, plant and equipment		(43,799)	-	(11)
Loss on impairment of intangible assets		-	(603,571)	-
Miscellaneous losses		(54,595)	(105,768)	(39,764)
Total	₩	(16,279)	(610,022)	7,888

(b) Details of miscellaneous gains for the years ended December 31, 2014, 2013 and 2012, are as follows:

(In millions of Korean won)		2014	2013	2012
Gain on disposal of inventories	₩	548	1,517	2
Miscellaneous gains		91,259	110,148	48,719
Total	₩	91,807	111,665	48,721

(c) Details of miscellaneous losses for the years ended December 31, 2014, 2013 and 2012, are as follows:

(In millions of Korean won)		2014	2013	2012
Loss on disposal of inventories	₩	1,029	150	423
Miscellaneous losses		53,566	105,618	39,341
Total	₩	54,595	105,768	39,764

37. Finance Income

(a) Details of finance income for the years ended December 31, 2014, 2013 and 2012, are as follows:

(In millions of Korean won)		2014	2013	2012
Interest income	₩	16,595	16,925	16,229
Dividend income		27,643	1	6
Gains on valuation of derivative instruments		11,709	89,763	66,611
Gains on transaction of derivative instruments		51,888	219,770	105,650
Foreign currency translation gains		244,052	255,919	80,591
Foreign currency transaction gains		176,657	273,066	230,818
Total	₩	528,544	855,444	499,905

(b) Details of content of interest income which included in finance income for the years ended December 31, 2014, 2013 and 2012, are as follows:

(In millions of Korean won)		2014	2013	2012
Cash and cash equivalents	₩	5,077	5,679	7,538
Held-to-maturity financial assets		48	43	67
Loans and receivables		6,555	5,645	4,518
Short-term financial instruments		568	2,095	2,387
Other financial assets		4,292	3,383	1,611
Trade and other accounts receivable		55	80	108
Total	₩	16,595	16,925	16,229

38. Finance Costs

(a) Details of finance costs for the years ended December 31, 2014, 2013 and 2012, are as follows:

(In millions of Korean won)		2014	2013	2012
Interest expense	₩	843,046	837,532	857,312
Losses on impairment of available for sale financial assets		-	-	10,815
Losses on valuation of derivative instruments		119,197	73,194	74,135
Losses on transaction of derivative instruments		94,834	265,555	221,798
Foreign currency translation losses		85,200	254,264	58,985
Foreign currency transaction losses		107,710	263,459	139,917
Total	₩	1,249,987	1,694,004	1,362,962

(b) Details of content of interest expense which included in finance income for the years ended December 31, 2014, 2013 and 2012, are as follows:

(In millions of Korean won)		2014	2013	2012
Trade and other accounts payables	₩	901	6,167	1,986
Short-term borrowings		64,042	111,499	114,934
Long-term borrowings		11,317	17,302	18,838
Debentures		921,961	857,240	818,074
Derivative financial liabilities		95,891	24,797	17,245
Other financial liabilities		32,219	41,859	64,777
Capitalization of interests		(283,285)	(221,332)	(178,542)
Total	₩	843,046	837,532	857,312

Borrowing cost were capitalized at the weighted average rate of 4.07% (2013: 3.07%, 2012: 3.13%).

39. Income Tax

(a) Income tax expense (benefit) for the years ended December 31, 2014, 2013 and 2012, consist of:

(In millions of Korean won)		2014	2013	2012
Current income tax expense:				
Current income tax payable	₩	11,291	17,155	6,252
Adjustment on prior year tax returns		(2,328)	108	(192)
Tax charged directly to equity		(336)	-	-
Deferred income tax expense:				
The effect of change of temporary differences		75,276	186,868	139,435
Utilization of previously unrecognized tax loss carryforwards, tax credit and temporary difference from prior years		(128,163)	4,774	10,986
Deferred tax asset written off		-	143,848	-
Tax credit carryforwards		(18,847)	-	-
Income tax expense(benefit)	₩	(63,107)	352,753	156,481

(b) Details of the reconciliation between accounting profits and income tax expense(benefit) for the years ended December 31, 2014, 2013 and 2012, are as follows:

(In millions of Korean won)		2014	2013	2012
Income before income tax	₩	384,116	149,114	518,527
Income tax expense based on statutory tax rate	₩	92,956	36,086	125,484
Adjustment:				
Effect of progressive tax rate		(488)	(488)	(488)
Effect of non-taxable income		(13,212)	(358)	(5)
Effect of non-deductible expense		40,466	173,633	1,277
Effect of deferred tax assets written off		(1,160)	143,848	-
Effect of tax credit and tax reduction		(18,847)	-	(51)
Utilization of previously unrecognized tax loss carryforwards, tax credit and temporary difference from prior years		(128,163)	4,774	11,474
Tax rates differences in overseas subsidiaries and associated operations		(32,331)	(4,850)	18,982
		(60,779)	352,645	156,673
Adjustment for prior years' income taxes		(2,328)	108	(192)
Income tax expense	₩	(63,107)	352,753	156,481
Effective tax rate		(-)16.43%	236.57%	30.2%

(c) Deferred taxes that were directly (charged) credited to equity for the years ended December 31, 2014, 2013 and 2012, are as follows:

(In millions of Korean won)		2014	2013	2012
Change in fair value of available-for-sale financial assets	₩	(44,612)	(68,380)	(4,110)
Losses (gains) on valuation of cash flow hedges derivative instruments		30,382	(853)	(46,900)
Net investment in foreign operations		43,916	(27,887)	(75,279)
Remeasurements		(7,077)	2,281	1,841
Investments in associates		36,963	(5,596)	36,571
	₩	59,572	(100,435)	(87,877)

The income tax credited directly to equity for the years ended December 31, 2014, 2013 and 2012, is as follows:

(In millions of Korean won)		2014	2013	2012
Current income tax expense:				
Interest payment of hybrid bonds	₩	336	-	–

(d) Details of deferred tax assets (liabilities) for the years ended December 31, 2014, 2013 and 2012, are as follows:

(i) December 31, 2014

(In millions of Korean won)		Beginning balance	Amount recorded in profit or loss	Amount recorded in other comprehensive income	Amount credited directly to equity	Ending balance
Price adjustment on raw materials	₩	(1,379,820)	208,446	-	-	(1,171,374)
Gains on valuation of derivatives		(34,132)	4,645	-	-	(29,487)
Losses on valuation of derivatives		43,959	25,636	-	-	69,595
Accrual for retirement and severance benefits		36,712	(3,659)	-	-	33,053
Deposit for severance benefit insurance		(28,950)	1,971	-	-	(26,979)
Foreign currency translation losses		97,517	60,113	-	-	157,630
Foreign currency translation gains		(209,617)	(28,029)	-	-	(237,646)
Derivative liabilities		10,754	-	4,127	-	14,881
Derivative assets		(6,695)	-	(1,106)	-	(7,801)
Change in fair value of available-for-sale financial assets		(68,380)	-	(44,612)	-	(112,992)
Government grants		41,848	(2,258)	-	-	39,590

Land (advanced depreciation provision)	(24,804)	-	-	-	(24,804)
Customers contribution to construction costs	136	207	-	-	343
Temporary depreciation	(219)	(204)	-	-	(423)
Accumulated depreciation in excess of tax limit	79,789	(2,605)	-	-	77,184
Finance lease assets	(451,047)	43,115	-	-	(407,932)
Finance lease liabilities	359,822	(45,667)	27,360	-	341,515
Revaluation	(848,983)	34,689	-	-	(814,294)
Others	(400,736)	68,480	73,803	336	(258,117)
	(2,782,846)	364,880	59,572	336	(2,358,058)
Tax loss carryforwards	588,697	(358,037)	-	-	230,660
Tax credits	-	64,891	-	-	64,891
Total	₩ (2,194,149)	71,734	59,572	336	(2,062,507)

(ii) December 31, 2013

(In millions of Korean won)		**Beginning balance**	**Amount recorded in profit or loss**	**Amount recorded in other comprehensive income**	**Ending balance**
Price adjustment on raw materials	₩	(1,392,793)	12,973	-	(1,379,820)
Gains on valuation of derivatives		(16,963)	(17,169)	-	(34,132)
Losses on valuation of derivatives		27,306	16,653	-	43,959
Accrual for retirement and severance benefits		27,503	9,209	-	36,712
Deposit for severance benefit insurance		(20,521)	(8,429)	-	(28,950)
Foreign currency translation losses		87,762	9,755	-	97,517
Foreign currency translation gains		(167,401)	(42,216)	-	(209,617)
Derivative liabilities		3,546	-	7,208	10,754
Derivative assets		(1,859)	-	(4,836)	(6,695)
Change in fair value of available-for-sale financial assets		-	-	(68,380)	(68,380)
Government grants		34,612	7,236	-	41,848
Land (advanced depreciation provision)		(24,858)	54	-	(24,804)
Customers contribution to construction costs		409	(273)	-	136
Temporary depreciation allowance		(28,468)	28,249	-	(219)
Accumulated depreciation in excess of tax limit		85,089	(5,300)	-	79,789
Finance lease assets		(494,162)	43,115	-	(451,047)
Finance lease liabilities		418,393	(55,346)	(3,225)	359,822
Revaluation		(885,543)	36,560	-	(848,983)
Others		(327,508)	(42,026)	(31,202)	(400,736)
		(2,675,456)	(6,955)	(100,435)	(2,782,846)
Tax loss carryforwards		917,233	(328,536)	-	588,697
Total	₩	(1,758,223)	(335,491)	(100,435)	(2,194,149)

