OFFERING CIRCULAR CONFIDENTIAL

US$5,000,000,000

KOREA HYDRO & NUCLEAR POWER CO., LTD.

(incorporated with limited liability under the laws of the Republic of Korea)

Global Medium Term Note Program

This offering circular (the "**Offering Circular**") replaces and supersedes in its entirety the previous offering circular dated May 26, 2015 describing the US$5,000,000,000 Global Medium Term Note Program (the "**Program**", as amended, supplemented or restated) of Korea Hydro & Nuclear Power Co., Ltd. (the "**Issuer**" or the "**Company**"). Any Notes (as defined below) issued under the Program on or after the date of this Offering Circular are issued subject to the provisions described herein. Under the Program, the Company may from time to time issue notes (the "**Notes**") denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

The Notes may be issued in bearer or registered form (respectively "**Bearer Notes**" and "**Registered Notes**"). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Program will not exceed US$5,000,000,000 (or its equivalent in other currencies calculated as described herein), subject to increase as described herein.

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

Approval in-principle has been received from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") in connection with the Program and application will be made for the listing and quotation of Notes that may be issued under the Program, which Notes are agreed, at or prior to the time of issue thereof, to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted for listing and quotation on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Offering Circular. Approval in-principle from, admission to the Official List of, and the listing and quotation of any Notes on, the SGX-ST are not to be taken as an indication of the merits of the Issuer, the Program or the Notes.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under "*Terms and Conditions of the Notes*") of Notes will be set out in a pricing supplement (the "**Pricing Supplement**") which, with respect to Notes to be listed on the SGX-ST, will be delivered to the SGX-ST before the date of listing of the Notes of such Tranche.

The Program provides that Notes may be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes.

Investing in the Notes involves certain risks that are described in the "*Risk Factors*" section beginning on page 59 of this Offering Circular.

The Notes of each Series will be in either bearer form, with or without interest coupons attached, or registered form, without interest coupons attached. Bearer Notes will be issued only outside the United States to non-U.S. persons in reliance on the exemption from registration provided by Regulation S under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") and Registered Notes may be issued both outside the United States to non-U.S. persons in reliance on the exemption from registration provided by Regulation S and within the United States or to U.S. persons in private transactions (i) to "qualified institutional buyers" within the meaning of Rule 144A under the Securities Act ("**QIBs**") or (ii) to "accredited investors" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) that are institutions ("**Institutional Accredited Investors**") who agree to purchase the Notes for their own account and not with a view to the distribution thereof. Bearer Notes are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered or sold, or in the case of Bearer Notes delivered, in the United States or its possessions or to, or for the benefit of, U.S. persons (as defined in Regulation S under the Securities Act or, in the case of Bearer Notes, the U.S. Internal Revenue Code of 1986, as amended (the "**Code**")). See "*Form of the Notes*" for more description of the manner in which Notes will be issued. Notes are subject to certain restrictions on transfer. See "*Subscription and Sale and Transfer and Selling Restrictions.*"

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

Arranger

Citigroup

Dealers

BofA Merrill Lynch	**BNP PARIBAS**
Deutsche Bank	**Citigroup**
HSBC	**Goldman Sachs International**
Morgan Stanley	**J.P. Morgan**
UBS	**Standard Chartered Bank**

The date of this Offering Circular is July 3, 2017.

The Issuer, having made all reasonable enquiries, confirms that this Offering Circular contains or incorporates all information which is material in the context of the issue and offering of Notes, that the information contained or incorporated by reference in this Offering Circular is true and accurate in all material respects and is not misleading in any material respect, that the opinions and intentions expressed in this Offering Circular are honestly held and have been reached after considering all relevant circumstances and are based on reasonable assumptions and that there are no other facts whose omission would, in the context of the issue and offering of the Notes, make this Offering Circular as a whole or any information or the expression of any opinions or intentions in this Offering Circular misleading in any material respect. The Issuer accepts responsibility accordingly.

This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference. See "*Documents Incorporated by Reference*." This Offering Circular should be read and construed on the basis that such documents are incorporated in and form part of this Offering Circular.

This Offering Circular is based on information provided by the Issuer and by other sources that the Issuer believes are reasonable. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers as to the authenticity, origin, validity, accuracy or completeness of the information contained or incorporated by reference in this Offering Circular or any supplement hereto or any other information provided by the Issuer in connection with the Program or any other statement, made or purported to be made by any Dealer or on its behalf in connection with the Issuer, the Program or the issue and offering of the Notes. To the fullest extent permitted by law, no Dealer accepts any liability (and accordingly disclaims all liability whether arising in tort or contract or otherwise) in relation to the information contained or incorporated by reference in this Offering Circular, or any other information provided by the Issuer in connection with the Program or any other statement, made or purported to be made by any Dealer or on its behalf in connection with the Issuer, the Program or the issue and offering of the Notes. Each Dealer and its affiliates accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular or any such information.

No person is or has been authorized by the Issuer to give any information or to make any representation which is not contained in or which is not consistent with this Offering Circular or any other information supplied by or on behalf of the Issuer in connection with the Program or the Notes, and if given or made, such information or representation must not be relied upon as having been authorized by the Issuer or any of the Dealers.

Neither this Offering Circular nor any other information supplied in connection with the Program or any Notes (i) is intended to provide the basis of any credit, taxation or other evaluation or (ii) should be considered as a recommendation or to constitute an invitation or offer by the Issuer or any of the Dealers to any of its recipient to purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Offering Circular nor any other information supplied in connection with the Program or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer or any of the Dealers to any person to subscribe for or to purchase any Notes.

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

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

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

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

None of the Dealers or the Issuer makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

U.S. INFORMATION

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

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

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

The distribution of this Offering Circular and the offer, sale or delivery of Notes may be restricted by law in certain jurisdictions. Persons into whose possession this Offering Circular or any Notes come must inform themselves about, and observe, any such restrictions. The Notes have not been and will not be registered under the Securities Act, and may include Notes that are in bearer form that are subject to U.S. tax law requirements and limitations. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to U.S. persons. For a description of certain restrictions on offers and sales of Notes and on distribution of this Offering Circular, see "*Subscription and Sale and Transfer and Selling Restrictions*."

CERTAIN DEFINED TERMS AND CONVENTIONS

The Issuer has prepared this Offering Circular using a number of conventions that should be considered when reading the information contained in this Offering Circular. References to the "**Company**", "**KHNP**" or the "**Issuer**" are to Korea Hydro & Nuclear Power Co., Ltd. References to "we", "us", "our" and "ourselves" are to our Company and where the context requires, our Company and our subsidiaries.

References herein to "**Korea**" are to the Republic of Korea, and references to the "**Government**" or "**government**" are to the Government of Korea. The Issuer's consolidated financial statements as of and for the years ended December 31, 2014, 2015 and 2016 have been prepared in accordance with the Korean International Financial Reporting Standards ("**K-IFRS**"). The Issuer's condensed consolidated interim financial statements as of March 31, 2017 and for the three months ended March 31, 2016 and 2017 have been prepared in accordance with K-IFRS No. 1034 'Interim Financial Reporting'.

All references in this Offering Circular to "**U.S. dollars**", "**dollars**", "**US$**", "**U.S.$**" and "**$**" refer to the currency of the United States of America, all references to "**Won**" and "**₩**" refer to the currency of Korea, all references to "**Yen**" and "**¥**" refer to the currency of Japan, all references to "**C$**" refer to the currency of Canada and all references to "**€**", "**Euro**" and "**euro**" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended. All references in this Offering Circular to "**KW**" refer to kilowatt, "**MW**" to megawatt, "**GW**" to gigawatt and "**kWh**" to kilowatt hour.

Any discrepancies in any table between totals and sums of the amounts listed are due to rounding. The Company maintains its accounts in Won. Unless otherwise indicated, all translations from Won to U.S. dollars herein indicated as of or for the year ended December 31, 2016 and as of and for the period ended March 31, 2017 were made at the rate of Won 1,116.1 to US$1.00, the exchange rate based on the basic rate under the market average exchange rate system, provided by Seoul Money Brokerage Services, Ltd. between Won and U.S. dollars (the "**Market Average Exchange Rate**") and in effect on March 31, 2017. These translations were made solely for the convenience of the reader. No representation is made that the Won or U.S. dollar amounts referred to herein could have been or could be converted into U.S. dollars or Won, as the case may be, at any particular rate or at all. On June 30, 2017, the Market Average Exchange Rate was Won 1,139.6 = US$1.00. See "*Exchange Rates*."

FORWARD-LOOKING STATEMENTS

Certain statements in this Offering Circular constitute "forward-looking statements", including statements regarding the Issuer's expectations and projections for future operating performance and business prospects. The words "believe", "expect", "anticipate", "estimate", "project", "will", "aim", "will likely result", "will continue", "intend", "plan", "contemplate", "seek to", "future", "objective", "goal", "should", "will pursue" and similar expressions or variations of these expressions identify forward-looking statements. In addition, all statements other than statements of historical facts included in this Offering Circular, including, without limitation, those regarding the Issuer's financial position and results, business strategy, plans and objectives of management for future operations, including development plans and objectives relating to the Issuer's products and services, are forward-looking statements. Such forward-looking statements and any other projections contained in this Offering Circular (whether made by the Issuer or any third party) involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from the future results, performance or achievements expressed or implied by forward-looking statements. Such forward-looking statements are based on current beliefs, assumptions, expectations, estimates and projections regarding the Issuer's present and future business strategies and the environment in which the Issuer will operate in the future. Among the important factors that could cause some or all of those assumptions not to occur or cause the Issuer's actual results, performance or achievements to differ materially from those in the forward-looking statements include, among other things, the Issuer's ability to successfully implement its business strategy and its safety policies, the condition of and changes in the Korean, Asian or global economies, the Issuer's growth and expansion, including whether the Issuer succeeds in its capital investment program to increase its installed capacity, changes in interest rates and changes in government regulation and licensing of its businesses in Korea and in other jurisdictions where the Issuer may operate, and the change in the price of electricity sold by the Issuer. Additional factors that could cause the Issuer's actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "*Risk Factors*." Any forward-looking statements contained in this Offering Circular speak only as of the date of this Offering Circular. Each of the Issuer and the Dealers expressly disclaims any obligation or undertaking to release, publicly or otherwise, any updates or revisions to any forward-looking statement contained herein to reflect any change in the Issuer's expectations with regard thereto or any change in events, conditions, assumptions or circumstances on which any such statement was based.

ENFORCEMENT OF CIVIL LIABILITIES

The Issuer is a corporation organized under the laws of Korea. All of the officers and directors named herein reside outside the United States and all or a substantial portion of the assets of the Issuer and its officers and directors are located outside the United States. As a result, it may not be possible for investors to effect service of process outside Korea upon the Issuer or such persons, or to enforce judgments against them obtained in courts outside Korea predicated upon civil liabilities of the Issuer or its directors and officers under laws other than Korean law, including any judgment predicated upon United States federal securities laws. The Issuer has been advised by Kim & Chang, its counsel, that as a matter of Korean law there would be certain conditions to be met under Korean law regarding the enforceability in Korea, either in original actions or in actions for the enforcement of U.S.-court judgments, of civil liabilities based on the U.S. federal securities laws.

DOCUMENTS INCORPORATED BY REFERENCE

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

(a) the publicly available audited consolidated annual financial statements and the interim consolidated financial statements (if any) of the Issuer for the most recent financial period; see "*General Information*" for a description of the financial statements currently regularly published by the Issuer; and

(b) all supplements or amendments to this Offering Circular circulated by the Issuer from time to time,

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

The Issuer will provide, without charge, to each person to whom a copy of this Offering Circular has been delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Requests for such documents should be directed to the Issuer at its registered offices set out at the end of this Offering Circular.

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

AVAILABLE INFORMATION

To permit compliance with Rule 144A in connection with any resales or other transfers of Notes that are "restricted securities" within the meaning of the Securities Act, the Issuer has undertaken in the Program Agreement to furnish, upon the request of a holder of such Notes or any beneficial interest therein, to such holder or to a prospective purchaser designated by him or her, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, the Issuer is neither a reporting company under Section 13 or Section 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

GENERAL DESCRIPTION OF THE PROGRAM

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

This Offering Circular and any supplement will only be valid for the offering of Notes in an aggregate nominal amount which, when added to the aggregate nominal amount then outstanding of all Notes previously or simultaneously issued under the Program, does not exceed US$5,000,000,000 or its equivalent in other currencies. For the purpose of calculating the U.S. dollar equivalent of the aggregate nominal amount of Notes issued under the Program from time to time:

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

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

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

TABLE OF CONTENTS

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilizing Manager(s) (or persons acting on behalf of any Stabilizing Manager(s)) in the applicable Pricing Supplement may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilizing Manager(s) (or persons acting on behalf of a Stabilizing Manager) will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end (unless otherwise indicated in the applicable Pricing Supplement) no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilization action or over-allotment must be conducted by the relevant Stabilizing Manager(s) (or person(s) acting on behalf of any Stabilizing Manager(s)) in accordance with all applicable laws and rules.

SUMMARY

We were established on April 2, 2001 as a result of a corporate split from KEPCO, pursuant to which KEPCO transferred all of its nuclear and hydroelectric power generation assets and related liabilities to us in accordance with the Act on the Promotion of Restructuring the Electric Power Industry and the Restructuring Plan for the electricity industry in Korea announced by MOTIE. See "*The Korean Electricity Industry — Restructuring of the Electricity Industry in Korea.*" Pursuant to Article 2 of our Articles of Association, we engage in nuclear and hydroelectric power generation and sell all of our generated electricity to KEPCO through the KPX in accordance with Article 31 of the Electricity Business Act of Korea. We are wholly owned by KEPCO and are the only nuclear power generation company in Korea.

Our vision is to become a trusted leader in the global energy industry. Our key strategic priorities are in the following three areas: enhanced safety for our nuclear operations, incremental and selective expansion of overseas businesses and creation of new business opportunities based on technological development. We maintain a "safety first, corruption free" principle for all our operating systems and comprehensively improve our business through technological innovation. We plan to continue to focus on winning mandates for engineering, procurement and construction ("**EPC**") projects as well as explore opportunities for expanding into the "build, operate and own" business. We also strive to explore new business areas, such as decommissioning and renewable energy optimization, with a view of exporting such services in the future.

As of March 31, 2017, we owned and operated 25 nuclear power generation units with aggregate installed capacities of 23,116 MW, 35 hydroelectric power generation units with aggregate installed capacities of 606 MW, 16 pumped-storage hydro power generation units with aggregate installed capacities of 4,700 MW, and six wind/solar power generation units with aggregate installed capacity of 17 MW. All of our nuclear power plants supply base load power, and hydroelectric power plants supply electricity during peak hours.

Nuclear power is one of the largest electricity supply sources in Korea. As of March 31, 2017, we owned approximately 26.0% of the total electricity generation capacity in Korea (excluding plants generating electricity primarily for private or emergency use). In 2016 and for the three months ended March 31, 2017, we sold 158,804 GW hours and 37,981 GW hours of electricity, respectively, to KEPCO. Nuclear power, all of which is generated by us, accounted for 30.3% and 27.6% of total electricity sold in Korea in 2016 and for the three months ended March 31, 2017, respectively. In 2016 and for the three months ended March 31, 2017, nuclear power generation accounted for 97.1% and 97.0%, respectively, of the electricity generated by us.

In 2014, 2015, 2016 and for the three months ended March 31, 2017, our revenue was Won 9,504 billion, Won 10,747 billion, Won 11,277 billion and Won 2,688 billion, respectively. We recorded profit of Won 1,440 billion in 2014, Won 2,456 billion in 2015, Won 2,472 billion in 2016 and Won 568 billion for the three months ended March 31, 2017. As of March 31, 2017, our total assets amounted to Won 52,688 billion.

Pursuant to the Basic Plan, we have incurred substantial expenditures for the construction of nuclear power generation units and other facilities to meet increased demand for electric power. Based on the National Energy Basic Plan and the Basic Plan, we plan to continue to make substantial expenditures to expand and enhance our nuclear power generating capacity in the future. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Capital Requirements.*"

We are a corporation of unlimited duration incorporated with limited liability under the laws of Korea. Our registered office is located at 1655 Bulguk-ro, Yangbuk-myeon, Gyeongju-si, Gyeongsangbuk-do 38120, Republic of Korea. Our corporate registration number in the commercial registry office in Korea is 120-86-18943.

The Program

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

Issuer	Korea Hydro & Nuclear Power Co., Ltd.
Description	Global Medium Term Note Program
Arranger	Citigroup Global Markets Inc.
Dealers	BNP Paribas, Citigroup Global Markets Inc., Deutsche Bank AG, Singapore Branch, Goldman Sachs International, The Hongkong and Shanghai Banking Corporation Limited, J.P. Morgan Securities plc, Merrill Lynch International, Morgan Stanley & Co. International plc, Standard Chartered Bank, UBS AG Hong Kong Branch and any other Dealers appointed in accordance with the Program Agreement.
Certain Restrictions	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "*Subscription and Sale and Transfer and Selling Restrictions*") including the following restrictions applicable at the date of this Offering Circular. Notes with a maturity of less than one year: Notes having a maturity of less than one year from the date of issue will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent. See "*Subscription and Sale and Transfer and Selling Restrictions*."
Fiscal Agent	Citicorp International Limited
Principal Paying Agent	Citibank, N.A., London Branch
Registrar	Citigroup Global Markets Deutschland AG

Program Size	Up to US$5,000,000,000 (or its equivalent in other currencies calculated as described under "General Description of the Program") outstanding at any time. The Issuer may increase the amount of the Program in accordance with the terms of the Program Agreement.
Distribution	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies	Subject to any applicable legal or regulatory restrictions, any currency agreed between the Issuer and the relevant Dealer.
Redenomination	The applicable Pricing Supplement may provide that certain Notes may be redenominated in Euro (to the extent permitted under the applicable Korean laws and regulations). The relevant provisions applicable to any such redenomination are contained in Condition 5 (Redenomination).
Maturities	Such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
Issue Price	The Notes may be issued on a fully paid or a partly paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes	The Notes will be issued in bearer or registered form as described in "Form of the Notes." Registered Notes will not be exchangeable for Bearer Notes and vice versa.
Fixed Rate Notes	Fixed Rate Notes will bear fixed interest payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.
Floating Rate Notes	Floating Rate Notes will bear interest at a rate determined: i. on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or

	ii. on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or
	iii. on such other basis as may be agreed between the Issuer and the relevant Dealer.
	The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes.
Index Linked Notes	Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the Issuer and the relevant Dealer may agree.
Other provisions in relation to Floating Rate Notes and Index Linked Interest Notes	Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both.
	Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.
Dual Currency Notes	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer may agree.
Zero Coupon Notes	Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest other than in the case of late payment.
Redemption	The applicable Pricing Supplement will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified installments, if applicable, or for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as set forth in the applicable Pricing Supplement.
	The applicable Pricing Supplement may provide that Notes may be redeemable in two or more installments of such amounts and on such dates as are indicated in the applicable Pricing Supplement.

