

KOREA ELECTRIC POWER CORP

Form 6-K

December 18, 2017

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**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 6-K**

**REPORT OF FOREIGN PRIVATE ISSUER**

**Pursuant to Rule 13a-16 or 15d-16 of**

**the Securities Exchange Act of 1934**

**For the Month of December 2017**

**KOREA ELECTRIC POWER CORPORATION**

**(Translation of registrant's name into English)**

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

**(Address of principal executive offices)**

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Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F

Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes

No

If  Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):  
82- .

This Report of Foreign Private Issuer on Form 6-K is deemed filed for all purposes under the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended.

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QUARTERLY BUSINESS REPORT

(For the period from January 1, 2017 to September 30, 2017)

THIS IS A SUMMARY IN ENGLISH OF THE QUARTERLY BUSINESS REPORT ORIGINALLY PREPARED IN KOREAN AND IS IN SUCH FORM AS REQUIRED BY THE FINANCIAL SERVICES COMMISSION OF KOREA.

IN THE TRANSLATION PROCESS, SOME PARTS OF THE REPORT WERE REFORMATTED, REARRANGED OR SUMMARIZED FOR THE CONVENIENCE OF READERS. NON-MATERIAL OR PREVIOUSLY DISCLOSED INFORMATION IS OMITTED OR ABRIDGED.

UNLESS EXPRESSLY STATED OTHERWISE, ALL INFORMATION CONTAINED HEREIN IS PRESENTED ON A CONSOLIDATED BASIS IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS ADOPTED FOR USE IN KOREA, OR K-IFRS, WHICH DIFFER IN CERTAIN RESPECTS FROM GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN CERTAIN OTHER COUNTRIES, INCLUDING THE UNITED STATES. WE HAVE MADE NO ATTEMPT TO IDENTIFY OR QUANTIFY THE IMPACT OF THESE DIFFERENCES.

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**I. Company Overview**

1. Name of the company: Korea Electric Power Corporation (KEPCO)

2. Information of the company

(Address) 55 Jeollyeok-ro, Naju-si, Jeollanam-do, 58217, Korea

(Phone number) 82-61-345-4213

(Website) <http://www.kepcoco.kr>

3. Major businesses

KEPCO, as the parent company, is engaged in the following activities:

development of electric power resources;

generation, transmission, transformation and distribution of electricity and other related activities;

research and development of technology related to the businesses mentioned above;

overseas business related to the businesses mentioned above;

investment or contributions related to the businesses mentioned above;

development and operation of certain real estate holdings; and

other businesses entrusted by the government.

Businesses operated by KEPCO's major subsidiaries are as follows: nuclear power generation by Korea Hydro & Nuclear Power (KHNP), thermal power generation by Korea South-East Power (KOSEP), Korea Midland Power (KOMIPO), Korea Western Power (KOWEPO), Korea Southern Power (KOSPO) and Korea East-West Power (EWP), other businesses including engineering service by KEPCO Engineering & Construction (KEPCO E&C), maintenance and repair of power plants by KEPCO Plant Service & Engineering (KEPCO KPS), nuclear fuel processing by KEPCO Nuclear Fuel (KEPCO NF), IT service by KEPCO KDN, and other overseas businesses and related investments.

4. Subsidiaries and affiliates of KEPCO

(As of September 30, 2017)

<b>Classification</b>	<b>Consolidated subsidiaries</b>	<b>Associates and joint ventures</b>	<b>Total</b>
Domestic	22	59	81
Overseas	73	41	114
<b>Total</b>	<b>95</b>	<b>100</b>	<b>195</b>

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## 5. Major changes in management

- A. At the extraordinary general meeting of shareholders of KEPCO held on January 10, 2017, Mr. Moon, Bong-Soo was appointed as a standing director and Executive Vice President & Chief Power System Officer, in replacement of Mr. Chang, Jae-Won who voluntarily resigned.
- B. At the annual general meeting of shareholders of KEPCO held on March 21, 2017, Mr. Cho, Hwan-Eik whose term of the office expired was re-elected as the President and Chief Executive Officer.

## 6. Changes in major shareholders

On December 31, 2014, Korea Development Bank merged with Korea Finance Corporation, and became the largest shareholder of KEPCO.

## 7. Information regarding KEPCO shares

- A. Issued share capital: Won 3,210 billion (Authorized capital: Won 6 trillion)
- B. Total number of issued shares: 641,964,077  
(Total number of shares authorized to for issuance: 1,200,000,000)
- C. Dividends: Dividend payment of Won 1,980 per share for fiscal year 2016 (Won 1.27 trillion in aggregate). Dividend payments for fiscal year 2015, 2014 and 2013 were Won 3,100, Won 500 and Won 90 per share respectively.

**II. Business Overview**

## 1. Consolidated financial results by segment for a nine-month period ended September 30, 2016 and 2017

(In billions of Won)

	January to September 2016		January to September 2017	
	Sales	Operating profit	Sales	Operating profit
Electricity sales	44,955	4,943	44,565	1,518
Nuclear generation	8,248	3,027	7,101	1,402
Thermal generation	15,401	2,672	17,222	2,048
Others(*)	2,189	282	2,215	242
Subtotal	70,793	10,924	71,103	5,210
Adjustment for related-party transactions	-25,889	-190	-26,843	-127

<b>Total</b>	44,904	10,734	44,260	5,083
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The figures may not add up to the relevant total numbers due to rounding.

(\*) Others relate to 89 subsidiaries including KEPCO E&C, KEPCO KPS, KEPCO NF and KEPCO KDN, among others.

Sales and operating profit reflects amendments to Korean IFRS 1001 Presentation of Financial Statements.

## 2. Changes in unit prices of major products

(In Won per kWh)

<b>Business sector</b>		<b>Company</b>	<b>January to December 2016</b>	<b>January to September 2017</b>
Electricity sold	Residential	KEPCO	121.52	109.91
	Commercial		130.41	130.99
	Educational		111.51	104.22
	Industrial		107.11	107.27
	Agricultural		47.41	47.91
	Street lighting		113.35	115.64
	Overnight usage		67.56	66.86
Electricity from nuclear generation	Nuclear Generation	KHNP	68.89	60.97
Electricity from thermal generation		KOSEP	71.57	79.49
		KOMIPO	84.33	92.08
	Thermal generation	KOWEPO	86.11	95.30
		KOSPO	86.47	93.13
		EWP	84.62	95.68



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## 3. Power purchase from generation companies for a nine-month period ended September 30, 2017

<b>Company</b>	<b>Volume (MWh)</b>	<b>Expense (In billions of Won)</b>
KHNP	112,934,748	6,896
KOSEP	48,838,427	3,810
KOMIPO	37,554,256	3,375
KOWEPO	34,076,799	3,221
KOSPO	35,740,901	3,333
EWP	35,809,035	3,431
Others	83,182,145	8,386
<b>Total</b>	<b>388,136,311</b>	<b>32,452</b>

Excludes expense related to the renewable portfolio standard provisions and carbon emissions.

## 4. Intellectual property as of September 30, 2017

	<b>Patents</b>		<b>Utility</b>		<b>Trademarks</b>		<b>Total</b>
	<b>Domestic</b>	<b>Overseas</b>	<b>models</b>	<b>Designs</b>	<b>Domestic</b>	<b>Overseas</b>	
KEPCO	1,883	201	74	74	161	44	2,437
Consolidated subsidiaries	3,758	595	790	117	252	22	5,534
<b>Total</b>	<b>5,641</b>	<b>796</b>	<b>864</b>	<b>191</b>	<b>413</b>	<b>66</b>	<b>7,971</b>

**III. Financial Information**

## 1. Condensed consolidated financial results as of and for a nine-month period ended September 30, 2016 and 2017

(In billions of Won)

	<b>Consolidated statements of comprehensive income</b>			<b>Consolidated statements of financial position</b>			
	<b>January to September 2016</b>	<b>January to September 2017</b>	<b>Change (%)</b>	<b>December 31, 2016</b>	<b>September 30, 2017</b>	<b>Change (%)</b>	
Sales	44,904	44,260	-1.4	Total assets	177,837	179,254	0.8
Operating profit	10,734	5,083	-52.6	Total liabilities	104,786	104,810	
Net income	6,869	2,788	-59.4		73,051	74,444	1.9

Total  
equity

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2. Condensed separate financial results as of and for a nine-month period ended September 30, 2016 and 2017

(In billions of Won)

	Separate statements of comprehensive income				Separate statements of financial position		
	January to September 2016	January to September 2017	Change (%)		December 31, 2016	September 30, 2017	Change (%)
Sales	44,955	44,565	-0.9	Total assets	105,321	104,985	-0.3
Operating profit	4,943	1,518	-69.3	Total liabilities	49,854	48,771	-2.2
Net income	4,480	2,008	-55.2	Total equity	55,467	56,214	1.3

**IV. Board of Directors (KEPCO Only)**

1. The board of directors is required to consist of not more than 15 directors including the president. Under our Articles of Incorporation, there may not be more than seven standing directors including president, and more than eight non-standing directors. The number of non-standing directors must exceed the number of standing directors, including our president.

\* The Audit Committee consists of one standing director and two non-standing directors.

2. Board meetings and agendas for a nine-month period ended September 30, 2017

Number of meetings	Number of agendas	Resolutions	Classification		Results Accepted as reported
			Results	Reports	
10	33	24	Approved	8	
			Deferred		

\* The audit committee held 8 meetings with 23 agendas (of which, 12 were resolved as proposed and 11 were approved as reported).

