

KOREA ELECTRIC POWER CORP

Form 6-K

June 12, 2018

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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 June 2018

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, 2018 to March 31, 2018)

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 March 31, 2018)

Classification	Consolidated subsidiaries	Associates and joint ventures	Total
Domestic	26	60	86
Overseas	78	46	124
Total	104	106	210

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5. Major changes in management

- A. On March 19, 2018, Mr. Kim, Chang-Joon was appointed as a non-standing director in the replacement of Mr. Koo, Ja-Yoon, whose term of office expired.
- B. On April 4, 2018, Mr. Yang, Bong-Ryull, Mr. Kim, Jwa-Kwan and Mr. Jung, Yeon-Gil were appointed as non-standing directors in the replacement of Mr. Ahn, Choong-Yong, Mr. Lee, Gang-Hee and Mr. Cho, Jeon-Hyeok whose term of office expired.
- C. At the extraordinary general meeting of shareholders of KEPCO held on April 10, 2018, Mr. JongKap KIM was appointed as the President and Chief Executive Officer, in replacement of Mr. Cho, Hwan-Eik who voluntarily resigned on December 8, 2017.

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 790 per share for fiscal year 2017 (Won 0.51 trillion in aggregate). Dividend payments for fiscal year 2016, 2015 and 2014 were Won 1,980, Won 3,100 and Won 500 per share respectively.

II. Business Overview

1. Consolidated financial results by segment for the first three-month period ended March 31, 2018 and 2017

	(In billions of Won)			
	January to March 2017		January to March 2018	
	Operating		Operating	
	Sales	profit	Sales	profit
Electricity sales	15,193	-784	15,564	-1,442
Nuclear generation	2,669	738	1,962	182

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Thermal generation	6,789	1,522	7,726	1,230
Others ^(*)	669	65	784	69
Subtotal	25,320	1,541	26,036	39
Adjustment for related-party transactions	-10,173	-78	-10,330	-167
Total	15,147	1,463	15,706	-128

The figures may not add up to the relevant total numbers due to rounding.

- ^(*) Others relate to 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.

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2. Changes in unit prices of major products

Business sector	Company	(In Won per kWh)	
		January to March 2017	January to March 2018
Electricity sold	Residential	109.40	111.06
	Commercial	130.09	128.54
	Educational	98.68	99.62
	Industrial	109.15	109.19
	Agricultural	47.82	47.67
	Street lighting	109.48	110.02
	Overnight usage	72.69	72.84
Electricity from nuclear generation	Nuclear Generation	69.23	69.16
Electricity from thermal generation	KOSEP	89.30	88.31
	KOMIPO	104.70	101.86
	KOWEPO	107.18	105.07
	KOSPO	106.21	104.21
	EWP	105.99	103.94

3. Power purchase from generation companies for the first three-month period ended March 31, 2018

Company	Volume (MWh)	Expense (In billions of Won)
KHNP	27,542,332	1,907
KOSEP	17,589,035	1,562
KOMIPO	13,471,173	1,373
KOWEPO	13,018,327	1,369
KOSPO	15,355,844	1,606
EWP	14,602,564	1,524
Others	40,130,728	4,690
Total	141,710,003	14,031

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

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4. Intellectual property as of March 31, 2018

	Patents		Utility	Trademarks		Total	
	Domestic	Overseas	models	Designs	Domestic		Overseas
KEPCO	1,943	220	73	66	154	45	2,501
Consolidated subsidiaries	3,808	583	803	117	245	23	5,579
Total	5,751	803	876	183	399	68	8,080

III. Financial Information

1. Condensed consolidated financial results as of and for the first three-month period ended March 31, 2018

(In billions of Won)

Consolidated statements of comprehensive income				Consolidated statements of financial position			
	January to March 2017	January to March 2018	Change (%)		December 31, 2017	March 31, 2018	Change (%)
Sales	15,147	15,706	3.7	Total assets	181,789	184,025	1.2
Operating profit	1,463	-128	-108.7	Total liabilities	108,824	111,827	2.8
Net income	900	-250	-127.8	Total equity	72,965	72,198	-1.1

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2. Condensed separate financial results as of and for the first three-month period ended March 31, 2018