Denomination of Notes	Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer except that the minimum denomination of each Note will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency. Unless otherwise stated in the applicable Pricing Supplement, the minimum denomination of each Definitive IAI Registered Note (as defined under "*Terms and Conditions of the Notes*") will be US$500,000 or its approximate equivalent in other Specified Currencies.
Withholding Taxes	All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction (as defined in Condition 10 (Taxation)), subject to exceptions as provided in Condition 10 (Taxation). In the event that any such deduction is made, the Issuer will, except in certain limited circumstances provided in Condition 10 (Taxation), be required to pay additional amounts to cover the amounts so deducted.
Certain Covenants	The terms of the Notes will contain limitations on liens, and sale and leaseback transactions, consolidation, merger and sale of assets and certain other covenants, as further described in Condition 4 (Certain Covenants).
Cross Acceleration	The terms of the Notes will contain a cross acceleration provision as further described in Condition 12 (Events of Default).
Status of the Notes	The Notes will constitute direct, unconditional, unsubordinated and, subject to the provisions of Condition 4 (Certain Covenants), unsecured obligations of the Issuer and will rank *pari passu* among themselves and (except for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

Listing	Approval in-principle has been received from the SGX-ST in connection with the Program and application will be made for the listing and quotation of Notes that may be issued under the Program, which Notes are agreed, at or prior to the time of issue thereof, to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted for listing and quotation on the SGX-ST. For so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, such Notes will be traded on the SGX-ST in a minimum board lot size of S$200,000 (or its equivalent in another currency). The Notes may also be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer in relation to each Series or Tranche. Unlisted Notes may also be issued. The applicable Pricing Supplement will state whether or not the relevant Notes are to be listed and, if so, on which stock exchange(s).
Governing Law	The Notes will be governed by, and construed in accordance with the laws of the state of New York.
Selling Restrictions	There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area (including the United Kingdom), Korea, Japan, Singapore, Hong Kong and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes. See "*Subscription and Sale and Transfer and Selling Restrictions*." Bearer Notes will be issued in compliance with U.S. Treasury Regulation §1.163-5(c)(2)(i)(D) (the "**D Rules**") unless the relevant Pricing Supplement states that (i) the Notes are issued in compliance with U.S. Treasury Regulation §1.163-5(c)(2)(i)(C) (the "**C Rules**") or (ii) the Notes are issued other than in compliance with the D Rules or the C Rules; Notes with a maturity of 365 days or less (taking into account unilateral extensions and rollovers) will be issued other than in compliance with the D Rules or the C Rules and will be referred to in the relevant Pricing Supplement as a transaction to which the United States Tax Equity and Fiscal Responsibility Act of 1982 ("**TEFRA**") is not applicable.

FORM OF THE NOTES

Certain capitalized terms used herein are defined in the "*Terms and Conditions of the Notes*." Any reference herein to Euroclear and/or Clearstream and/or DTC shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement.

The Notes of each Series will be in either bearer form, with or without interest coupons attached, or registered form, without interest coupons attached. Bearer Notes will be issued outside the United States in reliance on Regulation S and Registered Notes will be issued both outside the United States in reliance on the exemption from registration provided by Regulation S and within the United States in reliance on Rule 144A or another available exemption from the registration requirements of the Securities Act. Bearer Notes will also be subject to U.S. tax restrictions described below.

Bearer Notes

Each Tranche of Bearer Notes will be initially issued in the form of either a temporary bearer global note ("**Temporary Bearer Global Note**") or a permanent bearer global note ("**Permanent Bearer Global Note**" and, together with Temporary Bearer Global Note, the "**Bearer Global Notes**") as indicated in the applicable Pricing Supplement, which, in either case, will be delivered on or prior to the original issue date of the Tranche to a common depositary (the "**Common Depositary**") for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream**"). Bearer Notes issued under the D Rules will be initially issued in the form of Temporary Bearer Global Note. While any Bearer Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Bearer Global Note only to the extent that certification (in a form annexed to the Agency Agreement) has been received by Euroclear and/or Clearstream and Euroclear and/or Clearstream, as applicable, has given a similar certification (based on the certifications it has received) to the Principal Paying Agent, as required by U.S. Treasury Regulations. Such certification shall state that on the Exchange Date, the Bearer Notes are (i) owned by persons that are not United States persons, (ii) owned by United States persons that (a) are foreign branches of the United States financial institutions (as defined in United States Treasury Regulations Section 1.165-12(c)(1)(iv)) ("**financial institutions**") purchasing for their own account or for resale, or (b) acquire the Bearer Notes through foreign branches of United States financial institutions and that hold the Bearer Notes through such financial institutions through such date (and in either case (a) or (b), each such United States financial institution has agreed, on its own behalf or through its agent, that the Issuer has been advised that such United States financial institutions will comply with the requirements of Section 165(j)(3)(A), (B) or (C) of the Code and the regulations thereunder), or (iii) owned by United States or foreign financial institutions for the purposes of resale during the restricted period (as defined in United States Treasury Regulations Section 1.163-5(c)(2)(i)(D)(7)) and such financial institutions certify that they have not acquired the Bearer Notes for purposes of resale directly or indirectly to a United States person or to a person within the United States or its possessions.

From the date (the "**Exchange Date**") which is 40 days after a Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) by the Noteholder either for (i) interests in a Permanent Bearer Global Note of the same Series or (ii) definitive Bearer Notes of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Pricing Supplement), in each case against certification of beneficial ownership as described above unless such certification has already been given. Definitive Bearer Notes will only be delivered outside the United States. The holder of an interest in a

Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the interest in the Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note or for definitive Bearer Notes is improperly withheld or refused.

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

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

The following legend will appear on all Bearer Notes which have a maturity of more than 365 days (including unilateral rollovers and extensions) and on all talons, receipts and interest coupons relating to such Notes:

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

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

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

Registered Notes

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

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

Registered Global Notes will either (i) be deposited with a custodian for, and registered in the name of a nominee of, DTC for the accounts of its participants, including Euroclear and Clearstream or (ii) be deposited with a common depositary for, and registered in the name of a common nominee of, Euroclear and Clearstream, as specified in the applicable Pricing Supplement. Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form. Unless otherwise stated in the applicable Pricing Supplement, the minimum denomination of each Global Note shall be €100,000 or its approximate equivalent in other Specified Currencies.

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

Payments of principal, interest and any other amount in respect of the Registered Global Notes will, in the absence of provisions to the contrary, be made to the person shown on the Register (as defined in Condition 8(d) (*Payments — Payments in Respect of*

Registered Notes)) as the registered holder of the Registered Global Notes. None of the Issuer, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 8(d) (*Payments — Payments in Respect of Registered Notes*)) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes only upon the occurrence of an Exchange Event. For these purposes, "**Exchange Event**" means that (i) an Event of Default has occurred and is continuing, (ii) in the case of Notes registered in the name of a nominee for DTC, either DTC has notified the Issuer that it is unwilling or unable to continue to act as depository for the Notes and no alternative clearing system is available or DTC has ceased to constitute a clearing agency registered under the Exchange Act, (iii) in the case of Notes registered in the name of a nominee for a common depositary for Euroclear and Clearstream, the Issuer has been notified that both Euroclear and Clearstream have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system is available or (iv) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Registered Global Note in definitive form. For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer will appoint and maintain a Paying Agent in Singapore, where the Notes may be presented or surrendered for payment or redemption, in the event that the Registered Global Note is exchanged for definitive Registered Notes. In addition, in the event that the Registered Global Note is exchanged for definitive Registered Notes, an announcement of such exchange shall be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Registered Notes, including details of the Paying Agent in Singapore. In the event of the occurrence of an Exchange Event, DTC, Euroclear and/or Clearstream (acting on the instructions of any holder of an interest in such Registered Global Note) may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iv) above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

Transfer of Interests

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

General

Pursuant to the Agency Agreement, the Principal Paying Agent or the Registrar, as the case may be, shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, the Notes of such further Tranche shall be assigned a Common Code and ISIN and, where applicable, a CUSIP and CINS number which are different from the Common Code, ISIN, CUSIP and CINS assigned to Notes of any other Tranche of the same Series until at least the expiry of the distribution compliance period applicable to the Notes of such Tranche and, for Bearer Notes subject to the certification requirements under U.S. Treasury regulations, until at least the Notes represented by interests in a temporary Global Note are exchanged for Notes represented by an interest in a permanent Global Note or for definitive Bearer Notes; provided that any further Tranche of Notes consisting of Registered Notes shall be issued under a separate Common Code, ISIN, CUSIP or CINS unless the Additional Notes are issued pursuant to a "qualified reopening" of the original series, are otherwise treated as part of the same "issue" of debt instruments as the original series or are issued with no more than a *de minimis* amount of original discount, in each case for U.S. federal income tax purposes.

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

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

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

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

For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer will appoint and maintain a Paying Agent in Singapore, where the Notes may be presented or surrendered for payment or redemption, in the event that the Global Note is exchanged for definitive Notes. In addition, in the event that the Global Note is exchanged for definitive Notes, an announcement of such exchange shall be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the Paying Agent in Singapore.

Form of Applicable Pricing Supplement

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

[Date]

Korea Hydro & Nuclear Power Co., Ltd.

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the US$5,000,000,000
Global Medium Term Note Program

This document constitutes the Pricing Supplement relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the "**Conditions**") set forth in the Offering Circular dated July 3, 2017. This Pricing Supplement is supplemental to and must be read in conjunction with such Offering Circular.

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

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

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

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

1.	Issuer:		Korea Hydro & Nuclear Power Co., Ltd.
2.	(i)	Series Number:	[●]
	(ii)	Tranche Number:	[●] *(if re-opening fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)*
	(iii)	Reopening:	[Yes/No] *[Specify terms of initial or eventual fungibility]*
3.	Specified Currency or Currencies:		[●]

4.	Aggregate Nominal Amount:		
	(i)	Series:	[●]
	(ii)	Tranche:	[●]
5.	(i)	Issue Price of Tranche:	[●] percent of the Aggregate Nominal Amount [*plus accrued interest from [insert date] (in the case of fungible re-opening issues only, if applicable)*].
	(ii)	Net Proceeds:	[●]
	(iii)	Use of Proceeds:	[●]
6.	(i)	Specified Denominations: *(in the case of Registered Notes, this means the minimum integral amount in which transfers can be made)*	[●] *(N.B. In the case of Registered Notes, this means the minimum integral amount in which transfers can be made. For Registered Global Notes, consider including language substantially to the following effect (however, appropriate amendments should be made for different currencies)* *"[€100,000] and integral multiples of [€1,000] in excess thereof")* (*N.B. For Bearer Notes with a Specified Denomination and higher integral multiples above the minimum denomination, consider including language substantially to the following effect (however, appropriate amendments should be made for different currencies*): *"[US$200,000] and integral multiples of [US$1,000] in excess thereof, up to and including [US$499,000] and, for so long as the Notes are represented by a Global Note (as defined below) and Euroclear and Clearstream so permit, the Notes shall be tradable only in the minimum authorized denomination of [US$200,000] and higher integral multiples of [US$1,000], notwithstanding that no definitive notes will be issued with a denomination above [US$499,000]."*) [*(in the case of Registered Notes, this means the minimum integral amount in which transfers can be made)*]
	(ii)	Calculation Amount	[●] *(If there is only one Specified Denomination, insert the Specified Denomination. If there is more than one Specified Denomination, insert the highest common factor. N.B. there must be a common factor in the case of two or more Specified Denominations*)
7.	(i)	Issue Date:	[●]
	(ii)	Interest Commencement Date:	[●]
8.	Maturity Date:		[*Fixed rate — specify date/Floating rate — Interest Payment Date falling in or nearest to [specify month and year]*]

9.	Interest Basis:	[percent Fixed Rate] [[LIBOR/EURIBOR] +/- percent Floating Rate] [Zero Coupon] [Index Linked Interest] [Dual Currency Interest] [*specify other*] (further particulars specified below)
10.	Redemption/Payment Basis:	Redemption at par [Index Linked Redemption] [Dual Currency Redemption] [Partly Paid] [Installment] [*specify other*]
11.	Change of Interest Basis or Redemption/ Payment Basis:	*Specify details of any provisions for change of Notes into another Interest Basis or Redemption/Payment Basis*]
12.	Put/Call Options:	[Investor Put] [Issuer Call] [(further particulars specified below)]
13.	Status of the Notes:	Senior
14.	Listing:	[Singapore Exchange Securities Trading Limited/*specify other/None*]
15.	Method of Distribution:	Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16.	Fixed Rate Note Provisions	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(i) Rate(s) of Interest:	[●] percent per annum [payable [annually/semi-annually/quarterly] in arrears] *If payable other than annually, consider amending Condition 6 (Interest)*)
	(ii) Interest Payment Date(s):	([[●] in each year up to and including the Maturity Date]/)specify other]) (*N.B.: This will need to be amended in the case of long or short coupons*)
	(iii) Fixed Coupon Amount(s): (*applicable to Notes in definitive form*)	[●] per Calculation Amount
	(iv) Broken Amount(s): (*applicable to Notes in definitive form*)	[●] per Calculation Amount payable on the Interest Payment Date falling [in/on] [Š] *[Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount]*
	(v) Day Count Fraction:	[30/360 or Actual/Actual (ICMA) or specify other]

	(vi)	Determination Date(s):	[●] in each year [*Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B.: This will need to be amended in the case of regular interest payment dates which are not of equal duration. N.B.: Only relevant where Day Count Fraction is Actual/Actual (ICMA)*]
	(vii)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	[*None/Give details*]
17.	Floating Rate Note Provisions		Applicable/Not Applicable] (*If not* applicable, delete the remaining subparagraphs of this paragraph)
	(i)	Specified period(s)/Specified Interest payment Dates:	[●]
	(ii)	Business Day Convention:	[*Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/ [specify other]*]
	(iii)	Additional Business Center(s):	[●] (*Insert New York City for U.S. dollar denominated Notes to be held through DTC and for non-U.S. dollar denominated Notes where exchange into U.S. dollars is contemplated for DTC participants holding through Euroclear and Clearstream*)
	(iv)	Manner in which the Rate of Interest and Interest Amount are to be determined:	[Screen Rate Determination/ISDA Determination/*specify other*]
	(v)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent):	[●]
		• Reference Rate:	[●] (*Either LIBOR, EURIBOR or other, although additional information is required if other — including fallback provisions in the Agency Agreement*)
		• Interest Determination Date(s):	[●] (*Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or Euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or Euro LIBOR*)

	• Relevant Screen Page:	[●] (*In the case of EURIBOR, if not Reuters Page EURIBOR 01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately*)
	(vi) ISDA Determination:	
	• Floating Rate Option:	(*if not on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions, the Issuer shall describe the basis here*)
	• Designated Maturity:	[●]
	• Reset Date:	[●]
	(vii) Margin(s):	[+/-] [●] percent per annum
	(viii) Rate of Interest:	[+/-] [●] percent per annum
	(ix) Maximum Rate of Interest:	[●] percent per annum
	(x) Day Count Fraction:	[●] [Actual/Actual (ISDA) Actual/Actual Actual/365 Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 30/360 30E/360 30E/360 [ISDA] Other] (*See Condition 6 (Interest) for alternatives*)
18.	Zero Coupon Note Provisions	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(i) Accrual Yield:	percent per annum
	(ii) Reference Price:	[●]
	(iii) Any other formula/basis of determining amount payable:	[●]
	(iv) Day Count Faction in relation to Early Redemption Amounts and late payment:	[Conditions 9(e) (Redemption and Purchase — *Early Redemption Amounts*) — (iii) and Condition 9(j) (Redemption and Purchase — *Late Payment on Zero Coupon Notes*)] (*Consider applicable day count fraction if not U.S. dollar denominated*)

19.	Index Linked Interest Note Provisions	[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
	(i) Index/Formula:	[give or annex details]
	(ii) Calculation Agent responsible for calculating the principal and/or interest due:	[●]
	(iii) Provisions for determining coupon where calculation by reference to Index and/or Formula is impossible or impracticable:	[●]
	(iv) Specified Period(s)/Specified Interest Payment Dates:	[●]
	(v) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/*specify other*]
	(vi) Additional Business Center(s):	[●]
	(vii) Minimum Rate of Interest:	[●] percent per annum
	(viii) Maximum Rate of Interest:	[●] percent per annum
	(ix) Day Count Fraction:	[●]
20.	Dual Currency Note Provisions	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(i) Rate of Exchange/method of calculating Rate of Exchange:	[*give details*]
	(ii) Calculation Agent, if any, responsible for calculating the principal and/or interest payable:	[●]
	(iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[●]
	(iv) Person at whose option Specified Currency(ies) is/are payable:	[●]

PROVISIONS RELATING TO REDEMPTION

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

24.	Early Redemption Amount of each Note payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 9(e) (*Redemption and Purchase — Early Redemption Amounts*))::	[●]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25.	Form of Notes:	[Bearer Notes: [Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]* FN] [Temporary Bearer Global Note exchangeable for Definitive Notes on and after the Exchange Date* FN] [Permanent Bearer Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]* FN]]** FN [Registered Notes: Regulation S Global Note (US$[●] nominal amount) registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream]/Rule 144A Global Note (US$[●] nominal amount) registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream]/Definitive IAI Registered Notes (*specify nominal amounts*)]
26.	Additional Financial Center(s) or other special provisions relating to Payment Dates:	Not Applicable/give details] (*Note that this item relates to the place of payment and not Interest Period end dates to which items 17(iii) and 19(vi) relate; insert New York City for U.S. dollar denominated Notes to be held through DTC*)
27.	Talons for future Coupons or Receipts to be attached to Definitive Bearer Notes:	[Not Applicable/give details]

* N.B. — Regard should be given to the specific requirements of the relevant clearing system(s), if any. Ensure that this is consistent with the wording in the "Form of the Notes" section in the Offering Circular and the Notes themselves. The exchange upon notice/at any time options should not be expressed to the applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: "[US$200,000] and integral multiples of [US$1,000] in excess thereof up to and including [US$499,000]." Noteholders will not have the right to exchange such Global Notes for Definitive Notes other than upon the occurrence of an Exchange Event.