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## 3. Major activities of the Board of Directors

<b>Date</b>	<b>Agenda</b>	<b>Results</b>	<b>Type</b>
January 19, 2017	Approval of contribution to KEPCO medical corporation	Conditionally Approved	Resolution
	Approval of plan to establish ICT backup center	Approved as proposed	Resolution
	Approval of amendment to the rules on employment	Approved as proposed	Resolution
February 17, 2017	Approval of the maximum aggregate amount of remuneration for directors in 2017	Approved as proposed	Resolution
	Approval of consolidated and separate financial statements for the fiscal year 2016	Approved as proposed	Resolution
	Approval to call for the annual general meeting of shareholders for the fiscal year 2016	Approved as proposed	Resolution
	Approval to expand target business to invest in to secure financial resources required for the Energy Valley Dream Plan	Approved as amended	Resolution
	Report on the annual management of commercial papers in 2016	Accepted as reported	Report
	Report on internal control over financial reporting for the fiscal year 2016	Accepted as reported	Report
	Evaluation report on internal control over financial reporting for the fiscal year 2016	Accepted as reported	Report
March 3, 2017	Report on the audit result for fiscal year 2016	Accepted as reported	Report
		Approved as proposed	Resolution

Approval of the Statement of Appropriation of Retained Earnings for fiscal year 2016

March 17, 2017	Approval of guarantee for the solar energy project in Colorado, U.S.A., according to the change of business structure	Approved as proposed	Resolution
	Approval of forming Executive Recommendation Committee and evaluation standard for the candidate of non-standing directors	Approved as proposed	Resolution
April 21, 2017	Approval of amendments to the regulation for employee remuneration and welfare	Approved as proposed	Resolution
	Approval of amendments to the Electricity Usage Agreement and Rules for Operation	Approved as proposed	Resolution
	Approval of payment guarantee for foreign currency-denominated borrowings in relation to the Bylong coal mine in Australia	Approved as proposed	Resolution
June 16, 2017	Approval of the establishment of a new regional office	Approved as proposed	Resolution

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<b>Date</b>	<b>Agenda</b>	<b>Results</b>	<b>Type</b>
	Report on results of external and internal audits for the first quarter of 2017	Accepted as reported	Report
June 30, 2017	Approval of mid-to-long term financial management plan (2017-2021)	Approved as proposed	Resolution
Jul 21, 2017	Approval of amendments to the regulation for employee remuneration and welfare	Approved as proposed	Resolution
	Approval of contribution to a special purpose company for renewable energy project Phase II in Guam, the United States	Approved as proposed	Resolution
Aug 18, 2017	Approval of sponsorship for the 2018 Pyeongchang Olympic Winter Games	Approved as proposed	Resolution
	Approval of the mid-to-long term management target (2018-2022)	Approved as proposed	Resolution
	Report on the earnings results for the first half of fiscal year 2017	Accepted as reported	Report
Sep 15, 2017	Approval of investment in the Intra-company Employee Welfare Fund in 2017	Approved as proposed	Resolution
	Approval of establishment of an annexed building of KEPCO headquarter	Approved as proposed	Resolution
	Approval of establishment of and contribution to a special purpose company for the Hanlim offshore wind power project in Jeju	Approved as proposed	Resolution
	Approval of investment in a floating photovoltaic plant in Hapcheon lake	Deferred	Resolution
	Approval of contribution to a special purpose company for a solar power project in California, the United States	Approved as proposed	Resolution

Approval of personnel increase	Approved as proposed	Resolution
Report on results of external and internal audits for the second quarter of 2017	Accepted as reported	Report
Approval of integrated logistics center construction plan	Accepted as reported	Report

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## 4. Major Activities and Attendance Status of Non-standing directors

<b>Date</b>	<b>Agenda</b>	<b>Ahn, Choong- Yong</b>	<b>Lee, Gang-Hee</b>	<b>Cho, Jeon- Hyeok</b>	<b>Choi, Ki- Ryun</b>	<b>Sung, Tae- Hyun</b>	<b>Koo, Ja- Yoon</b>	<b>Kim, Joo- Suen</b>	<b>Kim, Ji- Hong</b>
January 19, 2017	Approval of contribution to KEPCO medical corporation	For	For	For	For	For	For	For	Against
	Approval of plan to establish ICT backup center	For	For	For	For	For	For	For	For
	Approval of amendment to the rules on employment	For	For	For	For	For	For	For	For
February 17, 2017	Approval of the maximum aggregate amount of remuneration for directors in 2017	For	For	For	For	For	For	For	Absent
	Approval of consolidated and separate financial statements for the fiscal year 2016	For	For	For	For	For	For	For	Absent
	Approval to call for the annual general meeting of shareholders for the fiscal year 2016	For	For	For	For	For	For	For	Absent
	Approval to expand target business to invest in to secure financial resources required for the Energy Valley Dream Plan	For	For	For	For	For	For	For	Absent
	Report on the annual management of								Agenda for Report



commercial papers in 2016

Report on internal control  
over financial reporting for  
the fiscal year 2016

Agenda for Report

Evaluation report on  
internal control over  
financial reporting for the  
fiscal year 2016

Agenda for Report

Report on the audit result  
for fiscal year 2016

Agenda for Report

March 3, 2017

Approval of the Statement  
of Appropriation of  
Retained Earnings for  
fiscal year 2016

For

For

For

For

For

For

For

For

March 17, 2017

Approval of guarantee for  
the solar energy project in  
Colorado, U.S.A.,  
according to the change of  
business structure

For

For

For

For

For

For

For

For

Approval of forming  
Executive  
Recommendation  
Committee and evaluation  
standard for the candidate  
of non-standing directors

For

For

For

For

For

For

For

For

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<b>Date</b>	<b>Agenda</b>	<b>Ahn, Choong- Yong</b>	<b>Lee, Gang-Hee</b>	<b>Cho, Jeon- Hyeok</b>	<b>Choi, Ki- Ryun</b>	<b>Sung, Tae- Hyun</b>	<b>Koo, Ja- Yoon</b>	<b>Kim, Joo- Suen</b>	<b>Kim, Ji- Hong</b>
April 21, 2017	Approval of amendments to the regulation for employee remuneration and welfare	Absent	For	For	For	For	For	For	For
	Approval of amendments to the Electricity Usage Agreement and Rules for Operation	Absent	For	For	Against	For	For	For	For
	Approval of payment guarantee for foreign currency-denominated borrowings in relation to the Bylong coal mine in Australia	Absent	For	For	For	For	For	For	For
June 16, 2017	Approval of the establishment of a new regional office	Absent	For	For	For	For	For	For	For
	Report on results of external and internal audits for the first quarter of 2017								Agenda for Report
June 30, 2017	Approval of mid-to-long term financial management plan (2017-2021)	For	For	For	For	For	For	For	For
Jul 21, 2017	Approval of amendments to the regulation for employee remuneration and	For	For	For	For	For	For	For	For

welfare

Approval of contribution to a special purpose company for renewable energy project Phase II in Guam, the United States

For For For For For For For For For

Aug 18, 2017

Approval of sponsorship of the 2018 Pyeongchang Olympic Winter Games

For For For For For For For For For

Mid-to-long term management target (2018-2022)

For For For For For For For For For

Report on the earnings results for the first half of fiscal year 2016

Agenda for Report

Sep 15, 2017

Approval to invest in Intra-company Employ Welfare Fund in 2017

For For Absent For Absent For For For For

Approval to establish annexed building of KEPCO headquarter

For For Absent For Absent For For For For

Approval to establish and contribute to a Special Purpose Company for Hanlim offshore wind power project in Jeju

For For Absent For Absent For For For For

Approval of investment floating photovoltaic plant in

Deferred

Hapcheon lake

Approval of contribution to a special purpose company for solar power project in California, the United States

For For Absent For Absent For For For

Approval of personnel increase

For For Absent For Absent For For For

Report on results of external and internal audits for the second quarter of 2017

Agenda for Report

Approval of integrated logistics center construction plan

Agenda for Report

<b>Attendance Rate</b>	<b>80%</b>	<b>100%</b>	<b>90%</b>	<b>100%</b>	<b>90%</b>	<b>100%</b>	<b>100%</b>	<b>90%</b>
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## 5. Major activities of the Audit Committee

<b>Date</b>	<b>Agenda</b>	<b>Results</b>	<b>Type</b>
January 19, 2017	Audit plans for 2017	Approved as proposed	Resolution
	Education plans for auditors for 2017	Approved as reported	Report
February 17, 2017	Report on the audit result for fiscal year 2016	Approved as reported	Report
	Report on internal control over financial reporting for the fiscal year 2016	Approved as reported	Report
	Evaluation report on internal control over financial reporting for the fiscal year 2016	Approved as reported	Report
March 17, 2017	Auditor's report on the agendas for the annual general meeting of shareholders	Approved as proposed	Resolution
	Approval of selection of independent auditors of subsidiaries	Approved as proposed	Resolution
	Prior approval for non-audit service for subsidiaries by the independent auditor	Accepted as proposed	Resolution
	Independent auditor's report on the auditing results for the consolidated and separate financial statements for the fiscal year 2016	Accepted as reported	Report
April 21, 2017	Approval of selection of independent auditors of subsidiaries	Accepted as proposed	Resolution
	Report on the Form 20-F for the fiscal year 2016 to be filed with the U.S. Securities and Exchange Commission	Accepted as reported	Report
		Accepted as reported	Report

