KOREA ELECTRIC POWER CORP
Form 20-F/A
April 24, 2017
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As filed with the Securities and Exchange Commission on April 24, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 20-F/A

Amendment No. 1

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934
OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2015

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Date of event requiring this shell company report

For the transition period from to

Commission File Number: 001-13372

KOREA ELECTRIC POWER CORPORATION

(Exact name of registrant as specified in its charter)

N/A	**The Republic of Korea**
(Translation of registrant s name into English)	***(Jurisdiction of incorporation or organization)***

55 Jeollyeok-ro, Naju-si, Jeollanam-do, 58217, Korea

(Address of principal executive offices)

Yoon Hye Cho, +82 61 345 4213, yoonhye.cho@kepco.co.kr, +82 61 345 4299

(Name, telephone, e-mail and/or facsimile number and address of company contact person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class:	**Name of each exchange on which registered:**
Common stock, par value Won 5,000 per share	**New York Stock Exchange***
American depositary shares, each representing one-half of share of common stock	**New York Stock Exchange**

* Not for trading, but only in connection with the listing of American depositary shares on the New York Stock Exchange, pursuant to the requirements of the Securities and Exchange Commission.

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

One Hundred Year 7.95% Zero-to-Full Debentures, due April 1, 2096

6% Debentures due December 1, 2026

7% Debentures due February 1, 2027

6 $^{3}/_{4}$% Debentures due August 1, 2027

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the last full fiscal year

covered by the annual report:

641,964,077 shares of common stock, par value of Won 5,000 per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Note Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days: Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files): Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See the definitions of large accelerated filer, accelerated filer, and emerging growth company in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Emerging growth company

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board Other

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

The term new or revised financial accounting standard refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

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EXPLANATORY NOTE

This Amendment No. 1 on Form 20-F/A (the Amendment) amends the Annual Report on Form 20-F for the year ended December 31, 2015 of Korea Electric Power Corporation (KEPCO , we , our or us), as originally filed with the U.S. Securities and Exchange Commission on April 29, 2016 (the Original Annual Report). We are filing this Amendment solely for the purpose of correcting a typographical error in the following reports of KPMG Samjong Accounting Corp. attached to our financial statements included in the Original Annual Report:

Report of Independent Registered Public Accounting Firm on Consolidated Financial Statements on page F-2 of the Original Annual Report; and

Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting on page F-3 of the Original Annual Report,

to the effect that all references to , for the years then ended and for the years then ended in such reports shall be replaced with for each of the years in the three-year period ended December 31, 2015 .

This Amendment does not reflect events occurring after the filing of the Original Annual Report and does not modify, update or restate the disclosure therein in any way other than to reflect the amendments described above. No other changes have been made in the Original Annual Report. The filing of this Amendment should not be understood to mean that any statements contained herein are true or complete as of any date subsequent to the date of filing of the Original Annual Report.

ITEM 18. FINANCIAL STATEMENTS

Reference is made to paragraph (a) of Item 19. Exhibits for a list of all financial statements filed as part of this annual report.

ITEM 19. EXHIBITS

(a) Financial Statements filed as part of this Annual Report

See Index to Financial Statements on page F-1 of this annual report.

(b) Exhibits filed as part of this Annual Report

See Index of Exhibits beginning on page E-1 of this annual report.

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SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Amendment No. 1 to its Annual Report on its behalf.

KOREA ELECTRIC POWER CORPORATION

By:	/s/ Cho, Hwan-Eik
Name:	Cho, Hwan-Eik
Title:	President and Chief Executive Officer
Date:	April 24, 2017

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REPORT OF INDEPENDENT REGISTERED PUBLIC

ACCOUNTING FIRM ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders and Board of Directors of

Korea Electric Power Corporation:

We have audited the accompanying consolidated statements of financial position of Korea Electric Power Corporation and subsidiaries (the Company) as of December 31, 2014 and 2015, and the related consolidated statements of comprehensive income, changes in equity and cash flows for each of the years in the three-year period ended December 31, 2015. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Korea East-West Power Co., Ltd., a consolidated subsidiary, whose financial statements comprise 5.90 percent of consolidated revenue (prior to inter-company eliminations) for the year ended December 31, 2013. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Korea East-West Power Co., Ltd., is based solely on the report of the other auditors.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Korea Electric Power Corporation and subsidiaries as of December 31, 2014 and 2015 and of their consolidated results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2015, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company s internal control over financial reporting as of December 31, 2015, based on the criteria established in Internal Control Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated April 27, 2016 expressed an unqualified opinion on the effectiveness of the Company s internal control over financial reporting.

/s/ KPMG Samjong Accounting Corp.

KPMG Samjong Accounting Corp.

Seoul, Korea

April 27, 2016

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON

INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Shareholders and Board of Directors of

Korea Electric Power Corporation:

We have audited Korea Electric Power Corporation and subsidiaries (the Company) internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management s Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the group s assets that could have a material effect on the financial statements.

Because of the inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on the criteria established in Internal Control Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of financial position of Korea Electric Power Corporation and subsidiaries as of December 31, 2014 and 2015, and the related consolidated statements of comprehensive income, changes in equity and cash flows for each of the years in the three-year period ended December 31, 2015 and our report dated April 27, 2016 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG Samjong Accounting Corp.

KPMG Samjong Accounting Corp.

Seoul, Korea

April 27, 2016

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholder of

Korea East-West Power Co., Ltd.

We have audited the consolidated statement of financial position of Korea East-West Power Co., Ltd. and subsidiaries (the Company), a wholly owned subsidiary of Korea Electric Power Corporation, as of December 31, 2013, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the year ended December 31, 2013. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Korea East-West Power Co., Ltd. and subsidiaries as of December 31, 2013 and their consolidated results of operations, and cash flows for the year ended December 31, 2013, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

/s/ Ernst & Young Han Young

April 30, 2014

Seoul, Republic of Korea

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KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES

Consolidated Statements of Financial Position

As of December 31, 2014 and 2015

	Note	2014	2015
		In millions of won	
Assets			
Current assets			
Cash and cash equivalents	5,6,7,45	1,796,300	3,783,065
Current financial assets, net	5,10,11,12,45	176,428	5,335,621
Trade and other receivables, net	5,8,14,20,45,46,47	7,697,862	7,473,548
Inventories, net	13	4,537,469	4,946,413
Income tax refund receivables		18,475	9,081
Current non-financial assets	15	502,511	397,950
Assets held-for-sale	42	2,090,810	79,647
Total current assets		16,819,855	22,025,325
Non-current assets			
Non-current financial assets, net	5,6,9,10,11,12,45	2,040,921	2,495,554
Non-current trade and other receivables, net	5,8,14,45,46,47	1,724,357	1,798,419
Property, plant and equipment, net	18,27,49	135,812,499	141,361,351
Investment properties, net	19,27	317,264	269,910
Goodwill	16	2,582	2,582
Intangible assets other than goodwill, net	21,27,46	821,060	855,832
Investments in associates	4,17	4,341,830	4,405,668
Investments in joint ventures	4,17	1,166,894	1,287,862
Deferred tax assets	41	526,934	623,623
Non-current non-financial assets	15	134,093	131,233
Total non-current assets		146,888,434	153,232,034
Total Assets	4	163,708,289	175,257,359
Liabilities			
Current liabilities			
Trade and other payables, net	5,22,24,45,47	6,128,604	4,735,697
Current financial liabilities, net	5,11,23,45,47	7,162,372	7,857,198
Income tax payables	41	570,550	2,218,060
Current non-financial liabilities	20,28,29	6,464,356	6,320,711
Current provisions	26,45	1,274,186	1,579,176
Total current liabilities		21,600,068	22,710,842
Non-current liabilities			
Non-current trade and other payables, net	5,22,24,45,47	3,806,735	3,718,435
Non-current financial liabilities, net	5,11,23,45,47	55,999,761	51,062,811
Non-current non-financial liabilities	28,29	6,946,410	7,092,252
Employee benefits liabilities, net	25,45	1,277,415	1,503,107
Deferred tax liabilities	41	5,723,880	8,362,683
Non-current provisions	26,45	13,529,010	12,864,754

Total non-current liabilities		87,283,211	84,604,042
Total Liabilities	4	108,883,279	107,314,884

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KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES

Consolidated Statements of Financial Position Continued

As of December 31, 2014 and 2015

	Note	2014	2015
		In millions of won	
Equity			
Contributed capital	1,30,45		
Share capital		3,209,820	3,209,820
Share premium		843,758	843,758
		4,053,578	4,053,578
Retained earnings	31		
Legal reserves		1,604,910	1,604,910
Voluntary reserves		22,999,359	23,720,167
Unappropriated retained earnings		10,699,378	22,862,164
		35,303,647	48,187,241
Other components of equity	34		
Other capital surpluses		1,151,402	1,197,388
Accumulated other comprehensive loss		(202,269)	(98,713)
Other equity		13,294,973	13,294,973
		14,244,106	14,393,648
Equity attributable to owners of the Company		53,601,331	66,634,467
Non-controlling interests	16, 33	1,223,679	1,308,008
Total Equity		54,825,010	67,942,475
Total Liabilities and Equity		163,708,289	175,257,359

See accompanying notes to the consolidated financial statements.