** May not be used if TEFRA D applies.

28.	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	[Not Applicable/*give details*. *N.B.:*] *new forms of Global Note may be required for Partly Paid issues*]
29.	Details relating to Installment Notes:	
	(i) Installment Amount(s):	[Not Applicable/give details]
	(ii) Installment Date(s):	[Not Applicable/give details]
30.	Redenomination applicable:	Redenomination [not] applicable [(*If Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates*))]
31.	Other terms or special conditions:	[Not Applicable/give details]

DISTRIBUTION

32.	(i) If syndicated, names of Managers:	[Not Applicable/give names]
	(ii) Stabilizing Manager (if any):	[Not Applicable/give name]
33.	If non-syndicated, name of relevant Dealer:	[●]
34.	Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable:	TEFRA D/TEFRA C/TEFRA not applicable (for Bearer Notes with a maturity of one year or less (including unilateral rollovers and extensions) or Registered Notes)]*
35.	U.S. Selling Restrictions:	[Regulation S Category 2]
36.	Additional selling restrictions:	[Not Applicable/*give details*]

OPERATIONAL INFORMATION

37.	Any clearing system(s) other than Euroclear and Clearstream and the relevant identification number(s):	[Not Applicable/give name(s) and number(s)]

* Where TEFRA D is applicable, a Note must be issued in the form of a Temporary Bearer Global Note exchangeable upon U.S. tax certification for a Permanent Bearer Global Note or for Definitive Notes.

38.	Delivery:	Delivery [against/free of] payment
39.	In the case of Registered Notes, specify the location of the office of the Registrar if other than New York:	[Note applicable/Luxembourg]]
40.	Additional Paying Agent(s) (if any):	[●]
ISIN:		[●]
Common Code:		[●]
CUSIP:		[●]
CINS:		[●]

(insert here any other relevant codes)

[*If a private banking rebate is paid, please include the following:* "We have agreed with the [Dealers/Managers] that we will pay a commission to certain private banks in connection with the distribution of the Notes to their clients. This commission will be based on the principal amount of the Notes so distributed, and may be deducted from the purchase price for the Notes payable by such private banks upon settlement."]

LISTING APPLICATION

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

This Pricing Supplement comprises the details required to list the issue of Notes described herein pursuant to the listing of the US$5,000,000,000 Global Medium Term Note Program of Korea Hydro & Nuclear Power Co., Ltd.

RESPONSIBILITY

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

Signed on behalf of the Issuer:

By: ______________________________

Duly authorized signatory

Name:

Title:

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

TERMS AND CONDITIONS OF THE NOTES

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

This Note is one of a Series (as defined below) of Notes issued by Korea Hydro & Nuclear Power Co., Ltd. (the "**Issuer**") pursuant to the Agency Agreement (as defined below).

References herein to the "**Notes**" shall be references to the Notes of this Series and shall mean:

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

(ii) any Global Note;

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

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

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an Agency Agreement dated September 30, 2008 (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**"), made between the Issuer, Citicorp International Limited as fiscal agent, and Citibank, N.A., London Branch as principal paying agent and exchange agent (the "**Agent**", which expression shall include any successor agent) and the other paying agents named therein (together with the Agent, the "**Paying Agents**", which expression shall include any additional or successor paying agents), and Citigroup Global Markets Deutschland AG, as registrar (the "**Registrar**", which expression shall include any successor registrar) and a transfer agent and the other transfer agents named therein (together with the Registrar, the "**Transfer Agents**", which expression shall include any additional or successor transfer agents).

Interest-bearing definitive Bearer Notes have interest coupons ("**Coupons**") and, if indicated in the applicable Pricing Supplement, talons for further Coupons ("**Talons**") attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons. Definitive Bearer Notes repayable in installments have receipts ("**Receipts**") for the payment of the installments of principal (other than the final installment) attached on issue. Registered Notes and Global Notes do not have Receipts, Coupons or Talons attached on issue.

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

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

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

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

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

1. Form, Denomination and Title

The Notes may be in bearer form or in registered form as specified in the applicable Pricing Supplement and, in the case of definitive Notes, will be serially numbered, in the Specified Currency and the Specified Denomination(s). Except as provided in Condition 2, Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination and Bearer Notes may not be exchanged for Registered Notes and vice versa.

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

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

This Note may also be a Limited Recourse Note, as indicated in the applicable Pricing Supplement.

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

Subject as set out below, title to the Bearer Notes, Receipts and Coupons will pass by delivery and title to the Registered Notes will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer and any Agent will (except as otherwise required by law) deem and treat the bearer of any Bearer Note, Receipt or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

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

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

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

2. Transfers of Registered Notes

(a) Transfers of Interests in Registered Global Notes

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

(b) Transfers of Registered Notes in Definitive Form

Subject as provided in paragraphs (e), (f) and (g) below, upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Note in definitive form may be transferred in whole or in part, in the authorized denominations set out in the applicable Pricing Supplement. In order to effect any such transfer (i) the holder or holders must (A) surrender the Registered Note for registration of the transfer of the Registered Note, or the relevant part of the Registered Note, at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorized in writing and (B) complete and deposit such other certifications as may be required by the Registrar or, as the case may be, the relevant Transfer Agent and (ii) the Registrar or, as the case may be, the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 10 to the Agency Agreement). Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Registered Note in definitive form of a like aggregate nominal amount to the Registered Note (or the relevant part of the Registered Note) transferred. In the case of the transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

(c) Registration of Transfer upon Partial Redemption

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

(d) Costs of Registration

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

(e) Transfers of Interests in Regulation S Global Notes

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

(i) upon receipt by the Registrar of a written certification substantially in the form set out in Schedule 5 of the Agency Agreement, amended as appropriate ("**Transfer Certificate**"), copies of which are available from the specified office of the Registrar or any Transfer Agent, from the transferor of the Note or beneficial interest therein to the effect that such transfer is being made:

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

(B) to a person who is an Institutional Accredited Investor, in which case the Transfer Certificate must be accompanied by a duly executed investment letter from the relevant transferee substantially in the form set out in Schedule 6 of the Agency Agreement (an "**IAI Investment Letter**"); or

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

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

(f) Transfers of Interests in Legended Notes

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

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

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

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

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

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

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

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

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

(g) Exchanges and Transfers of Registered Notes Generally

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

(h) Definitions

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

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

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

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

"**QIB**" means a "**qualified institutional buyer**" within the meaning of Rule 144A; "**Regulation S**" means Regulation S under the Securities Act;

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

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

"**Rule 144A Global Note**" means a Registered Global Note representing Notes sold in the United States or to QIBs; and "**Securities Act**" means the United States Securities Act of 1933, as amended.

3. Status of Notes

The Notes and any relative Receipts and Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4 (*Certain Covenants*)) unsecured obligations of the Issuer and rank *pari passu* among themselves and (except for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

4. Certain Covenants

(a) Limitation on Liens

The Issuer will not itself, and will not permit any Restricted Subsidiary (as defined below) to, create, incur, issue or assume or guarantee any External Indebtedness (as defined below) secured by any mortgage, charge, pledge, encumbrance or other security interest (a "**Lien**") on any Restricted Property without in any such case effectively providing that the Notes (together with, if the Issuer shall so determine, any other indebtedness of the Issuer or such Restricted Subsidiary then existing or thereafter created) are secured equally and ratably with or prior to such secured External Indebtedness unless, after giving effect thereto, the aggregate principal amount of all such secured External Indebtedness, plus Attributable Debt (as defined below) of the Issuer and its Restricted Subsidiaries in respect of sale and leaseback transactions as described under "Limitation upon Sale and Leaseback Transactions" below, in each case entered into after the date of the issuance of the Notes, would not exceed 10 percent of Consolidated Net Tangible Assets (as defined below).

The foregoing restriction will not apply to External Indebtedness secured by:

(i) any Lien existing on any Restricted Property prior to the acquisition thereof by the Issuer or any of its Restricted Subsidiaries or arising after such acquisition pursuant to contractual commitments entered into prior to and not in contemplation of such acquisition;

(ii) any Lien on any Restricted Property securing External Indebtedness incurred or assumed for the purpose of financing the purchase price thereof or the cost of construction, improvement or repair of all or any part thereof, **provided that** such Lien attaches to such Restricted Property concurrently with or within 12 months after the acquisition thereof or completion or construction, improvement or repair thereof;

(iii) any Lien existing on any Restricted Property of any Restricted Subsidiary prior to the time such Restricted Subsidiary becomes a Subsidiary of the Issuer or arising after such time pursuant to contractual commitments entered into prior to and not in contemplation thereof;

(iv) any Lien securing External Indebtedness owing to the Issuer or to a Restricted Subsidiary; or

(v) any Lien arising out of the refinancing, extension, renewal or refunding of any External Indebtedness secured by any Lien permitted by any of the foregoing clauses or existing at the date of the issuance of the Notes, **provided that** such External Indebtedness is not increased and is not secured by any additional Restricted Property.

For the purposes of Conditions 4(a) and 4(b), the giving of a guarantee which is secured by a Lien on a Restricted Property, and the creation of a Lien on a Restricted Property to secure External Indebtedness which existed prior to the creation of such Lien, shall be deemed to involve the creation of indebtedness in an amount equal to the principal amount guaranteed or secured by such Lien; but the amount of indebtedness secured by Liens on Restricted Properties shall be computed without cumulating the underlying indebtedness with any guarantee thereof or Lien securing the same.

(b) Limitation upon Sale and Leaseback Transactions

The Issuer will not itself, and will not permit any Restricted Subsidiary to, enter into any arrangement, after the date of the issuance of the Note, with any person providing for the leasing by the Issuer or any Restricted Subsidiary of any Restricted Property which has been or is to be sold or transferred to such person or to any other person to whom funds are advanced by such person on the security of such Restricted Property (a "**sale and leaseback transaction**"), unless (a) the Attributable Debt of the Issuer and its Restricted Subsidiaries in respect thereof and in respect of all other sale and leaseback transactions entered into after the date of the issuance of the Notes (other than transactions permitted by clause (b) below) plus the aggregate principal amount of External Indebtedness secured by Liens on Restricted Property then outstanding (excluding any such External Indebtedness secured by Liens described in clause (i) through (v) under "*Limitation on Liens*" above) without equally and ratably securing the Notes, would not exceed 10 percent of Consolidated Net Tangible Assets or (b)the Issuer or a Restricted Subsidiary within 12 months after such sale and leaseback transactions, applies to the retirement of External Indebtedness, which is not subordinate to the Notes, of the Issuer or a Restricted Subsidiary an amount equal to the greater of (i) the net proceeds of the sale or transfer of the property or other assets which are the subject of such sale and leaseback transactions or (ii) the fair market value of the Restricted Property so leased (in each case as determined by the Issuer).

The foregoing restriction shall not apply to any transaction (x) between the Issuer and a Restricted Subsidiary or between Restricted Subsidiaries or (y) involving a lease for a temporary period not exceeding three years by the end of which it is intended that the use of such Restricted Property by the lessee will be discontinued.

(c) Consolidation, Merger and Sale of Assets

The Issuer will not consolidate with, merge or amalgamate into or transfer its assets substantially as an entirety to any corporation or convey or transfer its properties and assets substantially to any person, except as provided herein and in the Agency Agreement. The Issuer, without the consent of any Noteholder, may consolidate with, or merge into, or sell, transfer, lease or convey its assets substantially as an entirety (each a "**transaction**") to any corporation organized under the laws of Korea, **provided that** (a) any successor corporation expressly assumes the Issuer's obligations under the Notes and the Agency Agreement, (b) after giving effect to the transaction, no Event of Default and no event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing, (c) if, as a result of any such transaction, properties or assets of the Issuer or a Restricted Subsidiary would become subject to a Lien which would not be permitted under these Terms and Conditions, the Issuer or such successor corporation, as the case may be, shall take such steps as shall be necessary effectively to secure the Notes (together with, if the Issuer shall so determine, any other indebtedness of the Issuer or such Subsidiary then existing or thereafter created which is not subordinate to the notes) equally and ratably with (or prior to) all indebtedness secured thereby and (d) the Issuer has delivered to the Fiscal Agent a certificate executed by a duly authorized officer of the Issuer and an opinion of counsel as to matters of law stating that such consolidation, merger, sale, transfer, lease or conveyance and, if a supplemental agreement is required in connection with such transaction, such supplemental agreement comply with the Agency Agreement and the Notes and that all conditions precedent herein provided for relating to such transaction have been complied with.

(d) Certain Definitions

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

"**Attributable Debt**" means, as to any lease, at the date of determination, the total net amount of rent required to be paid under such lease during the remaining term thereof including renewal terms at the option of the lessor (excluding amounts on account of maintenance and repairs, insurance, taxes, assessments, water rates and similar charges and contingent rents), discounted from their respective due dates at the rate of interest borne by the Notes, at the date of determination, compounded annually.

"**Consolidated Net Tangible Assets**" means the total amount of assets of the Issuer and its consolidated Subsidiaries, including investments in unconsolidated Subsidiaries, after deducting therefrom (a) all current liabilities (excluding any current liabilities constituting Long term Debt by reason of their being renewable or extendible) and (b) all goodwill, trade names, trademarks, patents, unamortized debt discount and expense and other like intangible assets, all as set forth on the most recent audited annual balance sheet of the Issuer and its consolidated Subsidiaries and computed in accordance with K-IFRS.

"**External Indebtedness**" means any obligation for the payment or repayment of money borrowed which is denominated in a currency other than the currency of Korea and which has a final maturity of one year or more from its date of incurrence or issuance.

"**Long-term Debt**" means any note, bond, debenture or other similar evidence of indebtedness of money borrowed having a maturity of more than one year from the date such evidence of indebtedness was incurred or having a maturity of less than one year but by its terms being renewable or extendible, at the option of the borrower beyond one year from the date such evidence on indebtedness was incurred.

"**person**" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"**Restricted Property**" means any generation facility located in Korea, whether at the date of the issuance of the Notes owned or thereafter acquired, including any land, buildings, structures or machinery and other fixtures that constitute any such facility, or portion thereof, other than any such facility, or portion thereof, reasonably determined by the Issuer's board of directors not to be of material importance to the total business conducted by the Issuer and its Subsidiaries as a whole.

"**Restricted Subsidiary**" means any Subsidiary that owns Restricted Property.

"**Subsidiary**" means any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by the Issuer.

5. Redenomination

(a) Redenomination

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

The election will have effect as follows:

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

(ii) except to the extent that an Exchange Notice has been given in accordance with paragraph

(iii) below, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate principal amount of Notes presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest euro 0.01;

(iv) if definitive Notes are required to be issued after the Redenomination Date (as defined below), they shall be issued at the expense of the Issuer in the denominations of euro 1,000, euro 10,000, euro 100,000 and (but only to the extent of any remaining amounts less than euro 1,000 or such smaller denominations as the Agent may approve) euro 0.01 and such other denominations as the Agent shall determine and notify to the Noteholders;

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

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

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

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

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

(b) Definitions

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

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

"**euro**" means the lawful currency of the Member States of the European Union that have adopted the single currency in accordance with the Treaty;

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

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

6. Interest

(a) Interest on Fixed Rate Notes

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

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

As used in these Terms and Conditions, "**Fixed Interest Period**" means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

If interest is required to be calculated for a period other than a Fixed Interest Period, such interest shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction (as defined below), and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

In these Conditions:

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest, in accordance with this Condition 6(a):

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

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

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

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

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

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

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

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

(b) Interest on Floating Rate Notes and Index Linked Interest Notes

(i) *Interest Payment Dates*

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

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

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

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

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

(1) in any case where Specified Periods are specified in accordance with Condition 6 (*Interest (b)(i)(B)*) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls on the Specified Period after the preceding applicable Interest Payment Date occurred; or

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

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

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

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

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

(B) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial center of the country of the relevant Specified Currency (if other than London and any Additional Business Center and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Melbourne or Wellington, respectively) or (2) in relation to any sum payable in euro, a day on which the Trans European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the "**TARGET2 System**") is open.

(ii) *Rate of Interest*

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

(A) ***ISDA Determination for Floating Rate Notes***

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

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

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

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

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

(B) ***Screen Rate Determination for Floating Rate Notes***

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

(1) the offered quotation; or

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

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page (as specified in the applicable Pricing Supplement) as at 11:00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any), all as determined by the Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (1) above, no such offered quotation appears or, in the case of (2) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

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

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

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

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

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

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

The Agent will calculate the amount of interest (the "**Interest Amount**") payable on the Floating Rate Notes or Index Linked Interest Notes in respect of each Specified Denomination for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest in accordance with this Condition 6(b):

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

(vi) *Certificates to be Final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 6(b) (*Interest — Interest on Floating Rate Notes and Index Linked Interest Notes*), whether by the Agent or, if applicable, the Calculation Agent, shall (in the absence of willful default, bad faith or manifest error) be binding on the Issuer, the Agent, the Calculation Agent (if applicable), the other Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Noteholders, the Receiptholders or the Couponholders shall attach to the Agent or the Calculation Agent (if applicable) in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) Interest on Dual Currency Interest Notes

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

(d) Interest on Partly Paid Notes

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

(e) Accrual of Interest

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

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

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

7. Limited Recourse

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

8. Payments

(a) Method of Payment

Subject as provided below:

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

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

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 10 (Taxation).