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Auditor's report for fiscal year 2016 in accordance with U.S. accounting principles

May 17, 2017	Amendments to guidelines for internal audit regulations	Accepted as proposed	Resolution
	Amendments to code of conduct for KEPCO executives and staff members	Accepted as proposed	Resolution
	Amendments to the guidelines for disciplinary actions	Accepted as proposed	Resolution
June 16, 2017	Amendments to the guidelines for the whistleblowing process and whistleblower protection	Accepted as proposed	Resolution
	Report on results of external and internal audits during the first quarter of 2017	Accepted as reported	Report
	Independent auditor's report on the audit plans for the fiscal year 2017	Accepted as reported	Report

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<b>Date</b>	<b>Agenda</b>	<b>Results</b>	<b>Type</b>
Aug 18, 2017	Amendments to guideline for practice for KEPCO executives and staff members	Accepted as proposed	Resolution
	Prior approval for non-audit service for subsidiaries by the independent auditor	Accepted as proposed	Resolution
	Independent auditor's report on the auditing results for both non-consolidated and consolidated financial statements for the first half of fiscal year 2017	Accepted as reported	Report
Sep 15, 2017	Report on results of external and internal audits during the second quarter of 2017	Accepted as reported	Report
	Prior approval for non-audit service for subsidiaries by the independent auditor	Accepted as proposed	Resolution

The audit department, organized under the supervision of the Audit Committee, conducts internal audit over the entire company and takes administrative measures as appropriate in accordance with relevant internal regulations. KEPCO's District Divisions and Branch Offices also have separate audit teams which conduct internal inspections with respect to the relevant divisions or offices.

**V. Shareholders**

## 1. List of shareholders as of December 31, 2016

		<b>Number of shareholders</b>	<b>Shares owned</b>	<b>Percentage of total (%)</b>
Government of the Republic of Korea		1	116,841,794	18.20
Korea Development Bank		1	211,235,264	32.90
Subtotal		2	328,077,058	51.10
National Pension Service		1	41,705,930	6.50
Public (non-Koreans)	Common shares	1,701	161,040,488	25.09
	American depository shares (ADS)	1	36,267,926	5.65
	Corporate	1,398	44,126,225	6.87
Public (Koreans)	Individual	376,643	30,746,450	4.79
Total		379,746	641,964,077	100.00

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Percentages are based on issued shares of common stock.

All of our shareholder have equal voting rights.

Citibank, N.A. is our depository bank and each ADS represents one-half of one share of our common stock.

**VI. Directors and employees as of and for a nine-month period ended September 30, 2017****(KEPCO Only)**

## 1. Directors

Type	Number of directors	Total remuneration	(In thousands of Won)
			Average remuneration per person
Standing director	6	887,051	147,842
Non-standing director	6	135,000	22,500
Member of Audit Committee	3	186,345	62,115
Total	15	1,208,396	80,560

## 2. Employees

Type	Number of employees			Average continuous service year	(In thousands of Won)	
	Regular	Non-regular	Total		Total salaries	Average salaries per person
Male	16,869	460	17,329	18.2	1,092,199,082	63,027
Female	3,932	131	4,063	13.9	189,204,386	46,568
Total	20,801	591	21,392	17.4	1,281,403,468	59,901

**VII. Other Information Necessary for the Protection of Investors**

## 1. Summary of shareholder s meetings for a nine-month period ended September 30

Type	Agenda	Results
Extraordinary General Meeting held on January 10, 2017	Election of a Standing Director : Moon, Bong-Soo	Approved as proposed



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	Approval of financial statements for the fiscal year 2016	Approved as proposed
Annual General Meeting held on March 21, 2017	Approval of the maximum aggregate amount of remuneration for directors in 2017	Approved as proposed
	Election of President and CEO : Cho, Hwan-Eik	Approved as proposed
2. Pending legal proceedings as of September 30, 2017		

<b>Type</b>	(In billions of Won)	
	<b>Number of lawsuits</b>	<b>Amount claimed</b>
Lawsuits where KEPCO and its subsidiaries are engaged as the defendants	624	670
Lawsuits where KEPCO and its subsidiaries are engaged as the plaintiffs	183	670

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

By: /s/ Kim, Jong-soo  
Name: Kim, Jong-soo  
Title: Vice President

Date: December 18, 2017

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KOREA ELECTRIC POWER CORPORATION

AND SUBSIDIARIES

Consolidated Interim Financial Statements

September 30, 2017

(Unaudited)

(With Independent Auditors' Review Report Thereon)

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Independent Auditors' Review Report

Based on a report originally issued in Korean

The Board of Directors and Shareholders

Korea Electric Power Corporation:

**Reviewed Financial Statements**

We have reviewed the accompanying consolidated interim financial statements of Korea Electric Power Corporation and its subsidiaries (the Company), which comprise the consolidated interim statement of financial position as of September 30, 2017, the consolidated interim statements of comprehensive income for the three and nine-month periods ended September 30, 2017 and 2016, changes in equity and cash flows for the nine-month periods ended September 30, 2017 and 2016 and notes, comprising a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Consolidated Interim Financial Statements**

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

**Auditors' Review Responsibility**

Our responsibility is to issue a report on these consolidated interim financial statements based on our reviews. We conducted our reviews in accordance with the Review Standards for Quarterly and Semiannual Financial Statements established by the Securities and Futures Commission of the Republic of Korea. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Korean Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Review Conclusion**

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements referred to above are not prepared, in all material respects, in accordance with K-IFRS 1034, Interim Financial Reporting.

**Emphasis of Matters**

Without qualifying our review report, we draw attention to the following key audit matters of the build-to-order industry that were of significance in our review of the consolidated financial statements as of September 30, 2017 and for the three and nine-month periods ended September 30, 2017 and 2016, which determination is based on auditor's professional judgment and communications with those charged with governance, in accordance with the Practical Guide of Korean Standards on Auditing 2016-1. These matters were addressed in the context of our review of the

consolidated financial statements as a whole, and we do not issue a separate opinion on this matter.

Also, as stated above under **Auditors' Review Responsibility**, our responsibility is to issue a report on these consolidated interim financial statements based on our reviews in accordance with the Review Standards for Quarterly and Semi-annual Financial Statements established by the Securities and Futures Commission of the Republic of Korea. Accordingly, we have inquired primarily of persons responsible for financial and accounting matters, and applied analytical and other review procedures on the key audit matters of the build-to-order industry.

We have considered the results from review procedures for these key audit matters in forming our review conclusion on the consolidated interim financial statements as of September 30, 2017 and for the three and nine-month periods ended September 30, 2017 and 2016.

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When the outcome of a construction contract can be estimated reliably, the Company recognizes contract revenue and costs based on the percentage-of-completion method at the end of the reporting period. Also, the gross amount due from customers for contract work is presented for all contracts in which costs incurred plus recognized profits exceed progress billings. The gross amount due to customers for contract work is presented for all contracts in which progress billings exceed costs incurred plus recognized profits.

Total contract revenue is measured based on an agreed contract price; however, it may fluctuate due to the variation of construction work. The measurement of contract revenue is affected by various uncertainties resulting from unexpected future events. Total contract costs are estimated based on the estimates of future costs such as material costs, labor costs and construction period. The uncertainty of estimated total contract costs and changes in such estimates has an impact on the completion progress and contract revenue.

Considering the impacts from these uncertainty and changes in estimates on profit or loss for the current or future periods, we identified the Company's revenue recognition accounting policy utilizing the input method, uncertainty of estimated total contract costs, assessment of the percentage-of-completion and accounting for the variation of construction works as significant risks.

We conducted the following review procedures regarding those significant risks described above as of September 30, 2017 and for the three and nine-month periods ended September 30, 2017 and 2016:

Inquiry of the accounting policy of revenue recognition and any changes, and significant changes to the contracts

Analytical review of financial indicators such as contract price, estimated contract costs, cost ratio, ratio of amounts due from/to customers for contract work and others

Inquiry and analytical review of changes in major components of estimated contract costs

Inquiry and analytical review of fluctuations in completion progress of contracts including contract price, accumulated contract costs and total contract costs

**Other Matters**

The procedures and practices utilized in the Republic of Korea to review such consolidated interim financial statements may differ from those generally accepted and applied in other countries.

We have previously audited, in accordance with Korean Standards on Auditing, the consolidated statement of financial position of the Company as of December 31, 2016, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, which are not accompanying this report, and we expressed an unqualified opinion on those consolidated financial statements in our report dated March 6, 2017. The accompanying consolidated financial position of the Company as of December 31, 2016, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

KPMG Samjong Accounting Corp.

Seoul, Korea

November 14, 2017

This report is effective as of November 14, 2017, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the review report should understand that the above review report has not been updated to reflect the impact of such subsequent events or circumstances, if any.