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KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2013, 2014 and 2015

	Note	2013	2014	2015
		In millions of won, except per share information		
Sales	4,35,45,47			
Sales of goods		51,132,803	53,706,828	54,367,036
Sales of construction services	20	2,253,083	2,965,185	3,761,204
Sales of other services		326,619	451,013	453,487
		53,712,505	57,123,026	58,581,727
Cost of sales	13,25,43,47			
Cost of sales of goods		(47,983,987)	(46,509,555)	(41,348,917)
Cost of sales of construction services		(2,159,023)	(2,752,610)	(3,563,120)
Cost of sales of other services		(452,628)	(500,787)	(545,692)
		(50,595,638)	(49,762,952)	(45,457,729)
Gross profit		3,116,867	7,360,074	13,123,998
Selling and administrative expenses	25,36,43,47	(1,923,192)	(1,924,366)	(2,153,261)
Other income	37	725,457	754,186	808,214
Other expenses	37	(99,811)	(88,220)	(108,848)
Other gains, net	38	128,514	107,396	8,610,773
Operating profit	4	1,947,835	6,209,070	20,280,876
Finance income	5,11,39	629,542	885,290	1,182,988
Finance expenses	5,11,40	(2,931,622)	(3,140,038)	(3,015,457)
Equity method income (loss) of associates and joint ventures	4,17			
Share in income of associates and joint ventures		170,399	319,506	280,794
Gain on disposal of investments in associates and joint ventures		266	47,072	4,731
Gain on disposal of subsidiaries		1,459	40,449	8,376
Share in loss of associates and joint ventures		(140,984)	(78,493)	(86,522)
Loss on disposal of investments in associates and joint ventures		(45,178)	(1,254)	
Impairment loss on investments in associates and joint ventures		(28,092)	(52,279)	
Loss on disposal of subsidiaries		(113)	(17)	
		(42,243)	274,984	207,379
Profit (loss) before income tax		(396,488)	4,229,306	18,655,786
Income tax (expense) benefit	41	570,794	(1,430,339)	(5,239,413)
Profit for the period		174,306	2,798,967	13,416,373

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KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income Continued

For the years ended December 31, 2013, 2014 and 2015

	Note	2013	2014	2015
		In millions of won, except per share information		
Other comprehensive income (loss)	5,11,25,31,34			
Items that will not be reclassified subsequently to profit or loss:				
Remeasurements of defined benefit liability, net of tax	25,31	132,457	(108,430)	(87,861)
Share in other comprehensive income (loss) of associates and joint ventures, net of tax	31	7,671	(1,899)	(283)
Items that are or may be reclassified subsequently to profit or loss:				
Net change in the unrealized fair value of available-for-sale financial assets, net of tax	34	86,570	(97,251)	9,648
Net change in the unrealized fair value of derivatives using cash flow hedge accounting, net of tax	5,11,34	29,332	(84,793)	4,409
Foreign currency translation of foreign operations, net of tax	34	(108,625)	(70,576)	18,535
Share in other comprehensive income of associates and joint ventures, net of tax	34	38,366	5,228	89,558
Other comprehensive income (loss), net of tax		185,771	(357,721)	34,006
Total comprehensive income for the period		360,077	2,441,246	13,450,379
Profit or loss attributable to:				
Owners of the Company	44	60,011	2,686,873	13,289,127
Non-controlling interests		114,295	112,094	127,246
		174,306	2,798,967	13,416,373
Total comprehensive income attributable to:				
Owners of the Company		245,384	2,335,827	13,308,132
Non-controlling interests		114,693	105,419	142,247
		360,077	2,441,246	13,450,379
Earnings per share	44			
Basic and diluted earnings per share		96	4,290	20,701

See accompanying notes to the consolidated financial statements.

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KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2013, 2014 and 2015

	Equity attributable to owners of the Company					
	Contributed capital	Retained earnings	Other components of equity	Subtotal	Non-controlling Interests	Total equity
	In millions of won					
Balance at January 1, 2013	4,053,578	32,564,283	13,270,906	49,888,767	1,175,435	51,064,202
Total comprehensive income for the period						
Profit for the period		60,011		60,011	114,295	174,306
Items that will not be reclassified subsequently to profit or loss:						
Remeasurements of defined benefit liability, net of tax		134,121		134,121	(1,664)	132,457
Share in other comprehensive income of associates and joint ventures, net of tax		7,671		7,671		7,671
Items that may be reclassified subsequently to profit or loss:						
Net changes in the unrealized fair value of available-for-sale financial assets, net of tax			86,543	86,543	27	86,570
Net change in the unrealized fair value of derivatives using cash flow hedge accounting, net of tax			18,907	18,907	10,425	29,332
Foreign currency translation of foreign operations, net of tax			(100,572)	(100,572)	(8,053)	(108,625)
Share in other comprehensive income (loss) of associates and joint ventures, net of tax			38,703	38,703	(337)	38,366
Transactions with owners of the Company, recognized directly in equity						
Dividends paid					(41,812)	(41,812)
Issuance of share capital by subsidiaries			(173)	(173)	31,229	31,056
Equity transaction in consolidated scope other than issuance of share capital			135,914	135,914	43,128	179,042
Changes in consolidation scope			(10,224)	(10,224)	(115,991)	(126,215)
Dividends paid (hybrid securities)					(16,455)	(16,455)
Others					841	841
Balance at December 31, 2013	4,053,578	32,766,086	13,440,004	50,259,668	1,191,068	51,450,736

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KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity Continued

For the years ended December 31, 2013, 2014 and 2015

	Equity attributable to owners of the Company					
	Contributed capital	**Retained earnings**	**Other components of equity**	**Subtotal**	**Non-controlling Interests**	**Total equity**
			In millions of won			
Balance at January 1, 2014	4,053,578	32,766,086	13,440,004	50,259,668	1,191,068	51,450,736
Total comprehensive income for the period						
Profit for the period		2,686,873		2,686,873	112,094	2,798,967
Items that will not be reclassified subsequently to profit or loss:						
Remeasurements of defined benefit liability, net of tax		(91,340)		(91,340)	(17,090)	(108,430)
Share in other comprehensive loss of associates and joint ventures, net of tax		(1,899)		(1,899)		(1,899)
Items that may be reclassified subsequently to profit or loss:						
Net changes in the unrealized fair value of available-for-sale financial assets, net of tax			(97,263)	(97,263)	12	(97,251)
Net change in the unrealized fair value of derivatives using cash flow hedge accounting, net of tax			(80,218)	(80,218)	(4,575)	(84,793)
Foreign currency translation of foreign operations, net of tax			(84,962)	(84,962)	14,386	(70,576)
Share in other comprehensive income of associates and joint ventures, net of tax			4,636	4,636	592	5,228
Transactions with owners of the Company, recognized directly in equity						
Dividends paid		(56,073)		(56,073)	(130,969)	(187,042)
Issuance of share capital by subsidiaries			(1,235)	(1,235)	7,453	6,218
Equity transaction in consolidated scope other than issuance of share capital			237,159	237,159	72,452	309,611
Disposal of treasury stocks			825,985	825,985		825,985
Changes in consolidation scope					(5,281)	(5,281)
Dividends paid (hybrid securities)					(16,463)	(16,463)
Balance at December 31, 2014	4,053,578	35,303,647	14,244,106	53,601,331	1,223,679	54,825,010

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KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity Continued

For the years ended December 31, 2013, 2014 and 2015

	Equity attributable to owners of the Company					
	Contributed capital	Retained earnings	Other components of equity	Subtotal	Non-controlling Interests	Total equity
	In millions of won					
Balance at January 1, 2015	4,053,578	35,303,647	14,244,106	53,601,331	1,223,679	54,825,010
Total comprehensive income for the period						
Profit for the period		13,289,127		13,289,127	127,246	13,416,373
Items that will not be reclassified subsequently to profit or loss:						
Remeasurements of defined benefit liability, net of tax		(84,271)		(84,271)	(3,590)	(87,861)
Share in other comprehensive loss of associates and joint ventures, net of tax		(280)		(280)	(3)	(283)
Items that may be reclassified subsequently to profit or loss:						
Net changes in the unrealized fair value of available-for-sale financial assets, net of tax			9,744	9,744	(96)	9,648
Net change in the unrealized fair value of derivatives using cash flow hedge accounting, net of tax			3,157	3,157	1,252	4,409
Foreign currency translation of foreign operations, net of tax			1,179	1,179	17,356	18,535
Share in other comprehensive income of associates and joint ventures, net of tax			89,476	89,476	82	89,558
Transactions with owners of the Company, recognized directly in equity						
Dividends paid		(320,982)		(320,982)	(86,071)	(407,053)
Issuance of share capital by subsidiaries			2,536	2,536	12,329	14,865
Equity transaction in consolidated scope other than issuance of share capital			44,166	44,166	9,046	53,212
Changes in consolidation scope			(716)	(716)	23,229	22,513
Dividends paid (hybrid securities)					(16,455)	(16,455)
Others, net					4	4
Balance at December 31, 2015	4,053,578	48,187,241	14,393,648	66,634,467	1,308,008	67,942,475

See accompanying notes to the consolidated financial statements.

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KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2013, 2014 and 2015

	2013	2014	2015
		In millions of won	
Cash flows from operating activities			
Profit for the period	174,306	2,798,967	13,416,373
Adjustments for:			
Income tax expense (benefit)	(570,794)	1,430,339	5,239,413
Depreciation	7,303,996	7,797,046	8,269,118
Amortization	88,379	76,413	72,266
Employee benefit expense	384,323	121,406	314,692
Bad debt expense	49,110	54,999	18,350
Interest expense	2,381,900	2,351,624	2,015,684
Loss on sale of financial assets	4,202	2,700	3,008
Loss on disposal of property, plant and equipment	58,852	50,152	1,933
Loss on abandonment of property, plant, and equipment	295,627	309,451	365,056
Impairment loss on property, plant and equipment	24,612	38,107	30,344
Impairment loss on intangible assets	267	42	22
Loss on disposal of intangible assets	1	18	16
Accretion expense to provisions, net	663,621	1,295,150	1,602,724
Loss (gain) on foreign currency translation, net	(195,571)	351,660	617,224
Valuation and transaction loss (gain) on derivative instruments, net	233,484	(143,239)	(708,120)
Share in income of associates and joint ventures, net	(29,414)	(241,013)	(194,272)
Gain on sale of financial assets	(107)	(98,065)	(4)
Gain on disposal of property, plant and equipment	(59,345)	(85,775)	(8,637,508)
Gain on disposal of intangible assets	(4)	(4)	(32)
Gain on disposal of investments in associates and joint ventures	(266)	(47,072)	(4,731)
Loss on disposal of investments in associates and joint ventures	45,178	1,254	
Gain on disposal of investments in subsidiaries	(1,459)	(40,449)	(8,376)
Loss on disposal of investments in subsidiaries	113	17	
Impairment loss on investments in associates and joint ventures	28,091	52,279	
Interest income	(182,161)	(191,456)	(241,585)
Dividends income	(9,870)	(14,193)	(14,069)
Impairment loss on available-for-sale securities	12,592	79,618	84,370
Others, net	(64,089)	(20,303)	(35,107)
	10,461,268	13,130,706	8,790,416