(b) Presentation of Definitive Bearer Notes, Receipts and Coupons

Payments of principal in respect of definitive Bearer Notes will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

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

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

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

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

(c) Payments in Respect of Bearer Global Notes

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

(d) Payments in Respect of Registered Notes

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

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

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

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

None of the Issuer or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

(e) General Provisions Applicable to Payments

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

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

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

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

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

(f) Payment Day

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "**Payment Day**" means any day which (subject to Condition 11 (*Prescription*)) is:

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

(A) the relevant place of presentation;

(B) London; or

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

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

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

(g) Interpretation of Principal and Interest

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

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

(ii) the Final Redemption Amount of the Notes;

(iii) the Early Redemption Amount of the Notes;

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

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

(vi) in relation to Zero Coupon Notes, the Amortized Face Amount (as defined in Condition 9(e) (*Redemption and Purchase — Early Redemption Amounts*)); and

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

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

9. Redemption and Purchase

(a) Redemption at Maturity

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

(b) Redemption for Tax Reasons

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is neither a Floating Rate Note, an Index Linked Interest Note nor a

Dual Currency Interest Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note, an Index Linked Interest Note or a Dual Currency Interest Note), on giving not less than 30 nor more than 60 days' notice to the Agent and, in accordance with Condition 16 (*Notices*), the Noteholders (which notice shall be irrevocable), if:

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

(ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

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

Notes redeemed pursuant to this Condition 9(b) will be redeemed at their Early Redemption Amount referred to in paragraph (e) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(c) Redemption at the Option of the Issuer (Issuer Call)

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

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

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

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount in each case as may be specified in the applicable Pricing Supplement. In the case of a partial redemption of Notes, the Notes to be redeemed ("**Redeemed Notes**") will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or

Clearstream and/or DTC, in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "**Selection Date**"). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 16 (*Notices*) not less than 15 days prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Notes represented by definitive Notes shall bear the same proportion to the aggregate nominal amount of all Redeemed Notes as the aggregate nominal amount of definitive Notes outstanding bears to the aggregate nominal amount of the Notes outstanding, in each case on the Selection Date, **provided that**, such first mentioned nominal amount shall, if necessary, be rounded downwards to the nearest integral multiple of the Specified Denomination and the aggregate nominal amount of Redeemed Notes represented by a Global Note shall be equal to the balance of the Redeemed Notes. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this paragraph (c) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 16 (*Notices*) at least five days prior to the Selection Date.

(d) Redemption at the Option of the Noteholders (Investor Put)

If Investor Put is specified in the applicable Pricing Supplement, upon the holder of any Note giving to the Issuer in accordance with Condition 16 (*Notices*) not less than 15 nor more than 30 days' notice the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Pricing Supplement, such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. Registered Notes may be redeemed under this Condition 9(d) in any multiple of their lowest Specified Denomination.

To exercise the right to require redemption of this Note the holder of this Note must deliver, at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) at any time during normal business hours of such Paying Agent or, as the case may be, the Registrar falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, the Registrar ("**Put Notice**") and in which the holder must specify a bank account (or, if payment is required to be made by check, an address) to which payment is to be made under this Condition and, in the case of Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2 (*Transfers of Registered Notes — Transfers of Registered Notes in Definitive Form*). If this Note is in definitive form, the Put Notice must be accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control.

Any Put Notice given by a holder of any Note pursuant to this paragraph shall be irrevocable except where prior to the due date of redemption an Event of Default shall have occurred and be continuing in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this paragraph and instead to declare such Note forthwith due and payable pursuant to Condition 12 (*Events of Default*).

(e) Early Redemption Amounts

For the purpose of paragraphs (b) through (d) above and Condition 12 (*Events of Default*), each Note will be redeemed at its Early Redemption Amount calculated as follows:

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

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

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

$$\text{Early Redemption Amount} = RP \times (1 + AY)^{y}$$

where:

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

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

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

(f) Installments

Installment Notes will be redeemed in the Installment Amounts and on the Installment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to paragraph (e) above.

(g) Partly Paid Notes

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

(h) Purchases

The Issuer or any Subsidiary of the Issuer may at any time purchase Notes (**provided that**, in the case of definitive Bearer Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. If purchases are made by tender, tenders must be available to all Noteholders alike.

Notes held by the Issuer and its Subsidiaries are not "outstanding" for the purpose of Condition 17 (*Meetings of Noteholders and Modification*).

(i) Cancellation

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.

(j) Late Payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph (a), (b), (c) or (d) above or upon its becoming due and repayable as provided in Condition 12 (*Events of Default*) is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in paragraph (e)(iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

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

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

10. Taxation

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

(a) presented for payment (where presentation is required) in Korea (provided the Notes can also be presented at an office of a Paying Agent outside Korea); or

(b) where such withholding or deduction is imposed on a payment to a holder who is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note, Receipt or Coupon; or

(c) presented for payment (where presentation is required) more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such 30th day assuming that day to have been a Payment Day (as defined in Condition 8(f) (Payments — Payment Day)); or

(d) where such withholding or deduction is imposed on a payment to a holder who would be able to avoid such withholding or deduction by either (i) presenting (where presentation is required) the relevant Note, Receipt or Coupon to another Paying Agent or (ii) by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority if, after having been requested to make such a declaration or claim, such holder fails to do so; or

(e) any combination of (a), (b), (c) or (d) above.

Nor will additional amounts be paid with respect to any payment on a Note, Receipt or Coupon to a holder who is a fiduciary, a partnership, a limited liability company or other than the sole beneficial owner of that payment to the extent that payment would be required by the laws of a Tax Jurisdiction (or any political subdivision thereof) to be included in the income, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, a member of that partnership, an interest holder in a limited liability company or a beneficial owner who would not have been entitled to the additional amounts had that beneficiary, settlor, member or beneficial owner been the holder.

As used herein:

(i) "**Tax Jurisdiction**" means Republic of Korea or any other jurisdiction in which the Issuer or a successor company is organized or within or through which payment is made or any political subdivision or any authority thereof or therein having power to tax; and

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

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

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

11. Prescription

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

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 8(b) (*Payments — Presentation of Definitive Bearer Notes, Receipts and Coupons*) or any Talon which would be void pursuant to Condition 8(b) (*Payments — Presentation of Definitive Bearer Notes, Receipts and Coupons*).

12. Events of Default

The occurrence and continuance of the following events will constitute events of default ("**Events of Default**"):

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

(b) default in the payment of all or any part of the principal of any of the Notes, whether at maturity, upon redemption or otherwise, as and when the same shall become due and payable, whether at maturity, upon acceleration or redemption or otherwise and continuance of such default for a period of seven days; or

(c) failure on the part of the Issuer duly to observe or perform any other of the covenants or agreements on the part of the Issuer contained in these Terms and Conditions or in the Agency Agreement for a period of 60 days after the date on which written notice specifying such failure, stating that notice is a "**Notice of Default**" under these Terms and Conditions and demanding that the Issuer remedy the same, shall have been given by registered or certified mail, return receipt requested, to the Issuer or to Issuer at the office of the Agent by the holders of at least 10 percent in aggregate principal amount of the Notes at the time outstanding; or

(d) any External Indebtedness of the Issuer in the aggregate principal amount of US$15,000,000 or more either (i) becoming due and payable prior to the due date for payment thereof by reason of acceleration thereof following default by the Issuer or (ii) not being repaid at, and remaining unpaid after, maturity as extended by the period of grace, if any, applicable thereto, or any guarantee given by the Issuer in respect of External Indebtedness of any other Person in the aggregate principal amount of US$15,000,000 or more not being honored when, and remaining dishonored after becoming, due and called, provided that, if any such default under any such External Indebtedness shall be cured or waived, then the default under these Terms and Conditions by reason thereof shall be deemed to have been cured and waived; or

(e) certain events of bankruptcy, insolvency or reorganization with respect to the Issuer, or the Issuer ceasing to carry on the whole or substantially the whole of its business or make any general assignment for the benefit of creditors, or enter into any composition with its creditors, or take corporate action in furtherance of any such action (other than in furtherance of the Plan of Restructuring (as defined below)).

If any one or more of the above Events of Default shall occur and be continuing then any holder of a Note may, by written notice to the Issuer at the specified office of the Agent, effective upon the date of receipt thereof by the Agent, declare any Notes held by the holder to be forthwith due and payable whereupon the same shall become forthwith due and payable at the Early Redemption Amount (as described in Condition 9(e) (*Redemption and Purchase* — Early Redemption Amounts)), together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

"**Plan of Restructuring**" means the Plan for Restructuring the Electricity Industry in Korea as issued on 21 January 1999 by the Ministry of Knowledge Economy (formerly the Ministry of Commerce, Industry and Energy) of Korea, (A) as it has been amended, modified and supplemented by (i) the Act on Promotion of Restructuring of the Electricity

Power Industry (Act No: 6282) as promulgated on 23 December 2000, (ii) the Basic Plan for Privatization of Power Generation Companies as issued on 9 April 2002 by the Committee for Privatization of Public Enterprises and (iii) the Basic Plan of Electricity Supply and Demand as promulgated in February 2013 and as amended from time to time or (B) as it may be amended, modified or supplemented from time to time as required by, or in accordance with, applicable law or relevant governmental authorities.

13. Replacement of Notes, Receipts, Coupons and Talons

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

14. Agents

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

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

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

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

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

(d) for so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer will appoint and maintain a Paying Agent in Singapore, where the Notes may be presented or surrendered for payment or redemption, in the event that the Global Note is exchanged for definitive Notes. In addition, in the event that the Global Note is exchanged for definitive Notes, an announcement of such exchange shall be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the Paying Agent in Singapore.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 8(e) (*Payments — General Provisions Applicable to Payments*). Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 16 (*Notices*).

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

15. Exchange of Talons

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

16. Notices

All notices regarding the Bearer Notes will be deemed to be validly given if published (i) in a leading English language daily newspaper of general circulation in London and (ii) if and for so long as the Bearer Notes are listed on the SGX-ST and the rules of the SGX-ST so require, a daily newspaper of general circulation in Singapore. It is expected that such publication will be made in the *Financial Times* in London and the Business Times in Singapore. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange (or any other relevant authority) on which the Bearer Notes are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

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

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

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

17. Meetings of Noteholders and Modification

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer or Noteholders holding not less than 10 percent in nominal amount of the Notes for the time being remaining outstanding.

The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 percent in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, the Receipts or the Coupons (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, the Receipts or the Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders.

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

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

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

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

The Agency Agreement also provides that quorum and voting requirements for certain resolutions which may affect the Notes of more than one Series shall be deemed to require separate meetings for the holders of each Series so affected.

18. Further Issues

The Issuer may from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders, create and issue further notes with the same terms and conditions as the Notes in all respects except for the amount and date of the first payment of interest thereon so that such further issue shall be consolidated and form a single Series with the outstanding Notes; **provided that** further Notes in registered form must be issued with no more than *de minimis* original issue discount for U.S. federal income tax purposes, constitute a “qualified reopening” for U.S. federal income tax purposes or otherwise be treated as part of the same “issue” of debt instruments as the outstanding Notes; and **provided further that**, in the case of Bearer Notes initially represented by interests in a Temporary Global Note exchangeable for interests in a Permanent Global Note or definitive Bearer Notes, such consolidation will occur only upon certification of non-U.S. beneficial ownership and exchange of interests in the Temporary Global Note for interests in the Permanent Global Note or definitive Bearer Notes.

19. Governing Law and Submission to Jurisdiction

(a) Governing Law

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

(b) Submission to Jurisdiction

The Issuer irrevocably submits to the non-exclusive jurisdiction of any federal or state court located in the Borough of Manhattan, The City of New York, United States of America ("**New York Courts**"), in any suit, action or proceeding brought by any Noteholder, Receiptholder or Couponholder arising out of or based upon the Notes, the Receipts/or the Coupons, and irrevocably agrees that all claims in respect of any such suit, action or proceeding may be determined in any such court. The Issuer irrevocably waives, to the fullest extent permitted by applicable law, any objection it may have to the laying of venue in any such court and any claim that any such suit, action or proceeding brought in such a court has been brought in an inconvenient forum. The Issuer hereby appoints Cogency Global Inc. (formerly known as National Corporate Research, Ltd.), 10E 40th Street, 10th Floor, New York, New York 10016, United States of America, as its authorized agent (the "**Authorized Agent**", which expression shall include any replacement authorized agent) upon whom process may be served in any such suit or proceeding set forth herein, it being understood that the designation and appointment of the Authorized Agent as such authorized agent shall become effective immediately without any further action on the part of the Issuer; **provided that** if for any reason the Authorized Agent named above ceases to act as Authorized Agent hereunder for the Issuer, the Issuer will appoint another person acceptable to the Dealers in the Borough of Manhattan, The City of New York as Authorized Agent. The Issuer agrees to take any and all action as may be necessary, including the filing of any and all documents that may be necessary, to maintain such designation and appointment of the authorized agent in full force and effect. If for any reason the appointment of the Authorized Agent shall cease to be in force, the Issuer shall forthwith appoint a new agent to be the Authorized Agent and shall deliver to the Dealers and the Arranger a copy of the new Authorized Agent's acceptance for that appointment within 30 days. Service of process upon the Authorized Agent shall be deemed, in every respect, effective service of process upon the Issuer. The parties hereto each hereby waive any right to trial by jury in any action, proceeding or counterclaim arising out of or relating to the Notes, the Receipts, the Talons and/or Coupons.

(c) Other Documents

The Issuer has in the Agency Agreement submitted to the jurisdiction of the New York Courts and appointed an agent for service of process in terms substantially similar to those set out in this Condition 19.

20. Currency Indemnity

If, under any applicable law and whether pursuant to a judgment being made or registered against the Issuer or in the liquidation, insolvency or analogous process of the Issuer or for any other reason, any payment under or in connection with the Agency Agreement, the Notes, the Receipts or the Coupons, as the case may be, is made or fails to be satisfied in a currency (the "**other currency**") other than that in which the relevant payment is expressed to be due (the "**required currency**") thereunder, then, to the extent that the payment (when converted into the required currency at the rate of exchange (as defined below) on the date of payment or, if it is not practicable for any Noteholder, Receiptholder or Couponholder, as the case may be, to purchase the required currency with the other currency on the date of payment, at the rate of exchange as soon thereafter as it is practicable for it to do so or, in the case of a liquidation, insolvency or analogous process of the Issuer, at the rate of exchange on the latest date permitted by applicable law for the determination of liabilities in such liquidation, insolvency or analogous process) actually received by any Noteholder, Receiptholder or Couponholder, as the case may be, falls short of the amount due under the terms of the Agency Agreement, the Notes, the Receipts or the Coupons, as the case may be, the Issuer shall, as a separate and independent obligation, indemnify and hold harmless such Noteholder, Receiptholder or Couponholder against the amount of such shortfall.

"**Rate of exchange**" means the rate at which the relevant Noteholder, Receiptholder or Couponholder, as the case may be, is able on the relevant date in London to purchase the required currency with the other currency and shall take into account any premium and other costs of exchange.

21. Waiver of Immunity

To the extent that the Issuer has or hereafter may acquire any immunity (sovereign or otherwise) from any legal action, suit or proceeding, from jurisdiction of any court or from set-off or any legal process (whether service or notice, attachment in aid or otherwise) with respect to itself or any of its property, the Issuer hereby irrevocably waives and agrees not to plead or claim such immunity in respect of its obligations under the Agency Agreement, the Notes, the Receipts or the Coupons, as the case may be.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by the Company for its general corporate purposes or such other purposes as may be specified in the applicable Pricing Supplement.

EXCHANGE RATES

The table below sets forth the Market Average Exchange Rate for the last day of, and the average for, the periods indicated. No representation is made that the Won or U.S. dollar amounts referred to herein could have been or could be converted into U.S. dollars or Won, as the case may be, at any particular rate or at all.

Period	At End of Period	Average Rate[(1)]	High	Low
2012	1,071.1	1,126.9	1,181.8	1,071.1
2013	1,055.3	1,095.0	1,159.1	1,051.5
2014	1,099.2	1,053.2	1,118.3	1,008.9
2015	1,172.0	1,131.5	1,203.1	1,068.1
2016	1,208.5	1,160.5	1,240.9	1,093.2
October	1,145.2	1,125.3	1,145.2	1,102.0
November	1,168.5	1,161.6	1,183.6	1,137.5
December	1,208.5	1,182.3	1,208.5	1,159.1
2017 (through June 30)	1,139.6	1,142.1	1,208.5	1,112.5
January	1,157.8	1,185.1	1,208.5	1,157.8
February	1,132.1	1,144.9	1,165.5	1,131.0
March	1,116.1	1,134.8	1,158.2	1,112.5
April	1,130.1	1,132.7	1,145.8	1,113.8
May	1,123.9	1,125.3	1,134.5	1,117.1
June (through June 30)	1,139.6	1,130.0	1,142.2	1,118.4

Source: Seoul Money Brokerage Services, Ltd.

Note:

(1) The average rate for each year is calculated as the average of the Market Average Exchange Rates on each business day during the relevant year (or portion thereof). The average rate for a month is calculated as the average of the Market Average Exchange Rates on each business day during the relevant month (or portion thereof).

Prospective purchasers of the Notes should carefully consider all of the information contained in this Offering Circular, including our financial statements and related notes, in addition to the following risk factors. In particular, investors should pay attention to the fact that we are subject to the legal and regulatory environment of Korea, which in many respects differs from that which prevails in other countries.

Risks Relating to Our Business

Inherent in the operation of nuclear power generation facilities are numerous hazards and risks, any of which could result in a material loss of revenues or increased expenses.

The operation of nuclear power plants is subject to certain hazards, including but not limited to:

- leaks, ruptures and discharge of toxic and radioactive substances and materials whether as a result of human error or otherwise;
- extreme weather or environmental conditions, such as hurricanes, tropical storms, rising water and earthquakes;
- explosions, fires, accidents, mechanical malfunctions, faulty measurement and other operating errors; and
- acts of war, terrorism or vandalism.

These hazards can cause personal injuries or loss of life, severe damage to or destruction of property and natural resources, pollution or other environmental damage, clean-up responsibilities, regulatory investigation and penalties and suspension of operations.

From time to time, our nuclear generation units may experience unexpected shutdowns. For example, following multiple earthquakes in the city of Gyeongju in September 2016, four nuclear generation units at the Wolsong site were shut down for approximately three months as part of a preventive and safety assurance program although these units were not directly affected by the earthquakes. The breakdown, failure or suspension of operation of a nuclear generation unit could result in a material loss of revenues and/or additional repair and maintenance costs, greater risk of litigation and increased social and political hostility to the use of nuclear power, which could have a material adverse impact on our reputation, business and results of operation and could lead to a decline in the market value of the Notes.

In response to the damage to the nuclear facilities (including nuclear meltdowns) in Japan as a result of the tsunami and earthquake in March 2011, the Government announced plans to further enhance the safety and security of nuclear power facilities, including by establishing the Nuclear Safety and Security Commission ("**NSSC**") in July 2011 for neutral and independent safety appraisals, subjecting nuclear power plants to additional safety inspections by governmental authorities and civic groups and requiring us to prepare a comprehensive safety improvement plan. As a result of the foregoing, as well as a generally higher level of public and regulatory scrutiny of nuclear power following the nuclear incident in Japan, we adopted a plan to implement a significant number of measures to improve the safety and efficiency of our generation facilities. We completed the implementation of all such measures in December 2015. However, there is no assurance that we would not be required to adopt and implement additional safety measures in the future, which may be costly and could have a material adverse impact on our business, financial conditions and results of operation.