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## KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES

## Consolidated Interim Statements of Financial Position

## As of September 30, 2017 and December 31, 2016

(Unaudited)

<i>In millions of won</i>	<i>Note</i>	<b>September 30, 2017</b>	<b>December 31, 2016</b>
<b>Assets</b>			
Current assets			
Cash and cash equivalents	5,6,7,44	₩ 2,815,323	3,051,353
Current financial assets, net	5,10,11,12,44	2,784,123	2,671,989
Trade and other receivables, net	5,8,14,20,44,45,46	6,889,568	7,788,876
Inventories, net	13	6,057,869	5,479,443
Income tax refund receivables	40	70,129	19,163
Current non-financial assets	15	668,014	631,860
Assets held-for-sale	41	64,703	65,842
<b>Total current assets</b>		<b>19,349,729</b>	<b>19,708,526</b>
Non-current assets			
Non-current financial assets, net	5,6,9,10,11,12,44	2,401,272	2,657,494
Non-current trade and other receivables, net	5,8,14,44,45,46	1,814,514	1,903,515
Property, plant and equipment, net	18,27,48	147,830,612	145,743,056
Investment properties, net	19,27	292,358	353,680
Goodwill	16	2,582	2,582
Intangible assets other than goodwill, net	21,27,45	1,170,858	980,821
Investments in associates	4,17	3,939,685	4,092,252
Investments in joint ventures	4,17	1,548,310	1,418,196
Deferred tax assets	40	754,444	795,131
Non-current non-financial assets	15	150,019	181,789
<b>Total non-current assets</b>		<b>159,904,654</b>	<b>158,128,516</b>
<b>Total Assets</b>	<b>4</b>	<b>₩ 179,254,383</b>	<b>177,837,042</b>

(Continued)

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## KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES

Consolidated Interim Statements of Financial Position, Continued

As of September 30, 2017 and December 31, 2016

(Unaudited)

<i>In millions of won</i>	<i>Note</i>	<b>September 30, 2017</b>	<b>December 31, 2016</b>
<b>Liabilities</b>			
Current liabilities			
Trade and other payables, net	5,22,24,44,46	₩ 4,551,984	5,585,411
Current financial liabilities, net	5,11,23,44,46	8,493,964	8,942,329
Income tax payables	40	359,086	1,843,288
Current non-financial liabilities	20,28,29	6,010,117	6,368,210
Current provisions	26,44	1,729,421	1,999,988
<b>Total current liabilities</b>		<b>21,144,572</b>	<b>24,739,226</b>
Non-current liabilities			
Non-current trade and other payables, net	5,22,24,44,46	3,442,719	3,558,175
Non-current financial liabilities, net	5,11,23,44,46	47,228,140	44,835,562
Non-current non-financial liabilities	28,29	7,981,743	7,591,605
Employee benefits liabilities, net	25,44	1,988,832	1,686,258
Deferred tax liabilities	40	9,515,226	8,948,520
Non-current provisions	26,44	13,508,587	13,427,151
<b>Total non-current liabilities</b>		<b>83,665,247</b>	<b>80,047,271</b>
<b>Total Liabilities</b>	<b>4</b>	<b>₩ 104,809,819</b>	<b>104,786,497</b>
<b>Equity</b>			
Contributed capital	1,30,44		
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		34,833,844	31,847,275
Unappropriated retained earnings		18,121,826	19,721,686
		54,560,580	53,173,871

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Other components of equity	33		
Other capital surplus		1,234,009	1,235,146
Accumulated other comprehensive loss		(61,625)	(33,875)
Other equity		13,294,973	13,294,973
		14,467,357	14,496,244
Equity attributable to owners of the controlling company		73,081,515	71,723,693
Non-controlling interests	16,32	1,363,049	1,326,852
<b>Total Equity</b>		<b>₩ 74,444,564</b>	<b>73,050,545</b>
<b>Total Liabilities and Equity</b>		<b>₩ 179,254,383</b>	<b>177,837,042</b>

*See accompanying notes to the consolidated interim financial statements.*

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## KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES

## Consolidated Interim Statements of Comprehensive Income

**For the three and nine-month periods ended September 30, 2017 and 2016**

(Unaudited)

*In millions of won, except per share information*

	<i>Note</i>	<b>September 30, 2017</b>		<b>September 30, 2016</b>	
		<b>Three-month period ended</b>	<b>Nine-month period ended</b>	<b>Three-month period ended</b>	<b>Nine-month period ended</b>
<b>Sales</b>	4,34,44,46				
Sales of goods		₩ 15,357,130	41,588,651	14,701,479	41,358,964
Sales of services		84,070	243,904	89,581	267,308
Sales of construction services	20	625,401	2,070,984	1,037,895	2,965,222
Revenue related to transfer of assets from customers		121,126	356,336	114,543	312,756
		16,187,727	44,259,875	15,943,498	44,904,250
<b>Cost of sales</b>	13,25,42,46				
Cost of sales of goods		(12,078,031)	(35,027,367)	(9,709,384)	(29,232,200)
Cost of sales of services		(125,225)	(357,575)	(110,518)	(315,614)
Cost of sales of construction services		(576,271)	(1,974,646)	(978,132)	(2,800,015)
		(12,779,527)	(37,359,588)	(10,798,034)	(32,347,829)
<b>Gross profit</b>		3,408,200	6,900,287	5,145,464	12,556,421
<b>Selling and administrative expenses</b>	25,35,42,46	(635,279)	(1,817,688)	(721,295)	(1,822,410)
<b>Operating profit</b>	4	2,772,921	5,082,599	4,424,169	10,734,011
<b>Other non-operating income</b>	36	80,247	272,909	109,778	305,090
<b>Other non-operating expense</b>	36	(17,772)	(83,270)	(10,683)	(63,273)
<b>Other gains, net</b>	37	(1,746)	151,255	52,393	123,178
<b>Finance income</b>	5,11,38	203,936	836,190	679,784	1,036,342
<b>Finance expenses</b>	5,11,39	(652,182)	(2,007,294)	(1,105,180)	(2,231,842)
<b>Profit related to associates, joint ventures and subsidiaries</b>	4,17				
Share in profit of associates and joint ventures		(2,642)	150,316	(3,200)	210,855
Gain on disposal of investments in associates and joint ventures			333		52

Share in loss of associates and joint ventures		(195,775)	(243,273)	(26,763)	(80,975)
Loss on disposal of investments in associates and joint ventures		(73)	(73)	(114)	(285)
		(198,490)	(92,697)	(30,077)	129,647
<b>Profit before income tax</b>		2,186,914	4,159,692	4,120,184	10,033,153
<b>Income tax expense</b>	40	(657,679)	(1,371,505)	(1,181,977)	(3,164,325)
<b>Profit for the period</b>		₩ 1,529,235	2,788,187	2,938,207	6,868,828
<i>(Continued)</i>					

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## KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES

## Consolidated Interim Statements of Comprehensive Income, Continued

**For the three and nine-month periods ended September 30, 2017 and 2016**

(Unaudited)

*In millions of won, except per share information*

	<i>Note</i>	<b>September 30, 2017</b>		<b>September 30, 2016</b>	
		<b>Three-month period ended</b>	<b>Nine-month period ended</b>	<b>Three-month period ended</b>	<b>Nine-month period ended</b>
<b>Other comprehensive income (loss)</b>	5,11,25,31,33				
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit liability, net of tax	25,31	₩ 3,059	(27,233)	(18,533)	(220,394)
Share in other comprehensive income (loss) of associates and joint ventures, net of tax	31	2,164	79	45	(597)
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	33	(1,212)	(109)	8,967	31,443
Net change in the unrealized fair value of derivatives using cash flow hedge accounting, net of tax	5,11,33	2,427	2,376	(3,028)	27,450
Foreign currency translation of foreign operations, net of tax	33	41,400	(14,916)	(90,158)	(85,437)
Share in other comprehensive income (loss) of associates and joint ventures, net of tax	33	21,539	(28,551)	(161,548)	(200,771)
<b>Other comprehensive income (loss), net of tax</b>		69,377	(68,354)	(264,255)	(448,306)
<b>Total comprehensive income for the period</b>		₩ 1,598,612	2,719,833	2,673,952	6,420,522
<b>Profit or loss attributable to:</b>					
Owners of the controlling company	43	₩ 1,493,036	2,687,115	2,913,361	6,775,278
Non-controlling interests		36,199	101,072	24,846	93,550
		₩ 1,529,235	2,788,187	2,938,207	6,868,828

**Total comprehensive income attributable**

**to:**

Owners of the controlling company	₩ 1,553,012	2,630,048	2,666,570	6,359,998
Non-controlling interests	45,600	89,785	7,382	60,524
	₩ 1,598,612	2,719,833	2,673,952	6,420,522

**Earnings per share (in won)**

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Basic and diluted earnings per share	₩ 2,326	4,186	4,538	10,554
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*See accompanying notes to the consolidated interim financial statements.*

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## KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES

## Consolidated Interim Statements of Changes in Equity

**For the nine-month periods ended September 30, 2017 and 2016**

(Unaudited)

<i>In millions of won</i>	Equity attributable to owners of the controlling company					Non-controlling interests	Total equity
	Contributed capital	Retained earnings	Other components of equity	Subtotal			
<b>Balance at January 1, 2016</b>	₩ 4,053,578	48,187,241	14,393,648	66,634,467	1,308,008	67,942,475	
<b>Total comprehensive income (loss) for the period</b>							
Profit for the period		6,775,278		6,775,278	93,550	6,868,828	
Items that will not be reclassified subsequently to profit or loss:							
Remeasurement of defined benefit liability, net of tax		(208,266)		(208,266)	(12,128)	(220,394)	
Share in other comprehensive loss of associates and joint ventures, net of tax		(589)		(589)	(8)	(597)	
Items that may be reclassified subsequently to profit or loss:							
Net change in the unrealized fair value of available-for-sale financial assets, net of tax			31,443	31,443		31,443	
Net change in the unrealized fair value of derivatives using cash flow hedge accounting, net of tax			27,458	27,458	(8)	27,450	
Foreign currency translation of foreign operations, net of tax			(64,551)	(64,551)	(20,886)	(85,437)	
Share in other comprehensive income (loss) of associates and joint ventures, net of tax			(200,775)	(200,775)	4	(200,771)	