(iii) December 31, 2012

(In millions of Korean won)		Beginning balance	Amount recorded in profit or loss	Amount recorded in other comprehensive income	Ending balance
Price adjustment on raw materials	₩	(1,067,816)	(324,977)	-	(1,392,793)
Gains on valuation of derivatives		(1,168)	(15,795)	-	(16,963)
Losses on valuation of derivatives		11,719	15,587	-	27,306
Accrual for retirement and severance benefits		23,466	4,037	-	27,503
Deposit for severance benefit insurance		(17,533)	(2,988)	-	(20,521)
Foreign currency translation losses		49,327	38,435	-	87,762
Foreign currency translation gains		(82,562)	(84,839)	-	(167,401)
Derivative liabilities		1,287	-	2,259	3,546
Derivative assets		(475)	-	(1,384)	(1,859)
Allowance for doubtful long-term loans		15,744	(15,744)	-	-
Government grants		23,536	11,076	-	34,612
Land (advanced depreciation provision)		(24,858)	-	-	(24,858)
Customers contribution to construction costs		476	(67)	-	409
Temporary depreciation allowance		(19,510)	(8,958)	-	(28,468)
Accumulated depreciation in excess of tax limit		136,374	(51,285)	-	85,089
Finance lease assets		(537,276)	43,114	-	(494,162)
Finance lease liabilities		516,229	(50,061)	(47,775)	418,393
Revaluation		(953,217)	67,674	-	(885,543)
Others		(276,752)	(9,779)	(40,977)	(327,508)
		(2,203,009)	(384,570)	(87,877)	(2,675,456)
Tax loss carryforwards		683,085	234,148	-	917,233
Total	₩	(1,519,924)	(150,422)	(87,877)	(1,758,223)

(e) Details of deferred tax assets (liabilities) on the statements of financial position as of December 31, 2014, 2013 and 2012, are as follows:

(In millions of Korean won)		2014	2013	2012
Deferred tax assets	₩	69,001	40,425	18,859
Deferred tax liabilities		(2,131,508)	(2,234,574)	(1,777,082)
Total	₩	(2,062,507)	(2,194,149)	(1,758,223)

(f) Taxable temporary difference and tax credit which are not recognized as deferred tax asset as of December 31, 2014, 2013 and 2012, are as follows:

(In millions of Korean won)		2014	2013	2012
Temporary deductible difference	₩	758,044	678,301	17,507
Tax losses		-	-	17,763
Tax credits		177,790	29,505	12,613
Total	₩	935,834	707,806	47,883

(g) Expiration dates for tax credits which are not recognized as deferred tax asset as of December 31, 2014, 2013 and 2012, are as follows:

(In millions of Korean won)		2014		2013		2012	
		Tax loss carry-forwards	Tax credit	Tax loss carry-forwards	Tax credit	Tax loss carry-forwards	Tax credit
Within 1 year	₩	-	1,876	-	2,747	297	1,249
1 ~ 2 years		-	-	-	8,055	246	2,747
2 ~ 3 years		-	-	-	3,573	5,019	2,391
After 3 years		-	175,914	-	15,130	12,201	6,226
Total	₩	-	177,790	-	29,505	17,763	12,613

(j) The aggregate amount of temporary differences associated with investments in subsidiaries for which deferred tax liability is not recognized as of December 31, 2014, 2013 and 2012, are as follows:

(In millions of Korean won)		2014	2013	2012
Domestic subsidiary companies	₩	41,720	41,720	41,720

40. Assets Held-for-Sale

Details of assets-for-sale as of December 31, 2014, are as follows :

(In millions of Korean won)		2014
Land[1]	₩	80,284
Building[1]		24,699
Total	₩	104,983

[1] The Group plans to dispose of its land and buildings, which are not utilized anymore, in the next 12 months. These buildings and land have been used for the head office and the Group is currently looking for buyers for the assets. As of December 31, 2014, impairment losses on the said buildings and land which are classified as assets held for sale are not recognized.

41. Nature of expenses

(a) Details of nature of expenses for the years ended December 31, 2014, 2013 and 2012 are as follows:

(i) December 31, 2014

(In millions of Korean won)	Changes in inventories	Selling, general and administrative expenses	Cost of sales	Total
Changes in inventories:				
Finished goods	₩ (16,290)	-	-	(16,290)
Raw materials used	-	-	34,064,100	34,064,100
Salaries	-	65,219	162,105	227,324
Severance benefits	-	4,968	12,124	17,092
Other employee benefits	-	7,585	15,886	23,471
Insurance	-	4,040	6,311	10,351
Depreciation	-	22,232	1,067,415	1,089,647
Amortization	-	5,074	38,512	43,586
Bad debts expense	-	1,615	-	1,615
Commission	-	39,374	176,883	216,257
Advertising	-	6,325	334	6,659
Training	-	8,418	625	9,043
Vehicles maintenance expenses	-	452	860	1,312
Periodicals and printing expenses	-	726	240	966
Business promotion expenses	-	724	318	1,042
Rent	-	5,003	12,708	17,711
Communication	-	1,418	4,035	5,453
Freight expenses	-	-	-	-
Taxes and dues	-	88,463	23,470	111,933
Supplies	-	916	1,128	2,044
Water, lighting and heating	-	1,155	154,021	155,176
Repairs and maintenance expenses	-	1,116	132,227	133,343
Research and development expense	-	53,558	-	53,558
Travel and transportation	-	3,584	2,661	6,245
Clothing expenses	-	1,111	206	1,317
Association fee	-	378	440	818
Sales promotion costs	-	2,733	-	2,733
Sales commission	-	-	-	-
Promotional expenses	-	295	-	295
Other expenses	-	29,486	(3,326)	26,160
Total	₩ (16,290)	355,968	35,873,283	36,212,961

(ii) December 31, 2013

(In millions of Korean won)	**Changes in inventories**	**Selling, general and administrative expenses**	**Cost of sales**	**Total**
Changes in inventories:				
Finished goods	₩ (14,102)	-	-	(14,102)
Raw materials used	-	-	34,528,011	34,528,011
Salaries	-	67,174	150,709	217,883
Severance benefits	-	11,395	11,283	22,678
Other employee benefits	-	9,417	21,589	31,006
Insurance	-	4,009	5,932	9,941
Depreciation	-	19,526	1,069,748	1,089,274
Amortization	-	8,743	14,104	22,847
Bad debts expense	-	784	-	784
Commission	-	34,396	160,014	194,410
Advertising	-	5,252	334	5,586
Training	-	8,275	713	8,988
Vehicles maintenance expenses	-	522	860	1,382
Periodicals and printing expenses	-	659	196	855
Business promotion expenses	-	861	331	1,192
Rent	-	4,516	12,946	17,462
Communication	-	1,378	3,375	4,753
Freight expenses	-	-	-	-
Taxes and dues	-	97,945	25,796	123,741
Supplies	-	656	908	1,564
Water, lighting and heating	-	830	170,805	171,635
Repairs and maintenance expenses	-	972	143,998	144,970
Research and development expense	-	48,175	-	48,175
Travel and transportation	-	2,458	2,294	4,752
Clothing expenses	-	629	277	906
Association fee	-	495	346	841
Sales promotion costs	-	3,585	-	3,585
Sales commission	-	13	-	13
Promotional expenses	-	21	-	21
Other expenses	-	27,022	(95,670)	(68,648)
Total	₩ (14,102)	359,708	36,228,899	36,574,505

(iii) December 31, 2012

(In millions of Korean won)		Changes in inventories	Selling, general and administrative expenses	Cost of sales	Total
Changes in inventories:					
Finished goods	₩	(8,391)	-	-	(8,391)
Raw materials used		-	-	31,917,043	31,917,043
Salaries		-	63,352	162,005	225,357
Severance benefits		-	6,195	15,779	21,974
Other employee benefits		-	10,577	21,967	32,544
Insurance		-	2,762	5,676	8,438
Depreciation		-	21,211	1,000,922	1,022,133
Amortization		-	7,178	8,112	15,290
Bad debts expense		-	241	-	241
Commission		-	24,330	155,172	179,502
Advertising		-	6,395	414	6,809
Training		-	6,713	306	7,019
Vehicles maintenance expenses		-	584	1,370	1,954
Periodicals and printing expenses		-	707	263	970
Business promotion expenses		-	808	350	1,158
Rent		-	4,145	11,299	15,444
Communication		-	1,323	3,037	4,360
Freight expenses		-	-	2	2
Taxes and dues		-	96,141	22,312	118,453
Supplies		-	877	978	1,855
Water, lighting and heating		-	780	156,077	156,857
Repairs and maintenance expenses		-	1,288	131,786	133,074
Research and development expense		-	48,170	10	48,180
Travel and transportation		-	4,487	2,708	7,195
Clothing expenses		-	440	551	991
Association fee		-	412	343	755
Sales promotion costs		-	5,638	-	5,638
Sales commission		-	8	-	8
Promotional expenses		-	136	-	136
Other expenses		-	27,876	(188,199)	(160,323)
Total	₩	(8,391)	342,774	33,430,283	33,764,666

42. Earnings per share

Basic earnings (loss) per share for the years ended December 31, 2014, 2013 and 2012 is as follows:

(In Korean won)		2014	2013	2012
Basic earnings (loss) per share				
Continuing operation	₩	5,091	(2,669)	5,050
Total basic earnings(loss) per share	₩	5,091	(2,669)	5,050

Diluted earnings (loss) per share for the years ended December 31, 2014, 2013 and 2012, is as follows:

(In Korean won)		2014	2013	2012
Diluted earnings (loss) per share				
Continuing operation	₩	5,007	(2,669)	5,050
Total diluted earnings(loss) per share	₩	5,007	(2,669)	5,050

Net income (loss) and weighted-average number of common shares outstanding used for deriving basic earnings (loss) per share for the years ended December 31, 2014, 2013 and 2012, are as follows:

(In millions of Korean won)		2014	2013	2012
Net income(loss) used for basic earnings (loss) per share	₩	447,223	(200,707)	366,675
Interest of the hybrid bonds		(1,053)	-	-
Net income(loss) from continuing operations attributable to common shares	₩	446,170	(200,707)	366,675

(In shares)	2014	2013	2012
Weighted-average number of common shares outstanding	87,637,240	75,202,709	72,608,750

Diluted earnings (loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

Net income(loss) used for diluted earnings (loss) per share for the years ended December 31, 2014, 2013 and 2012, are as follows:

(In millions of Korean won)		2014	2013	2012
Net income(loss) from continuing operations attributable to common shares	₩	446,170	(200,707)	366,675
Effect of assumed conversions				
Interest of the hybrid bonds		1,053	-	-
Net income(loss) from diluted continuing operations attributable to common shares	₩	447,223	(200,707)	366,675

Weighted-average number of common shares outstanding used for deriving diluted earnings (loss) per share is adjusted from the weighted-average number of common shares outstanding used for deriving basic earnings (loss) per share. Details for the years ended December 31, 2014, 2013 and 2012, are as follows:

(In Shares)	2014	2013	2012
Weighted-average number of common shares outstanding	87,637,240	75,202,709	72,608,750
Adjustment for :			
Hybrid bonds	1,690,960	-	-
Diluted weighted-average number of common shares outstanding	89,328,200	75,202,709	72,608,750

43. Categories of financial instruments

(a) Categorizations of financial instruments as of December 31, 2014, 2013 and 2012, are as follows:

(i) December 31, 2014

① Current financial assets

(In millions of Korean won)		Financial assets at fair value through profit or loss	Loans and receivables	Held-to-maturity financial assets	Hedging derivative instruments	Total
Current financial assets						
Cash and cash equivalents	₩	-	209,434	-	-	209,434
Financial assets at fair value through profit or loss		12,564	-	-	-	12,564
Held-to-maturity financial assets		-	-	750	-	750
Loans and receivables		-	136	-	-	136
Short-term financial instruments		-	17,015	-	-	17,015
Derivative instrument assets		-	-	-	29,116	29,116
Trade and other accounts receivable		-	7,694,672	-	-	7,694,672
Total	₩	12,564	7,921,257	750	29,116	7,963,687

② Non-current financial assets

(In millions of Korean won)		Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Held-to-maturity financial assets	Hedging derivative instruments	Total
Non-current financial assets							
Financial assets at fair value through profit or loss	₩	46,407	-	-	-	-	46,407
Available-for-sale financial assets		-	-	492,875	-	-	492,875
Held-to-maturity financial assets		-	-	-	1,666	-	1,666
Loans		-	171,094	-	-	-	171,094
Derivative instrument assets		-	-	-	-	45	45
Trade and other accounts receivable		-	195,743	-	-	-	195,743
Total	₩	46,407	366,837	492,875	1,666	45	907,830

③ Current financial liabilities

(In millions of Korean won)		Financial liabilities at fair value through profit or loss	Financial liability measured at amortized cost	Hedging derivative instruments	Total
Current financial liabilities					
Trade and other accounts payable	₩	-	3,471,350	-	3,471,350
Financial liabilities at fair value through profit or loss		9,826	-	-	9,826
Short-term borrowings		-	3,236,271	-	3,236,271
Long-term borrowings		-	414,575	-	414,575
Debentures		-	2,474,811	-	2,474,811
Derivative instrument liabilities		-	-	114,098	114,098
Total	₩	9,826	9,597,007	114,098	9,720,931

④ Non-current financial liabilities

(In millions of Korean won)		Financial liabilities at fair value through profit or loss	Financial liability measured at amortized cost	Hedging derivative instruments	Total
Non-current financial liabilities					
Trade and other accounts payable	₩	-	2,046,967	-	2,046,967
Financial liabilities at fair value through profit or loss		214,872	-	-	214,872
Long-term borrowings		-	244,093	-	244,093
Debentures		-	22,085,881	-	22,085,881
Derivative instrument liabilities		-	-	187,767	187,767
Total	₩	214,872	24,376,941	187,767	24,779,580

(ii) December 31, 2013

① Current financial assets

(In millions of Korean won)		Financial assets at fair value through profit or loss	Loans and receivables	Held-to-maturity financial assets	Total
Current financial assets					
Cash and cash equivalents	₩	-	222,566	-	222,566
Financial assets at fair value through profit or loss		29,197	-	-	29,197
Held-to-maturity financial assets		-	-	144	144
Loans		-	112	-	112
Short-term financial instruments		-	28,920	-	28,920
Trade and other accounts receivable		-	7,424,595	-	7,424,595
Total	₩	29,197	7,676,193	144	7,705,534

② Non-current financial assets

(In millions of Korean won)		Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Held-to-maturity financial assets	Hedging derivative instruments	Total
Non-current financial assets							
Financial assets at fair value through profit or loss	₩	82,822	-	-	-	-	82,822
Available-for-sale financial assets		-	-	306,132	-	-	306,132
Held-to-maturity financial assets		-	-	-	2,009	-	2,009
Loans		-	281,948	-	-	-	281,948
Long-term financial instruments		-	1,000	-	-	-	1,000
Derivative instrument assets		-	-	-	-	14,758	14,758
Trade and other accounts receivable		-	183,967	-	-	-	183,967
Total	₩	82,822	466,915	306,132	2,009	14,758	872,636

③ Current financial liabilities

(In millions of Korean won)		Financial liabilities at fair value through profit or loss	Financial liability measured at amortized cost	Hedging derivative instruments	Total
Current financial liabilities					
Trade and other accounts payable	₩	-	2,646,330	-	2,646,330
Financial liabilities at fair value through profit or loss		7,724	-	-	7,724
Short-term borrowings		-	3,218,493	-	3,218,493
Long-term borrowings		-	99,556	-	99,556
Debentures		-	2,159,100	-	2,159,100
Derivative instrument liabilities		-	-	54,716	54,716
Total	₩	7,724	8,123,479	54,716	8,185,919

④ Non-current financial liabilities

(In millions of Korean won)		Financial liabilities at fair value through profit or loss	Financial liability measured at amortized cost	Hedging derivative instruments	Total
Non-current financial liabilities					
Trade and other accounts payable	₩	-	2,280,341	-	2,280,341
Financial liabilities at fair value through profit or loss		141,027	-	-	141,027
Long-term borrowings		-	626,352	-	626,352
Debentures		-	20,697,002	-	20,697,002
Derivative instrument liabilities		-	-	162,651	162,651
Total	₩	141,027	23,603,695	162,651	23,907,373

(iii) December 31, 2012

① Current financial assets

(In millions of Korean won)		Financial assets at fair value through profit or loss	Loans and receivables	Held-to-maturity financial assets	Total
Current financial assets					
Cash and cash equivalents	₩	-	245,466	-	245,466
Financial assets at fair value through profit or loss		15,327	-	-	15,327
Held-to-maturity financial assets		-	-	139	139
Loans		-	439	-	439
Short-term financial instruments		-	61,582	-	61,582
Trade and other accounts receivable		-	8,066,955	-	8,066,955
Total	₩	15,327	8,374,442	139	8,389,908

② Non-current financial assets

(In millions of Korean won)		Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Held-to-maturity financial assets	Hedging derivative instruments	Total
Non-current financial assets							
Financial assets at fair value through profit or loss	₩	42,081	-	-	-	-	42,081
Available-for-sale financial assets		-	-	24,401	-	-	24,401
Held-to-maturity financial assets		-	-	-	1,430	-	1,430
Loans		-	345,763	-	-	-	345,763
Derivative instrument assets		-	-	-	-	1,349	1,349
Trade and other accounts receivable		-	188,316	-	-	-	188,316
Total	₩	42,081	534,079	24,401	1,430	1,349	603,340

③ Current financial liabilities

(In millions of Korean won)		Financial liabilities at fair value through profit or loss	Financial liability measured at amortized cost	Hedging derivative instruments	Total
Current financial liabilities					
Trade and other accounts payable	₩	-	3,124,295	-	3,124,295
Financial liabilities at fair value through profit or loss		4,382	-	-	4,382
Short-term borrowings		-	4,626,514	-	4,626,514
Long-term borrowings		-	110,184	-	110,184
Debentures		-	2,170,153	-	2,170,153
Derivative instrument liabilities		-	-	22,167	22,167
Total	₩	4,382	10,031,146	22,167	10,057,695