In addition, in December 2014, we became subject to a cyber terror incident. According to the preliminary findings of the Prosecutor's Office announced in March 2015, hackers suspected to be affiliated with North Korean authorities stole and distributed a mock blueprint for a hypothetical nuclear unit that had been devised for educational purposes, hacked into the computer network of our employees and threatened to shut down certain of our nuclear plants. The hacking incident did not jeopardize our nuclear operation in any material respect and none of the stolen information was material to our nuclear operation or the national nuclear policy. In response to such incident, we and our subsidiaries have further bolstered anti-hacking and other preventive and remedial measures in relation to potential cyber terror. However, there is no assurance that a similar or more serious hacking or other forms of cyber terror will not happen with respect to us, which could have a material adverse impact on our business, financial conditions and results of operation.

Our risk management policies and procedures relating to nuclear safety may not be fully effective at all times.

Although we devote significant resources to developing and improving our risk management policies and procedures relating to nuclear safety and expect to continue to do so in the future, our risk management practices may not be fully effective at all times in eliminating or mitigating risk exposures that are unidentified or unanticipated, such as employee misconduct. For example, in May 2013, the NSSC discovered that certain parts used in several of our then-operating nuclear generation units had been supplied based on forged testing results. This discovery led to a full internal investigation and a separate investigation by the Prosecutor's Office, among others for bribery, which resulted in several criminal and civil convictions, including against several of our former and current officers and employees, as well as the dismissal of our then chief executive officer for failure of oversight. The incident also led to the suspended operation of the related nuclear generation units for several months pending additional safety inspections. A similar incident involving forged testing results and bribery occurred in November 2012. We have fully cooperated with the authorities on all investigations relating to these incidents and implemented remedial and preventive measures, including enhanced internal compliance policies and procedures. We believe we are in compliance in all material respects with internal compliance policies and procedures and all other additional safety measures initiated internally or required by regulatory and governmental agencies. However, we cannot assure you that, despite all precautionary and reform measures undertaken by us, these measures will prove to be fully effective at all times against all the risks we face or that an incident that could cause harm to our reputation and operation will not happen in the future, including due to factors beyond our control.

We are involved in numerous legal proceedings, the outcomes of which are uncertain, and resolutions adverse to us could negatively affect our cash flows, financial conditions or results of operations.

We are subject to numerous legal proceedings, many of which are related to operations of our nuclear generation plants. For example, we have been defendants in certain civil actions since 1980 where plaintiffs have claimed that the thermal discharge of cooling water from our nuclear power plants has caused irreparable damage to underwater life, resulting in loss of income for fishermen in the surrounding area. We have incurred a significant amount of compensation cost, paid to the plaintiffs, including claims that were settled outside of court. As we plan to construct additional generation plants and facilities, similar claims may be brought against us in the future, resulting in an increase of costs for compensating such claims.

In July 2012, residents in the community surrounding the Kori nuclear power plant filed a lawsuit against us claiming that our nuclear generation units have caused or contributed to increased incidents of thyroid cancer among such residents. In October 2014, the courts partially ruled against us, and we paid Won 15 million of the claimed amounts of Won 200 million and appealed the ruling in the Busan High Court. The appeal is currently pending. Subsequently, residents in the communities surrounding four of our nuclear generation units have brought a class action suit against us with similar claims that our nuclear generation units have caused or contributed to increased incidents of thyroid cancer. The lawsuit is currently pending in the Busan District Court.

In February 2015, the NSSC evaluated the safety of operating Wolsong unit #1 and approved its extended operation until November 2022. However, a civic group subsequently filed a lawsuit to annul the NSSC's decision, and in February 2017, the Seoul Administrative Court ruled against the NSSC, which ruling has since been appealed. We joined the appeal as a third party stakeholder in April 2017, and we continue to operate Wolsong unit #1 pursuant to the NSSC's initial decision to extend the unit's operations. The civic group has filed an injunction to suspend the operation of Wolsong unit #1. We cannot assure you that the courts will ultimately rule to grant the extension of operating life for Wolsong unit #1. If the extension of operating life for Wolsong unit #1 is annulled, we will recognize at that time a significant loss related to our long-term assets for Wolsong unit #1, for which the estimated book value is approximately Won 560 billion as of March 31, 2017. In addition, we will need to increase our provision for decommissioning liabilities related to Wolsong unit #1, which was Won 530 billion as of March 31, 2017, and our short-term cash outflows will increase in connection with the dismantling of the nuclear unit. As a result of the above, our results of operation, financial condition and cash flow could be adversely affected. However, further analysis is required in order to gauge the actual financial impact of such an event.

In addition, there are seven other nuclear generation units whose operating lives under their initial operating license will expire in the next ten years, or by 2027. Thus, if the courts were to ultimately rule against the extension of operating life for Wolsong unit #1, we may find it more difficult to have the operating lives of other nuclear units extended as well. The failure to extend the operating lives of these units would result in a loss of revenues from such units and cause us to move up our capital expenditures for the construction of new nuclear generation units, each of which could adversely affect our results of operation and financial condition.

We plan to vigorously defend our position in such legal proceedings. However, the outcome of these lawsuits cannot presently be determined. We cannot presently assure you that there will not be further lawsuits in relation to the aforementioned matters or that the reserve amount that we have set aside will be sufficient to cover any compensation or damages arising from the present or future litigation. However, if the courts ultimately rule against us in these proceedings, such outcomes could have a material adverse impact on our business and results of operation and could lead to a decline in the market value of the Notes.

Opposition to the construction, operation and extension of operating lives of nuclear-fuel generation units may have an adverse effect on us.

From time to time, we encounter social and political opposition to the construction, operation and extension of operating lives of nuclear power generation units, including in relation to the renewal of license for Wolsong unit #1, which was approved by the NSSC in February 2015, as well as a result of heightened public scrutiny into nuclear safety, including in connection with past quality assurance issues involving certain of our nuclear generation units. Accordingly, we undergo extensive safety review process, including by the International Atomic Energy Agency (the "**IAEA**") and the Korea Institute of Nuclear Safety (the "**KINS**"), and undertake various infrastructure and other community improvement projects, such as building schools and parks and providing financial support, for the surrounding communities, in each case, at significant costs.

Furthermore, as we are currently constructing five nuclear power generation units, which are expected to be completed by 2022, plan to construct four additional nuclear power generation units to be completed by 2027, and plan to extend the operating life of additional nuclear power generation units in the future, protracted community opposition to the construction, operation and extension of nuclear units could take time and resources to resolve. For example, in September 2016, Greenpeace and 559 Korean nationals brought a lawsuit against the NSSC to revoke the permit the NSSC granted to us in relation to the construction of Shin-Kori units #5 and 6. We filed to join the lawsuit as a third party stakeholder in April 2017. This case is currently pending at the Seoul Administrative Court. If the courts were to ultimately rule against the construction of these new nuclear power generation units, we will experience a loss of revenues, which could adversely affect our results of operation and financial condition.

Although the Government and we have undertaken and will continue to undertake various community programs to address concerns of residents of areas near our nuclear units, continued community opposition to the construction, operation and extension of nuclear power generation units could result in delayed construction, relocation of planned nuclear power generation units, or early shut-downs, all of which could have a material adverse impact on our business and results of operation and could lead to a decline in the market value of the Notes.

We anticipate substantial capital expenditures which will require additional debt incurrence in the future.

We anticipate that substantial capital expenditures will be required for the construction of additional generation plants. In 2015 and 2016, we spent Won 2,647 billion and Won 1,946 billion, respectively, on capital expenditures, which represent the amount of cash used in the acquisitions of property, plant and equipment and intangible assets in our statements of cash flows, and we have budgeted Won 5,137 billion and Won 6,130 billion for capital expenditures (including capitalized interest) for 2017 and 2018, respectively, primarily for the five nuclear power generation units under construction and the planned construction of four nuclear power generation units. We expect that a significant portion of our future capital expenditures will need to be financed through domestic foreign currency borrowings and issuance of debt securities in the international capital markets. It is possible that required financing may not be available to us on a timely basis or at all, or that the cost at which such financing may be obtained may not be acceptable to us owing to events that disrupt the capital markets or other factors beyond our control. In addition to funding requirements relating to our capital investment program, payments of principal and interest on indebtedness requires a considerable amount of funding. See "*Management's Discussion and Analysis of Financial Conditions and Results of Operations — Capital Requirements.*" If we are unable to obtain debt financing at acceptable rates on a timely basis, or at all, we may be unable to meet our funding requirements or debt repayment obligations, including those arising in respect of the Notes, which could have a material adverse impact on our business and results of operation and could lead to a decline in the market value of the Notes.

We are dependent on fuel imported from overseas suppliers and under contracts with limited quantity and duration, and market and political circumstances could lead to a rise in fuel costs that adversely affect our results of operations.

Nuclear fuel costs represented 10.2% and 10.1% of our electricity sales in 2015 and 2016, respectively. Substantially all of the nuclear fuel we use comes from sources outside of Korea at prices determined in part by prevailing market prices. In addition, we purchase a significant portion of our fuel requirements under contracts with limited quantity and duration. See "*Business— Fuel.*" Our average fuel cost per kWh of electricity sold increased by approximately 5.9% to Won 7.2 in 2016 from Won 6.8 in 2015, and we expect nuclear fuel costs to be at similar levels through at least 2017.

Under the current electricity pricing system, called the cost-based pool system, which protects the generation companies from significant fuel cost fluctuations by purchasing electricity on a cost-plus basis while providing generation companies with incentives to maintain lower costs, our exposure to fuel price fluctuations is limited. For a more detailed description of the tariff setting mechanism, see "*The Korea Electricity Industry — Restructuring of the Electricity Industry in Korea.*" However, as the purchase price at which KEPCO purchases electricity from us is adjusted periodically in consideration of, among other factors, changes in fuel costs, our profitability may be adversely affected if fuel prices were to rise steeply in a short period of time, including as a result of depreciation of the Won against currencies in which we purchase our nuclear fuels.

Furthermore, any significant interruption or delay in the supply of nuclear fuel from any of our suppliers could cause us to purchase fuel on the spot market at prices higher than contracted. For example, the political situation in Russia and the Ukraine remains unstable, and any future U.S. or European Union sanctions against Russian entities could potentially disrupt our long-term supply relationship with Techsnabexpoert (also known as TENEX), an enriched uranium supplier under Russian state control. Although neither TENEX nor its shareholding entities are currently subject to any sanctions, there can be no assurance that future sanctions that disrupt our supply relationship with TENEX or other suppliers will not be imposed.

Accordingly, our operating income and net income may be negatively affected from period to period, and sudden rises in fuel costs could have a material adverse impact on our business and results of operation and could lead to a decline in the market value of the Notes.

The Government's plan and policy for the electricity industry in Korea may have a material adverse effect on us and the price of the Notes.

Since our establishment, the Government has introduced successive policy initiatives to foster efficiency in the Korean electric power industry and has adopted policy measures that have substantially modified our business and operations. However, these policy initiatives have not always been fully implemented as originally planned and in some cases have been amended or replaced by new initiatives, among others, due to economic or policy considerations or a change in administration. There can be no assurance that the initiatives and plans announced by the Government will be implemented as planned or at all, or that the implementation of any such plans will not have a negative effect on our business, results of operations or financial condition.

In June 2016, the Government announced plans to reform state-owned enterprises in the energy and resources development sector, including KEPCO, our parent company, and the electric power industry in general. The Government plan involves, among other things, the gradual liberalization of the electric power industry with respect to the distribution market, as well as the initial public offering of KEPCO's six wholly-owned generation subsidiaries, in conjunction with the sale of minority interests (20% to 30%) in such subsidiaries, by 2020. See "*The Korean Electricity Industry — Restructuring of the Electricity Industry in Korea*."

In May 2017, Moon Jae-in was elected as President of Korea. Since assuming office, President Moon has announced his intent to gradually move towards a nuclear-free national energy policy by abandoning existing plans for the construction of new nuclear generation units and opting against extending the operating lives of aged nuclear generation units. In particular, President Moon announced that the Government would consider certain factors, including safety, costs and current levels of energy reserves, in determining whether to terminate the on-going construction of Shin-Kori units #5 and 6, which were approximately 28% complete as of March 31, 2017. In June 2017, the Government announced its plan to form a public opinion committee responsible for selecting members of a citizens' jury that will come to a determination as to whether the construction of Shin-Kori units #5 and 6 should be terminated. The Government also announced its plans for a three-month suspension on the construction of the affected nuclear units, during which time the public opinion committee will convene to determine the methods of investigation and procedures for selecting the citizens' jury. As of March 31, 2017, the estimated aggregate book value of the long-term assets related to Shin-Kori units #5 and 6 is approximately Won 1.5 trillion. If the citizens' jury decides to terminate the construction of such nuclear units, we will recognize significant losses and incur significant expenses as a result. However, further analysis is required in order to gauge the actual financial impact of such an event.

There can be no assurance that the initiatives and plans announced by the Government will be implemented as planned or at all, or that the implementation of any such plans will not have a material adverse effect on our business, results of operations or financial condition or will not lead to a decline in the market value of the Notes.

Environmental regulations may limit our operations.

We are required to comply with numerous laws and regulations relating to the protection of the environment and land use in Korea. See *"Business — Environment and Community Programs."* These laws and regulations are constantly changing. While we believe we are in compliance with applicable environmental laws and regulations in all material respects and that we have obtained all material environmental approvals currently required to own and operate our facilities, we may incur significant costs as a result of these requirements.

In December 2010, the Government adopted the Renewable Portfolio Standard ("**RPS**"), under which each generation company, including us, is required to supply 10% of the total energy generated from such generation company in the form of renewable energy by 2023, with fines being levied on any generation company failing to do so in the prescribed timeline. We met the target and did not pay any fines in 2015 and 2016. While we intend to increase the proportion of generation capacity from renewable energy relative to generation capacity from non-renewable energy in order to meet our RPS targets, there is no assurance that we will be able to do so quickly enough to meet the RPS targets. Furthermore, while we expect that additional capital expenditures to increase generation capacity from renewable energy will be covered by a corresponding increase in electricity tariff levied on end-users, which will in turn increase the amount payable to us by KEPCO, there is no assurance that the Government will in fact raise the electricity tariff to a level sufficient to fully cover such additional capital expenditures or at all.

In addition, in 2015, the Government implemented a carbon emission trading system in order to reduce the emission of greenhouse gases by 37% from 2030 business-as-usual levels in accordance with the Act on Allocation and Trading of Greenhouse Gas Emission Allowances. Under the Government's emission trading system, the Government allocates emission allowance units to companies in certain industries, including generation companies, and such companies are allowed to emit levels of greenhouse gases based on the number of allowance units that have been allocated to them. If a company emits more than the amount of allowance units that have been allocated to it, the company must purchase additional allowance units on the emission trading system. In 2015, we emitted approximately three million tons of carbon equivalents, which was equal to the amount of allowance units that had been allocated to us for that year. The Government is currently evaluating our 2016 carbon emission level. Adhering to such annual emission reduction targets is expected to result in our incurring significant compliance costs.

Failure to comply with environmental laws and regulations could have a material adverse effect on us, including closure of individual facilities not in compliance, as well as the imposition of civil or criminal liability and the imposition of liens or fines, and expenditures to bring facilities into compliance.

The vesting contract system may not achieve desired benefits when fully implemented.

On May 20, 2014, the Electricity Business Act was amended, with effect from November 21, 2014, to introduce a vesting contract system to determine the price and quantity of electricity to be sold and purchased through the KPX between the purchaser of electricity (currently, KEPCO) and the sellers of electricity (namely, KEPCO's six wholly-owned generation subsidiaries (including us) and independent power producers). The application of the adjusted coefficient under the cost-based pool system is planned to be gradually replaced by the vesting contract system.

Under the vesting contract system, electricity generators using base load fuels (such as nuclear, coal, hydro and by-product gas) at a particular generation unit will be required to enter into a contract with the purchaser of electricity (currently, KEPCO), which will specify, among other things, the quantity of electricity to be generated and sold from such generation unit and the price at which such electricity will be sold. The contracted quantity will be subject to annual adjustment in consideration of past generation amounts and maintenance and overhaul periods, among others. The contracted price will be subject to monthly adjustment largely depending on fuel price movements, provided that in the event of a drastic change in electricity tariff rates, inflation rate or the general market conditions of electricity supply and demand, the contracted price may be further adjusted on an as-needed basis. Generally, the contractual terms will be subject to prior consultation with the Korea Electricity Commission and approval by the Minister of the Ministry of Trade, Industry and Energy (the "**MOTIE**") in order to ensure fair and standardized application of the vesting contract system to all producers of electricity.

In addition to aiming to stabilize the electricity supply market, a key feature of the vesting contract system is to provide a settlement mechanism that is designed to incentivize producers of electricity to supply electricity at or exceeding the contracted quantity. Under this settlement mechanism, an electricity producer is required to settle, among others, the difference between the contracted price and the market price of electricity sold at a given hour through the KPX (namely, the system marginal price), as multiplied by the contracted quantity of electricity. For further details of this settlement mechanism, see "*The Korean Electricity Industry — Vesting Contract System*."

Under this settlement mechanism, assuming sale of electricity in the contracted quantity and further assuming the system marginal price being higher than the contracted price, the consideration to be received by the seller of electricity net of the settlement amount will effectively amount to the product of the contracted quantity multiplied by the contracted price. If the seller sells a quantity of electricity exceeding the contracted quantity at a given hour, under the settlement mechanism and assuming the system marginal price being higher than the contracted price, the seller is entitled to an extra return (effectively, an incentive) equal to the product of the excess quantity multiplied by the difference between the system marginal price and the contracted price. On the other hand, if the seller sells a quantity of electricity falling short of the contracted quantity at a given hour, under the settlement mechanism and assuming the system marginal price being higher than the contracted price, the seller is required to pay an amount (effectively, a penalty) equal to the product of the shortfall quantity multiplied by the difference between the system marginal price and the contracted price. The foregoing notions of incentive and penalty are intended to minimize the additional cost of purchasing electricity at the higher system marginal price in the event that the seller of electricity fails to deliver the contracted quantity of electricity. Details of the settlement mechanism in the event of the system marginal price being lower than the contracted price have not yet been finalized.

The vesting contract system was introduced principally in order to prevent excessive profit-taking by low-cost producers of electricity using base load fuels (such as nuclear, coal, hydro and by-product gas) by replacing the adjusted coefficient as the basis for determining the guaranteed return to generation companies, as well as to attain the following objectives. First, this system seeks to increase transactional certainty and stability of electricity supply and purchase by requiring that a relatively long-term (generally one-year) contract be entered into in relation to electricity supply, which had been previously made entirely through what was effectively a spot market. Second, in order to foster responsible management of electricity supply by generation companies, the generation companies will become subject to minimum supply requirements and will be rewarded or penalized depending on whether they meet these requirements. Third, the introduction of standard contractual prices is designed to encourage cost savings and productivity enhancements on the part of the generation companies, which will be rewarded or penalized depending on whether they can supply electricity at such standard contractual prices.