**Transactions with owners  
of the Company,  
recognized directly in  
equity**

Dividends paid	(1,990,089)		(1,990,089)	(74,672)	(2,064,761)	
Issuance of shares of capital by subsidiaries and others		1,387	1,387	14,817	16,204	
Changes in consolidation scope				2,454	2,454	
Dividends paid (hybrid securities)				(12,350)	(12,350)	
<b>Balance at September 30, 2016</b>	<b>₩ 4,053,578</b>	<b>52,763,575</b>	<b>14,188,610</b>	<b>71,005,763</b>	<b>1,298,781</b>	<b>72,304,544</b>

*(Continued)*

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## KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES

## Consolidated Interim Statements of Changes in Equity, Continued

**For the nine-month periods ended September 30, 2017 and 2016**

(Unaudited)

<i>In millions of won</i>	Equity attributable to owners of the controlling company					Non-controlling interests	Total equity
	Contributed capital	Retained earnings	Other components of equity	Subtotal			
<b>Balance at January 1, 2017</b>	₩ 4,053,578	53,173,871	14,496,244	71,723,693	1,326,852	73,050,545	
<b>Total comprehensive income (loss) for the period</b>							
Profit for the period		2,687,115		2,687,115	101,072	2,788,187	
Items that will not be reclassified subsequently to profit or loss:							
Remeasurement of defined benefit liability, net of tax		(29,393)		(29,393)	2,160	(27,233)	
Share in other comprehensive income (loss) of associates and joint ventures, net of tax		76		76	3	79	
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			(110)	(110)	1	(109)	
Net change in the unrealized fair value of derivatives using cash flow hedge accounting, net of tax			2,031	2,031	345	2,376	
Foreign currency translation of foreign operations, net of tax			(821)	(821)	(14,095)	(14,916)	
Share in other comprehensive income (loss) of associates and joint ventures, net of tax			(28,850)	(28,850)	299	(28,551)	

**Transactions with owners  
of the Company,  
recognized directly in  
equity**

Dividends paid	(1,271,089)			(1,271,089)	(61,216)	(1,332,305)
Issuance of shares of capital by subsidiaries and others		(1,137)		(1,137)	19,952	18,815
Dividends paid (hybrid securities)					(12,324)	(12,324)
<b>Balance at September 30, 2017</b>	<b>₩ 4,053,578</b>	<b>54,560,580</b>	<b>14,467,357</b>	<b>73,081,515</b>	<b>1,363,049</b>	<b>74,444,564</b>

*See accompanying notes to the consolidated interim financial statements.*

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## KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES

## Consolidated Interim Statements of Cash Flows

**For the nine-month periods ended September 30, 2017 and 2016**

(Unaudited)

<i>In millions of won</i>	<b>September 30, 2017</b>	<b>September 30, 2016</b>
<b>Cash flows from operating activities</b>		
Profit for the period	₩ 2,788,187	6,868,828
Adjustments for:		
Income tax expense	1,371,505	3,164,325
Depreciation	7,193,033	6,506,408
Amortization	88,206	52,222
Employee benefit expense	283,479	261,132
Bad debt expense	17,265	26,900
Interest expense	1,340,578	1,318,959
Loss on sale of financial assets	1,092	
Loss on disposal of property, plant and equipment	31,251	1,741
Loss on abandonment of property, plant, and equipment	306,698	287,457
Loss on disposal of intangible assets	79	143
Increase to provisions	911,865	974,715
Gain on foreign currency translation, net	(336,886)	(596,581)
Loss on valuation of financial assets at fair value through profit or loss	393	
Valuation and transaction loss on derivative instruments, net	458,618	642,344
Share in income (loss) of associates and joint ventures, net	92,957	(129,880)
Gain on sale of financial assets	(564)	(1,481)
Gain on disposal of property, plant and equipment	(33,742)	(48,131)
Gain on disposal of intangible assets	(555)	
Gain on disposal of associates and joint ventures	(333)	(52)
Loss on disposal of associates and joint ventures	73	285
Interest income	(155,133)	(188,889)
Dividend income	(10,971)	(10,281)
Impairment loss on available-for-sale securities	118	4,706
Others, net	(1,273)	(5,628)
	11,557,753	12,260,414
Changes in:		
Trade receivables	962,478	1,622,743
Non-trade receivables	90,312	57,425
Accrued income	587,653	(8,512)
Other receivables	10,680	7,750

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Other current assets	(203,631)	(146,262)
Inventories	(1,194,287)	(612,868)
Other non-current assets	(31,154)	(43,629)
Trade payables	(596,785)	(901,615)
Non-trade payables	(289,338)	(340,607)
Accrued expenses	(924,132)	(230,999)
Other current liabilities	329,975	740,454
Other non-current liabilities	561,396	624,781
Investments in associates and joint ventures (dividends received)	64,078	53,100
Provisions	(988,074)	(1,002,938)
Payments of employee benefit obligations	(59,199)	(43,043)
Plan assets	(9,570)	(17,460)
	(1,689,598)	(241,680)

*(Continued)*

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## KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES

## Consolidated Interim Statements of Cash Flows, Continued

**For the nine-month periods ended September 30, 2017 and 2016**

(Unaudited)

<i>In millions of won</i>	<b>September 30, 2017</b>	<b>September 30, 2016</b>
Cash generated from operating activities	₩ 12,656,342	18,887,562
Dividends received	10,470	10,244
Interest paid	(1,460,266)	(1,516,382)
Interest received	143,065	191,512
Income taxes paid	(2,255,007)	(3,297,856)
<b>Net cash from operating activities</b>	<b>9,094,604</b>	<b>14,275,080</b>
<b>Cash flows from investing activities</b>		
Proceeds from disposals of associates and joint ventures	1,601	10,828
Acquisition of associates and joint ventures	(182,076)	(99,077)
Proceeds from disposals of property, plant and equipment	60,309	50,171
Acquisition of property, plant and equipment	(9,566,083)	(9,183,090)
Proceeds from disposals of intangible assets	941	329
Acquisition of intangible assets	(79,074)	(77,525)
Proceeds from disposals of financial assets	3,518,209	8,559,539
Acquisition of financial assets	(3,750,712)	(6,552,949)
Increase in loans	(178,284)	(199,000)
Collection of loans	64,429	91,963
Increase in deposits	(284,358)	(361,481)
Decrease in deposits	83,684	137,250
Receipt of government grants	37,899	23,763
Usage of government grants	(29,178)	(25,558)
Net cash inflow from changes in consolidation scope		2,510
Other cash inflow from investing activities, net	26,649	33,519
<b>Net cash used in investing activities</b>	<b>(10,276,044)</b>	<b>(7,588,808)</b>
<b>Cash flows from financing activities</b>		
Proceeds (repayment) from short-term borrowings, net	1,542,984	(311,590)
Proceeds from long-term borrowings and debt securities	7,987,614	1,802,368
Repayment of long-term borrowings and debt securities	(7,186,001)	(5,106,586)
Payment of finance lease liabilities	(92,293)	(88,827)
Settlement of derivative instruments, net	53,369	69,577
Change in non-controlling interest	20,879	14,181
Dividends paid (hybrid bond)	(12,324)	(12,350)

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Dividends paid	(1,332,350)	(2,064,770)
Other cash outflow from financing activities, net	(1,088)	(523)
<b>Net cash from (used in) financing activities</b>	<b>980,790</b>	<b>(5,698,520)</b>
<b>Net increase (decrease) in cash and cash equivalents before effect of exchange rate fluctuations</b>	<b>(200,650)</b>	<b>987,752</b>
<b>Effect of exchange rate fluctuations on cash held</b>	<b>(35,380)</b>	<b>(3,315)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(236,030)</b>	<b>984,437</b>
<b>Cash and cash equivalents at January 1</b>	<b>3,051,353</b>	<b>3,783,065</b>
<b>Cash and cash equivalents at September 30</b>	<b>₩ 2,815,323</b>	<b>4,767,502</b>

*See accompanying notes to the consolidated interim financial statements.*

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## KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Interim Financial Statements

**September 30, 2017**

(Unaudited)

**1. Reporting Entity (Description of the controlling company)**

Korea Electric Power Corporation ( KEPCO ), the controlling company as defined in Korean International Financial Reporting Standards ( K-IFRS ) 1110 Consolidated Financial Statements , 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 KEPCO listed its Depository Receipts (DR) on the New York Stock Exchange on October 27, 1994. KEPCO 's head office is located in Naju, Jeollanam-do.

As of September 30, 2017, 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	116,841,794	18.20%
Korea Development Bank	211,235,264	32.90%
Other (*)	313,887,019	48.90%
	641,964,077	100.00%

(\*) The number of shares held by foreign shareholders are 197,308,414 shares (30.74%) as of the most recent closing date of Register of Shareholders (December 31, 2016).

In accordance with the Restructuring Plan enacted on January 21, 1999 by the Ministry of Trade, Industry and Energy, KEPCO spun off its power generation divisions on April 2, 2001, resulting in the establishment of six power generation subsidiaries.