(Continued)

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KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows Continued

For the years ended December 31, 2013, 2014 and 2015

	2013	2014	2015
		In millions of won	
Changes in:			
Trade receivables	(330,494)	96,294	715,498
Non-trade receivables	20,853	9,063	(17,102)
Accrued income	563	(207,155)	17,051
Other receivables	(123)	(906)	(9,441)
Other current assets	98,724	75,410	67,520
Inventories	(1,206,676)	(1,146,221)	(1,190,188)
Other non-current assets	65,087	47,119	(31,465)
Trade payables	(40,416)	(257,614)	(1,577,551)
Non-trade payables	(195,191)	(102,526)	38,223
Accrued expenses	(240,901)	(107,277)	(410,744)
Other payables			964
Other current liabilities	1,500,716	2,249,714	870,945
Other non-current liabilities	48,719	(317,437)	377,617
Investments in associates and joint ventures	65,888	47,120	114,708
Provisions	(386,377)	(675,569)	(1,033,502)
Payments of employee benefit obligations	(132,179)	(860,179)	(43,100)
Plan assets	(101,720)	(231,342)	(214,449)
	(833,527)	(1,381,506)	(2,325,016)
Cash generated from operating activities			
Dividends received	14,114	13,518	38,565
Interest paid	(2,460,247)	(2,460,457)	(2,176,040)
Interest received	160,830	167,269	133,875
Income taxes paid	(632,837)	(222,805)	(935,068)
Net cash from operating activities	6,883,907	12,045,692	16,943,105

(Continued)

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KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows Continued

For the years ended December 31, 2013, 2014 and 2015

	2013	2014	2015
		In millions of won	
Cash flows from investing activities			
Proceeds from disposals of associates and joint ventures	44	232,228	22,058
Acquisition of associates and joint ventures	(321,476)	(248,223)	(116,114)
Proceeds from disposals of property, plant and equipment	119,464	111,260	9,843,796
Acquisition of property, plant and equipment	(14,259,050)	(14,547,499)	(14,049,887)
Proceeds from disposals of intangible assets	39	1,819	467
Acquisition of intangible assets	(69,007)	(68,624)	(87,946)
Proceeds from disposals of financial assets	610,847	1,060,117	242,856
Acquisition of financial assets	(545,992)	(975,104)	(5,326,151)
Increase in loans	(196,607)	(135,001)	(153,570)
Collection of loans	143,935	101,037	111,714
Increase in deposits	(55,594)	(335,518)	(352,669)
Decrease in deposits	51,882	227,354	185,154
Receipt of government grants	92,000	108,681	52,696
Usage of government grants	(31,027)	(36,464)	(13,372)
Net cash inflow (outflow) from business acquisitions	(41,809)	44,319	(968)
Other cash outflow from investing activities, net	(921)	(715)	(132,034)
Net cash used in investing activities	(14,503,272)	(14,460,333)	(9,773,970)
Cash flows from financing activities			
Proceeds (Repayment) from short-term borrowings, net	(107,748)	59,421	(65,355)
Proceeds from long-term borrowings and debt securities	15,233,428	9,566,625	4,178,454
Repayment of long-term borrowings and debt securities	(7,315,752)	(8,119,325)	(8,960,706)
Payment of finance lease liabilities	(125,921)	(115,532)	(110,040)
Settlement of derivative instruments, net	38,844	(444,243)	73,348
Disposal of treasury stocks		852,962	
Proceeds on disposal of partial interest in a subsidiary that does not involve loss of control	236,244	376,477	67,914
Change in non-controlling interest	47,019	12,595	36,105
Dividends paid (hybrid bond)	(16,455)	(16,463)	(16,455)
Dividends paid	(41,812)	(186,985)	(409,884)
Other cash outflow from financing activities, net	(14,715)	(356)	
Net cash from (used in) financing activities	7,933,132	1,985,176	(5,206,619)
Net increase (decrease) in cash and cash equivalents before effect of exchange rate fluctuations	313,767	(429,465)	1,962,516
Effect of exchange rate fluctuations on cash held	(36,403)	(6,548)	24,249
Net increase (decrease) in cash and cash equivalents	277,364	(436,013)	1,986,765
Cash and cash equivalents at January 1	1,954,949	2,232,313	1,796,300
Cash and cash equivalents at December 31	2,232,313	1,796,300	3,783,065

See accompanying notes to the consolidated financial statements.

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KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2015

1. Reporting Entity (Description of the controlling company)

Korea Electric Power Corporation (KEPCO) was incorporated on January 1, 1982 in accordance with the Korea Electric Power Corporation Act (the KEPCO Act) to engage in the generation, transmission and distribution of electricity and development of electric power resources in the Republic of Korea. KEPCO also provides power plant construction services. KEPCO s stock was listed on the Korea Stock Exchange on August 10, 1989 and the Company listed its Depository Receipts (DR) on the New York Stock Exchange on October 27, 1994.

As of December 31, 2015, KEPCO s share capital amounts to 3,209,820 million and KEPCO s shareholders are as follows:

	Number of shares	Percentage of ownership
Government of the Republic of Korea	135,917,118	21.17%
Korea Development Bank	192,170,340	29.94%
Foreign investors	184,891,161	28.80%
Other	128,985,458	20.09%
	641,964,077	100.00%

In accordance with the Restructuring Plan enacted on January 21, 1999 by the Ministry of Trade, Industry and Energy (the MTIE , formerly the Ministry of Knowledge Economy), KEPCO spun off its power generation divisions on April 2, 2001, resulting in the establishment of six power generation subsidiaries. KEPCO moved the headquarters to Naju, Jeollanam-do, in November 2014 as part of the government s plan to relocate state-run companies for balanced national development.

2. Basis of Preparation

The consolidated financial statements of Korea Electric Power Corporation and subsidiaries (the Company) were authorized for issuance by the Board of Directors on February 19, 2016, which were submitted for approval at the shareholders meeting held on March 22, 2016.

(1) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board (IASB).

(2) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the following material items in the consolidated statements of financial position:

derivative financial instruments are measured at fair value

available-for-sale financial assets are measured at fair value

liabilities for defined benefit plans are recognized at the net of the total present value of defined benefit obligations less the fair value of plan assets

(3) Functional and presentation currency

These consolidated financial statements are presented in Korean won (Won), which is KEPCO s functional and presentation currency.

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(4) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(i) Unbilled revenue

Energy delivered but not metered nor billed are calculated at the reporting date based on consumption statistics and selling price estimates. Determination of the unbilled revenues at the end of the reporting period is sensitive to the estimated assumptions and prices based on statistics. Unbilled revenue recognized as of December 31, 2014 and 2015 is 1,793,589 million and 1,599,592 million, respectively.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

Note 17 Investments in Associates and Joint Ventures

Note 18 Property, plant and equipment

Note 45 Risk Management

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included in the following notes:

Note 41 Income taxes

Note 25 Employment benefits

(5) Changes in accounting policies

(i) IAS 19, Employee Benefits Employee contributions

The Company has adopted amendments to IAS 19, Employee Benefits Employee contributions, since July 1, 2014. Amendments to IAS 19 introduced a practical expedient to accounting for defined benefit plan, when employees or third parties pay contributions if certain criteria are met. According to the amendments, the entity is permitted to recognize those contributions as a reduction of the service cost in the period in which the related service is rendered, instead of forecast future contributions from employees or third parties and attribute them to periods or service as negative benefits.

Upon adoption of the amendments, there is no significant impact on the Company s consolidated financial statements.

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(6) New standards and amendments not yet adopted

The following new standards, interpretations and amendments to existing standards are effective for annual periods beginning after January 1, 2015, and the Company has not early adopted them yet. The management is in the process of evaluating the potential impact on the consolidated financial statements upon the adoption of the new standards, interpretations and the amendments.

(i) IFRS 9, Financial Instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39, Financial Instruments: recognition and Measurement . IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted.

(ii) IFRS 15, Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue , IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes . IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2017, with early adoption permitted.

(iii) IAS 16, Property, Plant and Equipment

Amendments to IAS 16, Property, Plant and Equipment specify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate. These amendments are effective for annual periods beginning on or after January 1, 2016.

(iv) IAS 38, Intangible Assets

Amendments to IAS 38, Intangible Assets introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. This presumption can be rebutted only when revenue and the consumption of the economic benefits of the intangible asset are highly correlated, or when the intangible asset is expressed as a measure of revenue. These amendments are effective for annual periods beginning on or after January 1, 2016.

(v) IFRS 11, Joint Arrangement

Amendments to IFRS 11, Joint Arrangement require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business as defined in IFRS 3, Business Combinations . These amendments are effective for annual periods beginning on or after January 1, 2016.

(vi) IFRS 16, Leases

IFRS 16, published in January 2016, replaces existing guidance in IAS 17, Leases . It eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice (i.e. lessors continue to classify leases as finance and operating leases). IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019, with early adoption permitted if IFRS 15 Revenue from Contracts with Customers has also been applied.

(vii) IAS 12, Income Taxes Recognition of Deferred Tax Assets for Unrealized Losses

Amendments to IAS 12, published in January 2016, clarify how to account for deferred tax assets related to debt instruments measured at fair value. These amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. Therefore, assuming that the tax base remains at the original cost of the debt instrument, there is a temporary difference. These amendments are effective for annual periods beginning on or after January 1, 2017, with early adoption permitted.

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3. Significant Accounting Policies

Except as described in note 2.(5), the Company applied the following significant accounting policies consistently for all periods presented.

(1) Basis of consolidation

The consolidated financial statements are the financial statements of a group in which the assets, liabilities, equity, income, expenses and cash flows of the parent and its subsidiaries are presented as those of a single economic entity. Subsidiaries are controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Income and expense of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those of the Company.

Transactions within the Company are eliminated during the consolidation.