The vesting contract system was originally scheduled to be implemented in phases, with the target date of implementation for hydro power in the second half of 2015, for coal based electricity in 2016 and for nuclear power in 2017. However, as the implementation of the vesting contract system has been delayed and many of the related details are still being finalized, it presently remains unclear when and in what final form the vesting contract system will actually be fully implemented, whether the vesting contract system will be able to achieve the desired results and whether there will be any adverse unintended consequences from the application of the system. No assurance can be given that such system will not adversely affect our business, results of operation or financial condition in the future. See "*The Korean Electricity Industry — Vesting Contract System*."

We may be exposed to potential claims made by current or previous employees for unpaid wages and may also incur increased labor costs as a result of the expansion of the scope of ordinary wages.

Under the Labor Standards Act and Labor Severance Payment Security Act of Korea, the amount of compensation to which an employee is legally entitled, such as overtime allowance for night shifts or work performed outside of working hours as well as severance pay, is determined by the definition of "ordinary wage."

Prior to the Supreme Court's decision as described below, the Ministry of Labor released guidelines which recognized base salary and certain fixed monthly allowances as the components of ordinary wage. Pursuant to such guidelines, many companies excluded fixed bonuses paid bimonthly, quarterly or semi-annually from the definition of ordinary wage in calculating overtime allowances, although certain lower courts had held that fixed bonuses, whether paid monthly or not, should be included in the definition of ordinary wage if such bonuses are paid regularly to all employees.

On December 18, 2013, the Supreme Court of Korea delivered a decision which provided a standard rule for determining what kinds of payments should be included as part of ordinary wage. According to this decision, fixed bonuses paid regularly are included in ordinary wage, and any collective bargaining agreement or labor-management agreement which provides for exclusion of such regular bonuses from the scope of ordinary wage is void as such provision is in violation of the mandatory provisions of Korean law. However, with respect to wage agreements executed on or prior to December 18, 2013, the Supreme Court of Korea further ruled that an employee's claim for extra payments will not be granted on principles of good faith if such claim imposes an unexpected financial burden on the employer and results in material managerial difficulty or poses a threat to the existence of the employer, to the extent that such claim is made on the basis of rescission of any existing wage agreement that sets the total amount of wage but excludes regular bonus payments from the scope of ordinary wage.

We are subject to a number of lawsuits involving our current and former employees based on claims for unpaid ordinary wages. For example, in January 2015, certain of our employees filed a lawsuit against us seeking retroactive compensation in the aggregate amount of Won 11.8 billion for unpaid ordinary wages. In April 2017, the Seoul High Court ruled partially against us, and we paid Won 6.8 billion of the claimed amounts and the lawsuit was resolved in May 2017. We cannot presently assure you that there will not be further lawsuits in relation to ordinary wage, which could have a material adverse impact on our business and results of operation and could lead to a decline in the market value of the Notes. See *"Business — Legal and Regulatory Proceedings."*

The value of our assets is subject to the nature and extent of decommissioning obligations applicable to us.

Our facilities and related properties may become subject to decommissioning obligations that may require material unplanned expenditures or otherwise materially affect the value of those assets. The closure or modification of any of our facilities could lead to substantial liabilities, including the cleanup of any contamination that occurred during the facility's operation. While we have a reserve for such decommissioning liabilities, the reserved amount may not be sufficient to cover the actual liabilities to be incurred in the future. Further, laws and regulations may change to require additional decommissioning obligations in the future, all of which will negatively impact the value of our assets. For further descriptions on decommissioning costs, see "*Business — Nuclear Safety — Decommissioning.*"

Our insurance coverage may not be sufficient.

As of March 31, 2017, we maintain property damage insurance coverage that covers damage at any of our nuclear plants up to US$1 billion per accident, which includes property insurance coverage for acts of terrorism up to US$300 million and for breakdown of machinery up to US$300 million. In addition, we have construction insurance for Shin-Kori units #4, 5 and 6, and Shin-Hanul units #1 and 2. We also maintain nuclear liability insurance for personal injury and property damage caused to third parties for coverage of up to 300 million Special Drawing Rights ("**SDRs**"), which is equivalent to approximately US$407 million as of March 31, 2017 (based on the exchange rate published by the International Monetary Fund), per accident per plant complex, for total coverage of 1.5 billion SDRs. We are also the beneficiary of a Government indemnity for damage claims of up to 300 million SDRs per accident per nuclear plant, for a total coverage of 1.5 billion SDRs.

In addition, we maintain liability insurance related to our hydro and renewable plant facilities and nuclear fuel transportation, as well as directors' and officers' liability insurance. We are not responsible for the insurance coverage related to the construction of low and intermediate level integrated radioactive waste ("**LILW**") management facilities, which were transferred to the Korea Radioactive Waste Agency ("**KORAD**") in 2008. See "*Business — Insurance.*"

While we believe that we carry insurance coverage meeting the expected standards in our industry, our insurance policy does not cover all of the assets that we own and operate and does not cover all types or amounts of loss which could arise in connection with the ownership and operation of our power plants. Furthermore, we currently do not maintain any business interruption insurance. As a result, significant accidents with damages over our "per occurrence" amount limitations that affect our assets, or other events for which we are not insured could have a material adverse impact on our business and results of operation and could lead to a decline in the market value of the Notes. See "*Business — Insurance.*"

The movement of Won against the U.S. Dollar and other currencies may have a material adverse effect.

The Won has fluctuated significantly against major currencies in recent years. See "*Exchange Rates.*" Depreciation of Won against U.S. dollar and other foreign currencies typically results in a material increase in the cost of fuel and equipment purchased by us from overseas since the prices for substantially all of the fuel materials and a significant portion of the equipment we purchase are denominated in currencies other than Won, generally in U.S. dollars. Changes in foreign exchange rates may also impact the cost of servicing our foreign currency-denominated debt. Since substantially all of our revenues are denominated in Won, we must generally obtain foreign currencies through foreign-currency denominated financings or from foreign currency exchange markets to make such purchases or service such debt. As a result, any significant depreciation of Won against the U.S. dollar or other major foreign currencies may have a material adverse effect on our profitability and results of operations.

Risks Relating to Korea

Unfavorable financial and economic conditions in Korea and globally may have a material adverse impact on our financial condition and results of operations.

We are incorporated in Korea, where most of our assets are located and most of our income is generated. As a result, we are subject to political, economic, legal and regulatory risks specific to Korea, and our business, results of operations and financial condition are largely dependent on developments relating to the Korean economy. The Korean economy is closely integrated with, and is significantly affected by, developments in the global economy and financial markets.

Due to recent liquidity and credit concerns and volatility in the global financial markets, the value of the Won relative to the U.S. dollar and other foreign currencies and the stock prices of Korean companies have fluctuated significantly in recent years. In particular, there has been increased volatility in light of concerns regarding, among other things, the financial difficulties affecting many governments worldwide, in particular in southern Europe and Latin America, as well as the recent slowdown of economic growth in

China and other major emerging market economies, in addition to political and social instability in various countries in the Middle East and Northern Africa, including Iraq, Syria and Yemen, as well as in the Ukraine and Russia. Accordingly, the overall prospects for the Korean and global economies in 2017 and beyond remain uncertain. Any future deterioration of the Korean or global economy could adversely affect our business, financial condition and results of operations.

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

- difficulties in the financial sectors in Europe and elsewhere and increased sovereign default risks in selected countries and the resulting adverse effects on the global financial markets;

- adverse conditions or uncertainty in the economies of countries and regions that are important export markets for Korea, such as the United States, Europe, Japan and China, or in emerging market economies in Asia or elsewhere, as well as increased uncertainty in the wake of a referendum in the United Kingdom in June 2016, in which the majority of voters voted in favor of an exit from the European Union ("**Brexit**");

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

- declines in consumer confidence and a slowdown in consumer spending;

- increasing levels of household debt;

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

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

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

- the recent impeachment and dismissal of former President Park Geun-hye and the resulting social unrest in Korea, as well as related investigations of large Korean conglomerates and their senior management for bribery, embezzlement and other possible misconduct;

- increased sovereign default risk in select countries and the resulting adverse effects on the global financial markets;

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

- social and labor unrest;

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

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

- loss of investor confidence arising from corporate accounting irregularities or corporate governance issues at certain Korean companies;

- increases in social expenditures to support an aging population in Korea or decreases in economic productivity due to the declining population size in Korea;

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

- the occurrence of severe health epidemics in Korea or other parts of the world, including an outbreak of severe acute respiratory syndrome, swine or avian flu, Ebola or Middle East respiratory syndrome.

- deterioration in economic or diplomatic relations between Korea and its trading partners or allies, including deterioration resulting from territorial or trade disputes or disagreements in foreign policy (such as the ongoing controversy between Korea and China regarding the decision to allow the United States to deploy the Terminal High Altitude Area Defense system in Korea);

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

- natural or man-made disasters that have a significant adverse economic or other impact on Korea or its major trading partners;

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

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

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

Relations between Korea and North Korea have been tense throughout Korea's modern history. The level of tension between the two Koreas has fluctuated and may increase abruptly as a result of current and future events. In particular, there have been heightened security concerns in recent years stemming from North Korea's nuclear weapon and ballistic missile programs as well as its hostile military actions against Korea. Some of the significant incidents in recent years include the following:

- North Korea renounced its obligations under the Nuclear Non-Proliferation Treaty in January 2003 and conducted three rounds of nuclear tests between October 2006 and February 2013, which increased tensions in the region and elicited strong objections worldwide. In January 2016, North Korea announced that it had successfully tested a hydrogen bomb, its fourth nuclear test and allegedly first test using hydrogen, which is more explosive than plutonium. In February 2016, North Korea tested its intercontinental ballistic missile technology and launched a long-range missile, which it claimed to have launched a satellite into orbit. In response, the Government condemned the provocations and flagrant violations of relevant United Nations Security Council resolutions and withdrew Korean personnel from the inter-Korea Gaesong Industrial Complex and announced its closing. In March 2016, the United Nations Security Council unanimously passed a resolution condemning North Korea's actions and significantly expanding the scope of sanctions applicable to North Korea. In September 2016, North Korea announced that it had successfully tested a nuclear warhead that could be mounted on ballistic missiles. In response, the Government condemned the test, and in November 2016, the United Nations Security Council unanimously passed a resolution imposing additional sanctions on North Korea. North Korea has continued to develop its nuclear and ballistic missile programs and has engaged in a series of missile tests since its last nuclear test.

- In August 2015, two Korean soldiers were seriously wounded in landmine explosions while on routine patrol of the southern side of the demilitarized zone. The Government and the United Nations Command announced that the landmines were set by North Korea, and in response, the Korean army restarted its loudspeaker propaganda broadcasts directed at the northern side of the demilitarized zone. The North Korean army retaliated by firing artillery rounds at the loudspeakers resulting in both sides being placed on the highest level of military readiness. High-ranking officials from the Government and North Korea subsequently met for discussions intending to defuse military tensions and released a joint statement whereby, among other things, North Korea expressed regret over the landmine explosions that wounded the Korean soldiers.

- In March 2010, a Korean naval vessel was destroyed by an underwater explosion, killing many of the crewmen on board. The Government formally accused North Korea of causing the sinking, while North Korea denied responsibility. Moreover, in November 2010, North Korea fired more than one hundred artillery shells that hit Korea's Yeonpyeong Island near the Northern Limit Line, which acts as the de facto maritime boundary between Korea and North Korea on the west coast of the Korean peninsula, causing casualties and significant property damage. The Government condemned North Korea for the attack and vowed stern retaliation should there be further provocation.

North Korea's economy also faces severe challenges, which may aggravate social and political pressures within North Korea.

There can be no assurance that the level of tensions affecting the Korean peninsula will not escalate in the future. Any further increase in tensions, which may occur, for example, if North Korea experiences a leadership crisis, high-level contacts between Korea and North Korea break down or military hostilities occur, could have a material adverse effect on our business, results of operations and financial condition and the price of the Notes, including a downgrade in our credit rating or of the Notes.

We are subject to Korean accounting, regulatory and corporate governance standards, which differ in significant respects from those in other countries.

Companies in Korea, including us, are subject to accounting standards which differ in many respects from standards applicable in other countries, including the United States. Our financial statements are prepared in accordance with K-IFRS, which may differ in certain respects from IFRS applied in other countries. In addition, we are subject to corporate governance standards applicable to Korean companies which differ in many respects from standards applicable in other countries. There may also be less publicly available information about Korean companies, such as us, than is regularly made available by public or non-public companies in other countries. Such differences in accounting and corporate governance standards as well as less available public information could result in less than satisfactory corporate governance practices or disclosure to investors.

Risks Relating to the Notes

The Notes are subject to transfer restrictions.

The Notes will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except to QIBs in reliance on the exemption provided by Rule 144A, to certain persons in offshore transactions in reliance on Regulation S, or, if available, pursuant to another exemption from, or in another transaction not subject to, the registration requirements of the Securities Act and, in each case, in accordance with applicable state securities laws. In addition, subject to the conditions set forth in the Agency Agreement (as defined in *"Terms and Conditions of the Notes"*), a Note may be transferred only if the principal amount of Notes transferred is at least US$200,000. Under certain conditions and if so set forth in the applicable Pricing Supplement, a Note may be transferred only if the principal amount of Notes transferred is at least €100,000 or the equivalent in another foreign currency. For a further discussion of the transfer restrictions applicable to the Notes, see *"Subscription and Sale and Transfer and Selling Restrictions."*

The Notes have not been and will not be registered under the Financial Investment Services and Capital Markets Act of Korea (the "**FSCMA**"). Accordingly, the Notes may not be offered, sold or delivered, directly or indirectly, in Korea or to, or for the account or benefit of, any resident of Korea (as such term is defined under the Foreign Exchange Transaction Law of Korea and its Enforcement Decree), except as otherwise permitted under applicable Korean laws and regulations.

In addition, during the first year after the issuance of the Notes, the Notes may not be transferred to any resident of Korea other than a "qualified institutional buyer" (a "**Korean QIB**", as defined in the Regulation on Issuance, Public Disclosure, Etc. of Securities of Korea) who is registered with the Korea Financial Investment Association (the "**KOFIA**") as a Korean QIB and subject to the requirement of monthly reports with the KOFIA of its holding of Korean QIB bonds as defined in the Regulation on Issuance, Public Disclosure, etc. of Securities of Korea, provided that (a) the Notes are denominated, and the principal and interest payments thereunder are made, in a currency other than Korean won, (b) the amount of the Notes acquired by such Korean QIBs in the primary market is limited to less than 20% of the aggregate issue amount of the Notes, (c) the Notes are listed on one of the major overseas securities markets designated by the Financial Supervisory Service of Korea, or certain procedures, such as registration or report with a foreign financial investment regulator, have been completed for offering of the Notes in a major overseas securities market, (d) the one-year restriction on offering, delivering or selling of Notes to a Korean resident other than a Korean QIB is expressly stated in the Notes, the relevant purchase agreement and offering circular and (e) the Company and the Initial Purchasers shall individually or collectively keep the evidence of fulfillment of conditions (a) through (d) above after having taken necessary actions therefor.

The Notes are subject to prescription regulations in Korea.

Failure to exercise a right of action for more than a certain period of time may operate as a bar to exercise of such right. Under Korean laws, claims against the issuer in respect of the payment of principal of notes or bonds are prescribed upon the expiry of ten years, and claims for payment of interest in respect of notes or bonds are prescribed upon the expiry of five years, in each case, from the relevant due date as adjusted by any acceleration or otherwise, in respect thereof. If the Note holders fail to exercise his or her right of payment for more than the period set forth above, the Korean courts may not enforce a claim for payment for principal or interest in respect of the Notes.

There is no existing trading market for the Notes and, therefore, the Notes offer limited liquidity.

The Notes constitute a new issue of securities for which there is no existing market. Approval in-principle has been received from the SGX-ST in connection with the Program and application will be made for the listing and quotation of Notes that may be issued under the Program, which Notes are agreed, at or prior to the time of issue thereof, to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted for listing and quotation on the SGX-ST. Although the Initial Purchasers have advised us that they currently intend to make a market in the Notes, they are not obligated to do so, and any market making activity with respect to the Notes, if commenced, may be discontinued at any time without notice in their sole discretion. For a further discussion of the Initial Purchasers' planned market making activities, see "*Subscription and Sale and Transfer and Selling Restrictions.*"

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

- prevailing interest rates;
- our results of operations and financial condition;
- the rate of exchange between Won and the currency of the Notes;
- political and economic developments in and affecting Korea and other regions;
- the market conditions for similar securities; and
- the financial condition and stability of the Korean financial and other sectors.

The Notes are not protected by restrictive covenants.

The Notes and the Agency Agreement relating to the Notes do not contain restrictive financial or operating covenants or restrictions on the payment of dividends, the incurrence of indebtedness, the sale of assets or the issuance or repurchase of securities by us.

CAPITALIZATION

The following table sets forth our actual capitalization, as derived from our unaudited condensed consolidated interim financial statements as of March 31, 2017 included in this Offering Circular.

The table below should be read in connection with our unaudited condensed consolidated interim financial statements and the related notes as of and for the three months ended March 31, 2017, which have been prepared in accordance with K-IFRS No. 1034 'Interim Financial Reporting' and are included elsewhere in this Offering Circular.

	As of March 31, 2017(1)	
	(Billions of Won)	(Millions of US$)(4)
Bonds, net of discount (excluding current portion)	₩ 7,100	US$ 6,361
Long-term borrowings (excluding current portion)	204	183
SHAREHOLDER'S EQUITY:		
Share capital	₩ 10,705	US$ 9,591
Retained earnings(2)	14,762	13,226
Other components of equity	(35)	(31)
Equity attributable to the owners of the controlling company	25,432	22,786
Non-controlling interests	36	32
Total equity	25,468	22,818
Total capitalization(3)	₩ 32,772	US$ 29,362

Notes:

(1) There has been no material change in our capitalization since March 31, 2017.

(2) Retained earnings before appropriations include reserves.

(3) Total capitalization is defined as the sum of the bonds, net of discount (excluding current portion) and long-term borrowings (excluding current portion) plus total equity.