**2. Basis of Preparation****(1) Statement of compliance**

These consolidated interim financial statements have been prepared in accordance with K-IFRS 1034, Interim Financial Reporting as part of the period covered by KEPCO and subsidiaries (the Company ) K-IFRS annual financial



statements.

**(2) Basis of measurement**

These 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 currency and the currency of the primary economic environment in which the Company operates.

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**KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES**

Notes to the Consolidated Interim Financial Statements, Continued

**September 30, 2017**

(Unaudited)

**2. Basis of Preparation, Continued**

**(4) Use of estimates and judgments**

The preparation of the consolidated financial statements in conformity with K-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 followings 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) Useful lives of property, plant and equipment, estimations on provision for decommissioning costs  
The Company reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. Management's assumptions could affect the determination of estimated economic useful lives.

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 the retirement of long-lived assets that result from acquisition, construction, development and/or normal use of the assets. The Company is required to record a liability for the dismantling (demolition) of nuclear power plants and disposal of spent fuel and low and intermediate radioactive wastes.

(ii) Deferred tax  
The Company recognizes deferred tax assets and liabilities based on the differences between the financial statement carrying amounts and the tax bases of assets and liabilities of each consolidated taxpaying entity. However, the amount of deferred tax assets may be different if the Company does not realize estimated future taxable income during the carryforward periods.

(iii) Valuations of financial instruments at fair values

The Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Company has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the financial officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of K-IFRS including the level in the fair value hierarchy in which such valuation techniques should be classified.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

(iv) Defined employee benefit liabilities

The Company offers its employees defined benefit plans. The cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. For actuarial valuations, certain inputs such as discount rates and future salary increases are estimated. Defined benefit plans contain significant uncertainties in estimations due to its long-term nature (refer to note 25).

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**KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES**

Notes to the Consolidated Interim Financial Statements, Continued

**September 30, 2017**

(Unaudited)

**2. Basis of Preparation, Continued**

**(4) Use of estimates and judgments, continued**

(v) Unbilled revenue

Energy delivered but not metered nor billed is calculated at the reporting date and is estimated 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 consumptions and prices based on statistics. Unbilled revenue recognized as of September 30, 2017 and 2016 are ₩1,266,646 million and ₩1,110,889 million, respectively.

(vi) Construction contracts

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 utilizing the cost-based input method at the end of the reporting period. In applying the cost-based input method, it is necessary to use estimates and assumptions related to the total estimated costs expected to be incurred in the future, costs incurred which are not related to construction progress, changes in costs due to change of contract or design, etc. Total contract revenue is measured based on an agreed contract price; however, it may fluctuate due to the variation of construction work. The measurement of contract revenue is affected by various uncertainties resulting from unexpected future events.

(vii) Continuing operation of Wolsong Unit 1 nuclear power plant

Wolsong unit 1 nuclear power plant of the Company commenced commercial operations on April 22, 1983 and ended its operations on November 20, 2012 pursuant to its 30-year operating license. On February 27, 2015, the Nuclear Safety and Security Commission (NSSC) evaluated the safety of operation on the Wolsong Unit 1 nuclear power plant and approved to continue its operation until November 20, 2022. As described in note 49, the lawsuit related to the validity of the approval of NSSC is currently ongoing. The consolidated interim financial statements were prepared based on the judgment of the Company that the approval of NSSC is valid and Wolsong Unit 1 nuclear power plant will be operating until 2022.

**(5) Changes in accounting policies**

The significant accounting policies followed by the Company in the preparation of its consolidated interim financial statements are the same as those followed by the Company in its preparation of the consolidated financial statements as of and for the year ended December 31, 2016, except for the application of K-IFRS 1034, Interim Financial Reporting, and the amended accounting standards explained below:

(i) Amendments to K-IFRS 1007, Statement of Cash Flows

The Company has adopted the amendments to K-IFRS 1007, Statement of Cash Flows, since January 1, 2017. The amendments require changes in liabilities arising from financing activities to be disclosed. Information about changes in liabilities arising from financing activities is included in note 23 and note 24.

(ii) Amendments to K-IFRS 1012, Income Taxes

The Company has adopted the amendments to K-IFRS 1012, Income Taxes, since January 1, 2017. The amendments clarify that unrealized losses on fixed-rate debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the holder expects to recover the carrying amount of the debt instrument by sale or by use and that the estimate of probable future taxable profit may include the recovery of some of assets for more than their carrying amount. When the Company assesses whether there will be sufficient taxable profit, the Company should compare the deductible temporary differences with future taxable profit that excludes tax deductions resulting from the reversal of those deductible temporary differences.

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

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KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Interim Financial Statements, Continued

**September 30, 2017**

(Unaudited)

**2. Basis of Preparation, Continued**

**(6) New standards and amendments not yet adopted**

The following new standards, interpretations and amendments to existing standards have been published for mandatory application for annual periods beginning after January 1, 2017.

(i) K-IFRS 1109, Financial Instruments

K-IFRS 1109, published on September 25, 2015, is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. It replaces existing guidance in K-IFRS 1039, Financial Instruments: Recognition and Measurement. The Company plans to adopt K-IFRS 1109 for the year beginning on January 1, 2018. K-IFRS 1109 will generally be applied retrospectively; however the Company plans to take advantage of the exemption allowing it not to restate the comparative information for prior periods with respect to classification and measurement including impairment changes. New hedge accounting requirements will generally be applied prospectively except for certain exemptions including the accounting for the time value of options.

Key features of the new standard, K-IFRS 1109, are 1) classification and measurement of financial assets that reflects the business model in which the assets are managed and their cash flow characteristics, 2) impairment methodology that reflects expected credit loss (ECL) model for financial assets, and 3) expanded scope of hedged items and hedging instruments which qualify for hedge accounting and changes in assessment method for effect of hedging relationships.

K-IFRS 1109 will require the Company to assess the financial impact from application of K-IFRS 1109 and revise its accounting processes and internal controls related to financial instruments. Actual impact of adopting K-IFRS 1109 will be dependent on the financial instruments the Company holds and economic conditions at that time as well as accounting policy elections and judgment that it will make in the future.

The Company has not initiated any changes in internal controls processes or accounting processing systems, and has not performed an assessment of the impact resulting from the application of K-IFRS 1109. The Company is currently performing a detailed assessment of the potential impact from the application of K-IFRS 1109 and plans to complete the assessment in advance of its effective date. Expected impacts on the consolidated financial statements are generally categorized as follows:

Classification and measurement of financial assets

Under K-IFRS 1109, financial assets are classified into three principal categories; measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL) based on the business model in which assets are managed and their cash flow characteristics. Under K-IFRS 1109, derivatives embedded in hybrid contracts where the host is a financial asset are not bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

As there are additional requirements for a financial asset to be classified as measured at amortized costs or FVOCI under K-IFRS 1109 compared to the existing guidance in K-IFRS 1039, the adoption of K-IFRS 1109 would potentially increase the proportion of financial assets that are measured at FVTPL, increasing volatility in the Company's profit or loss.

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KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Interim Financial Statements, Continued

**September 30, 2017**

(Unaudited)

**2. Basis of Preparation, Continued**

**(6) New standards and amendments not yet adopted, continued**

The criteria for classification and measurement of financial assets under K-IFRS 1109 are as follows:

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL: 1) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and 2) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL: 1) the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and 2) the contractual terms of the financial asset give rise on specified dates to cash flow that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI, and will not reclassify (recycle) the those items in OCI to profit or loss subsequently.

A financial asset is measured at FVTPL if the contractual terms of the financial asset give rise to specified dates to cash flows that are not solely payments of principal and interest on the principal amount outstanding, the debt instrument is held within a business model whose objective is to sell the asset, or the equity instruments that are not elected to be designated as measured at FVOCI.

As of September 30, 2017, the Company has loans and receivables amounting to ₩15,457,090 million, held-to-maturity investments amounting to ₩3,077 million, available-for-sale financial assets amounting to ₩880,440 million, and financial assets at fair value through profit or loss amounting to ₩219,853 million.

Classification and measurement of financial liabilities



Under K-IFRS 1109, the amount of change in the fair value attributable to the changes in the credit risk of the financial liabilities is presented in OCI, not recognized in profit or loss, and the OCI amount will not be reclassified (recycled) to profit or loss. However, if doing so creates or increase an accounting mismatch, the amount of change in the fair value is recognized in profit or loss.

As a portion of fair value change which was recognized in profit or loss under the existing standard, K-IFRS 1039, will be presented in OCI under K-IFRS 1109, profit or loss related to valuation of the same financial liabilities is likely to decrease.

#### Impairment: Financial assets and contract assets

K-IFRS 1109 replaces the incurred loss model in the existing standard with a forward-looking expected credit loss (ECL) model for debt instruments, lease receivables, contractual assets, loan commitments, financial guarantee contracts.

Under K-IFRS 1109, impairment losses are likely to be recognized earlier than using the incurred loss model under the existing guidance in K-IFRS 1039 as loss allowances will be measured on either of the 12-month or lifetime ECL based on the extent of increase in credit risk since inception as shown in the below table.