Changes in the Company s ownership interests in a subsidiary that do not result in the Company losing control over the subsidiary are accounted for as equity transactions. The carrying amounts of the Company s interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Company loses control of a subsidiary, the income or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e. reclassified to income or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is recognized as the fair value on initial recognition for subsequent accounting under IAS 39, Financial Instruments : Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

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(2) Business combinations

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control.

The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interests issued by the Company in exchange for control of the acquiree. Acquisition-related costs are generally recognized in income or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12, Income Taxes and IAS 19, Employee Benefits respectively;

- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5, Non-current Assets Held for Sale are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer s previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer s previously held interest in the acquiree (if any), the excess is recognized immediately in income or loss as a bargain purchase gain.

Non-controlling interest that is present on acquisition day and entitles the holder to a proportionate share of the entity s net assets in an event of liquidation, may be initially measured either at fair value or at the non-controlling interest s proportionate share of the recognized amounts of the acquiree s identifiable net assets. The choice of measurement can be elected on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in other IFRSs. When the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is re-measured at subsequent reporting dates in accordance with IAS 39, Financial Instruments: Recognition and Measurement , or with IAS 37, Provisions , Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in income or loss.

When a business combination is achieved in stages, the Company s previously held equity interest in the acquiree is re-measured to fair value at the acquisition date (i.e. the date when the Company obtains control) and the resulting gain or loss, if any, is recognized in income or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to income or loss where such treatment would be appropriate if that interest were disposed of.

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If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

The assets and liabilities acquired under business combinations under common control are recognized at the carrying amounts recognized previously in the consolidated financial statements of the ultimate parent. The difference between consideration transferred and carrying amounts of net assets acquired is recognized as part of share premium.

(3) Investments in associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but does not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. If the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale , any retained portion of an investment in associates that has not been classified as held for sale shall be accounted for using the equity method until disposal of the portion that is classified as held for sale takes place. If the Company holds 20% ~ 50% of the voting power of the investee, it is presumed that the Company has significant influence.

After the disposal takes place, the Company shall account for any retained interest in associates in accordance with IAS 39 Financial Instruments: Recognition and Measurement unless the retained interest continues to be an associates, in which case the entity uses the equity method.

Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Company s share of the income or loss and other comprehensive income of the associate. When the Company s share of losses of an associate exceeds the Company s interest in that associate (which includes any long-term interests that, in substance, form part of the Company s net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Company s share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Company s share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in income or loss. The requirements of IAS 39, Financial Instruments: Recognition and Measurement , are applied to determine whether it is necessary to recognize any impairment loss with respect to the Company s investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associate that results in the Company losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with IAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate would be reclassified to income or loss on the disposal of the related assets or liabilities, the Company reclassifies the gain or loss from equity to income or loss (as a reclassification adjustment) when it loses significant influence over that associate.

When the Company transacts with its associate, incomes and losses resulting from the transactions with the associate are recognized in the Company s consolidated financial statements only to the extent of interests in the associate that are not related to the Company.

(4) Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Joint arrangements are classified into two types joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint ventures) have rights to the net assets of the arrangement.

If the Company is a joint operator, the Company is to recognize and measure the assets and liabilities (and recognize the related revenues and expenses) in relation to its interest in the arrangement in accordance with relevant IFRSs applicable to the particular assets, liabilities, revenues and expenses. If the joint arrangement is a joint venture, the Company is to account for that investment using the equity method accounting in accordance with IAS 28, Investment in Associates and Joint Ventures (see note 3 (3)), except when the Company is applicable to the IFRS 5, Non-current Assets Held for Sale .

(5) Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Company is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Company will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

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(6) Goodwill

The Company measures goodwill which acquired in a business combination at the amount recognized at the date on which it obtains control of the acquiree (acquisition date) less any accumulated impairment losses. Goodwill acquired in a business combination is allocated to each CGU that is expected to benefit from the synergies arising from the goodwill acquired.

The Company assesses at the end of each reporting period whether there is any indication that an asset may be impaired. An impairment loss is recognized if the carrying amount of an asset or a CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

Any impairment identified at the CGU level will first reduce the carrying value of goodwill and then be used to reduce the carrying amount of the other assets in the CGU on a pro rata basis. Except for impairment losses in respect of goodwill which are never reversed, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(7) Revenue recognition

Revenue from the sale of goods, rendering of services or use of the Company assets is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates, which are recognized as a reduction of revenue. Revenue is recognized when the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company.

(i) Sales of goods

The Korean government approves the rates charged to customers by the Company s power transmission and distribution division. The Company s utility rates are designed to recover the Company s reasonable costs plus a fair investment return. The Company s power generation rates are determined in the market.

The Company recognizes electricity sales revenue based on power sold (transferred to the customer) up to the reporting date. To determine the amount of power sold, the Company estimates daily power volumes of electricity for residential, commercial, general and etc. The differences between the current month s estimated amount and actual (meter-read) amount, is adjusted for (trued-up) during the next month period.

(ii) Sales of other 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 or services performed to date as a percentage of total services to be performed or the proportion that costs incurred to date bear to the estimated total costs of the transaction or other methods that reliably measures the services performed.

(iii) Dividend income and interest income

Dividend income is recognized in profit or loss on the date that the Company s right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Interest income is recognized as it accrues in profit or loss, using the effective interest method. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset s net carrying amount on initial recognition.

(iv) Rental income

The Company s policy for recognition of revenue from operating leases is described in note 3 (9) below.

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(v) Deferral of revenue Transfer of Assets from Customers

The Company recovers a substantial amount of the cost related to its electric power distribution facilities from customers through the transfer of assets, while the remaining portion is recovered through electricity sales from such customers in the future. As such, the Company believes there exists a continued service obligation to the customers in accordance with IFRIC 18, Transfer of Assets from Customers when the Company receives an item of property, equipment, or cash for constructing or acquiring an item of property or equipment, in exchange for supplying electricity to customers. The Company defers the amounts received, which are then recognized as revenue over the estimated service period which does not exceed the transferred asset s useful life.

(8) Construction services revenue

The Company provides services related to the construction of power plants related to facilities of its customers, mostly in foreign countries.

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognized based on the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent of contract costs incurred when it is probable the revenue will be realized. Contract costs are recognized as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

When contract costs incurred to date plus recognized income less recognized losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognized income less recognized losses, the surplus is shown as the amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statements of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statements of financial position as accounts and other receivables.

(9) Leases

The Company classifies and accounts for leases as either a finance or operating lease, depending on the terms. Leases where the Company assumes substantially all of the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases.

(i) The Company as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Company s net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company s net investment outstanding in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

(ii) The Company as lessee

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

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Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in income or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company s general policy on borrowing costs. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(10) Foreign currencies

Transactions in foreign currencies are translated to the respective functional currencies of the Company entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency using the reporting date s exchange rate. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Exchange differences are recognized in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- Exchange differences on transactions entered into in order to hedge certain foreign currency risks; and (see note 3 (23))

- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to income or loss on disposal or partial disposal of the net investment.

For the purpose of presenting financial statements, the assets and liabilities of the Company s foreign operations are expressed in Korean won using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity.

When a foreign operation is disposed of, the relevant amount in the translation is transferred to profit or loss as part of the profit or loss on disposal.

(11) Borrowing costs

The Company capitalizes borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Other borrowing costs are recognized in expense as incurred. A qualifying asset is an asset that requires a substantial period of time to get ready for its intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in income or loss in the period in which they are incurred.

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(12) Government grants

Government grants are not recognized unless there is reasonable assurance that the Company will comply with the grant s conditions and that the grant will be received.

Benefit from a government loan at a below-market interest rate is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

(i) If the Company received grants related to assets

Government grants whose primary condition is that the Company purchase, construct or otherwise acquire long-term assets are deducted in calculating the carrying amount of the asset. The grant is recognized in profit or loss over the life of a depreciable asset as a reduced depreciation expense.

(ii) If the Company received grants related to income

Government grants which are intended to compensate the Company for expenses incurred are recognized as other income (government grants) in profit or loss over the periods in which the Company recognizes the related costs as expenses.

(13) Employee benefits

When an employee has rendered service to the Company during a period, the Company recognizes the contribution payable to a defined contribution plan in exchange for that service as a liability (accrued expense).

For defined benefit pension plans and other post-employment benefits, the net periodic pension expense is actuarially determined by Pension Actuarial System developed 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 that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. However, if there is not a deep market, market yields on government bonds are used.

Net defined benefit liability s measurement is composed of actuarial gains and losses, return on plan assets excluding net interest on net defined benefit liability, and any change in the effect of the asset ceiling, excluding net interest, which are immediately recognized in other comprehensive income. The actuarial gains or losses recognized in other comprehensive income which will not be reclassified into net profit or loss for later periods are immediately recognized in retained earnings. Past service cost will be recognized as expenses upon the earlier of the date of change or reduction to the plan, or the date of recognizing termination benefits.

The retirement benefit obligation recognized in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognized actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

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(14) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

(i) Current tax

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the end of the reporting period and any adjustment to tax payable in respect of previous years. The taxable profit is different from the accounting profit for the period since the taxable profit is calculated excluding the temporary differences, which will be taxable or deductible in determining taxable profit (tax loss) of future periods, and non-taxable or non-deductible items from the accounting profit.

(ii) Deferred tax

Deferred tax is recognized, using the asset-liability method, in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which they can be utilized. However, deferred tax is not recognized for the following temporary differences: taxable temporary differences arising on the initial recognition of goodwill, or the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit or loss nor taxable income.

The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets or deferred tax liabilities on investment properties measured at fair value, unless any contrary evidence exists, are measured using the assumption that the carrying amount of the property will be recovered entirely through sale.

The Company recognizes a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures, except to the extent that the Company 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. The Company recognizes a deferred tax asset for all deductible temporary differences arising from investments in subsidiaries and associates, to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if there is a legally enforceable right to offset the related current tax liabilities and assets, and they relate to income taxes levied by the same tax authority and they intend to settle current tax liabilities and assets on a net basis.