(4) The Won financial information as of March 31, 2017 has been translated into U.S. dollars at the exchange rate of Won 1,116.1 to US$1.00, which was the Market Average Exchange Rate in effect on March 31, 2017.

SELECTED FINANCIAL DATA

The following tables present selected financial data as of and for the years ended December 31, 2014, 2015 and 2016 and as of March 31, 2017 and for the three months ended March 31, 2016 and 2017. The selected financial data below have been derived from and should be read together with our financial statements as of and for the years ended December 31, 2014, 2015 and 2016 and as of March 31, 2017 and for the three months ended March 31, 2016 and 2017 and the related notes included elsewhere in this Offering Circular.

Our consolidated financial statements as of and for the years ended December 31, 2014, 2015 and 2016 have been prepared in accordance with K-IFRS. Our unaudited condensed consolidated interim financial statements as of March 31, 2017 and for the three months ended March 31, 2016 and 2017 have been prepared in accordance with K-IFRS No. 1034 'Interim Financial Reporting'.

Selected Statement of Comprehensive Income Data

	For the Year Ended December 31,				For the Three Months Ended March 31,		
	2014	2015	2016	2016(1)	2016	2017	2017(1)
	(In billions of Won and millions of U.S. Dollars, except per share data)						
Revenue	₩ 9,504	₩10,747	₩11,277	US$10,104	₩ 3,330	₩ 2,688	US$2,408
Cost of sales	(6,852)	(6,784)	(7,229)	(6,447)	(1,603)	(1,899)	(1,701)
Gross profit	2,652	3,963	4,048	3,627	1,727	789	707
Selling and administrative expenses	(131)	(172)	(201)	(180)	(41)	(49)	(44)
Operating profit	2,521	3,791	3,847	3,447	1,686	740	663
Other income	43	38	32	29	7	7	6
Other expenses	(25)	(24)	(92)	(82)	(4)	(9)	(8)
Other profit (loss), net	12	7	12	11	(3)	10	9
Finance income	139	246	128	115	64	271	243
Finance expenses	(785)	(776)	(600)	(538)	(158)	(372)	(333)
Equity method loss of associates, net	(1)	(4)	(56)	(50)	(0)	(0)	(0)
Profit before income taxes	1,904	3,278	3,271	2,932	1,592	647	580
Income tax expense	(464)	(822)	(799)	(716)	(381)	(79)	(71)
Profit for the period	1,440	2,456	2,472	2,216	1,211	568	509
Total other comprehensive loss, net of tax	(43)	(17)	(27)	(24)	(23)	(1)	(1)
Total comprehensive income for the period	₩ 1,397	₩ 2,439	₩ 2,445	US$ 2,192	₩ 1,188	₩ 567	US$ 508
Basic earnings per share (in Korean Won and U.S.$)	₩ 5,949	₩10,141	₩10,167	US$ 9.11	₩ 4,985	₩ 2,342	US$ 2.10

Note:

(1) We maintain our financial statements in Won. The Won financial information for the year ended December 31, 2016 and for the three months ended March 31, 2017 has been translated into U.S. dollars at the exchange rate of Won 1,116.1 to US$1.00, which was the Market Average Exchange Rate in effect on March 31, 2017.

Selected Statement of Financial Position Data

	As of December 31,				As of March 31,	
	2014	2015	2016	2016(1)	2017	2017(1)
	(In billions of Won and millions of U.S. Dollars)					
Assets:						
Cash and cash equivalents	₩ 174	₩ 565	₩ 87	US$ 78	₩ 133	US$ 119
Other current assets(2)	4,066	5,000	5,976	5,354	5,855	5,246
Property, plant and equipment, net	42,729	42,703	43,501	38,976	43,426	38,909
Other non-current assets(3)	2,514	2,985	3,458	3,098	3,274	2,933
Total assets	₩ 49,483	₩ 51,253	₩ 53,022	US$ 47,506	₩ 52,688	US$ 47,207
Liabilities and shareholder's equity:						
Current portion of long-term borrowings	18	19	16	14	16	14
Current portion of long-term bonds, net of discount	958	570	682	611	928	831
Current provisions	339	360	422	378	547	490
Other current liabilities(4)	1,279	1,801	2,069	1,854	2,008	1,799
Bonds, net of discount (excluding current portion)	8,629	8,897	7,836	7,021	7,100	6,361
Long-term borrowings (excluding current portion)	255	229	208	186	204	183
Other non-current liabilities(5)	16,370	15,748	16,345	14,645	16,418	14,710
Total liabilities	₩ 27,848	₩ 27,624	₩ 27,578	US$ 24,709	₩ 27,221	US$ 24,388
Total equity	₩ 21,635	₩ 23,629	₩ 25,444	US$ 22,797	₩ 25,467	US$ 22,819
Total liabilities and equity	₩ 49,483	₩ 51,253	₩ 53,022	US$ 47,506	₩ 52,688	US$ 47,207

Notes:

(1) We present our financial statements in Won. The Won financial information as of December 31, 2016 and March 31, 2017 has been translated into U.S. dollars at the exchange rate of Won 1,116.1 to US$1.00, which was the Market Average Exchange Rate in effect on March 31, 2017.

(2) Other current assets consist of current financial assets, trade accounts and other receivables, inventories, current income tax receivables and current non-financial assets.

(3) Other non-current assets consist of non-current financial assets, non-current trade accounts and other receivables, intangible assets, investments in associates, deferred income tax assets and non-current non-financial assets.

(4) Other current liabilities consist of trade accounts and other payables, current derivative liabilities, income tax payable and current non-financial liabilities.

(5) Other non-current liabilities consist of non-current trade accounts and other payables, non-current derivative liabilities, non-current non-financial liabilities, employee benefit obligation and non-current provisions.

Other Selected Financial Data

	For the Year Ended December 31,				For the Three Months Ended March 31,		
	2014	2015	2016	2016(1)	2016	2017	2017(1)
	(In billions of Won and millions of U.S. Dollars, except percentages)						
Net cash flow from operating activities	₩ 3,238	₩ 4,258	₩ 4,173	US$3,739	₩ 1,787	₩ 947	US$ 848
Net cash flow used in investment activities	(3,137)	(3,045)	(2,903)	(2,601)	(1,136)	(666)	(597)
Net cash flow used in financing activities	(230)	(822)	(1,747)	(1,565)	(5)	(235)	(211)
Operating income margin (%)	26.5	35.3	34.1		50.6	27.5	
Net income margin (%)	15.2	22.9	21.9		36.3	21.1	

Note:

(1) We present our financial statements in Won. The Won financial information as of and for the year ended December 31, 2016 and as of March 31, 2017 and for the three months ended March 31, 2017 has been translated into U.S. dollars at the exchange rate of Won 1,116.1 to US$1.00, which was the Market Average Exchange Rate in effect on March 31, 2017.

	As of December 31,				As of March 31,	
	2014	2015	2016	2016(1)	2017	2017(1)
	(In billions of Won and millions of U.S. Dollars, except percentages)					
Debt to equity ratio (%)(2)	45.6	41.1	34.4		32.4	
Net debt to equity ratio (%)(3)	44.8	38.7	34.0		31.9	
Total liabilities to equity ratio (%)	128.7	116.9	108.4		106.9	
Net working capital(4)	1,646	2,815	2,875	2,576	2,490	2,231

Notes:

(1) We present our financial statements in Won. The Won financial information as of and for the year ended December 31, 2016 and as of March 31, 2017 and for the three months ended March 31, 2017 has been translated into U.S. dollars at the exchange rate of Won 1,116.1 to US$1.00, which was the Market Average Exchange Rate in effect on March 31, 2017.

(2) Debt-to-equity ratio equals the sum of short-term borrowings, bonds (net of discount, including the current portion) and long-term borrowings (including the current portion) divided by total equity.

(3) Net debt-to-equity ratio equals (i) the sum of short-term borrowings, bonds (net of discount, including the current portion) and long-term borrowings (including the current portion) less (ii) cash and cash equivalents, divided by (iii) total equity.

(4) Net working capital means current assets minus current liabilities.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read together with our financial statements and the related notes included elsewhere in this Offering Circular. Our consolidated financial statements as of and for the years ended December 31, 2014, 2015 and 2016 have been prepared in accordance with K-IFRS. Our unaudited condensed consolidated interim financial statements as of March 31, 2017 and for the three months ended March 31, 2016 and 2017 have been prepared in accordance with K-IFRS No. 1034 'Interim Financial Reporting.' This discussion contains forward-looking statements that involve risks and uncertainties. Actual results and the timing of events may differ materially from those contained in these forward-looking statements due to a number of factors, including those discussed in the section entitled "Risk Factors" and elsewhere in this Offering Circular.

Overview

We were established on April 2, 2001 as a result of a corporate split from KEPCO, pursuant to which KEPCO transferred all of its nuclear and hydroelectric power generation assets and related liabilities to us in accordance with the Act on the Promotion of Restructuring the Electric Power Industry and the Restructuring Plan for the electricity industry in Korea announced by MOTIE. See "*The Korean Electricity Industry — Restructuring of the Electricity Industry in Korea.*" Pursuant to Article 2 of our Articles of Association, we engage in the nuclear and hydroelectric power generation and sell all of our generated electricity to KEPCO through the KPX in accordance with Article 31 of the Electricity Business Act of Korea. We are wholly owned by KEPCO and are the only nuclear power generation company in Korea.

As of March 31, 2017, we owned and operated 25 nuclear power generation units with aggregate installed capacities of 23,116 MW, 35 hydroelectric power generation units with aggregate installed capacities of 606 MW, 16 pumped-storage hydro power generation units with aggregate installed capacities of 4,700 MW, and six wind/solar power generation units with aggregate installed capacity of 17 MW. All of our nuclear power plants supply base load power, and hydroelectric power plants supply electricity during peak hours.

Nuclear power is one of the largest electricity supply sources in Korea. As of March 31, 2017, we owned approximately 26.0% of the total electricity generation capacity in Korea (excluding plants generating electricity primarily for private or emergency use). In 2016 and for the three months ended March 31, 2017, we sold 158,804 GW hours and 37,981 GW hours of electricity, respectively, to KEPCO. Nuclear power, all of which is generated by us, accounted for 30.3% and 27.6% of total electricity sold in Korea in 2016 and for the three months ended March 31, 2017, respectively. In 2016 and for the three months ended March 31, 2017, nuclear power generation accounted for 97.1% and 97.0%, respectively, of the electricity generated by us.

Pursuant to the Basic Plan, we have incurred substantial expenditures for the construction of nuclear power generation units and other facilities to meet increased demand for electric power. Based on the National Energy Basic Plan and the Basic Plan, we plan to continue to make substantial expenditures to expand and enhance our nuclear power generating capacity in the future. See "*— Capital Requirements.*"

In addition to capital expenditures related to the construction of power generation assets, we also incur significant cash expenditures following the establishment by the

Government of KORAD, a separate corporate entity responsible for nuclear waste management, as a result of which we pay fees to KORAD for the disposal of low- and intermediate- level radioactive waste and spent fuel. See "*Business — Nuclear Safety Research and Development — Nuclear Waste Management.*"

Unexpected or prolonged shutdowns of our nuclear generation units may result in a significant loss of revenue. For example, following multiple earthquakes in the city of Gyeongju in September 2016, four nuclear generation units at the Wolsong site were shut down for approximately three months as part of a preventive and safety assurance program although these units were not directly affected by the earthquakes. The breakdown, failure or suspension of operation of a nuclear generation unit could result in a material loss of revenues and/or additional repair and maintenance costs, greater risk of litigation and increased social and political hostility to the use of nuclear power, which could have a material adverse impact on our reputation, business and results of operation and could lead to a decline in the market value of the Notes. See "*Risk Factors — Risk Relating to Our Business — Inherent in the operation of nuclear power generation facilities are numerous hazards and risks, any of which could result in a material loss of revenues or increased expenses.*"

We have established a provision for decommissioning costs related to nuclear plant operation (which costs principally consist of (i) costs related to spent fuel, (ii) costs related to radioactive waste, and (iii) costs related to dismantling nuclear plants) as a liability since 1983. The decommissioning costs of nuclear facilities are estimated based on the study by the Cost Determination Committee established by the MOTIE and as provided under the Radioactive-Waste Management Act, and are adjusted annually. The decommissioning costs are reviewed by the MOTIE every two years and the MOTIE is required to issue, every two years, guidelines relating to the accounting treatment of decommissioning, which we are required to adopt. The estimated decommissioning costs increased in 2015 based on the 2014 MOTIE guidelines as well as in consideration of overseas cases of decommissioning, inflation rate assumptions, changes in the operating environment and other criteria. We believe that the guidelines adopted to-date capture the substantial majority of the accounting adjustments required in connection with determining decommissioning costs and liabilities. The 2016 MOTIE guidelines on the accounting treatment of decommissioning liabilities have not yet been finalized as of the date of this offering circular. As of March 31, 2017, we have accrued Won 13,033 billion for the cost of dismantling and decontaminating existing nuclear power plants, which consists of dismantling costs of nuclear plants of Won 10,286 billion and dismantling costs of spent fuel and radioactive waste of Won 2,747 billion. As of March 31, 2017, we hold Won 653 billion in beneficiary securities exclusively for the payment of decommissioning costs, which is the estimated cost of decommissioning one nuclear plant, and plan to maintain a similar amount of reserve going forward. See also "*Business — Nuclear Safety — Decommissioning" and "— Critical Accounting Policies — Retirement of Tangible Assets.*"

The adjusted coefficient is one of the factors in determining the price of electricity sold by us to KEPCO and is reset from time to time. The adjusted coefficient applicable to electricity generated from nuclear fuels was adjusted upwards in 2015 and 2016, which contributed to an increase in our revenue in 2015 compared to 2014 as well as in 2016 compared to 2015.

Recent Accounting Changes

There were no recent changes in accounting policies that would have a material impact on our consolidated financial statements.

Critical Accounting Policies

We have prepared our consolidated financial statements in accordance with K-IFRS. These accounting principles require us to make certain estimates and judgments that affect the reported amounts in our consolidated financial statements. Critical accounting policies are defined as those that are both most important to the portrayal of our financial condition and results of operations and require our management's most difficult, subjective, or complex judgment, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods. Our estimates and judgments are based on historical experience, forecasted future events and various other assumptions that we believe to be reasonable under the circumstances. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting the estimate may differ significantly from the management's current judgments. We evaluate our estimates and judgments on an ongoing basis. We believe the following represents our critical accounting policies.

Property, Plant and Equipment

Our property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives or unit-of-production method (for loaded nuclear fuel and asset retirement costs of spent fuel). The depreciable lives and salvage residual values of these assets are estimated and reviewed at each reporting date. Such estimates are made based on management's knowledge of the useful lives, prior experience to reflect economic lives of these assets and takes into account anticipated technological or other changes lives and salvage residual values of these assets are estimated and reviewed at each reporting date and such estimates are made based on management's knowledge of the useful lives and prior experience to reflect economic lives of these assets. The estimated useful lives of our buildings are between 8 to 32 years, structures are between 8 to 50 years, machinery is between 6 to 32 years, loaded heavy water is 30 year, asset retirement costs of nuclear power plants is 30, 40 and 60 years and others are between 4 to 32 years. We review our depreciation methods, useful lives and residual values at the end of each financial year and makes adjustments, if appropriate.

At each reporting date, we review the carrying amounts of property, plant and equipment to determine whether there is any indication that the carrying amount of these assets may not be recoverable through continuing use. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount is the greater of its value-in-use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount exceeds its recoverable amount and impairment losses are recognized in profit or loss. No impairment loss was recognized in 2014, 2015 and 2016 and the three months ended March 31, 2016 and 2017.

Our estimates of the useful lives and recoverable amounts of our assets are based on historical trends adjusted to reflect our best estimate of future market and operating conditions. Our estimates include the expected future period in which the future cash flows are expected to be generated from continuing use of the assets that we review for impairment and cash outflows to prepare the assets for use that can be directly attributed or allocated on a reasonable and consistent basis.

While we believe that our estimates of the useful lives and recoverable amounts of our assets are reasonable, different assumptions regarding such estimates could produce different results, which could have a material impact on us. We review our depreciation methods, useful lives and residual values at the end of each financial year and makes adjustments, if appropriate. For further information regarding our assumptions, see note 3 to our audited financial statements as of and for the years ended December 31, 2015 and 2016 and note 3 to our unaudited condensed consolidated interim financial statements as of and for the three months ended March 31, 2016 and 2017, included elsewhere in the Offering Circular.

Retirement of Tangible Assets

Provisions are recognized when we have a present obligation (legal or constructive) as a result of a past event, it is probable that we will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Asset retirement obligations including the decommissioning costs of nuclear facilities are adjusted for changes in the estimate of expected undiscounted cash flows or discount rate as of each reporting date. The asset retirement obligations are remeasured at each reporting date using an updated discount rate that reflects the then current market conditions. As of March 31, 2017, we estimated our asset retirement obligations based on an average discount rate of 3.55% and average inflation rate of 1.40%. Due to changing market and economic conditions, the underlying key assumptions may differ from actual developments and may lead to significant changes in our retirement of tangible assets. See note 39 to our audited financial statements as of and for the years ended December 31, 2015 and 2016 and note 39 to our unaudited condensed consolidated interim financial statements as of and for the three months ended March 31, 2016 and 2017, included elsewhere in the Offering Circular.

Deferred Income Tax Assets

In assessing the realization of deferred income tax assets, we consider whether it is probable that a portion or all of the deferred income tax assets will not be realized. The ultimate realization of our deferred income tax assets is dependent on whether we are able to generate future taxable income in specific tax jurisdictions during the periods in which temporary differences become deductible.

We have scheduled the expected future reversals of the temporary differences and projected future taxable income in making this assessment. However, the amount of deferred tax assets may be different if we do not realize estimated future taxable income during the carry forward periods as originally expected. See note 3 to our audited financial statements as of and for the years ended December 31, 2015 and 2016 and note 3 to our unaudited condensed consolidated interim financial statements as of and for the three months ended March 31, 2016 and 2017, included elsewhere in the Offering Circular.

Retirement benefit plans

We offer defined benefit plans to our employees. The cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each reporting period. For actuarial valuations, discount rate, future salary increase and expected return on plan assets are estimated and these estimations are uncertain. The discount rates are determined by reference to the yield at the reporting date on high quality corporate bonds that have maturity dates approximating the terms of our benefits obligations and that are denominated in the same currency in which the benefits are expected to be paid. The expected rate of returns assumptions on plan assets are based on the rate used to discount the defined benefit obligation. Due to changing market and economic conditions, the underlying key assumptions may differ from actual developments and may lead to significant changes in our defined benefit plan. See note 39 to our audited financial statements as of and for the years ended December 31, 2015 and 2016 and note 39 to our unaudited condensed consolidated interim financial statements as of and for the three months ended March 31, 2016 and 2017, included elsewhere in the Offering Circular.