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## KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Interim Financial Statements, Continued

**September 30, 2017**

(Unaudited)

**2. Basis of Preparation, Continued****(6) New standards and amendments not yet adopted, continued****Classification**

Stage 1 Credit risk has not increased significantly since the initial recognition

Stage 2 Credit risk has increase significantly since the initial recognition

Stage 3 Credit-impaired

Under K-IFRS 1109, financial assets of which the credit was impaired at the initial recognition, cumulative changes in lifetime ECL since the initial recognition are recognized as loss allowances.

As of September 30, 2017, the Company has debt instruments in financial assets measured at amortized cost amounting to ₩15,628,012 million (loans and receivables) and has recognized loss allowances of ₩170,922 million.

**Loss allowances**

12-month ECL: ECLs that resulted from possible default events within the 12 months after the reporting date

Lifetime ECL: ECL that resulted from all possible default events over the expected life of a financial instrument

**Hedge accounting**

K-IFRS 1109 retains the mechanics of hedge accounting (fair value hedge, cash flow hedge, hedging on net investment in a foreign operation) which was defined in the existing guidance in K-IFRS 1109, but provides principle-based and less complex guidance in hedging which focuses on the risk management activities. More hedged items and hedging instruments would qualify for hedge accounting, more qualitative and forward-looking approach will be taken to assessing hedge effectiveness, and qualitative threshold (80~125%) is removed under K-IFRS 1109.

Certain transactions which were not qualified for hedge accounting under the existing standard will likely qualify for hedge accounting under K-IFRS 1109, decreasing volatility in the Company's profits or loss.

As of September 30, 2017, the Company has asset and liabilities designated as hedged items amounting to ₩114,340 million and ₩123,744 million, respectively.

When initially applying K-IFRS 1109, the Company may choose as its accounting policy to continue to apply the hedge accounting requirements of K-IFRS 1039.

(ii) K-IFRS 1115, Revenue from Contracts with Customers

K-IFRS 1115, Revenue from Contracts from Customers, published on November 6, 2015, is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Company plans to adopt K-IFRS 1115 for the year beginning on January 1, 2018.

It replaces existing revenue recognition guidance, including K-IFRS 1018, Revenue, K-IFRS 1011, Construction Contracts, K-IFRS 2031, Revenue-Barter transactions involving advertising services, K-IFRS, 2113 Customer Loyalty Programs, K-IFRS 2115, Agreements for the construction of real estate, K-IFRS 2118, Transfers of assets from customers.

Existing K-IFRS standards and interpretations including K-IFRS 1018 provide revenue recognition guidance by transaction types such as sales of goods, rendering of services, interest income, royalty income, dividend income and construction revenue; however, under the new standard, K-IFRS 1115, the five-step approach (Step 1: Identify the contract(s) with a customer, Step 2: Identify the performance obligations in the contract, Step 3: Determine the transaction price, Step 4: Allocate the transaction price to the performance obligations in the contract, Step 5: Recognize revenue when the entity satisfied a performance obligation) is applied for all types of contracts or agreements.

The Company is currently performing a detailed assessment of the impact resulting from the application of K-IFRS 1115 and plans to complete the assessment in advance of its effective date.

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KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Interim Financial Statements, Continued

**September 30, 2017**

(Unaudited)

**2. Basis of Preparation, Continued**

**(6) New standards and amendments not yet adopted, continued**

(iii) Amendments to K-IFRS 1102, Share-based Payment

The amendments include: 1) when measuring the fair value of share-based payment, the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payment should be consistent with the measurement of equity-settled share-based payment, 2) Share-based payment transaction in which the company settles the share-based payment arrangement net by withholding a specified portion of the equity instruments per statutory tax withholding requirements would be classified as equity-settled in its entirety, if otherwise would be classified as equity-settled without the net settlement feature, and 3) when a cash-settled share-based payment changes to an equity-settled share-based payment because of modifications of the terms and conditions, the original liability recognized is derecognized and the equity-settled share-based payment is recognized at the modification date fair value. Any difference between the carrying amount of the liability at the modification date and the amount recognized in equity at the same date would be recognized in profit and loss immediately. The amendments are effective for annual periods beginning on or after January 1, 2018.

The adoption of the amendments is not expected to have a significant impact on the Company's consolidated financial statements.

**3. Significant Accounting Policies**

The significant accounting policies applied by the Company in preparation of its consolidated financial statements are included below. Except as described in note 2.(5), the accounting policies applied by the Company in these consolidated financial statements are the same as those applied by the Company in its consolidated financial statements as of and for the year ended December 31, 2016.

**(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.

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KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Interim Financial Statements, Continued

**September 30, 2017**

(Unaudited)

**3. Significant Accounting Policies, Continued**

**(1) Basis of consolidation, continued**

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 K-IFRS 1039, Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

**(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 K-IFRS 1012, Income Taxes and K-IFRS 1019, Employee Benefits, respectively;

assets (or disposal groups) that are classified as held for sale in accordance with K-IFRS 1105, 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 K-IFRSs.

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**KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES**

Notes to the Consolidated Interim Financial Statements, Continued

**September 30, 2017**

(Unaudited)

**3. Significant Accounting Policies, Continued**

**(2) Business combinations, continued**

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 K-IFRS 1039, *Financial Instruments: Recognition and Measurement*, or with K-IFRS 1037, *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.

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.





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**KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES**

Notes to the Consolidated Interim Financial Statements, Continued

**September 30, 2017**

(Unaudited)

**3. Significant Accounting Policies, Continued**

**(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 K-IFRS 1105, *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 K-IFRS 1039, *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 K-IFRS 1039, *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 K-IFRS 1036 *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 K-IFRS 1036 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 K-IFRS 1036. 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.

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**KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES**

Notes to the Consolidated Interim Financial Statements, Continued

**September 30, 2017**

(Unaudited)

**3. Significant Accounting Policies, Continued**

**(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 K-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 K-IFRS 1028,

Investment in Associates and Joint Ventures (refer to note 3.(3)), except when the Company is applicable to the K-IFRS 1105, 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.

**(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 business 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.

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**KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES**

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(Unaudited)

**3. Significant Accounting Policies, Continued**

**(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 utility 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 recognize revenue from 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, etc. The differences between the current month's estimated amount and actual (meter-read) amount, is adjusted for (true-up) during the subsequent month.

(ii) Sales of 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.

(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 K-IFRS 2118, "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 subsequently recognized as revenue on a straight-line basis over the estimated service period which does not exceed the transferred asset's useful life.

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(Unaudited)

**3. Significant Accounting Policies, Continued**

**(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 presented 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 presented 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 advance 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.

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.

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(Unaudited)

**3. Significant Accounting Policies, Continued**

**(9) Leases, continued**

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.

(iii) Determining whether an arrangement contains a lease

At inception of an arrangement, the Company determines whether the arrangement is or contains a lease.

At inception or on reassessment of an arrangement that contains a lease, the Company separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognized at an amount equal to the fair value of the underlying asset.

**(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 (refer to note 3.(25) Derivative financial instruments, including hedge accounting); and

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 gain or loss on disposal.

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**KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES**

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(Unaudited)

**3. Significant Accounting Policies, Continued**

**(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.

**(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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**KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES**

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(Unaudited)

**3. Significant Accounting Policies, Continued**

**(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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## KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES

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**September 30, 2017**

(Unaudited)

**3. Significant Accounting Policies, Continued****(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:

	<b>Useful lives (years)</b>
Buildings	8 ~ 40
Structures	8 ~ 50
Machinery	2 ~ 32
Vehicles	3 ~ 8
Loaded heavy water	30
Asset retirement costs	18, 30, 40, 60
Finance lease assets	6 ~ 32
Ships	9
Others	4 ~ 15

A component that is significant compared to the total cost of property, plant and equipment is depreciated over its separate useful life.



Depreciation methods, residual values and useful lives of property, plant and equipment are reviewed at the end of each reporting period and if change is deemed appropriate, it is treated as a change in accounting estimate. As a result of such annual review, useful lives of certain machinery were changed during 2016. Depreciation expenses increased by ₩160,985 million for the year ended December 31, 2016. Depreciation expenses are expected to increase by ₩130,514 million and ₩91,197 million for the years ending December 31, 2017 and 2018, respectively, and to decrease by ₩382,696 million for the years after December 31, 2018.

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.

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**KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES**

Notes to the Consolidated Interim Financial Statements, Continued

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(Unaudited)

**3. Significant Accounting Policies, Continued**

**(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.

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.

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## KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Interim Financial Statements, Continued

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(Unaudited)

**3. Significant Accounting Policies, Continued****(17) Intangible assets, continued**

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

	<b>Useful lives (years)</b>	<b>Amortization methods</b>
Usage rights for donated assets	10 ~ 20	Straight line
Software	4, 5	Straight line
Industrial rights	5 ~ 10	Straight line
Development expenses	5	Straight line
Leasehold rights	10	Straight line
Others	3 ~ 50 or Indefinite	Straight line
Mining right		Unit of production

**(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 are 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.

**(18) Greenhouse gas emissions rights (allowances) and obligations**

In connection with Enforcement of Allocation and Trading of Greenhouse Gas Emissions Allowances, the Company applies the following accounting policies for greenhouse gas emissions rights and obligations.

(i) Greenhouse gas 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 greenhouse gas emissions rights includes expenditures arising directly from the acquisition and any other costs incurred during normal course of the acquisition.

Greenhouse gas 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 greenhouse gas emissions rights are classified as current assets. Greenhouse gas emissions rights recorded as intangible assets are initially measured at cost and substantially remeasured at cost less accumulated impairment losses.