(iii) Current and deferred tax for the year

Current and deferred tax are recognized in income or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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(15) Property, plant and equipment

Property, plant and equipment are initially measured at cost and after initial recognition, are carried at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes expenditures arising directly from the construction or acquisition of the asset, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent costs are recognized in the carrying amount of property, plant and equipment at cost or, if appropriate, as separate items if it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing are recognized in profit or loss as incurred.

Property, plant and equipment, except for land, are depreciated on a straight-line basis over estimated useful lives that appropriately reflect the pattern in which the asset s future economic benefits are expected to be consumed. For loaded nuclear fuel related to long-term raw materials and spent nuclear fuels related to asset retirement costs, the Company uses the production method to measure and recognizes as expense the economic benefits of the assets.

The estimated useful lives of the Company s property, plant and equipment are as follows:

	Useful lives (years)
Buildings	8 ~ 40
Structures	8 ~ 50
Machinery	6 ~ 32
Vehicles	4
Loaded heavy water	30
Asset retirement costs	18, 30, 40
Finance lease assets	20
Ships	9
Others	4~9

A component that is significant compared to the total cost of property, plant and equipment is depreciated over its separate useful life. Depreciation methods, useful lives and residual values are reviewed at the end of each reporting date and adjusted, if appropriate.

Property, plant and equipment are derecognized on disposal, or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition of a property, plant and equipment, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in income or loss when the asset is derecognized.

(16) Investment property

Property held for the purpose of earning rentals or benefiting from capital appreciation is classified as investment property. Investment property is initially measured at its cost. Transaction costs are included in the initial measurement. Subsequently, investment property is carried at depreciated cost less any accumulated impairment losses.

Subsequent costs are recognized in the carrying amount of investment property at cost or, if appropriate, as separate items if it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing are recognized in profit or loss as incurred.

Investment property except for land, are depreciated on a straight-line basis over 8 ~ 40 years as estimated useful lives.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in income or loss in the period in which the property is derecognized.

(17) Intangible assets

(i) Intangible assets acquired separately

Intangible assets with finite useful lives that are 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.

(ii) Research and development

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

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 listed above. When the development expenditure does not meet the criteria listed above, an internally-generated intangible asset cannot be recognized and the expenditure is recognized in income or loss in the period in which it is incurred.

Internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses.

The estimated useful lives and amortization methods of the Company s intangible assets with finite useful lives are as follows:

	Useful lives (years)	Amortization methods
Usage rights for donated assets	4 ~ 30	Straight
Software	4, 5	Straight
Industrial rights	5, 10	Straight
Development expenses	5	Straight
Dam usage right	50	Straight
Mining right		Unit of production
Others	4~20, 50	Straight

(iii) Intangible assets acquired in a business combination

Intangible assets that are acquired in a business combination are recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

(iv) 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 income or loss when the asset is derecognized.

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(18) Greenhouse gas emissions rights (allowance) and obligations

With Enforcement of Allocation and Trading of Greenhouse Gas Emissions Allowances, the Company applies the following accounting policies for emissions rights and obligations.

(i) Emissions rights

Greenhouse gas emissions rights consist of the allowances received free of charge from the government and the ones purchased. The cost of the emissions rights includes expenditures arising directly from the acquisition and any other costs incurred during normal course of the acquisition.

Emissions rights are held by the Company to fulfill the legal obligation and recorded as intangible assets. To the extent that the portion to be submitted to the government within one year from the end of reporting period, the emissions rights are classified as current assets. Emissions rights recorded as intangible assets are initially measured at cost and substantially remeasured at cost less accumulated impairment losses.

Greenhouse gas emission rights are derecognized on submission to the government or when no future economic benefits are expected from its use or disposal.

(ii) Emissions obligations

Emissions obligations are the Company s present legal obligation to submit the emissions allowances to the government and recognized when an outflow of resources is probable and a reliable estimate can be made of the amount of the obligation. Emissions obligations are measured as the sum of the carrying amount of the allocated rights that will be submitted to the government and the best estimate of expenditure required to settle the obligation at the end of the reporting period for any excess emission.

(19) Impairment of non-financial assets other than goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets with definite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in income or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in income or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(20) Inventories

Inventories are measured at the lower of cost and net realizable value. Cost of inventories, except for those in transit, are measured under the weighted average method and consists of the purchase price, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, are recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

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(21) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of a provision. Where the effect of the time value of money is material, provisions are determined at the present value of the expected future cash flows.

Where some or all of the expenditures required to settle a provision are expected to be reimbursed by another party, the reimbursement shall be recognized when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimates. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

(i) Provision for employment benefits

The Company determines the provision for employment benefits as the incentive payments based on the results of the individual performance evaluation or management assessment.

(ii) Provision for decommissioning costs of nuclear power plants

The Company records the fair value of estimated decommissioning costs as a liability in the period in which the Company incurs a legal obligation associated with retirement of long-lived assets that result from acquisition, construction, development and/or normal use of the assets. Accretion expense consists of period-to-period changes in the liability for decommissioning costs resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flows.

(iii) Provision for disposal of spent nuclear fuel

Under the Radioactive Waste Management Act, the Company is levied to pay the spent nuclear fuel fund for the management of spent nuclear fuel. The Company recognizes the provision of present value of the payments.

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(iv) Provision for low and intermediate radioactive wastes

Under the Radioactive Waste Management Act, the Company recognizes the provision for the disposal of low and intermediate radioactive wastes in best estimate of the expenditure required to settle the present obligation.

(v) Provision for Polychlorinated Biphenyls (PCBs)

Under the regulation of Persistent Organic Pollutants Management Act, enacted in 2007, the Company is required to remove polychlorinated biphenyls (PCBs), a toxin, from the insulating oil of its transformers by 2025. As a result of the enactments, the Company is required to inspect the PCBs contents of transformers and dispose of PCBs in excess of safety standards under the legally settled procedures. The Company s estimates and assumptions used to determine fair value can be affected by many factors, such as the estimated costs of inspection and disposal, inflation rate, discount rate, regulations and the general economy.

(vi) Provisions for power plant regional support program

Power plant regional support programs consist of scholarship programs to local students, local economy support programs, local culture support programs, environment development programs, and local welfare programs. The Company recognizes the provision in relation to power plant regional support program.

(vii) Renewable portfolio standard (RPS) provisions

Renewable portfolio standard (RPS) program is required to generate a specified percentage of total electricity to be generated in the form of renewable energy and provisions are recognized for the governmental regulations to require the production of energies from renewable energy sources such as solar, wind and biomass.

(22) Non-derivative financial assets

The Company recognizes and measures non-derivative financial assets by the following four categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. The Company recognizes financial assets in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Upon initial recognition, non-derivative financial assets are measured at their fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the asset s acquisition or issuance.

A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade date accounting or settlement date accounting. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

(i) Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as financial assets at fair value through profit or loss.

(ii) Financial assets at fair value through profit or loss (FVTPL)

A financial asset is classified as financial assets are classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Upon initial recognition, transaction costs are recognized in profit or loss when incurred. A financial assets its acquired principally for the purpose of selling it in the near term are classified as a short-term financial assets held for trading and also all the derivatives including an embedded derivate that is not designated and effective as a hedging instrument are classified at the short-term trading financial asset as well. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short term profit taking; or
- It is derivative, including an embedded derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at financial assets at fair value through profit or loss upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis in accordance with the Company s documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms a part of a contract containing one or more embedded derivatives, and with IAS No. 39, Financial Instruments; Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at financial assets at fair value through profit or loss.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on re-measurement recognized in income or loss. The net gain or loss recognized in income or loss incorporates any dividend or interest earned on the financial asset and is included in the finance income and finance expenses line item in the consolidated statement of comprehensive income.

(iii) Held-to-maturity investments

A non-derivative financial asset with a fixed or determinable payment and fixed maturity, for which the Company has the positive intention and ability to hold to maturity, are classified as held-to-maturity investments. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as financial assets at fair value through profit or loss, held-to-maturity investments or loans and receivables.

Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in the valuation reserve. However, impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets are recognized in income or loss. Unquoted equity investments which are not traded in an active market, whose fair value cannot be measured reliably are carried at cost.

When a financial asset is derecognized or impairment losses are recognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Dividends on an available-for-sale equity instrument are recognized in profit or loss when the Company s right to receive payment is established.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognized in income or loss are determined based on the amortized cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income.

(v) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method except for loans and receivables of which the effect of discounting is immaterial.

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(vi) Impairment of financial assets

Financial assets, other than those at financial assets at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For listed and unlisted equity investments classified as available-for-sale financial asset, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment in addition to the criteria mentioned below.

For all other financial assets, objective evidence of impairment could include:

Significant financial difficulty of the issuer or counterparty; or

Breach of contract, such as a default or delinquency in interest or principal payments, or

It becoming probable that the borrower will enter bankruptcy or financial re-organization; or

The disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company s past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets recorded at amortized cost, the amount of the impairment loss recognized is the difference between the asset s carrying amount and the present value of estimated future cash flows, discounted at the financial asset s original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset s carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in income or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to income or loss in the period.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through income or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of available-for-sale equity securities, impairment losses previously recognized in income or loss are not reversed through income or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of available-for-sale debt securities, impairment losses are subsequently reversed through income or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

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(vii) De-recognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability. If the Company retains substantially all the risks and rewards of ownership of the transferred financial assets, the Company continues to recognize the transferred financial assets and recognizes financial liabilities for the consideration received.

On de-recognition of a financial asset in its entirety, the difference between the asset s carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in income or loss.

On de-recognition of a financial asset other than in its entirety (e.g. when the Company retains an option to repurchase part of a transferred asset), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in income or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

(23) Non-derivative financial liabilities and equity instruments issued by the Company

(i) Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

(ii) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company s own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in income or loss on the purchase, sale, issue or cancellation of the Company s own equity instruments.

(iii) Financial liabilities

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments. Financial liabilities are initially measured at fair value. Transaction cost that are directly attributable to the issue of financial liabilities are added to or deducted from the fair value of the financial liabilities, as appropriate, on initial recognition. Transaction cost directly attributable to acquisition of financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

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(iv) Financial liabilities at fair value through profit or loss (FVTPL)

Financial liabilities are classified as at financial liabilities at fair value through profit or loss when the financial liability is either held for trading or it is designated as financial liabilities at fair value through profit or loss.