④ Non-current financial liabilities

(In millions of Korean won)		Financial liabilities at fair value through profit or loss	Financial liability measured at amortized cost	Hedging derivative instruments	Total
Non-current financial liabilities					
Trade and other accounts payable	₩	-	2,494,278	-	2,494,278
Financial liabilities at fair value through profit or loss		95,380	-	-	95,380
Long-term borrowings		-	409,291	-	409,291
Debentures		-	17,009,901	-	17,009,901
Derivative financial liabilities		-	-	93,242	93,242
Total	₩	95,380	19,913,470	93,242	20,102,092

(b) Details of financial income and expense for the years ended December 31, 2014, 2013 and 2012, are as follows:

(In millions of Korean won)		2014	2013	2012
Cash and cash equivalents				
Interest income	₩	4,575	5,679	7,538
Gains (Losses) on foreign currency transaction		1,561	(11,527)	(9,397)
Gains (Losses) on foreign currency translation		20,737	(37,832)	(35,571)
Financial assets at fair value through profit or loss				
Gains on foreign currency translation		-	1,398	-
Gains on evaluation of derivatives		11,675	89,763	66,611
Gains on trading of derivatives		51,888	219,770	105,650
Loans and receivables				
Interest income		11,972	11,203	8,624
Gains (Losses) on foreign currency transaction		(1,413)	5,973	150
Gains (Losses) on foreign currency translation		143,024	(53,637)	(16,088)
Available-for-sale financial assets				
Dividends		27,643	1	6
Comprehensive gain recognized during the year		189,469	280,765	-
Losses on impairment of available-for-sale financial assets		-	-	(10,815)
Held-to-maturity financial assets				
Interest income		48	43	67
Financial liabilities at fair value through profit or loss				
Losses on evaluation of derivatives		(119,163)	(73,194)	(74,135)
Losses on trading of derivatives		(94,834)	(265,553)	(220,115)
Financial liability measured at amortized cost				
Interest expense		(1,030,440)	(1,034,282)	(1,018,608)
Gains(losses) on foreign currency transactions		68,800	15,161	100,148
Gains(losses) on foreign currency translation		(4,909)	91,726	73,265
Comprehensive income (loss) recognized during the year		(113,059)	13,328	508,491

Hedging derivative instruments				
Gains (losses) on trading of derivatives		-	(2)	(1,684)
Interest expense		(95,891)	(24,582)	(17,246)
Comprehensive loss recognized during the year		(12,485)	(9,802)	(1,848)
Others				
Capitalization of interest		283,285	221,332	178,542
Total	₩	(657,517)	(554,269)	(356,415)

44. Risk management

(a) Risk management framework

The Group manages various risks that may incur by each business unit and the main risks are capital risk, credit risk, liquidity risk, exchange rate risk, interest rate risk and others. These risks are recognized, measured, controlled and reported in accordance with the basic policy for risk management determined by the Group.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

(b) Equity risk 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.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'short and long-term borrowings' as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

The gearing ratios as of December 31, 2014, 2013 and 2012, are as follows:

(In millions of Korean won, except net liabilities ratio)		2014	2013	2012
Liabilities				
Short-term borrowings	₩	3,236,271	3,218,493	4,626,514
Current portion of long-term debts		414,575	99,556	110,184
Current portion of debentures		2,474,811	2,159,100	2,170,153
Current portion of finance lease liabilities		278,487	251,575	241,156
Long-term borrowings, net of current portion		244,093	626,352	409,291
Debentures, net of current portion		22,085,881	20,697,002	17,009,901
Finance lease liabilities		1,908,988	2,092,504	2,381,929
Total Liabilities		30,643,106	29,144,582	26,949,128
Cash equivalents				
Cash and cash equivalents		209,434	222,566	245,466
Short-term financial instruments		17,015	28,920	61,582
Total cash equivalents		226,449	251,486	307,048
Net liabilities		30,416,657	28,893,096	26,642,080
Total equity		9,724,375	8,932,779	8,368,965
Total capital	₩	40,141,032	37,825,875	35,011,045
Gearing ratio		75.77%	76.38%	76.10%

(c) Financial risk management

(i) Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets. The book value of financial assets means maximum exposure in respect of credit and counterparty risk.

(a) The maximum exposure by credit risk as of December 31, 2014, 2013 and 2012, are summarized as follows:

(In millions of Korean won)		2014	2013	2012
Cash and cash equivalents	₩	207,494	221,900	242,746
Financial assets at fair value through profit or loss		58,971	112,019	57,408
Short-term and long-term financial instruments		17,015	29,920	61,582
Held-to-maturity financial assets		2,416	2,151	1,569
Loans		171,230	282,060	346,202
Trade and other accounts receivables		7,890,415	7,608,562	8,255,271
Derivative financial assets		29,160	14,758	1,349
Financial guarantee contracts[1]		112,561	127,702	180,470
Total	₩	8,489,262	8,399,072	9,146,597

[1] The amount is the maximum guaranteed amount that the Group should pay upon the guarantee's claim.

(b) Details of financial guarantee contracts as of December 31, 2014, are as follows:

(In millions of Korean won, in thousands of US dollars and Canadian dollars)	Currency			Total guaranteed amount
Related parties				
CORDOVA GAS RESOURCES LTD.	CAD	27,000	₩	25,556
Sulawesi LNG Development Limited	USD	38,127		41,909
TERMINAL KMS de GNL, S. De R.L. De C.V.	USD	32,526		35,753
TERMINAL KMS de GNL, S. De R.L. De C.V.	USD	8,500		9,343

(ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. The management of the Group believes that they are able to repay the financial liabilities by cash flows from operating activities and cash inflows from financial assets.

Aggregate maturities of the Group's financial liabilities as of December 31, 2014, are summarized as follows:

(In millions of Korean won)		Book value	Cash flows in contract	1 year or less	1 ~ 5 years	More than 5 years
Non-derivative financial liabilities						
Debentures	₩	24,560,692	31,043,626	3,344,693	12,770,360	14,928,573
Borrowings		3,894,939	3,912,462	3,664,296	107,789	140,377
Finance lease liabilities		2,187,475	2,420,310	309,220	1,282,211	828,879
Trade and other accounts payable[1]		3,330,842	3,330,842	3,192,864	137,978	-
Other guarantees		23,207	112,561	112,561	-	-
Total	₩	33,997,155	40,819,801	10,623,634	14,298,338	15,897,829
Derivative financial liabilities						
Derivative financial liabilities	₩	526,563	661,642	156,237	423,304	82,101

[1] These trade and other accounts payable exclude financial lease liabilities.

Aggregate maturities of the Group's financial liabilities as of December 31, 2013, are summarized as follows:

(In millions of Korean won)		Book value	Cash flows in contract	1 year or less	1 ~ 5 years	More than 5 years
Non-derivative financial liabilities						
Debentures	₩	22,856,102	28,627,703	2,999,502	12,547,612	13,080,589
Borrowings		3,944,401	3,983,280	3,345,765	513,464	124,051
Finance lease liabilities		2,344,079	2,655,685	293,721	1,223,821	1,138,143
Trade and other accounts payable[1]		2,582,592	2,582,592	2,394,755	187,837	-
Other guarantees		1,827	127,702	127,702	-	-
Total	₩	31,729,001	37,976,962	9,161,445	14,472,734	14,342,783
Derivative financial liabilities						
Derivative financial liabilities	₩	366,117	488,724	116,936	339,249	32,539

[1] These trade and other accounts payable exclude financial lease liabilities.

Aggregate maturities of the Group's financial liabilities as of December 31, 2012, are summarized as follows:

(In millions of Korean won)		Book value	Cash flows in contract	1 year or less	1 ~ 5 years	More than 5 years
Non-derivative financial liabilities						
Debentures	₩	19,180,054	24,048,031	2,950,057	11,481,622	9,616,352
Borrowings		5,145,988	5,207,411	4,773,077	307,153	127,181
Finance lease liabilities		2,623,085	2,978,580	298,293	1,212,119	1,468,168
Trade and other accounts payable[1]		2,995,488	2,999,191	2,884,068	115,123	-
Other guarantees		2,047	180,470	180,470	-	-
Total	₩	29,946,662	35,413,683	11,085,965	13,116,017	11,211,701
Derivative financial liabilities						
Derivative financial liabilities	₩	215,171	282,093	60,195	212,659	9,239

[1] These trade and other accounts payable exclude financial lease liabilities.