(In billions of Won)

	Separate statements of			Separate statements of			
	comprehensive income			financial position			
	January to March 2017	January to March 2018	Change (%)	December 31, 2017	March 31, 2018	Change (%)	
Sales	15,193	15,564	2.4	Total assets	106,540	107,194	0.6
Operating profit	-784	-1,442	-83.9	Total liabilities	50,758	52,538	3.5
Net income	318	-622	-295.8	Total equity	55,782	54,656	-2.0

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 the 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 the first three-month period ended March 31, 2018

Number of meetings	Number of agendas	Classification	
		Resolutions	Reports
5	16	11	5

* The audit committee held 3 meetings with 9 agendas (of which, 4 were approved as proposed and 5 were accepted as reported).

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3. Major activities of the Board of Directors

Date	Agenda	Results	Type
February 8, 2018	Approval of amendments to the Electricity Usage Agreement and Rules for Operation	Approved as proposed	Resolution
February 23, 2018	Approval of the maximum aggregate amount of remuneration for directors in 2018	Approved as proposed	Resolution
	Approval of the relocation plan of materials center in Gyeonggi District Division	Approved as proposed	Resolution
	Approval of consolidated and separate financial statements for the fiscal year 2017	Approved as proposed	Resolution
	Approval to call for the annual general meeting of shareholders for the fiscal year 2017	Approved as proposed	Resolution
	Report on operating plan of the Act on the Control and Supervision on Nuclear Power Suppliers, etc. for the Prevention of Corruption in the Nuclear Power Industry (2018-2019)	Accepted as reported	Report
	Report on the annual management of commercial papers in 2017	Accepted as reported	Report
	Report on internal control over financial reporting for the fiscal year 2017	Accepted as reported	Report
	Evaluation report on internal control over financial reporting for the fiscal year 2017	Accepted as reported	Report
	Report on the audit result for 2017	Accepted as reported	Report
February 27, 2018	Approval to close the shareholders registry for extraordinary general meeting of shareholders	Approved as proposed	Resolution
March 15, 2018	Approval of amendments to investment structure and guarantee for Nghi Son II coal-fired power plant in Vietnam	Conditionally Approved	Resolution
	Approval of liquidation of KEPCO Canada Energy(KCE), a subsidiary located in Canada	Approved as proposed	Resolution
	Approval of the construction of a new Integrated Gangwon District Division Office Building	Approved as proposed	Resolution
	Approval of the Statement of Appropriation of Retained Earnings for the fiscal year 2017	Approved as proposed	Resolution
March 26, 2018			Resolution

Approval to call for the extraordinary general meeting of
shareholders for the fiscal year 2018

Approved as
proposed

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

Date	Agenda	Ahn, Choong- Yong	Lee, Gang- Hee	Cho, Jeon- Hyeok	Choi, Ki- Ryun	Sung, Tae- Hyun	Koo, Ja- Moon	Kim, Joo- Suen	Kim, Ji- Hong	Kim, Chang- Joon
February 8, 2018	Approval of amendments to the Electricity Usage Agreement and Rules for Operation	For	For	For	For	Absent	For	For	For	Before Appointment
February 23, 2018	Approval of the maximum aggregate amount of remuneration for directors in 2018	For	For	For	For	For	For	For	For	
	Approval of the relocation plan of materials center in Gyeonggi District Division	For	For	For	For	For	For	For	For	
	Approval of consolidated and separate financial statements for the fiscal year 2017	For	For	For	For	For	For	For	For	
	Approval to call for the annual general meeting of shareholders for the fiscal year 2017	For	For	For	For	For	For	For	For	
	Report on operating plan of the Act on the Control and Supervision on Nuclear Power Suppliers, etc. for the Prevention of Corruption in the Nuclear Power Industry (2018-2019)									Agenda for Report
	Report on the annual management of commercial									Agenda for Report

papers in 2017

Report on internal control over financial reporting for the fiscal year 2017

Agenda
for
Report

Evaluation report on internal control over financial reporting for the fiscal year 2017