A financial liability is classified as held for trading if:

It has been acquired principally for the purpose of repurchasing it in the near term; or

On initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or

It is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

The financial liability forms part of a Company of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company s documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

It forms part of a contract containing one or more embedded derivatives, and IAS 39, Financial Instruments: Recognition and Measurement , permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on re-measurement recognized in income or loss. The net gain or loss recognized in income or loss incorporates any interest paid on the financial liability and is included in finance income and finance expenses .

(v) Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

(vi) Financial guarantee contract liabilities

Financial guarantee contract liabilities are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of: (a) the amount of the obligation under the contract, as determined in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets; or (b) the amount initially recognized less, cumulative amortization recognized in accordance with IAS 18, Revenue .

(vii) De-recognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company s obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in income or loss.

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(24) Derivative financial instruments, including hedge accounting

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and cross currency swaps and others.

Derivatives are initially recognized at fair value. Subsequent to initial recognition, derivatives are measured at fair value.

The resulting gain or loss is recognized in income or loss immediately unless the derivative is designated and effective as a hedging instrument, in such case the timing of the recognition in income or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognized as a financial asset; a derivative with a negative fair value is recognized as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

(i) Separable embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and when the host contracts are not measured at FVTPL.

An embedded derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative is part of, is more than 12 months and it is not expected to be realized or settled within 12 months. All other embedded derivatives are presented as current assets or current liabilities.

(ii) Hedge accounting

The Company designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges or cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge 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 Company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

(iii) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in income 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 changes in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk relating to the hedged items are recognized in the consolidated statements of comprehensive income.

Hedge accounting is discontinued when the Company 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 as income or loss as of that date.

(iv) 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 and accumulated under the heading of reverse for gains (loss) on valuation of derivatives. The gain or loss relating to the ineffective portion is recognized immediately in income or loss, and is included in the finance income and expense .

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to income or loss in the periods when the hedged item is recognized in income or loss, in the same line of the consolidated statement of comprehensive income as the recognized hedged item. However, when the forecast 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 Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or it no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in income or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in income or loss.

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4. Segment, Geographic and Other Information

(1) Segment determination and explanation of the measurements

The Company s operating segments are its business components that generate discrete financial information that is reported to and regularly reviewed by the Company s the chief operating decision maker, the Chief Executive Officer, for the purpose of resource allocation and assessment of segment performance. The Company s reportable segments are Transmission and distribution , Electric power generation (Nuclear) , Electric power generation (Non-nuclear) , Plant maintenance & engineering service and Others ; others mainly represent the business unit that manages the Company s foreign operations.

Segment operating profit (loss) is determined the same way that consolidated operating profit is determined under IFRS without any adjustment for corporate allocations. The accounting policies used by each segment are consistent with the accounting policies used in the preparation of the consolidated financial statements. Segment assets and liabilities are determined based on separate financial statements of the entities instead of on a consolidated basis. There are various transactions between the reportable segments, including sales of property, plant and equipment and so on, that are conducted on an arms-length basis at market prices that would be applicable to an independent third-party. For subsidiaries which are in a different segment from that of its immediate parent company, their carrying amount in separate financial statements is eliminated in the consolidating adjustments in the tables below. In addition, consolidation adjustments in the table below include adjustments of the amount of investment in associates and joint ventures from the cost basis amount reflected in segment assets to that determined using equity method in the consolidated financial statements.

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(2) Financial information of the segments for the years ended December 31, 2013, 2014 and 2015, respectively, are as follows:

	2013										
Segment	Total segment revenue	Intersegment revenue	Revenue from external customers	Depreciation and amortization	Interest income	Interest expense	Income(loss) of associates and joint ventures	Employee benefit expense	Loss on abandonment of property, plant, and equipment	Accretion expense to provisions, net	Operating profit (loss)
	In millions of won										
Transmission and distribution	53,367,116	1,069,699	52,297,417	2,660,444	27,187	1,525,166	(2,521)	206,279	273,785	253,153	549,929
Electric power generation (Nuclear)	6,378,280	6,369,715	8,565	2,724,629	20,994	557,621	(926)	51,394		250,814	325,274
Electric power generation (Non-nuclear)	28,067,093	27,687,112	379,981	1,952,680	50,193	262,076	(40,976)	73,710	21,842	154,285	735,546
Plant maintenance & engineering service	2,483,670	1,774,577	709,093	72,489	23,473	183	2,180	76,395		5,016	248,661
Others	365,968	48,519	317,449	14,086	75,653	50,266		1,498		32	110,841
Consolidation adjustments	(36,949,622)	(36,949,622)		(31,953)	(15,339)	(13,412)		(24,953)		321	(22,416)
	53,712,505		53,712,505	7,392,375	182,161	2,381,900	(42,243)	384,323	295,627	663,621	1,947,835
Finance income											629,542
Finance expense											(2,931,622)
Equity method income of associates joint ventures											(42,243)
Loss before income tax											(396,488)

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2014

Segment	Total segment revenue	Intersegment revenue	Revenue from external customers	Depreciation and amortization	Interest income	Interest expense	Income of associates and joint ventures	Employee benefit expense	Loss on abandonment of property, plant, and equipment	Accretion expense to provisions, net	Operating profit (loss)
	In millions of won										
Transmission and distribution	56,982,583	1,445,914	55,536,669	2,717,040	28,798	1,394,131	231,502	8,408	309,442	290,444	2,050,726
Electric power generation (Nuclear)	9,379,564	9,364,451	15,113	2,905,115	21,995	582,353	1,227	42,667		719,794	2,544,378
Electric power generation (Non-nuclear)	25,067,653	24,680,221	387,432	2,189,202	30,528	308,731	40,260	38,417		147,892	1,385,687
Plant maintenance & engineering service	2,620,713	1,887,954	732,759	70,374	16,033	223	1,995	39,983		139,965	335,076
Others	537,578	86,525	451,053	26,983	109,427	79,175		1,026	9	33	95,803
Consolidation adjustments	(37,465,065)	(37,465,065)		(35,255)	(15,325)	(12,989)		(9,095)		(2,978)	(202,600)
	57,123,026		57,123,026	7,873,459	191,456	2,351,624	274,984	121,406	309,451	1,295,150	6,209,070
Finance income											885,290
Finance expense											(3,140,038)
Equity method income of associates joint ventures											274,984
Loss before income tax											4,229,306

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Segment	Total segment revenue	Intersegment revenue	Revenue from external customers	Depreciation and amortization	Interest income	Interest expense	Income(loss) of associates and joint ventures	Employee benefit expense	Loss on abandonment of property, plant, and equipment	Accretion expense to provisions, net	Operating profit (loss)
	2015										
	In millions of won										
Transmission and distribution	58,164,394	1,230,975	56,933,419	2,859,037	132,809	1,092,594	220,406	135,261	359,521	872,096	13,319,310
Electric power generation (Nuclear)	10,642,352	10,596,189	46,163	3,070,828	24,612	532,490	(595)	54,572		401,839	3,806,617
Electric power generation (Non-nuclear)	21,469,345	20,906,081	563,264	2,337,353	22,171	319,647	(10,686)	74,007	5,305	148,053	2,704,260
Plant maintenance & engineering service	2,533,887	2,016,699	517,188	85,662	12,293	542	(1,746)	74,542		174,912	332,531
Others	672,250	150,557	521,693	27,491	108,104	127,684		343	230	34	80,165
Consolidation adjustments	(34,900,501)	(34,900,501)		(38,987)	(58,404)	(57,273)		(24,033)		5,790	37,993
	58,581,727		58,581,727	8,341,384	241,585	2,015,684	207,379	314,692	365,056	1,602,724	20,280,876
Finance income											1,182,988
Finance expense											(3,015,457)
Equity method income of associates joint ventures											207,379
Loss before income tax											18,655,786

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(3) Information related to segment assets and segment liabilities as of and for the years ended December 31, 2014 and 2015 are as follows:

	2014			
Segment	Segment assets	Investments in associates and joint ventures	Acquisition of non-current assets	Segment liabilities
	In millions of won			
Transmission and distribution	99,719,106	4,173,139	4,979,968	56,338,038
Electric power generation (Nuclear)	49,237,136	1,929	2,211,783	27,588,281
Electric power generation (Non-nuclear)	41,413,556	1,274,761	7,071,376	24,185,126
Plant maintenance & engineering service	2,659,506	58,895	377,055	990,496
Others	5,681,070		120,667	2,098,115
Segment totals	198,710,374	5,508,724	14,760,849	111,200,056
Consolidation adjustments:				
Elimination of inter-segment amounts	(35,819,662)		(144,726)	(5,229,275)
Equity method adjustment	842,865			
Deferred taxes				2,907,841
Others	(25,288)			4,657
	(35,002,085)		(144,726)	(2,316,777)
Consolidated totals	163,708,289	5,508,724	14,616,123	108,883,279

	2015			
Segment	Segment assets	Investments in associates and joint ventures	Acquisition of non-current assets	Segment liabilities
	In millions of won			
Transmission and distribution	106,306,250	4,338,888	5,885,919	53,125,589
Electric power generation (Nuclear)	51,043,890	16,385	2,647,304	27,386,113
Electric power generation (Non-nuclear)	44,453,545	1,283,432	5,063,195	25,587,071
Plant maintenance & engineering service	2,990,862	54,825	249,627	1,172,351
Others	5,962,546		144,846	2,312,658
Segment totals	210,757,093	5,693,530	13,990,891	109,583,782
Consolidation adjustments:				
Elimination of inter-segment amounts	(36,505,833)		146,942	1,339,753
Equity method adjustment	1,050,574			
Deferred taxes				(3,603,808)
Others	(44,475)			(4,843)
	(35,499,734)		146,942	(2,268,898)
Consolidated totals	175,257,359	5,693,530	14,137,833	107,314,884

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(4) Geographic information

The following information on revenue from external customers and non-current assets is determined by the location of the customers and of the assets:

	Revenue from external customers			Non-current assets (*2)		
Geographical unit	2013	2014	2015	2013	2014	2015
			In millions of won			
Domestic	51,314,639	53,893,877	54,351,076	131,876,535	136,053,940	143,788,043
Overseas(*1)	2,397,866	3,229,149	4,230,651	4,474,900	6,542,282	4,526,395
	53,712,505	57,123,026	58,581,727	136,351,435	142,596,222	148,314,438

(*1) Middle East and other Asian countries make up the majority of overseas revenue and non-current assets.