(iii) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily the US Dollars (USD), but also Canadian Dollars (CAD) and Australian Dollars (AUD). Foreign exchange risk on interests and principals of borrowings and bonds denominated in foreign currency is hedged by currency swap contracts which have identical redemption date and maturity date of the borrowings and bonds.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

The book values of foreign currency assets and liabilities as of December 31, 2014, 2013 and 2012, are summarized as follows:

① December 31, 2014

(In millions of Korean won)	USD	EUR	AUD	CAD	JPY	CHF	MYR
Assets							
Cash and cash equivalents	113,579	777	52,916	7,942	-	-	-
Trade and other accounts receivable	630,760	610	82	5,188	118	-	-
Loans and receivables	127,121	-	-	-	-	-	-
Non-trade receivables	-	-	-	-	-	-	-
Available-for-sale financial assets	56	-	1,643	-	-	-	-
Other financial assets	-	-	-	-	-	-	168
Total assets	871,516	1,387	54,641	13,130	118	-	168
Liabilities							
Trade and other accounts payable	2,676,777	3,829	157,260	8,417	-	-	-
Borrowings	2,558,050	-	-	121,908	-	-	-
Debentures	6,320,400	785,874	269,727	283,959	441,667	1,055,859	-

Finance lease liabilities	2,187,475	-	-	-	-	-	-
Financial guarantee liabilities	2,859	-	-	22,659	-	-	-
Other financial liabilities	2	-	-	-	-	-	-
Total liabilities	13,745,563	789,703	426,987	436,943	441,667	1,055,859	-
Net exposure	(12,874,047)	(788,316)	(372,346)	(423,813)	(441,549)	(1,055,859)	168

(In millions of Korean won)	THB	CNY	MXN	RUB	HKD	AED	MZN
Assets							
Cash and cash equivalents	27	47	1,543	-	-	71	179
Trade and other accounts receivable	-	-	663	-	-	-	-
Loans and receivables	-	-	-	134	-	-	-
Non-trade receivables	-	-	-	-	-	-	-
Available-for-sale financial assets	-	-	-	-	-	-	-
Other financial assets	-	-	-	-	-	-	-
Total assets	27	47	2,206	134	-	71	179
Liabilities							
Trade and other accounts payable	-	-	4	-	-	-	-
Borrowings	-	-	-	-	-	-	-
Debentures	-	28,290	-	-	113,360	-	-
Finance lease liabilities	-	-	-	-	-	-	-
Financial guarantee liabilities	-	-	-	-	-	-	-
Other financial liabilities	-	-	-	-	-	-	-
Total liabilities	-	28,290	4	-	113,360	-	-
Net exposure	27	(28,243)	2,202	134	(113,360)	71	179

② December 31, 2013

(In millions of Korean won)	USD	EUR	AUD	CAD	JPY	CHF	MYR
Assets							
Cash and cash equivalents	148,101	995	26,189	5,733	-	-	25
Trade and other accounts receivable	351,653	2,601	8,138	7,893	-	-	-
Loans and receivables	194,622	-	46	-	-	-	-
Non-trade receivables	-	-	-	-	-	-	-
Available-for-sale financial assets	300,173	-	4,392	-	-	-	-
Other financial assets	9,920	-	-	-	-	-	-
Total assets	1,004,469	3,596	38,765	13,626	-	-	25
Liabilities							
Trade and other accounts payable	1,611,764	276	52,310	8,027	-	-	-
Borrowings	1,985,710	-	-	192,397	-	-	-
Debentures	4,854,380	856,281	281,988	297,255	482,237	1,129,237	-
Finance lease liabilities	2,344,079	-	-	-	-	-	-
Financial guarantee liabilities	2,579	-	-	1,279	-	-	-
Total liabilities	10,798,512	856,557	334,298	498,958	482,237	1,129,237	-
Net exposure	(9,794,043)	(852,961)	(295,533)	(485,332)	(482,237)	(1,129,237)	25

(In millions of Korean won)	THB	CNY	MXN	RUB	HKD	AED	MZN
Assets							
Cash and cash equivalents	8	16	431	-	-	170	762
Trade and other accounts receivable	-	-	980	-	-	-	-
Loans and receivables	-	-	-	410	-	-	-
Non-trade receivables	-	-					
Available-for-sale financial assets	-	-	-	-	-	-	-
Other financial assets	-	-	-	-	-	-	-
Total assets	8	16	1,411	410	-	170	762
Liabilities							
Trade and other accounts payable	-	-	5	-	-	-	-
Borrowings	-	-	-	-	-	-	-
Debentures	-	27,854	-	-	135,410	-	-
Finance lease liabilities	-	-	-	-	-	-	-
Financial guarantee liabilities	-	-	-	-	-	-	-
Total liabilities	-	27,854	5		135,410	-	-
Net exposure	8	(27,838)	1,406	410	(135,410)	170	762

③ December 31, 2012

(In millions of Korean won)	USD	EUR	AUD	CAD	JPY	CHF	GBP	MYR
Assets								
Cash and cash equivalents	39,666	322	27,634	7,218	-	-	-	16
Trade and other accounts receivable	430,785	6,334	5,924	4,900	-	-	-	-
Loans and receivables	290,015	-	9,805	-	-	-	-	-
Non-trade receivables	18,311	-	463	1,428	-	-	-	-
Available-for-sale financial assets	82	-	3,340	-	-	-	-	-
Current portion of other non-financial assets	60	-	-	-	-	-	-	-
Total assets	778,919	6,656	47,166	13,546	-	-	-	16
Liabilities								
Trade and other accounts payable	2,087,372	15,863	76,231	35,915	-	-	308	-
Borrowings	1,069,033	-	15,595	216,716	-	-	-	-
Debentures	4,252,267	84,976	333,429	322,815	486,525	762,515	-	-
Finance lease liabilities	2,623,085	-	-	-	-	-	-	-
Other financial liabilities	2	-	-	-	-	-	-	-
Total liabilities	10,031,759	100,839	425,255	575,446	486,525	762,515	308	-
Net exposure	(9,252,840)	(94,183)	(378,089)	(561,900)	(486,525)	(762,515)	(308)	16

(In millions of Korean won)	THB	CNY	MXN	RUB	HKD	SGD	AED	MZN
Assets								
Cash and cash equivalents	2	19	38	-	-	-	103	842
Trade and other accounts receivable	-	-	-	11	-	-	-	-
Loans and receivables	-	-	17	150	-	-	-	-
Non-trade receivables	-	-	-	-	-	-	-	-
Available-for-sale financial assets	-	-	-	102	-	-	-	-
Current portion of other non-financial assets	-	-	-	-	-	-	-	-
Total assets	2	19	55	263	-	-	103	842
Liabilities								
Trade and other accounts payable	-	-	360	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-	-
Debentures	-	27,501	-	-	137,489	35,019	-	-
Finance lease liabilities	-	-	-	-	-	-	-	-
Other financial liabilities	-	-	-	-	-	-	-	-
Total liabilities	-	27,501	360	-	137,489	35,019	-	-
Net exposure	2	(27,482)	(305)	263	(137,489)	(35,019)	103	842

Foreign currency exchange rate as of December 31, 2014, 2013 and 2012, are as follows:

(In Korean won)	2014	2013	2012
USD	1,099.20	1,055.30	1,071.10
EUR	1,336.52	1,456.26	1,416.26
AUD	899.09	939.96	1,111.43
CAD	946.53	990.85	1,076.05
JPY	920.14	10.05	12.48
CHF	1,111.43	1,188.67	1,173.10
GBP	1,710.47	1,740.66	1,730.95
MYR	314.24	320.32	349.80
THB	33.44	32.14	34.97
CNY	176.81	174.09	171.88
MXN	74.60	80.77	82.51
RUB	19.77	32.17	35.29
HKD	141.70	136.09	138.18
SGD	831.75	832.75	875.48
AED	299.26	287.31	291.61
MZN	32.90	35.53	36.35

Sensitivity analysis of income before taxes from changes of foreign exchange rate for the year ended December 31, 2014, is as follows:

(In millions of Korean won)		**10% Increase**	**10% Decrease**
Income before income taxes	₩	(203,069)	203,069

(iv) Interest rate risk

The Group borrows funds at fixed and variable interest rate. Also, the Group's management monitors the level of interest rates and maintains the balance of borrowings at variable rates and fixed rates.

Variable interest rate borrowings as of December 31, 2014, 2013 and 2012, are summarized as follows:

(In millions of Korean won)		**2014**	**2013**	**2012**
Short-term borrowings	₩	121,908	125,634	-
Long-term borrowings		188,531	287,546	397,139
Debentures		27,604	584,327	698,493
Finance lease liabilities		2,187,475	2,344,079	2,623,085
	₩	2,525,518	3,341,586	3,718,717

Sensitivity analysis of income before taxes from changes of interest rate for the years ended December 31, 2014, 2013 and 2012, is as follows:

(In millions of Korean won)		**2014**		**2013**		**2012**	
		100bp Increase	**100bp Decrease**	**100bp Increase**	**100bp Decrease**	**100bp Increase**	**100bp Decrease**
Income before income taxes	₩	(25,255)	25,255	(33,416)	33,416	(37,187)	37,187

(v) Major assets and liabilities affected by estimates

Changes in defined benefit obligation due to changes in actuarial assumptions as of December 31, 2014, are as follows:

(In millions of Korean won)		**1% increase**		**1% decrease**
Salary growth rate	₩	13,861	₩	(12,699)
Discount rate		(12,722)		14,055

(d) Fair value of financial assets and liabilities

(i) Financial assets and liabilities as of December 31, 2014, 2013 and 2012, are summarized as follows