Agenda
for
Report

Report on the audit result for 2017

Agenda
for
Report

February 27, 2018	Approval to close the shareholders registry for extraordinary general meeting of shareholders	Absent	For	Absent	Absent	Absent	For	For	For
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March 15, 2018	Approval of amendments to investment structure and guarantee for Nghi Son II coal-fired power plant in Vietnam	For	For	For	For	Absent	Absent	For	For
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Approval of liquidation of KEPCO Canada Energy (KCE), subsidiary located in Canada	For	For	For	For	Absent	Absent	For	For
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Approval of the construction of a new Integrated Gangwon District Division Office Building	For	For	For	For	Absent	Absent	For	For
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Approval of the Statement of Appropriation of Retained Earnings for fiscal year 2017	For	For	For	For	Absent	Absent	For	For
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March 26, 2018	Approval to call for the extraordinary general meeting of shareholders for the fiscal	For	For	For	For	Absent	Retired	For	Absent	For
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year 2018

Attendance Rate	80%	100%	80%	80%	20%	75%	100%	80%	100%
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4. Major activities of the Audit Committee

Date	Agenda	Results	Type
January 19, 2018	Audit plans for 2018	Approved as proposed	Resolution
February 23, 2018	Education plans for auditors for 2018	Approved as reported	Report
	Amendments to Code of Conduct and Guideline for Practice for KEPCO executives and staff members	Approved as proposed	Resolution
	Report on the audit result for 2017	Approved as reported	Report
	Report on internal control over financial reporting for the fiscal year 2017	Approved as reported	Report
	Evaluation report on internal control over financial reporting for the fiscal year 2017	Approved as reported	Report
March 15, 2018	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
	Independent auditor's report on the auditing results for the consolidated and separate financial statements for the fiscal year 2017	Approved as reported	Report

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.

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1. List of shareholders as of March 15, 2018

		Number of shareholders	Shares owned	Percentage of total (%)
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	36,460,422	5.68
Public	Common shares	1,297	156,960,303	24.45
(non-Koreans)	American depositary shares (ADS)	1	35,678,712	5.56
Public	Corporate	1,092	31,469,657	4.90
(Koreans)	Individual	429,751	53,317,925	8.31
Total		432,144	641,964,077	100.00

Percentages are based on issued shares of common stock.

All of our shareholder have equal voting rights.

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

Table of Contents**VI. Directors and employees as of and for the first three-month period ended March 31, 2018****(KEPCO Only)**

1. Directors

Type	Number of directors	Total remuneration	Average remuneration per person	Remarks	(In thousands of Won)
Standing director	3	89,049	29,683	Excluding the members of Audit Committee	
Non-standing director	6	45,000	7,500		
Member of Audit Committee	3	44,729	14,910		
Total	12	178,778	14,898		

2. Employees

Type	Number of employees			Average continuous service year	Total salaries	Average salaries per person	(In thousands of Won)
	Regular	Non-regular	Total				
Male	17,047	419	17,466	17.7	397,730,608	22,772	
Female	4,106	91	4,197	13.6	74,138,923	17,665	
Total	21,153	510	21,663	16.9	471,869,531	21,782	

VII. Other Information Necessary for the Protection of Investors

1. Summary of shareholder s meetings for the first three-month period ended March 31, 2018

Type	Agenda	Results
Annual General Meeting	Approval of financial statements for the fiscal year 2017	Approved as proposed
held on March 30, 2018	Approval of the maximum aggregate amount of remuneration for directors in 2018	Approved as proposed

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2. Pending legal proceedings as of March 31, 2018

Type	(In billions of Won)	
	Number of lawsuits	Amount claimed
Lawsuits where KEPCO and its subsidiaries are engaged as the defendants	579	478
Lawsuits where KEPCO and its subsidiaries are engaged as the plaintiffs	188	751

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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: June 12, 2018

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KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES

Consolidated Interim Financial Statements

March 31, 2018

(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 March 31, 2018, the consolidated interim statements of comprehensive income (loss), changes in equity and cash flows for the three-month periods ended March 31, 2018 and 2017 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.

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, 2017, 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 15, 2018. The accompanying consolidated financial position of the Company as of December 31, 2017, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

KPMG Samjong Accounting Corp.