(*2) Amount excludes financial assets and deferred tax assets.

(5) Information on significant customers

There is no individual customer comprising more than 10% of the Company s revenue for the years ended December 31, 2013, 2014 and 2015.

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5. Classification of Financial Instruments

(1) Classification of financial assets as of December 31, 2014 and 2015 are as follows:

	2014					
	Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Held-to-maturity investments	Derivative assets (using hedge accounting)	Total
	In millions of won					
Current assets						
Cash and cash equivalents		1,796,300				1,796,300
Current financial assets						
Held-to-maturity investments				265		265
Derivative assets	6,812				1,409	8,221
Other financial assets		167,942				167,942
Trade and other receivables		7,697,862				7,697,862
	6,812	9,662,104		265	1,409	9,670,590
Non-current assets						
Non-current financial assets						
Available-for-sale financial assets			715,151			715,151
Held-to-maturity investments				3,349		3,349
Derivative assets	59,037				102,867	161,904
Other financial assets		1,160,517				1,160,517
Trade and other receivables		1,724,357				1,724,357
	59,037	2,884,874	715,151	3,349	102,867	3,765,278
	65,849	12,546,978	715,151	3,614	104,276	13,435,868

	2015					
	Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Held-to-maturity investments	Derivative assets (using hedge accounting)	Total
	In millions of won					
Current assets						
Cash and cash equivalents		3,783,065				3,783,065
Current financial assets						
Held-to-maturity investments				381		381
Derivative assets	1,498				95,759	97,257
Other financial assets		5,237,983				5,237,983
Trade and other receivables		7,473,548				7,473,548
	1,498	16,494,596		381	95,759	16,592,234

Non-current assets						
Non-current financial assets						
Available-for-sale financial assets			584,479			584,479
Held-to-maturity investments				3,242		3,242
Derivative assets	253,510				266,383	519,893
Other financial assets		1,387,940				1,387,940
Trade and other receivables		1,798,419				1,798,419
	253,510	3,186,359	584,479	3,242	266,383	4,293,973
	255,008	19,680,955	584,479	3,623	362,142	20,886,207

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(2) Classification of financial liabilities as of December 31, 2014 and 2015 are as follows:

	2014			
	Financial liabilities at fair value through profit or loss	Financial liabilities recognized at amortized cost	Derivative liabilities (using hedge accounting)	Total
	In millions of won			
Current liabilities				
Borrowings		1,113,354		1,113,354
Debt securities		5,991,398		5,991,398
Derivative liabilities	56,296		1,324	57,620
Trade and other payables		6,128,604		6,128,604
	56,296	13,233,356	1,324	13,290,976
Non-current liabilities				
Borrowings		3,475,206		3,475,206
Debt securities		52,244,369		52,244,369
Derivative liabilities	108,635		171,551	280,186
Trade and other payables		3,806,735		3,806,735
	108,635	59,526,310	171,551	59,806,496
	164,931	72,759,666	172,875	73,097,472

	2015			
	Financial liabilities at fair value through profit or loss	Financial liabilities recognized at amortized cost	Derivative liabilities (using hedge accounting)	Total
	In millions of won			
Current liabilities				
Borrowings		1,144,027		1,144,027
Debt securities		6,702,926		6,702,926
Derivative liabilities	9,487		758	10,245
Trade and other payables		4,735,697		4,735,697
	9,487	12,582,650	758	12,592,895
Non-current liabilities				
Borrowings		1,932,259		1,932,259
Debt securities		48,974,287		48,974,287
Derivative liabilities	39,524		116,741	156,265
Trade and other payables		3,718,435		3,718,435
	39,524	54,624,981	116,741	54,781,246
	49,011	67,207,631	117,499	67,374,141

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(3) Classification of comprehensive income (loss) from financial instruments for the years ended December 31, 2013, 2014 and 2015 are as follows:

		2013	2014	2015
			In millions of won	
Cash and cash equivalents	Interest income	60,301	56,384	54,687
Available-for-sale financial assets	Dividends income	9,870	14,193	14,069
	Impairment loss on available-for-sale financial assets	(12,592)	(79,618)	(84,370)
	Gain (loss) on disposal of financial assets	(4,202)	95,365	(3,004)
	Interest income	1,150	382	29
Held-to-maturity investments	Interest income	64	89	99
Loans and receivables	Interest income	42,418	29,507	28,586
Trade and other receivables	Interest income	60,237	99,680	100,771
Other financial assets	Interest income	1,082		
Short-term financial instruments	Interest income	16,896	5,199	46,921
Long-term financial instruments	Interest income	13	215	10,492
Financial assets at fair value through profit or loss	Gain (loss) on valuation of derivatives	335	59,164	220,285
	Gain (loss) on transaction of derivatives	26,889	(24,746)	8,605
	Gain on disposal of financial assets	196		
Derivative assets (using hedge accounting)	Gain (loss) on valuation of derivatives	(13,945)	88,809	244,020
	Loss on valuation of derivatives (equity, before tax)(*)	(27,281)	(60,284)	(12,572)
	Gain on transaction of derivatives	29,662	818	2,818
Financial liabilities carried at amortized cost	Interest expense of borrowings and debt securities	(1,715,373)	(1,664,682)	(1,392,477)
	Loss on retirement of financial liabilities		(199)	(33)
	Interest expense of trade and other payables	(102,388)	(98,407)	(84,527)
	Interest expense of others	(564,139)	(588,535)	(538,680)
	Gain (loss) on foreign currency transactions and translations	133,638	(271,953)	(708,178)
Financial liabilities at fair value through profit or loss	Gain (loss) on valuation of derivatives	(167,485)	10,494	35,312
	Loss on transaction of derivatives	(46,639)	(38,909)	107,454
Derivative liabilities (using hedge accounting)	Gain (loss) on valuation of derivatives	(65,755)	51,788	93,914
	Gain (loss) on valuation of derivatives (equity, before tax)(*)	50,197	(76,013)	9,728
	Gain (loss) on transaction of derivatives	3,454	(4,180)	(4,288)

(*) Items are included in other comprehensive income or loss. All other income and gain amounts listed above are included in finance income, and all expense and loss amounts listed above are included in finance expenses in the consolidated statements of comprehensive income or loss.

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6. Restricted Deposits

Restricted deposits as of December 31, 2014 and 2015 are as follows:

		2014	2015
		In millions of won	
Cash and cash equivalents	Escrow accounts	100	4,828
	Deposits for government project	10,156	5,839
	Collateral provided for borrowings	12,926	6,839
	Collateral provided for lawsuit	367	641
	Deposits for transmission regional support program		204
	Pledge		740
Short-term financial instruments	Restriction on withdrawal related to win-win growth program for small and medium enterprises	5,000	18,000
Long-term financial instruments	Guarantee deposits for checking account	3	2
	Guarantee deposits for banking accounts at oversea branches	312	333
	Pledge	740	
	Decommissioning costs of nuclear power plants	603,306	652,700
	Collateral provided for borrowings		20
	Funds for developing small and medium enterprises(*1)		100,000
		632,910	790,146

(*1) Deposits for small and medium enterprise at IBK for construction of Bitgaram Energy Valley and support for the businesses as of December 31, 2015.

7. Cash and Cash Equivalents

Cash and cash equivalents as of December 31, 2014 and 2015 are as follows:

	2014	2015
	In millions of won	
Cash	77	109
Cash equivalents	1,154,250	1,309,396
Short-term deposits classified as cash equivalents	340,119	374,575
Short-term investments classified as cash equivalents	301,854	2,098,985
	1,796,300	3,783,065

8. Trade and Other Receivables

(1) Trade and other receivables as of December 31, 2014 and 2015 are as follows:

	2014			
	Gross amount	Allowance for doubtful accounts	Present value discount	Book value
	In millions of won			
Current assets				
Trade receivables	7,243,064	(80,644)	(94)	7,162,326
Other receivables	583,991	(46,245)	(2,210)	535,536
	7,827,055	(126,889)	(2,304)	7,697,862
Non-current assets				
Trade receivables	412,222		(14)	412,208
Other receivables	1,341,398	(21,687)	(7,562)	1,312,149
	1,753,620	(21,687)	(7,576)	1,724,357
	9,580,675	(148,576)	(9,880)	9,422,219

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	2015			
	Gross amount	Allowance for doubtful accounts	Present value discount	Book value
	In millions of won			
Current assets				
Trade receivables	6,862,762	(51,956)	(14)	6,810,792
Other receivables	718,717	(52,778)	(3,183)	662,756
	7,581,479	(104,734)	(3,197)	7,473,548
Non-current assets				
Trade receivables	447,010			447,010
Other receivables	1,396,107	(38,968)	(5,730)	1,351,409
	1,843,117	(38,968)	(5,730)	1,798,419
	9,424,596	(143,702)	(8,927)	9,271,967

(2) Other receivables as of December 31, 2014 and 2015 are as follows:

	2014			
	Gross amount	Allowance for doubtful accounts	Present value discount	Book value
	In millions of won			
Current assets				
Non-trade receivables	257,260	(46,245)		211,015
Accrued income	54,242			54,242
Deposits	196,537		(2,210)	194,327
Finance lease receivables	8,275			8,275
Others	67,677			67,677
	583,991	(46,245)	(2,210)	535,536
Non-current assets				
Non-trade receivables	117,604	(18,630)		98,974
Accrued income	303			303
Deposits	267,397		(7,562)	259,835
Finance lease receivables	877,479			877,479
Others	78,615	(3,057)		75,558
	1,341,398	(21,687)	(7,562)	1,312,149
	1,925,389	(67,932)	(9,772)	1,847,685

	2015			
	Gross amount	Allowance for doubtful accounts	Present value discount	Book value

	In millions of won			
Current assets				
Non-trade receivables	330,669	(52,778)		277,891
Accrued income	88,256			88,256
Deposits	235,745		(3,183)	232,562
Finance lease receivables	12,098			12,098
Others	51,949			51,949
	718,717	(52,778)	(3,183)	662,756
Non-current assets				
Non-trade receivables	93,782	(31,829)		61,953
Accrued income	582			582
Deposits	256,745		(5,730)	251,015
Finance lease receivables	941,710			941,710
Others	103,288	(7,139)		96,149
	1,396,107	(38,968)	(5,730)	1,351,409
	2,114,824	(91,746)	(8,913)	2,014,165

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Trade and other receivables are classified as loans and receivables, and are measured using the effective interest method. No interest is accrued for trade receivables related to electricity for the duration between the billing date and the payment due dates. But once trade receivables are overdue, the Company imposes a monthly interest rate of 2.0% on the overdue trade receivables. The Company holds deposits of three months expected electricity usage for customers requesting temporary usage and customers with past defaulted payments.