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

(ii) Greenhouse gas emissions obligations

Greenhouse gas emissions obligations are the Company's present legal obligation to submit the greenhouse gas 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. Greenhouse gas 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.

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KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Interim Financial Statements, Continued

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(Unaudited)

**3. Significant Accounting Policies, Continued**

**(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 profit 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, to the extent 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 profit 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 for inventories in transit are measured by using specific identification method. 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.

**(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.

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**3. Significant Accounting Policies, Continued**

**(21) Provisions, continued**

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.

(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 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) Provisions for transmission and transformation facilities-neighboring areas support program

The Company has present obligation to conduct transmission and transformation facilities-neighboring areas support program under Act on assistance to transmission and transformation facilities-neighboring areas. The Company recognizes the provision of estimated amount to fulfill the obligation.

(viii) Renewable Portfolio Standard ( RPS ) provisions

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.

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**KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES**

Notes to the Consolidated Interim Financial Statements, Continued

**September 30, 2017**

(Unaudited)

**3. Significant Accounting Policies, Continued**

**(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 K-IFRS 1039, 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.

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**KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES**

Notes to the Consolidated Interim Financial Statements, Continued

**September 30, 2017**

(Unaudited)

**3. Significant Accounting Policies, Continued**

**(22) Non-derivative financial assets, continued**

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.

(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.

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KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Interim Financial Statements, Continued

**September 30, 2017**

(Unaudited)

**3. Significant Accounting Policies, Continued**

**(22) Non-derivative financial assets, continued**

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 profit 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 profit or loss are not reversed through profit 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 profit 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.

(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.

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KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Interim Financial Statements, Continued

**September 30, 2017**

(Unaudited)

**3. Significant Accounting Policies, Continued**

**(22) Non-derivative financial assets, continued**

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.

(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.

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KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Interim Financial Statements, Continued

**September 30, 2017**

(Unaudited)

**3. Significant Accounting Policies, Continued**

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

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 K-IFRS 1039, 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 K-IFRS 1037, Provisions, Contingent Liabilities and Contingent Assets; or (b) the amount initially recognized less, cumulative amortization recognized in accordance with K-IFRS 1018, 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.

**(24) Service Concession Arrangements**

The Company recognizes revenues from construction services and operating services related to service concession arrangements in accordance with K-IFRS 1011, Construction Contracts and K-IFRS 1018, Revenue, respectively. If the Company performs more than one service under a single contract or arrangement, consideration received or receivable is allocated by reference to the relative fair values of the services delivered, when the amounts are separately identifiable.

The Company recognizes a financial asset to the extent that it has an unconditional contractual right to receive cash or another financial asset for the construction services and an intangible asset to the extent that it receives a right (license) to charge users of the public service. Borrowing costs attributable to the arrangement are recognized as an expense in the period in which they are incurred unless the Company has a contractual right to receive an intangible asset (a right to charge users of the public service). In this case, borrowing costs attributable to the arrangement are capitalized during the construction phase of the arrangement.

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KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Interim Financial Statements, Continued

**September 30, 2017**

(Unaudited)

**3. Significant Accounting Policies, Continued**

**(25) 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.

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KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Interim Financial Statements, Continued

**September 30, 2017**

(Unaudited)

**3. Significant Accounting Policies, Continued**

**(25) Derivative financial instruments, including hedge accounting, continued**

(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. 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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**KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES**

Notes to the Consolidated Interim Financial Statements, Continued

**September 30, 2017**

(Unaudited)

**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 K-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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## KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Interim Financial Statements, Continued

**September 30, 2017**

(Unaudited)

**4. Segment, Geographic and Other Information, Continued****(2) Financial information of the segments for the three and nine-month periods ended September 30, 2017 and 2016, respectively, are as follows:****September 30, 2017**

<b>Intersegment revenue</b>		<b>Revenue from external customers</b>		<b>Operating profit (loss)</b>		<b>Depreciation and amortization</b>		<b>Interest income</b>	
Three-month period ended	Nine-month period ended	Three-month period ended	Nine-month period ended	Three-month period ended	Nine-month period ended	Three-month period ended	Nine-month period ended	Three-month period ended	Nine-month period ended
459,769	1,658,544	15,660,946	42,906,779	1,960,213	1,517,522	903,915	2,595,732	12,814	36,703
2,138,481	7,060,951	18,276	40,044	463,968	1,402,331	767,312	2,475,746	4,957	13,911
5,565,085	16,573,405	272,481	648,640	330,871	2,048,393	761,877	2,150,298	5,343	14,869
516,222	1,504,769	85,742	277,975	50,561	173,088	27,311	81,655	2,768	7,934
13,105	50,288	150,282	386,437	28,278	68,753	7,591	22,831	27,000	99,799
(8,692,662)	(26,847,957)			(60,970)	(127,488)	(13,203)	(45,023)	(6,102)	(18,083)
		16,187,727	44,259,875	2,772,921	5,082,599	2,454,803	7,281,239	46,780	155,133

**September 30, 2016**

<b>Intersegment revenue</b>	<b>Operating profit (loss)</b>	<b>Interest income</b>
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		Revenue from external customers				Depreciation and amortization			
Three-month period ended	Nine-month period ended	Three-month period ended	Nine-month period ended	Three-month period ended	Nine-month period ended	Three-month period ended	Nine-month period ended	Three-month period ended	Nine-month period ended
573,542	1,356,641	15,562,804	43,598,664	2,767,680	4,942,790	878,020	2,382,450	15,062	63,097
2,576,521	8,211,986	542	36,427	862,808	3,027,731	775,861	2,332,029	7,251	24,995
4,957,132	14,767,596	174,222	633,551	689,731	2,671,907	599,919	1,781,950	4,948	20,467
490,412	1,490,912	89,173	278,242	60,952	197,209	25,262	74,710	2,471	8,207
18,223	62,140	116,757	357,366	25,915	84,612	5,380	20,410	32,550	87,833
(8,615,830)	(25,889,275)			17,083	(190,238)	(11,220)	(32,919)	(5,914)	(15,710)
		15,943,498	44,904,250	4,424,169	10,734,011	2,273,222	6,558,630	56,368	188,889

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## KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Interim Financial Statements, Continued

**September 30, 2017**

(Unaudited)

**4. Segment, Geographic and Other Information, Continued****(3) Information related to segment assets and segment liabilities as of and for the nine-month period ended September 30, 2017 and as of and for the year ended December 31, 2016 are as follows:***In millions of won*

Segment	September 30, 2017			
	Segment assets	Investments in associates and joint ventures	Acquisition of non-current assets	Segment liabilities
Transmission and distribution	₩ 104,985,375	3,962,040	5,250,268	48,770,812
Electric power generation (Nuclear)	52,502,602	17,949	1,406,086	26,822,153
Electric power generation (Non-nuclear)	47,769,459	1,456,599	2,464,241	25,643,109
Plant maintenance & engineering service	3,190,278	51,407	92,387	1,200,372
Others	8,048,055		440,778	3,066,102
Consolidation adjustments	(37,241,386)		(8,603)	(692,729)
<b>Consolidated totals</b>	<b>₩ 179,254,383</b>	<b>5,487,995</b>	<b>9,645,157</b>	<b>104,809,819</b>

*In millions of won*

Segment	December 31, 2016			
	Segment assets	Investments in associates and joint ventures	Acquisition of non-current assets	Segment liabilities
Transmission and distribution	₩ 105,321,129	4,121,462	6,345,004	49,854,420
Electric power generation (Nuclear)	52,782,915	15,384	1,945,610	27,366,938

Electric power generation (Non-nuclear)	47,427,642	1,320,203	3,508,313	26,205,049
Plant maintenance & engineering service	3,106,909	53,399	180,715	1,218,047
Others	7,423,132		365,470	2,761,262
Consolidation adjustments	(38,224,685)		(191,901)	(2,619,219)
<b>Consolidated totals</b>	<b>₩ 177,837,042</b>	<b>5,510,448</b>	<b>12,153,211</b>	<b>104,786,497</b>

#### (4) Geographic information

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

<i>In millions of won</i>	Revenue from external customers				Non-current assets (*2)	
	September 30, 2017		September 30, 2016		September 30, 2017	December 31, 2016
Geographical unit	Three-month period ended	Nine-month period ended	Three-month period ended	Nine-month period ended		
Domestic	₩ 15,429,393	41,845,279	14,797,016	41,632,905	150,282,968	148,297,677
Overseas (*1)	758,334	2,414,596	1,146,482	3,271,345	4,651,456	4,474,699
	<b>₩ 16,187,727</b>	<b>44,259,875</b>	<b>15,943,498</b>	<b>44,904,250</b>	<b>154,934,424</b>	<b>152,772,376</b>

(\*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 nine-month periods ended September 30, 2017 and 2016.

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## KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Interim Financial Statements, Continued

**September 30, 2017**

(Unaudited)

**5. Classification of Financial Instruments****(1) Classification of financial assets as of September 30, 2017 and December 31, 2016 are as follows:***In millions of won*

	<b>September 30, 2017</b>					
	<b>Financial assets at fair value through</b>		<b>Available- for-sale financial</b>	<b>Held-to- maturity investments</b>	<b>Derivative assets (applying hedge accounting)</b>	<b>Total</b>
	<b>profit or loss</b>	<b>Loans and receivables</b>	<b>assets</b>			
<b>Current assets</b>						