Seoul, Korea

May 15, 2018

This report is effective as of May 15, 2018, 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 March 31, 2018 and December 31, 2017

(Unaudited)

<i>In millions of won</i>	<i>Note</i>	March 31, 2018	December 31, 2017
Assets			
Current assets			
Cash and cash equivalents	5,6,7,44	₩ 2,580,522	2,369,739
Current financial assets, net	5,10,11,12,44	3,315,560	1,958,357
Trade and other receivables, net	5,8,14,20,44,45,46	6,937,378	7,928,972
Inventories, net	13	5,966,492	6,002,086
Income tax refund receivables	40	19,811	100,590
Current non-financial assets	15	987,215	753,992
Assets held-for-sale	41	23,533	27,971
Total current assets		19,830,511	19,141,707
Non-current assets			
Non-current financial assets, net	5,6,9,10,11,12,44	2,157,284	2,038,913
Non-current trade and other receivables, net	5,8,14,44,45,46	1,716,441	1,754,797
Property, plant and equipment, net	18,27,48	151,687,109	150,882,414
Investment properties, net	19,27	287,642	284,714
Goodwill	16	2,582	2,582
Intangible assets other than goodwill, net	21,27,45	1,183,519	1,187,121
Investments in associates	4,17	4,092,261	3,837,421
Investments in joint ventures	4,17	1,612,518	1,493,275
Deferred tax assets	40	1,015,343	919,153
Non-current non-financial assets	15	439,348	246,818
Total non-current assets		164,194,047	162,647,208
Total Assets	4	₩ 184,024,558	181,788,915

(Continued)

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KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES

Consolidated Interim Statements of Financial Position, Continued

As of March 31, 2018 and December 31, 2017

(Unaudited)

<i>In millions of won</i>	<i>Note</i>	March 31, 2018	December 31, 2017
Liabilities			
Current liabilities			
Trade and other payables, net	5,22,24,44,46	₩ 6,836,478	5,999,521
Current financial liabilities, net	5,11,23,44,46	9,090,721	9,194,552
Income tax payables	40	609,309	508,402
Current non-financial liabilities	20,28,29	5,984,682	5,584,308
Current provisions	26,44	2,279,563	2,137,498
Total current liabilities		24,800,753	23,424,281
Non-current liabilities			
Non-current trade and other payables, net	5,22,24,44,46	3,217,146	3,223,480
Non-current financial liabilities, net	5,11,23,44,46	47,640,648	45,980,899
Non-current non-financial liabilities	28,29	8,136,414	8,072,434
Employee benefits liabilities, net	25,44	1,565,834	1,483,069
Deferred tax liabilities	40	10,148,615	10,415,397
Non-current provisions	26,44	16,317,102	16,224,714
Total non-current liabilities		87,025,759	85,399,993
Total Liabilities	4	₩ 111,826,512	108,824,274
Equity			
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		35,906,267	34,833,844
Unappropriated retained earnings		15,144,636	16,931,804

		52,655,813	53,370,558
Other components of equity	33		
Other capital surplus		1,233,660	1,233,793
Accumulated other comprehensive loss		(314,942)	(271,457)
Other equity		13,294,973	13,294,973
		14,213,691	14,257,309
Equity attributable to owners of the controlling company		70,923,082	71,681,445
Non-controlling interests	16,32	1,274,964	1,283,196
Total Equity		₩ 72,198,046	72,964,641
Total Liabilities and Equity		₩ 184,024,558	181,788,915

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 (Loss)

For the three-month periods ended March 31, 2018 and 2017

(Unaudited)