(3) Aging analysis of trade receivables as of December 31, 2014 and 2015 are as follows:

	2014	2015
	In millions of won	
Trade receivables: (not overdue, not impaired)	7,516,233	7,198,403
Trade receivables: (overdue, not impaired)	1,061	891
Less than 60 days	1,061	891
Trade receivables: (impairment reviewed)	137,992	110,478
60 ~ 90 days	31,438	31,973
90 ~ 120 days	12,045	11,010
120 days ~ 1 year	42,736	35,097
Over 1 year	51,773	32,398
	7,655,286	7,309,772
Less allowance for doubtful accounts	(80,644)	(51,956)
Less present value discount	(108)	(14)
	7,574,534	7,257,802

The Company assesses at the end of each reporting period whether there is any objective evidence that trade receivables are impaired, and provides allowances for doubtful accounts which includes impairment for trade receivables that are individually significant.

The Company considers receivables as overdue if the receivables are outstanding 60 days after the maturity and sets an allowance based on past experience of collection.

(4) Aging analysis of other receivables as of December 31, 2014 and 2015 are as follows:

	2014	2015
	In millions of won	
Other receivables: (not overdue, not impaired)	1,729,808	1,918,132
Other receivables: (overdue, not impaired)	58,778	20,249
Less than 60 days	58,778	20,249
Other receivables: (impairment reviewed)	136,803	176,443

60 ~ 90 days	1,132	2,409
90 ~ 120 days	2,242	10,097
120 days ~ 1 year	18,857	21,433
Over 1 year	114,572	142,504
	1,925,389	2,114,824
Less allowance for doubtful accounts	(67,932)	(91,746)
Less present value discount	(9,772)	(8,913)
	1,847,685	2,014,165

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(5) Changes in the allowance for doubtful accounts for the years ended December 31, 2013, 2014 and 2015 are as follows:

	2013		2014		2015	
	Trade receivables	Other receivables	Trade receivables	Other receivables	Trade receivables	Other receivables
	In millions of won					
Beginning balance	47,312	225,078	65,024	69,887	80,644	67,932
Bad debt expense	40,446	8,665	39,018	15,981	1,308	18,473
Write-off	(22,734)	(4,227)	(23,398)	(7,534)	(28,978)	(888)
Reversal				(241)	(1,018)	(413)
Others		(159,629)		(10,161)		6,642
Ending balance	65,024	69,887	80,644	67,932	51,956	91,746

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9. Available-for-sale Financial Assets

(1) Changes in available-for-sale financial assets for the years ended December 31, 2014 and 2015 are as follows:

	2014						
	Beginning balance	Acquisition	Disposal	Valuation	Impairment	Others	Ending Balance
	In millions of won						
Listed:							
Korea District Heating Corp.	194,710			(67,469)	(40,300)	40,300	127,241
LG Uplus Corporation(*1)	412,901		(299,593)	1,344		(114,652)	
Kwanglim Co., Ltd.	150			(22)	(22)	22	128
Ssangyong Motor Co., Ltd.	291			66			357
Sungjee Construction. Co., Ltd.	7			(2)	(2)	2	5
Korea Line Corp.							
Namkwang Engineering & Construction Co., Ltd.	5			(3)	(11)	11	2
Pumyang Construction Co., Ltd.	3			(2)		(1)	
ELCOMTEC Co., Ltd.				(168)	(168)	384	48
PAN ocean Co., Ltd.				(9)	(9)	23	5
Borneo International Furniture Co., Ltd.				(1)		5	4
TONGYANG Inc.				32		34	66
TONGYANG networks Inc.						3	3
PT Adaro Energy Tbk	45,204			(1,095)	(27,449)	27,449	44,109
Energy Fuels Inc.	10,307			1,617		(356)	11,568
Cockatoo Coal Limited	1,875			(1,241)	(977)	971	628
Denison Mines Corp.	74,498			(8,892)		(3,267)	62,339
Fission 3.0		94		(45)		12	61
Fission Uranium Corp.	848			(160)		(37)	651
	740,799	94	(299,593)	(76,050)	(68,938)	(49,097)	247,215
Unlisted:							
Byucksan Engineering & Construction Co.,Ltd.	1				(1)		
Dongyang Engineering & Construction Corp.	5				(5)		
K&C Gyeongnam youth job creation Investment Fund	1,340						1,340
Women s Venture Fund(*1)	780		(780)				
Hanwha Electric Power Venture Fund	1,804						1,804
Korea Investment Korea EXIM Bank CERs Private Special Asset Investment Trust I(*1)	6,803		(2,051)				4,752
Troika Overseas Resource Development Private Equity Firm	10,664	2,676					13,340
IBK-AUCTUS Green Growth Private Equity Firm(*1)	6,054		(126)		(3,603)		2,325
Global Dynasty Overseas Resource Development Private Equity Firm	1,517	716					2,233
Intellectual Discovery, Ltd.	5,000						5,000
Hanwha-KOSEP New Renewable Energy Private Special Assets Investment Trust 1		498					498
Construction Guarantee	790			5			795
Plant & Mechanical Contractors Financial Cooperative of Korea	36						36
Fire Guarantee	20						20
Korea Software Financial Cooperative	301						301
Engineering Financial Cooperative	60						60
Electric Contractors Financial Cooperative	152						152
Korea Specialty Contractor Financial Cooperative	417						417

Information & Communication Financial Cooperative	10	10

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	2014						
	Beginning balance	Acquisition	Disposal	Valuation	Impairment	Others	Ending Balance
	In millions of won						
Korea Electric Engineers Association(*1)	61		(21)				40
Hwan Young Steel Co., Ltd.	97						97
Woobang ENC Co., Ltd	22						22
Dongnam Co., Ltd.	72						72
SAMBO AUTO. Co., Ltd.	38						38
Mobo Co., Ltd.	14						14
Poonglim Industrial Co., Ltd.	78						78
HANKOOK Silicon Co., Ltd.	7,513						7,513
Kun Young Engineering & Construction Co.,Ltd.	5						5
Pumyang Asset Management Co., Ltd.						3	3
Dae Kwang Semiconductor Co., Ltd.	6						6
Sanbon Department Store	124						124
Woori Ascon Co., Ltd.	10						10
Miju Steel Mfg. Co., Ltd.	51						51
Ginseng K Co., Ltd.	8				(8)		
BnB Sungwon Co., Ltd.						15	15
Hana Civil Engineering Co., Ltd.						1	1
KC Development Co., Ltd.						6	6
IMHWA Corp.						5	5
IXELON Co., Ltd.						23	23
DAIM Special Vehicle Co., Ltd.						10	10
ASA KIMJE Co., Ltd.						465	465
ASA JEONJU Co., Ltd.						697	697
KYUNGWON Co., Ltd.						14	14
Moonkyung Silica Co., Ltd.							
Yousung Remicon Co., Ltd.						4	4
Sungkwang Timber Co., Ltd.						4	4
Yongbo Co., Ltd.						3	3
Korea Bio Fuel Co., Ltd.(*1)	1,500		(1,500)				
3I Power	1,486				(1,482)	(4)	
Areva nc Expansion	248,292					(20,416)	227,876
Green & Sustainable Energy	13				(13)		
Kanan Hydroelectric	17				(17)		
Navanakorn Electric Co., Ltd.	16,163					673	16,836
PT. Kedap Saayq	18,540				(5,551)		12,989
Set Holding	170,514			(2,682)			167,832
Siam Solar Power(*1)	933		(933)				
	501,311	3,890	(5,411)	(2,677)	(10,680)	(18,497)	467,936
Debt security:							
Ambre Energy Limited(*1)	14,655		(14,655)				
	14,655		(14,655)				
	1,256,765	3,984	(319,659)	(78,727)	(79,618)	(67,594)	715,151

(*1) The Company recognized gain and loss on disposal of available-for-sale financial assets amounting to 98,065 million and 2,700 million, respectively, from the sales of shares of LG Uplus Corp., Korea Investment Korea EXIM Bank CERs Private Special Asset Investment Trust, Korea Bio Fuel Co., Ltd., Ambre Energy Limited and others and from the liquidation of Women s Venture Fund for the year ended December 31, 2014.

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	2015						
	Beginning balance	Acquisition	Disposal	Valuation	Impairment	Others	Ending Balance
	In millions of won						
Listed:							
Korea District Heating Corp.	127,241			3,169			130,410
Kwanglim Co., Ltd.	128			134			262
Ssangyong Motor Co., Ltd.	357			(58)			299
Sungjee Construction. Co., Ltd.	5						5
Korea Line Corp.							
Namkwang Engineering & Construction Co., Ltd.	2			(3)		2	1
Pumyang Construction Co., Ltd.							
ELCOMTEC Co., Ltd.	48			5			53
PAN ocean Co., Ltd.	5			1			6
Borneo International Furniture Co., Ltd.	4			7		92	103
TONGYANG Inc.	66			140		11	217
TONGYANG networks Inc.	3			3			6
Nexolon Co., Ltd.							