(In millions of Korean won)		2014		2013		2012	
		Book value	Fair value	Book value	Fair value	Book value	Fair value
Assets carried at fair value							
Available-for-sale financial assets [1]	₩	492,875	492,875	306,132	306,132	24,401	24,401
Financial assets at fair value through profit or loss		58,970	58,970	112,019	112,019	57,407	57,407
Foreign currency forwards and swap		29,160	29,160	14,758	14,758	1,349	1,349
Total	₩	581,005	581,005	432,909	432,909	83,157	83,157
Assets carried at amortized cost							
Trade and other accounts receivable	₩	7,890,415	7,890,415	7,608,562	7,608,562	8,255,270	8,255,270
Held-to-maturity financial assets		2,415	2,415	2,152	2,152	1,569	1,569
Loans and receivables		171,230	171,230	282,060	282,060	346,203	346,203
Short-term financial assets		17,015	17,015	29,920	29,920	61,582	61,582
Cash and cash equivalents		209,434	209,434	222,566	222,566	245,466	245,466
Total	₩	8,290,509	8,290,509	8,145,260	8,145,260	8,910,090	8,910,090
Liabilities carried at fair value							
Financial liabilities at fair value through profit or loss	₩	224,697	224,697	148,751	148,751	99,762	99,762
Derivative instruments liabilities/ interest rate swap		1,441	1,441	1,803	1,803	2,464	2,464
Derivative instruments liabilities/ foreign currency forwards		5,639	5,639	37,703	37,703	14,562	14,562
Derivative instruments liabilities/ foreign currency swap		294,786	294,786	177,861	177,861	98,383	98,383
Total	₩	526,563	526,563	366,118	366,118	215,171	215,171
Liabilities carried at amortized							
Debentures	₩	24,560,692	24,003,843	22,856,102	23,723,984	19,180,054	20,505,892
Finance lease liabilities		2,187,475	2,187,475	2,344,079	2,344,079	2,623,085	2,623,085
Borrowings		3,894,939	3,894,939	3,944,401	3,944,401	5,145,989	5,145,989
Trade and other accounts payable [2]		3,330,842	3,330,842	2,635,257	2,635,257	3,046,407	3,046,407
Total	₩	33,973,948	33,417,099	31,779,839	32,647,721	29,995,535	31,321,373

[1] Available-for-sale financial assets measured at cost because the fair value cannot be reasonably assessed amount to ₩1,643 million, ₩1,621 million and ₩ 20,979 million as of December 31, 2014, 2013 and 2012, respectively.

[2] These trade and other accounts payable exclude financial lease liabilities.

(ii) Detail of discount ratio as of December 31, 2014, 2013 and 2012, are as follows:

	2014	2013	2012
Derivative instruments	0.89% ~ 2.18%	1.92% ~ 3.53%	0.00% ~ 3.27%
Borrowings	0.50% ~ 3.53%	0.57% ~ 1.82%	0.60% ~ 3.00%
Financial lease	0.66% ~ 3.12%	0.88% ~ 3.88%	1.12% ~ 3.52%
Debentures	0.21% ~ 3.73%	0.18% ~ 5.22%	0.56% ~ 4.05%

(iii) The level of fair value hierarchy is as follows:

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

The fair value measurements classified by fair value hierarchy as of December 31, 2014, 2013 and 2012, are as follows:

① December 31, 2014

(In millions of Korean won)		Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	₩	1,643	-	489,588	491,231
Financial assets at fair value through profit or loss		-	58,970	-	58,970
Derivative instrument assets / Foreign currency swap		-	45	-	45
Derivative instrument assets / Foreign currency forwards		-	29,116	-	29,116
Financial liabilities at fair value through profit or loss		-	224,697	-	224,697
Derivative instrument liabilities / Foreign currency swap		-	1,441	-	1,441
Derivative instrument liabilities / Interest rate swap		-	5,639	-	5,639
Derivative instrument liabilities / Foreign currency forwards		-	294,786	-	294,786

② December 31, 2013

(In millions of Korean won)		Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	₩	4,392	-	300,119	304,511
Financial assets at fair value through profit or loss		-	112,019	-	112,019
Derivative instruments assets / Foreign currency swap		-	14,662	-	14,662
Derivative instruments assets / Foreign currency forwards		-	96	-	96
Financial liabilities at fair value through profit or loss		-	148,750	-	148,750
Derivative instruments liabilities / Foreign currency swap		-	177,861	-	177,861
Derivative instruments liabilities / Interest rate swap		-	1,803	-	1,803
Derivative instruments liabilities / Foreign currency forwards		-	37,703	-	37,703

③ December 31, 2012

(In millions of Korean won)		Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	₩	3,422	-	-	3,422
Financial assets at fair value through profit or loss		-	57,408	-	57,408
Derivative instruments assets / Foreign currency swap		-	1,349	-	1,349
Financial liabilities at fair value through profit or loss		-	99,762	-	99,762
Derivative instruments liabilities / Foreign currency swap		-	98,383	-	98,383
Derivative instruments liabilities / Interest rate swap		-	2,464	-	2,464
Derivative instruments liabilities / Foreign currency forwards		-	14,562	-	14,562

Changes in financial instruments categorized within Level 3 as of December 31, 2014, are as follows:

(In millions of Korean won)		Beginning balance	Acquisition cost	Other comprehensive income	Ending balance
Available-for-sale financial assets	₩	300,119	-	189,469	489,588

Valuation techniques used in the fair value measurements of financial instruments categorized within Level 3 of the fair value hierarchy and significant but unobservable inputs as of December 31, 2014, are as follows:

(In millions of Korean won)	Valuation techniques	Type	Book value	Inputs	Range of inputs
Available-for-sale financial assets	Discounted cash flow method	Energy business stock	₩ 489,588	Weighted average cost of equity capital	15%
				Selling price	6.3 ~ 13.6 $ /MMBTU

Changes in available-for-sale financial assets due to change of 1% in WACC used in fair value measurements of financial assets as of December 31, 2014, are as follows:

(In millions of Korean won)		1% decrease	1% increase
		WACC : 14%	WACC : 16%
WACC fluctuation	₩	25,498	(23,215)

Fair value hierarchy classifications of the financial assets and financial liabilities that are not measured at fair value but those with disclosed fair values as of December 31, 2014, are as follows:

		December 31, 2014			
(In millions of Korean won)		Level 1	Level 2	Level 3	Total
Debentures	₩	16,053,075	7,950,768	-	24,003,843

The following table presents available-for-sale financial assets that are valued at historical cost as of December 31, 2014, 2013 and 2012:

(In millions of Korean won)

Category		2014	2013	2012
Available-for-sale financial assets[1]	₩	1,643	1,621	20,979

[1] The available-for-sale financial assets are unlisted equities. As these assets do not have a quoted price in an active market and their fair value cannot be measured reliably, these instruments are measured at cost.

45. Transactions with Government and Public Institution

Transactions with government and public institution for the years ended December 31, 2014 and 2013, are as follows:

(In millions of Korean won)	Related account		2014	2013
Incheon Port Authority	Sales	₩	42	40
	Rent and others		18	3
Agency for Defense Development	Sales		419	288
Human Resources Development Service of Korea	Miscellaneous gains		20	49
Korea Institute of Energy Research	Miscellaneous gains		249	-
Korea International Cooperation Agency	Miscellaneous gains		2	-
Korea District Heating Corporation	Sales		1,275,823	1,342,588
	Rental income		21	19
	Rent and others		26	10
	Fuel expenses		202	243
Incheon Total Energy Company	Sales		109,849	166,624
Korea National Oil Corporation	Rental income and others		136	-
	Taxes and dues		93,144	94,383
Korea Electric Power Corporation	Sales		183	12
	Training		14	11
Korea Energy Management Corporation	Miscellaneous gains		123	163
	Commission		32	4
	Donations		900	900
Korea Institute of Geoscience And Mineral Resources	Miscellaneous gains		-	179
	Research and development expense		1,300	1,500
Korea Institute of Industrial Technology	Miscellaneous gains		-	1
National Health Insurance Service	Employee benefits		212	217
Korean Government Legal Service	Commission		11	33
Korea Institute of Science and Technology Information	Commission and others		1	10
Korean Paralympic Committee	Donations		5	1
Korea Institute of Machinery & Materials	Commission and others		643	461
Korea Rural Community Corporation	Taxes and dues and others		762	954
Korea Student Aid Foundation	Donations		200	200
Korea Legislation Research Institute	Commission		-	3
Korea Environmental Industry and Technology Institute	Commission		19	-
Incheon International Airport Corporation	Rent		301	335
Korea Asset Management Corporation	Commission		4	5
Korea Institute of Public Finance	Commission		1	1
Korea Research Institute of Standards and Science	Repairs and maintenance expenses		224	181
Korea Research Institute of Chemical Technology	Commission		1	130
Korea Institute of Energy Research	Commission		586	1,312
Korea Appraisal Board	Commission		49	84
Korea Railroad Corporation	Commission		25	4
Korea Testing Laboratory	Commission		16	17

(In millions of Korean won)	Related account	2014	2013
The Export-Import Bank of Korea	Insurance	5	4
Korea Securities Depository	Commission	170	14
Korea Fire Institute	Commission	10	32
Korea Gas Safety Corporation	Commission and others	4,095	3,570
Sudokwon Landfill Site Management Corporation	Supplies and others	4	168
Korea Energy Economics Institute	Donations and others	915	1,107
Korea Infrastructure Safety Corporation	Commission	18	-
Korean Red Cross	Donations	40	35
Korean Olympic Committee	Donations	-	100
Korea Rail Network Authority	Rent and others	355	618
Korea Water Resources Corporation	Rent and others	22	390
Kyungpook National University Hospital	Donations	100	100
Korea Electrical Engineering & Science Research Institute	Training	1	10
Korea Electric Power Knowledge Data Network Co., Ltd.	Commission	466	353
Korean Broadcasting System	Commission	270	80
Korean Standards Association	Periodicals and printing expenses	22	40
Financial Supervisory Service	Taxes and dues	-	128
KEPCO Engineering & Construction Company, Inc.	Commission	401	199
Korea Invention Promotion Association	Commission	1	-
Korea Advanced Institute of Science and Technology	Training	79	167

Assets and liabilities related to government and public institution as of December 31, 2014 and 2013, are as follows:

(In millions of Korean won)	Related account	December 31, 2014	December 31, 2013
Korea District Heating Corporation	Trade accounts receivable	₩ 157,803	₩ 128,681
Agency for Defense Development	Trade accounts receivable	72	-
National Health Insurance Service	Non-trade accounts payable	17	17
Korea Institute of Energy Research	Non-trade accounts payable	1	1,142
Korea District Heating Corporation	Non-trade accounts payable	9	15
Korea National Oil Corporation	Non-trade accounts payable	20,637	20,459
Korea Asset Management Corporation	Non-trade accounts payable	-	-
Korea Appraisal Board	Non-trade accounts payable	-	56
Korea Rural Community Corporation	Non-trade accounts payable	-	12
Korea Institute of Science and Technology	Non-trade accounts payable	-	9
Korea Evaluation Institute of Industrial Technology	Non-trade accounts payable	-	2

46. Related Party Transactions

(a) Detail list of related parties as of December 31, 2014, is as follows:

Relationship	Related parties
Subsidiaries	Korea Gas Technology Corp. KOGAMEX Investment Manzanillo B.V. KOMEX-GAS,S.de R.L de C.V KOGAS Iraq B.V. KOGAS Badra B.V. KOGAS Akkas B.V. KOGAS Mansuriya B.V. KOGAS Canada Ltd. KOGAS Canada LNG Ltd. KOGAS Australia Pty. Ltd. KOGAS Prelude Pty. Ltd. KG Timor Leste Ltd. KG Krueng Mane Ltd. KG Mozambique Ltd. KOGAS Mozambique Lda. KOGAS Cyprus Ltd. Manzanillo Gas Tech, S. de R.L. de C.V. KGLNG E&P Pty. Ltd. KGLNG Liquefaction Pty. Ltd. KGLNG E&P Ⅱ Pty. Ltd.
Associates	Korea Ras Laffan LNG Ltd. Korea LNG Ltd. Hyundai Yemen LNG Company Korea LNG Trading Co., Ltd. Kor-Uz Gas Chemical Investment Ltd. South-East Asia Gas Pipeline Company Limited Sulawesi LNG Development Limited TOMORI E&P LIMITED AMEC Partners Korea LTD
Joint ventures	Kor-Uz Gas cylinder Investment Ltd. Kor-Uz Gas C&G Investment Ltd. TERMINAL KMS de GNL, S. De R.L. De C.V. JV SACOTECH GLNG Operations Pty Ltd GLNG Property Pty Ltd CORDOVA GAS RESOURCES LTD ENH - KOGAS, SA. LNG Canada development
Others[1]	Korea Electric Power Corporation Korea Southern Power Co., Ltd. Korea Midland Power co., Ltd. Korea Western Power Co., Ltd Korea East-West Power Co., Ltd. Korea South-East Power Co., Ltd

[1] Korea Electric Power Corporation and significant subsidiaries of Korea Electric Power Corporation, which exercises significant influence on the Group.

All inter-company transactions are eliminated as part of the consolidation process and are not disclosed in the notes to the consolidated financial statements.

(b) Significant transactions which occurred in the normal course of business with related parties for the years ended December 31, 2014, 2013 and 2012, are summarized as follows:

(In millions of Korean won)

Related party	Transaction	Sales and other income			Purchases and other expense		
		2014	2013	2012	2014	2013	2012
Korea Ras Laffan LNG Ltd.	Dividends	₩ 84,879	106,438	96,548	-	-	-
Korea LNG Ltd.	Dividends	22,335	26,395	25,842	-	-	-
Hyundai Yemen LNG Company	Interest income	591	290	2,411	-	-	-
	Dividends	1,593	-	-	-	-	-
South-East Asia Gas Pipeline Company Limited	Interest income	4,766	3,634	1,180	-	-	-
Korea LNG Trading Co., Ltd.	Miscellaneous gains	-	-	1,546	-	-	-
	Costs of sales	-	-	-	108,865	124,672	106,618
	Interest expense	-	-	-	7,330	8,911	11,729
CORDOVA GAS RESOURCES LTD	Miscellaneous gains	129	145	-	-	-	-
Terminal KMS de GNL, S. de R.L. de C.V	Miscellaneous gains	51	109	-	-	-	-
ENH-KOGAS, SA.	Construction revenue	17,384	-	-	-	-	-
Korea Electric Power Corporation	Revenue	256	-	-	-	-	
	Miscellaneous gains and others	196	69	-	-	-	-
	Utility expenses	-	-	-	77,216	91,890	-
Korea Southern Power Co., Ltd.	Revenue[1]	3,657,447	4,289,895	3,697,034	-	-	-
Korea Midland Power Co., Ltd.	Revenue[1]	2,280,175	2,968,541	2,506,615	-	-	-
	Rent and others	-	-	-	642	668	
Korea Western Power Co., Ltd	Revenue[1]	2,296,668	2,902,262	2,838,391	-	-	-
	Utility expenses and others	-	-	-	2,990	3,314	-
Korea East-West Power Co., Ltd.	Revenue[1]	1,446,136	1,617,794	1,701,479	-	-	-
	Rent and others	-	-	-	7	6	-
Korea South-East Power Co., Ltd.	Revenue[1]	494,031	714,942	767,796	-	-	-

[1] Special Consumption tax amounts are included.

(c) Account balances with related parties as of December 31, 2014, 2013 and 2012, are summarized as follows:

(In millions of Korean won)

Related party	Account		Receivables 2014	Receivables 2013	Receivables 2012	Payables 2014	Payables 2013	Payables 2012
Korea Ras laffan LNG Ltd.	Non-trade accounts receivable	₩	7,523	4,297	4,483	-	-	-
Hyundai Yemen LNG Company	Accrued income		8,396	7,806	7,516	-	-	-
Korea LNG Trading Co., Ltd.	Finance lease liabilities		-	-	-	730,134	734,954	778,309
	Current portion of finance lease liabilities		-	-	-	35,394	31,875	30,347
	Non-trade accounts payable		-	-	-	3,847	6,884	1,005
	Accrued expense		-	-	-	3,301	1,938	4,182
	Prepaid expense		927	823	-	-	-	-
South-East Asia Gas Pipeline Company Limited	Accrued income		-	2,861	-	-	-	-
Sulawesi LNG Development Limited	Non-trade accounts receivable		436	350	-	-	-	-
Terminal KMS de GNL, S. de R.L. de C.V.	Non-trade accounts receivable		546	576	-	-	-	-
CORDOVA GAS RESOURCES LTD	Non-trade accounts receivable		22,659	1,247	-	-	-	-
Korea Southern Power Co., Ltd.	Trade accounts receivable		311,223	455,957	471,023	-	-	-
Korea Midland Power Co., Ltd.	Trade accounts receivable		235,585	350,791	314,239	-	-	-
Korea Western Power Co., Ltd.	Trade accounts receivable		283,772	116,941	316,309	-	-	-
	Non-trade accounts payable		-	-	-	-	370	-
Korea East-West Power Co., Ltd.	Trade accounts receivable		173,529	203,526	199,661	-	-	-
Korea South-East Power Co., Ltd.	Trade accounts receivable		99,966	80,858	108,327	-	-	-
	Non-trade accounts payable		-	-	-	55	-	-
ENH-KOGAS, SA.	Unbilled construction (Trade accounts receivable)		834	-	-	-	-	-

(d) Loans to related parties as of December 31, 2014, 2013 and 2012, are summarized as follows:

(In millions of Korean won)			2014	2013	2012
Associate	South-East Asia Pipeline Company Limited	₩	49,225	40,399	28,474
	Hyundai Yemen LNG Company		15,837	64,259	103,850
Joint venture	ENH-KOGAS, SA.		41,913	27,301	-
Total		₩	106,975	131,959	132,324

The Group provided loans to South-East Asia Gas Pipeline Company Limited, an associate, in the amount of ₩6,851 million (2013: ₩12,916 million, 2012: ₩30,437 million) and to ENH-KOGAS, SA., a joint venture, in the amount of ₩12,038 million (2013: ₩27,301 million), and collected ₩49,055 million (2013: ₩38,628 million) from Hyundai Yemen LNG for the year ended December 31, 2014. The Group invested ₩77,489 million, ₩220,961 million and ₩408,616 million to TOMORI E&P LIMITED and other related parties for the years ended December 31, 2014, 2013 and 2012, respectively and collected ₩9,111 million from equity investments of Hyundai Yemen LNG Company and Koman Energy FZCO for the year ended December 31, 2014.

The Group entered into a funding agreement proportionate to the interest percentage of the Group in accordance with the joint arrangement between the Group and the Group's associates in relation to overseas resources development.

Financial transactions with related parties for the years ended December 31, 2014, are as follows:

(In millions of Korean won)		2014			
		Loan transactions		Cash contribution	
Relationship	Related party	Loans	Repayment	Acquisition	Disposal
Associates	Hyundai Yemen LNG Company	₩ -	₩ (49,055)	₩ -	₩ (7,824)
	Kor-Uz Gas Chemical Investment Ltd.	-	-	185	-
	Sulawesi LNG Development Limited	-	-	40,224	-
	South-East Asia Gas Pipeline Company Limited	7,348	(497)	-	-
	TOMORI E&P LIMITED	-	-	36,912	-
Joint venture	Koman Energy FZCO	-	-	-	(1,287)
	Kor-Uz Gas cylinder Investment Ltd.	-	-	168	-
	ENH-KOGAS	12,038	-	-	-

As of December 31, 2014, the Group has provided payment guarantees amounting to USD 80 million and CAD 27 million for the long-term debts of Terminal KMS de GNL, S. de R.L. de C.V. and others to Manzanillo Gas Tech, KEB and others.