<i>In millions of won, except per share information</i>	<i>Note</i>	March 31, 2018	March 31, 2017
Sales	4,34,44,46		
Sales of goods		₩ 15,057,977	14,299,466
Sales of services		74,165	71,905
Sales of construction services	20	450,161	659,092
Revenue related to transfer of assets from customers		123,741	116,146
		15,706,044	15,146,609
Cost of sales	13,25,42,46		
Cost of sales of goods		(14,687,736)	(12,371,525)
Cost of sales of services		(112,391)	(96,278)
Cost of sales of construction services		(423,838)	(662,638)
		(15,223,965)	(13,130,441)
Gross profit		482,079	2,016,168
Selling and administrative expenses	25,35,42,46	(609,692)	(552,982)
Operating profit (loss)	4	(127,613)	1,463,186
Other non-operating income	36	84,827	85,416
Other non-operating expense	36	(16,901)	(36,434)
Other gains, net	37	54,056	129,012
Finance income	5,11,38	156,787	897,286
Finance expenses	5,11,39	(614,430)	(1,309,456)
Profit related to associates, joint ventures and subsidiaries	4,17		
Share in profit of associates and joint ventures		261,581	176,995
Gain on disposal of investments in associates and joint ventures			68
Share in loss of associates and joint ventures		(58,552)	(16,513)
Loss on disposal of investments in associates and joint ventures		(2,184)	
		200,845	160,550

Profit (loss) before income tax		(262,429)	1,389,560
Income tax benefit (expense)	40	11,962	(489,529)
Profit (loss) for the period		₩ (250,467)	900,031

(Continued)

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KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES

Consolidated Interim Statements of Comprehensive Income (Loss), Continued

For the three-month periods ended March 31, 2018 and 2017

(Unaudited)

<i>In millions of won, except per share information</i>	<i>Note</i>	March 31, 2018	March 31, 2017
Other comprehensive income (loss)	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	₩ (8,084)	3,917
Share in other comprehensive income (loss) of associates and joint ventures, net of tax	31	5,410	(1,891)
Net change in fair value of equity investments at fair value through other comprehensive income	33	19,084	
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		(1,174)
Net change in the unrealized fair value of derivatives using cash flow hedge accounting, net of tax	5,11,33	(20,748)	(5,937)
Foreign currency translation of foreign operations, net of tax	33	(17,438)	(115,141)
Share in other comprehensive income (loss) of associates and joint ventures, net of tax	33	50,279	(103,283)
Other comprehensive income (loss), net of tax		28,503	(223,509)
Total comprehensive income (loss) for the period		₩ (221,964)	676,522
Profit (loss) attributable to:			
Owners of the controlling company	43	₩ (277,270)	866,913
Non-controlling interests		26,803	33,118
		₩ (250,467)	900,031
Total comprehensive income attributable to:			
Owners of the controlling company		₩ (246,155)	665,753
Non-controlling interests		24,191	10,769
		₩ (221,964)	676,522
Earnings (loss) per share (in won)	43		
Basic and diluted earnings (loss) per share		₩ (432)	1,350

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 three-month periods ended March 31, 2018 and 2017

(Unaudited)

<i>In millions of won</i>	Equity attributable to owners of the controlling company			Subtotal	Non-controlling interests	Total equity
	Contributed capital	Retained earnings	Other components of equity			
Balance at January 1, 2017	₩ 4,053,578	53,173,871	14,496,244	71,723,693	1,326,852	73,050,545
Total comprehensive income (loss) for the period						
Profit for the period		866,913		866,913	33,118	900,031
Items that will not be reclassified subsequently to profit or loss:						
Remeasurement of defined benefit liability, net of tax		1,812		1,812	2,105	3,917
Share in other comprehensive income (loss) of associates and joint ventures, net of tax		(1,895)		(1,895)	4	(1,891)
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			(1,172)	(1,172)	(2)	(1,174)
Net change in the unrealized fair value of derivatives using cash flow hedge accounting, net of tax			(5,937)	(5,937)		(5,937)
Foreign currency translation of foreign			(90,391)	(90,391)	(24,750)	(115,141)

operations, net of tax							
Share in other comprehensive income (loss) of associates and joint ventures, net of tax			(103,577)	(103,577)	294	(103,283)	
Transactions with owners of the Company, recognized directly in equity							
Dividends paid		(1,271,089)		(1,271,089)	(21,864)	(1,292,953)	
Issuance of shares of capital by subsidiaries and others					(1)	(1)	
Dividends paid (hybrid bond)					(4,059)	(4,059)	
Balance at March 31, 2017	₩	4,053,578	52,769,612	14,295,167	71,118,357	1,311,697	72,430,054

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KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES

Consolidated Interim Statements of Changes in Equity, Continued

For the three-month periods ended March 31, 2018 and 2017

(Unaudited)