In addition to guarantees described above, the Group has provided performance guarantees for the shareholder of Donggi-Senoro LNG Company and Donggi-Senoro LNG Company on funding obligation as a shareholder of Sulawest LNG Development. Also, the Group has provided performance guarantees for Terminal KMS de GNL, S. de R.L. de C.V.

The Group provides its shares in KOGAMEX Investment Manzanillo B.V as collateral in relation to a transaction with Terminal KMS de GNL, S. de R.L. de C.V., and the details are as follows:

(In millions of Korean won and thousands of US dollars)

Beneficiary	Contract date	Maturity date	Collateralized amount	Carrying amount		Remark
KEXIM and others	2009.09.16	2029.08.31	USD 48,800	₩	25	Shares invested in KOGAMEX Investment Manzanillo B.V. and all related rights

(f) Key management compensation for the years ended December 31, 2014, 2013 and 2012, consists of the following:

(In millions of Korean won)		2014	2013	2012
Short-term employee benefits	₩	1,153	1,769	2,286
Retirement benefits		77	234	228
Other long-term employees benefits		-	-	388
Total	₩	1,230	2,003	2,902

47. Disposal of Subsidiary

The Group disposed of its subsidiaries, Gyeonggi CES Co., Ltd. and KOGAS Vostok LLC, during the previous year.

Proceeds from disposal have a zero fair value.

The amounts of assets and liabilities of the subsidiaries on the date of loss of control are as follows:

(In millions of Korean won)		2014	2013
Current assets	₩	-	1,612
Cash and cash equivalents		-	434
Trade and accounts receivable		-	1,054
Non-financial assets		-	125
Non-current assets			59,560
Trade and accounts receivable		-	171
Property, plant and equipment		-	59,336
Intangible assets		-	53
Current liabilities			(58,479)
Trade and accounts payable		-	(42,168)
Borrowings		-	(13,253)
Financial liabilities		-	(2,298)
Non-financial liabilities		-	(760)
Non-current liabilities			(30,849)
Borrowings		-	(19,555)
Net defined benefit liabilities		-	(13)
Deferred tax liabilities		-	(488)
Non-financial liabilities		-	(10,793)
Total amount of disposed assets	₩	-	(28,156)

Gains on disposal of subsidiaries are as follows:

(In thousands of Korean won)		2014	2013
Fair value of proceeds	₩	-	-
Carrying amount of disposed net assets		-	(28,156)
Non-controlling interests		-	12,300
Losses on disposal	₩	-	(15,856)

Net cash flows due to disposal of subsidiaries are as follows:

(In thousands of Korean won)		2014	2013
Consideration received as cash and cash equivalents	₩	-	-
Less: cash and cash equivalents of the disposed subsidiaries		-	433
Net cash flows	₩	-	(433)

48. Non-monetary transactions

The significant non-monetary transactions for the years ended December 31, 2014, 2013 and 2012 are as follows:

(In millions of Korean won)		2014	2013	2012
Transfer of construction-in-progress to property, plant and equipment	₩	2,426,770	1,564,754	1,559,512
Reclassification of current portion of long-term borrowings		404,613	99,621	109,504
Reclassification of current portion of debentures		2,491,239	2,173,825	1,951,877
Reclassification of current portion of finance lease liabilities		270,450	254,461	222,727
Reclassification of assets held-for-sale		104,983	-	-
Equity swap of intangible exploration and evaluation assets		81,421	-	-
Reclassification of drilling right account resulting from transfer of stages		126,396	-	-

49. Purchase Agreements

As of December 31, 2014 the Group has purchase agreements for the property, plant and equipment amounting to ₩452,718 million (2013: ₩945,253 million, 2012: ₩834,502 million) related to Samcheok LNG Terminal and ₩549,467 million (2013: ₩157,026 million, 2012: ₩406,796 million) related to other main pipeline construction.

The Group's inventory purchase contracts as of December 31, 2014, are as follows:

(In thousands of tons)	Contract period	Total contract quantity
PT PERTAMINA	1998~2017	1,000
DSLNG	2015~2027	700
MLNG	1995~2018[1]	2,000
	2008~2028	2,000
Rasgas Company Limit	1999~2024	4,920
	2007~2026	2,100
	2012~2016[2]	1,500~2,000
	2013~2032[3]	1,500~2,000
Oman LNG LLC	2000~2024	4,060
Yemen LNG Company	2008~2028	2,000
Sakhalin Energy Inve	2008~2028	1,500
BRUNEI LNG SENDIRIAN	1997~2018	1,000
the East Sea gas field	2004~2018	400
North West Shelf Aus	2003~2016	500
GLNG	2015~2035	3,500
Shell Eastern LNG	2013~2038	3,640
TOTAL	2014~2031	2,000
Savine Pass LNG	2017~2037	2,800
BG LNG Trading, LLC	2008~2016	1,320

[1] 1,000,000 tons from 2015 to 2018.
[2] 1,750,000 tons in 2014 and 2,000,000 tons after 2015.
[3] 1,750,000 tons in 2014 and 2,000,000 tons after 2015.

The Group entered into a royalty payment agreement with Tri-star Petroleum Company and another company in relation to GLNG in Australia, and recognized fair value of payment obligation as other non-current liabilities (carrying amount of ₩36,511 million). In connection to this, the Group is required to obtain consent to the disposal of drilling rights (carrying amount of ₩936,172 million).

50. Commitments and contingencies

The Group is involved in various lawsuits and claims for alleged damages totaling ₩ 10,276 million, ₩ 6,018 million and ₩ 4,263 million as of December 31, 2014, 2013 and 2012, respectively, which arose in the ordinary course of business. No provision was recorded related to lawsuits. Management is of the opinion that the foregoing lawsuits and claims will not have a materially adverse effect on the Group's financial position, operating results or cash flows. Additional losses can arise based on the outcome of the lawsuits.

As of December 31, 2014, the Group has provided guarantees on the payment of debts amounting to USD 1,333 thousand (2013: USD 19,828 thousand and ₩27 million, 2012: USD 13,537 thousand and ₩27 million).

The Group provides its shares in Kor-Uz Gas Chemical Investment Ltd. as collateral in relation to borrowings of Uz-Kor Gas Chemical LLC, a company owned by Kor-Uz Gas Chemical Investment Ltd. The borrowings are to be provided by the creditors of Uz-Kor Gas Chemical LLC. Details of collateral provided by the Group as of December 31, 2014, are as follows:

(In millions of Korean won and in thousands of US dollars)

Beneficiary	Contract date	Maturity date	Collateralized amount	Carrying amount (In millions)	Remark
ING Bank N.V	2013.01.14	2027.06.20	USD 309,960[1]	₩ 334,707	Shares invested in Kor-Uz and all related rights
Bank of Tokyo Mitsubishi	2008.05.19	Until the completion of the obligation performance (2023 is the expected year.)	USD 2	489,588	Providing guarantees to perform obligations related to PF of YLNG
			Equity Funding	7,940	

[1] The collateralized amount is subject to change based on future investment plans.

Details of commitments held by the Group as of December 31, 2014, are as follows:

(In millions of Korean won, thousands of US dollars and in thousands of Canadian dollars and thousands of Euros and in thousands of Japanese yen)

	Financial institutions	Limit		Amount	
Corporate card	Korea Exchange Bank	KRW	3,000	KRW	1,838
Commercial paper issuance	Hana Bank	KRW	3,000	KRW	-
Bank overdraft	Hana Bank and others	KRW	310,000	KRW	-
General loan	Korea Exchange Bank and others	KRW	355,943	KRW	5,943
Foreign currency borrowings	The Export-Import Bank of Korea and others	USD	3,528,885	USD	2,187,657
		CAD	55,000	CAD	-
Foreign currency commitment	Sumitomo Mitsui Banking Corporation and others	USD	552,000	USD	502,783
				EUR	6,000
		CAD	227,000	CAD	155,794
Other commitment in Korean won	Seoul Guarantee Insurance Company	KRW	12,784	KRW	-
Commitments to letter of credit	Korea Exchange Bank	USD	52,000	EUR	3,219
				GBP	213
				JPY	8,599
Loans secured by accounts receivables electronically	Hana Bank	KRW	3,000	KRW	-
Guarantees for construction warranties	Seoul Guarantee Insurance Company	KRW	830	KRW	-
Guarantees for contracts and construction warranties	Construction Guarantee Cooperative	KRW	57,670	KRW	2,144
Guarantees for contracts	Engineering Financial Cooperative	KRW	6,189	KRW	554

Total comprehensive limit amounts to ₩400,000 million, including bank overdraft, general loan and other commitments in foreign currency amounting to ₩200,000 million, ₩300,000 million and USD 100 million, respectively, with Korea Exchange Bank, which is included in the above table.

The activities of the gas field development project are mostly limited to the KOGAS Akkas B.V. and KOGAS Mansuriya B.V., which represent 0.8% of the Group’s total assets as of December 31, 2014, are design and purchase of ground facilities due to the civil war in Iraq. The related field work is expected to resume when safety of the gas field is ensured.

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