<i>In millions of won</i>	Equity attributable to owners of the controlling company				Subtotal	Non-controlling interests	Total equity
	Contributed capital	Retained earnings	Other components of equity				
Balance at January 1, 2018	₩ 4,053,578	53,370,558	14,257,309	71,681,445	1,283,196	72,964,641	
Effect of change in accounting policy		71,928	(76,851)	(4,923)		(4,923)	
Adjusted balance at January 1, 2018	4,053,578	53,442,486	14,180,458	71,676,522	1,283,196	72,964,641	
Total comprehensive income (loss) for the period							
Profit (loss) for the period		(277,270)		(277,270)	26,803	(250,467)	
Items that will not be reclassified subsequently to profit or loss:							
Remeasurement of defined benefit liability, net of tax		(7,652)		(7,652)	(432)	(8,084)	
Share in other comprehensive income of associates and joint ventures, net of tax		5,401		5,401	9	5,410	
Net change in fair value of equity investments at fair value through other comprehensive income			19,085	19,085	(1)	19,084	
Items that are or may be reclassified subsequently to profit or loss:							
Net change in the unrealized fair value of derivatives using cash flow hedge accounting, net of tax			(20,748)	(20,748)		(20,748)	

Foreign currency translation of foreign operations, net of tax		(15,248)	(15,248)	(2,190)	(17,438)	
Share in other comprehensive income of associates and joint ventures, net of tax		50,277	50,277	2	50,279	
Transactions with owners of the Company, recognized directly in equity						
Dividends paid	(507,152)		(507,152)	(35,291)	(542,443)	
Issuance of shares of capital by subsidiaries and others		(133)	(133)	6,168	6,035	
Changes in consolidation scope				46	46	
Dividends paid (hybrid bond)				(3,346)	(3,346)	
Balance at March 31, 2018	₩ 4,053,578	52,655,813	14,213,691	70,923,082	1,274,964	72,198,046

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 three-month periods ended March 31, 2018 and 2017

(Unaudited)

<i>In millions of won</i>	March 31, 2018	March 31, 2017
Cash flows from operating activities		
Profit (loss) for the period	₩ (250,467)	900,031
Adjustments for:		
Income tax expense (benefit)	(11,962)	489,529
Depreciation	2,456,076	2,369,838
Amortization	30,069	34,023
Employee benefit expense	88,575	90,580
Bad debt expense	20,862	7,955
Interest expense	462,385	440,954
Loss on sale of financial assets		1,038
Loss on disposal of property, plant and equipment	3,429	3,675
Loss on abandonment of property, plant, and equipment	128,779	94,305
Loss on disposal of intangible assets	2	
Increase to provisions	375,716	510,013
Gain on foreign currency translation, net	(9,846)	(700,819)
Loss on valuation of financial assets at FVTPL	468	
Valuation and transaction loss on derivative instruments, net	62,056	743,089
Share in income of associates and joint ventures, net	(203,029)	(160,482)
Gain on sale of financial assets		(494)
Gain on disposal of property, plant and equipment	(14,366)	(11,029)
Gain on disposal of intangible assets		(463)
Gain on disposal of investments in associates and joint ventures		(68)
Loss on disposal of investments in associates and joint ventures	2,184	
Interest income	(50,678)	(54,457)
Dividend income	(8,107)	(9,677)
Others, net	2,468	6,610
	3,335,081	3,854,120
Changes in:		
Trade receivables	1,050,573	1,112,414
Non-trade receivables	39,971	41,927
Accrued income	156,933	(50,930)
Other receivables	3,752	3,729

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Other current assets	(369,537)	(120,754)
Inventories	(164,688)	(302,233)
Other non-current assets	(133,258)	(13,048)
Trade payables	71,386	(516,617)
Non-trade payables	144,499	(164,995)
Accrued expenses	(215,813)	(61,172)
Other payables	(291)	
Other current liabilities	606,374	148,256
Other non-current liabilities	154,769	227,729
Investments in associates and joint ventures (dividends received)	19,822	13,260
Provisions	(236,306)	(248,582)
Payments of employee benefit obligations	(26,059)	(23,265)
Plan assets	(234)	
	1,101,893	45,719

(Continued)

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KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES

Consolidated Interim Statements of Cash Flows, Continued

For the three-month periods ended March 31, 2018 and 2017

(Unaudited)

<i>In millions of won</i>	March 31, 2018	March 31, 2017
Cash generated from operating activities	₩ 4,186,507	4,799,870
Dividends received (available-for-sale financial assets)	1,583	1,323
Interest paid	(433,588)	(470,114)
Interest received	41,002	44,329
Income taxes paid	(160,371)	(989,289)
Net cash from operating activities	3,635,133	3,386,119
Cash flows from investing activities		
Proceeds from disposals of associates and joint ventures		681
Acquisition of associates and joint ventures	(137,552)	(116,618)
Proceeds from disposals of property, plant and equipment	24,767	37,155
Acquisition of property, plant and equipment	(3,212,009)	(3,569,106)
Proceeds from disposals of intangible assets		2,689
Acquisition of intangible assets	(24,251)	(16,375)
Proceeds from disposals of financial assets	933,393	1,713,211
Acquisition of financial assets	(1,826,249)	(1,384,357)
Increase in loans	(86,796)	(190,519)
Collection of loans	38,681	25,931
Increase in deposits	(85,112)	(80,028)
Decrease in deposits	49,304	28,107
Receipt of government grants	5,689	24,640
Other cash inflow (outflow) from investing activities, net	20,209	(578)
Net cash used in investing activities	(4,299,926)	(3,525,167)
Cash flows from financing activities		
Proceeds from short-term borrowings, net	571,300	1,642,339
Proceeds from long-term borrowings and debt securities	3,160,771	1,860,683
Repayment of long-term borrowings and debt securities	(2,199,149)	(3,166,110)
Payment of finance lease liabilities	(34,303)	(31,039)
Settlement of derivative instruments, net	(6,011)	18,898
Change in non-controlling interest	6,271	6
Dividends paid (hybrid bond)	(4,415)	(4,059)

Dividends paid	(14)	(5,116)
Other cash outflow from financing activities, net	(242)	
Net cash from financing activities	1,494,208	315,602
Net increase in cash and cash equivalents before effect of exchange rate fluctuations	829,415	176,554
Effect of exchange rate fluctuations on cash held	172,692	(40,267)
Net increase in cash and cash equivalents	1,002,107	136,287
Cash and cash equivalents at January 1	2,369,739	3,051,353
Effect of change in accounting policy	(791,324)	
Cash and cash equivalents at March 31	₩ 2,580,522	3,187,640

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

March 31, 2018

(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 March 31, 2018, 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 192,639,015 shares (30.01%) as of the most recent closing date of Register of Shareholders (March 15, 2018).

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

March 31, 2018

(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, and 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

March 31, 2018

(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 March 31, 2018 and 2017 are ₩1,344,125 million and ₩1,347,431 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 operations on November 21, 1982 and its 30-year of designed life expired on November 20, 2012. 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.

According to the Eighth Basic Plan for Electricity Supply and Demand by the Ministry of Trade, Industry and Energy, Wolsong Unit 1 nuclear power plant is expected to go through a comprehensive evaluation for the feasibility of continuous operation including economic efficiency and acceptability of household and community in 2018.

The Korean government plans to refund to the Company for reasonable expenditures incurred in relation to the phase-out of nuclear power plants in accordance with the energy transformation policy established by Korean

government. In doing so, after discussions with relevant government agencies and upon approval by the Congress, the Korean government is considering to use available resource including utilizing relevant fund to make the refund. Also, Korean government plans to establish relevant legal basis of providing refund including utilizing available resource, if necessary.

(5) Changes in accounting policies

The Company has newly applied the following new standards for annual periods beginning on January 1, 2018.

(i) K-IFRS 1109 Financial Instruments

The Company has adopted K-IFRS 1109 Financial Instruments , since January 1, 2018. K-IFRS 1109 sets out the requirements for recognizing and measuring financial assets, financial liabilities and certain contracts to buy or sell non-financial items. It replaces existing guidance in K-IFRS 1039 Financial Instruments: Recognition and Measurement .

The Company has taken an exemption not to restate comparative information for prior periods upon adoption of K-IFRS 1109. Accordingly, the information presented for 2017 has not been restated and differences in the carrying amounts of financial assets resulting from the adoption of K-IFRS 1109 are recognized in retained earnings at January 1, 2018.

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KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Interim Financial Statements, Continued

March 31, 2018

(Unaudited)

2. Basis of Preparation, Continued**(5) Changes in accounting policies, continued**

Based on the result of the detailed assessment, the impacts on the Company's financial assets (excluding derivative instruments) on the date of initial application (January 1, 2018) are as follows:

In millions of won

Original classification	New classification	Original carrying amount under	New carrying amount under
under	under	amount under	amount under
K-IFRS 1039	K-IFRS 1109	K-IFRS 1039	K-IFRS 1109
Financial assets at FVTPL	FVTPL	₩ 111,512	111,512
Loans and receivables	Amortized cost	15,203,663	14,405,570
Loans and receivables	FVTPL		791,324
Available-for-sale financial assets	FVOCI	699,833	476,941
Available-for-sale financial assets	FVTPL		222,892
Held-to-maturity investments	Amortized cost	3,144	3,144
Total financial assets (excluding derivative instruments)		₩ 16,018,152	16,011,383

The impacts on the Company's equity including retained earnings on the date of initial application (January 1, 2018) are as follows:

In millions of won

Type	Equity attributable to owners of the controlling company			Total equity
	Retained earnings	Other components of equity	Non-controlling interests	

Reclassification of cumulative gain or loss of available-for-sale financial assets	₩ 76,851	(76,851)	
Remeasurement of expected credit loss			
- Trade and other receivables	(6,769)		(6,769)
- Income tax effect	1,846		1,846
Total	₩ 71,928	(76,851)	(4,923)

The detailed accounting policies under K-IFRS 1109 are described in note 3.(21).

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

K-IFRS 1115 sets out a comprehensive framework for determining whether revenue is recognized, the extent of revenue recognized, and when revenue is recognized. 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.

The Company has retrospectively applied and recognized the cumulative effect of the adoption of K-IFRS 1115 at the date of initial application (January 1, 2018) and has retrospectively applied K-IFRS 1115 to only those contracts that were not completed as of the date of initial application (January 1, 2018). Accordingly, the Company has not restated the comparative periods.

The Company believes that there is no significant impact on the Company's consolidated interim financial statements. The detailed accounting policies under K-IFRS 1115 are described in note 3.(7).

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KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Interim Financial Statements, Continued

March 31, 2018

(Unaudited)

2. Basis of Preparation, Continued

(6) New standards and amendments not yet adopted

(i) K-IFRS 1116 Lease

K-IFRS 1116 replaces K-IFRS 1017 Lease and K-IFRS 2104 Determining whether an Arrangement contains a Lease. This standard is effective for annual reporting periods beginning on or after January 1, 2019, with early adoption permitted if K-IFRS 1115 Revenue from Contracts with Customers has also been applied.

Under K-IFRS 1116, a lessee shall apply this standard to its leases either:

- (a) retrospectively to each prior reporting period presented applying K-IFRS 1008 Accounting Policies, Changes in Accounting Estimates and Errors ; or
- (b) retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application.

The Company has not yet determined the transition approach for K-IFRS 1116.

K-IFRS 1116 provides a single lessee accounting model in which the lessee recognizes lease related assets and liabilities in the statement of financial position. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Lease recognition may be exempted for short-term leases and leases for which the underlying asset is of low value. Accounting for a lessor is similar to the existing standard that classifies each of its leases as either an operating lease or a finance lease.

Upon adoption of K-IFRS 1116, the nature of the costs associated with the lease will change as the operating lease payments recognized based on a straight-line basis will change to depreciation expense of a right-of-use asset and interest expense of the lease liability and no significant impact is expected on the Company's finance lease.

The Company plans to conduct a detailed assessment of the potential impact from the application of K-IFRS 1116 during the year ending December 31, 2018.

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KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Interim Financial Statements, Continued

March 31, 2018

(Unaudited)

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, 2017.

(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.