Results of Operations

Results of Operations for the Years ended December 31, 2014, 2015 and 2016 and the Three Months Ended March 31, 2016 and 2017

The table below presents statement of comprehensive income information for the years/periods indicated.

	For the Year Ended December 31,				For the Three Months Ended March 31,		
	2014	2015	2016	2016(1)	2016	2017	2017(1)
	(In billions of Won and millions of U.S. Dollars, except per share data)						
Revenue	₩ 9,504	₩10,747	₩11,277	US$10,104	₩ 3,330	₩ 2,688	US$2,408
Cost of sales	(6,852)	(6,784)	(7,229)	(6,447)	(1,603)	(1,899)	(1,701)
Gross profit	2,652	3,963	4,048	3,627	1,727	789	707
Selling and administrative expenses	(131)	(172)	(201)	(180)	(41)	(49)	(44)
Operating profit	2,521	3,791	3,847	3,447	1,686	740	663
Other income	43	38	32	29	7	7	6
Other expenses	(25)	(24)	(92)	(82)	(4)	(9)	(8)
Other profit (loss), net	12	7	12	11	(3)	10	9
Finance income	139	246	128	115	64	271	243
Finance expenses	(785)	(776)	(600)	(538)	(158)	(372)	(333)
Equity method loss of associates, net	(1)	(4)	(56)	(50)	(0)	(0)	(0)
Profit before income taxes	1,904	3,278	3,271	2,932	1,592	647	580
Income tax expense	(464)	(822)	(799)	(716)	(381)	(79)	(71)
Profit for the period	1,440	2,456	2,472	2,216	1,211	568	509
Total other comprehensive loss, net of tax	(43)	(17)	(27)	(24)	(23)	(1)	(1)
Total comprehensive income for the period	₩ 1,397	₩ 2,439	₩ 2,445	US$ 2,192	₩ 1,188	₩ 567	US$ 508
Basic earnings per share (in Korean Won and U.S.$)	₩ 5,949	₩10,141	₩10,167	US$ 9.11	₩ 4,985	₩ 2,342	US$ 2.10

Note:

(1) We maintain our financial statements in Won. The Won financial information for the year ended December 31, 2016 and for the three months ended March 31, 2017 has been translated into U.S. dollars at the exchange rate of Won 1,116.1 to US$1.00, which was the Market Average Exchange Rate in effect on March 31, 2017.

Three Months ended March 31, 2017 Compared to Three Months ended March 31, 2016

Our revenue, substantially all of which is derived from the sales of electric power to KEPCO, decreased by 19.3% to Won 2,688 billion for the three months ended March 31, 2017 from Won 3,330 billion for the three months ended March 31, 2016, mainly due to an 11.9% decrease in the volume of electricity sold to 37,981 GWh in the three months ended March 31, 2017 from 43,130 GWh in the three months ended March 31, 2016 and a 7.2% decrease in the average unit price of electricity sold to Won 70.44 per kWh in the three months ended March 31, 2017 from Won 75.92 per kWh in the three months ended March 31, 2016. The decrease in the volume of electricity sold was mainly due to regular maintenance of the Hanbit and Hanul nuclear plants, which required closure of certain generation units at such plants during the first quarter of 2017. The decrease in the average unit price of electricity sold was mainly due to a decrease in the adjusted coefficient applicable to nuclear energy.

Cost of sales increased by 18.5% to Won 1,899 billion in the three months ended March 31, 2017 from Won 1,603 billion in the three months ended March 31, 2016, primarily as a result of a 62.3% increase in repairs to Won 211 billion in the three months ended March 31, 2017 from Won 130 billion in the three months ended March 31, 2016, a 242.4% increase in expense for other provisions to Won 113 billion in the three months ended March 31, 2017 from Won 33 billion in the three months ended March 31, 2016 and a 12.8% increase in depreciation of property, plant and equipment to Won 555 billion in the three months ended March 31, 2017 from Won 492 billion in the three months ended March 31, 2016. The increase in repairs was primarily due to the aforementioned maintenance of the Hanbit and Hanul nuclear plants. The increase in expense for other provisions was primarily due to expenses related to our compliance with the Renewable Portfolio Standard. The increase in depreciation of property, plant and equipment was primarily due to the depreciation of Shin-Kori unit #3, which commenced commercial operations in December 2016.

As of a result of the above factors, our gross profit decreased by 54.3% to Won 789 billion in the three months ended March 31, 2017 from Won 1,727 billion in the three months ended March 31, 2016. Our gross profit margin decreased to 27.5% in the three months ended March 31, 2017 from 50.6% in the three months ended March 31, 2016.

Our selling and administrative expenses increased by 19.5% to Won 49 billion in the three months ended March 31, 2017 from Won 41 billion in the three months ended March 31, 2016. This increase was primarily attributable to an increase in depreciation of property, plant and equipment related mainly to the depreciation of our head office in Gyeongju City.

As a result of the above factors, our operating profit decreased by 56.1% to Won 740 billion in the three months ended March 31, 2017 from Won 1,686 billion in the three months ended March 31, 2016, and our operating profit margin decreased to 27.5% in the three months ended March 31, 2017 from 50.6% in the three months ended March 31, 2016.

We incurred net other expense of Won 2 billion in the three months ended March 31, 2017 compared to net other income of Won 3 billion in the three months ended March 31, 2016, primarily due to an increase in donations related to our increased participation in local community support programs following the relocation of our head office to Gyeongju City.

We incurred net other profit of Won 10 billion in the three months ended March 31, 2017 compared to net other loss of Won 3 billion in the three months ended March 31, 2016, primarily due to net gain on foreign currency transactions of Won 7 billion in the three months ended March 31, 2017 compared to a net loss on foreign currency transactions of Won 4 billion in the three months ended March 31, 2016, largely due to the fluctuation of the exchange rates of Korean Won against major foreign currencies, especially the U.S. dollar.

Our net finance expense increased by 7.4% to Won 101 billion in the three months ended March 31, 2017 from Won 94 billion in the three months ended March 31, 2016, principally due to a significant increase in net loss on change in the unrealized value of derivative financial instruments to Won 237 billion in the three months ended March 31, 2017 from Won 33 billion in the three months ended March 31, 2016, which we entered into to hedge our foreign currency risk. The increase in finance expense was mostly offset by a significant increase in net gain on foreign currency translations to Won 261 billion in the three months ended March 31, 2017 from Won 53 billion in the three months ended March 31, 2016, related primarily to the appreciation of the Korean Won against the U.S. dollar, in which all of our foreign currency debt is denominated.

As a result of the above factors, our profit before income taxes decreased by 59.4% to Won 647 billion in the three months ended March 31, 2017 from Won 1,592 billion in the three months ended March 31, 2016.

Our income tax expense decreased by 79.3% to Won 79 billion in the three months ended March 31, 2017 from Won 381 billion in the three months ended March 31, 2016, primarily due to the decrease in our profit before income tax as well as tax credits related to the relocation of our employees to Gyeongju City. Our effective tax rate decreased to 12.2% (calculated as our income tax expense divided by profit before income taxes) in the three months ended March 31, 2017 from 24.0% in the three months ended March 31, 2016.

As a result of the above factors, our net profit for the period decreased by 53.1% to Won 568 billion in the three months ended March 31, 2017 from Won 1,211 billion in the three months ended March 31, 2016.

2016 Compared to 2015

Our revenue, substantially all of which is derived from the sales of electric power to KEPCO, increased by 4.9% to Won 11,277 billion in 2016 from Won 10,747 billion in 2015, mainly due to an 8.0% increase in the average unit price of electricity sold to Won 70.17 per kWh in 2016 from Won 65.00 per kWh in 2015, offset in part by a 1.6% decrease in the volume of electricity sold to 158,804 GWh in 2016 from 161,466 GWh in 2015. The increase in the average unit price of electricity sold was mainly due to an increase in the adjusted coefficient applicable to nuclear energy. The decrease in the volume of electricity sold was mainly due to the suspended operation of Wolsong units #1, 2, 3 and 4 from September 2016 to December 2016 following the earthquakes in Gyeongju City.

Cost of sales increased by 6.6% to Won 7,229 billion in 2016 from Won 6,784 billion in 2015, primarily due to a 42.8% increase in salaries to Won 771 billion in 2016 from Won 540 billion in 2015, a 10.3% increase in repairs to Won 1,017 billion in 2016 from Won 922 billion in 2015, and a 27.8% increase in ordinary development expenses to Won 437 billion in 2016 from Won 342 billion in 2015, offset in part by a 14.6% decrease in raw materials used to Won 585 billion in 2016 from Won 685 billion in 2015 and a 16.4% decrease in expense for provisions for decommissioning cost to Won 230 billion in 2016 from Won 275 billion in 2015. The increase in salaries was primarily related to the increase in provisions recognized in connection with the Supreme Court of Korea's decision to expand the scope of ordinary wages as well as the Government's evaluation of our business in 2015, which resulted in higher salaries in 2016. The increase in repairs was mainly related to our undertaking of additional preventative maintenance measures at our nuclear plants. The increase in ordinary development expenses was mainly related to additional inspections of our nuclear plants and increased development expenses in connection with new nuclear units being built. The decrease in raw materials used was primarily due to a decrease in the volume of electricity generated from our pumped-storage generation units, which incur a significant portion of our raw materials costs. The decrease in expense for provisions for decommissioning cost was due to a decrease in expense for provisions for costs related to radioactive waste.

As of a result of the above factors, our gross profit increased by 2.1% to Won 4,048 billion in 2016 from Won 3,963 billion in 2015. Our gross profit margin decreased slightly to 35.9% in 2016 from 36.9% in 2015.

Our selling and administrative expenses increased by 16.9% to Won 201 billion in 2016 from Won 172 billion in 2015, attributable to increases in depreciation of property, plant and equipment related primarily to the depreciation of our head office in Gyeongju City, salaries related primarily to the Government's evaluation of our business in 2015, which resulted in higher salaries in 2016, and repairs related primarily to our undertaking of additional preventative maintenance measures at our nuclear plants.

As a result of the above factors, our operating profit increased by 1.5% to Won 3,847 billion in 2016 from Won 3,791 billion in 2015 and our operating profit margin decreased to 34.1% in 2016 from 35.3% in 2015.

We incurred net other expense of Won 60 billion in 2016 compared to net other income of Won 14 billion in 2015, primarily due to an increase in donations related to our increased participation in community support programs.

Our net other profit increased by 71.4% to Won 12 billion in 2016 from Won 7 billion in 2015. This change was primarily attributable to an increase in gains on disposal of property, plant and equipment related primarily to the sale of certain non-operating assets, offset in part by increases in net loss on foreign currency transactions and net loss on foreign currency translations, each due to the fluctuation of the exchange rates of the Korean Won against major foreign currencies, especially the U.S. dollar.

Our net finance expense decreased by 10.9% to Won 472 billion in 2016 from Won 530 billion in 2015, primarily as a result of a decrease in net loss on foreign currency translations by 60.9% to Won 79 billion in 2016 from Won 202 billion in 2015 related primarily to larger fluctuations of the Korean Won against the U.S. dollar, in which all of our foreign currency debt is denominated, as well as a decrease in net interest expenses by 12.9% to Won 451 billion in 2016 from Won 518 billion in 2015 primarily due to a decrease in the discount rate used to estimate provisions for decommissioning costs. Such decreases in finance expense were offset in part by a decrease in net gain on change in the unrealized value of derivative financial instruments by 50.6% to Won 85 billion in 2016 from Won 172 billion in 2015, which we entered into to hedge our foreign currency risk, as well as a loss on repayment of financial liabilities of Won 23 billion in 2016 resulting from the early redemption of outstanding debt.

As a result of the above factors, our profit before income taxes decreased slightly by 0.2% to Won 3,271 billion in 2016 from Won 3,278 billion in 2015.

Our income tax expense decreased by 2.8% to Won 799 billion in 2016 from Won 822 billion in 2015 primarily as a result of adjustments due to changes from prior year estimates. Our effective tax rate decreased slightly to 24.4% (calculated as our income tax expense divided by profit before income taxes) in 2016 from 25.1% in 2015.

As a result of the above factors, our net profit for the year increased by 0.7% to Won 2,472 billion in 2016 from Won 2,456 billion in 2015.

2015 Compared to 2014

Our revenue increased by 13.1% to Won 10,747 billion in 2015 from Won 9,504 billion in 2014, mainly due to a 8.9% increase in the average unit price of electricity sold to Won 65.00 per kWh in 2015 from Won 59.68 per kWh in 2014 and a 4.1% increase in the volume of electricity sold to 161,466 GWh in 2015 from 155,042 GWh in 2014. The increase in the average unit price of electricity sold was mainly due to an increase in the adjusted coefficient applicable to nuclear energy. The increase in the volume of electricity sold was mainly due to the commencement of the commercial operation of Shin-Wolsong unit #2 in July 2015.

Cost of sales decreased slightly by 1.0% to Won 6,784 billion in 2015 from Won 6,852 billion in 2014, primarily as a result of a 33.6% decrease in raw materials used to Won 685 billion in 2015 from Won 1,031 billion in 2014 and a 48.1% decrease in expense for provisions for decommissioning cost to Won 275 billion in 2015 from Won 530 billion in 2014, largely offset by a 12.9% increase in repairs to Won 922 billion in 2015 from Won 817 billion in 2014, a 10.5% increase in amortization of nuclear fuel to Won 1,076 billion in 2015 from Won 974 billion in 2014 and a 67.6% increase in taxes and dues to Won 243 billion in 2015 from Won 145 billion in 2014. The decrease in raw materials used was primarily due to a decrease in the volume of electricity generated from our pumped-storage generation units. The decrease in expense for provisions for decommissioning cost was primarily due to a decrease in expense for provisions for costs related to radioactive waste. The increase in repairs was primarily due to our undertaking of additional preventative maintenance measures at our nuclear plants. The increase in amortization of nuclear fuel was primarily due to an increase in costs related to the processing of nuclear fuel for our light water reactors as well as an increase in the volume of electricity generated by nuclear units with light water reactors. The increase in taxes and dues was primarily due to an increase in the amount of local resource facility taxes paid.

As of a result of the above factors, our gross profit increased by 49.4% to Won 3,963 billion in 2015 from Won 2,652 billion in 2014. The gross profit margin increased to 36.9% in 2015 from 27.9% in 2014.

Our selling and administrative expenses increased by 31.3% to Won 172 billion in 2015 from Won 131 billion in 2014. This increase was primarily attributable to an increase in other wages related primarily to increased hiring of employees, an increase in salaries related primarily to increased hiring of employees and higher salary levels, an increase in commission related primarily to service fees in connection with the implementation of certain safety measures against cyberterrorism, an increase in rent and an increase in taxes and dues related primarily to an increase in comprehensive real estate holding taxes paid.

As a result of the above factors, our operating profit in 2015 increased by 50.4% to Won 3,791 billion from Won 2,521 billion in 2014, and our operating profit margin increased to 35.3% in 2015 from 26.5% in 2014.

Our net other income decreased by 22.2% to Won 14 billion in 2015 from Won 18 billion in 2014, primarily due to a decrease in income based on electric power industry funding as a result of the completion of a substantial majority of research and development projects to which such funding relates, offset in part by an increase in reparations related to a damages award received following the resolution of a lawsuit in connection with the construction of Hanbit unit #2.

Our net other profit decreased by 41.7% to Won 7 billion in 2015 from Won 12 billion in 2014. This change was primarily attributable to a decrease in net gain on foreign currency transactions largely due to the fluctuation of the exchange rates of the Korean Won against major foreign currencies, especially the U.S. dollar.

Our net finance expense decreased by 18.0% to Won 530 billion in 2015 from Won 646 billion in 2014, primarily as a result of an increase in net gain on change in the unrealized value of derivative financial instruments by 149.3% to Won 172 billion in 2015 from Won 69 billion in 2014, in which we entered into to hedge our foreign currency risk, as well as a net gain on transactions of derivative financial instruments of Won 35 billion in 2015 compared to a net loss on transactions of derivative financial instruments of Won 63 billion in 2014, due to fluctuations in exchange rates. Such decreases in in finance expense were offset in part by an increase in net loss on foreign currency translations by 62.9% to Won 202 billion in 2015 from Won 124 billion in 2014 related primarily to the depreciation of the Korean Won against the U.S. dollar, in which all of our foreign currency debt is denominated, and a net loss on foreign currency transactions of Won 17 billion in 2015 compared to a net gain on foreign currency transactions of Won 44 billion in 2014 largely as a result of fluctuations in exchange rates.

As a result of the above factors, our profit before income taxes increased by 72.2% to Won 3,278 billion in 2015 from Won 1,904 billion in 2014.

Our income tax expense increased by 77.2% to Won 822 billion in 2015 from Won 464 billion in 2014, primarily due to adjustments from changes in estimates in 2015. Our effective tax rate increased slightly to 25.1% (calculated as our income tax benefits divided by profit before income taxes) in 2015 from 24.4% in 2014.

As a result of the above factors, our net profit for the year increased by 70.6% to Won 2,456 billion in 2015 from Won 1,440 billion in 2014.

Cash Flows

Cash Flows from Operating Activities

Net cash provided by operating activities decreased from Won 1,787 billion in the three months ended March 31, 2016 to Won 947 billion in the three months ended March 31, 2017, mainly as a result of a decrease in cash collected from the sale of electricity as a result of decreases in the volume of electricity sold and in the average unit price of electricity sold.

Net cash provided by operating activities decreased from Won 4,258 billion in 2015 to Won 4,173 billion in 2016, mainly as a result of an increase in bonus payments and cash outflows related to purchase of inventories.

Net cash provided by operating activities increased from Won 3,238 billion in 2014 to Won 4,258 billion in 2015, mainly due to an increase in cash collected from the sale of electricity as a result of an increase in the average unit price of electricity sold due to an increase in the adjusted coefficient applicable to nuclear energy.

Cash Flows from Investing Activities

Net cash used in investing activities decreased from Won 1,136 billion in the three months ended March 31, 2016 to Won 666 billion in the three months ended March 31, 2017, primarily due to a decrease in cash used in the construction of new nuclear generation units in accordance with the construction schedule set under the Seventh Basic Plan.

Net cash used in investing activities decreased from Won 3,045 billion in 2015 to Won 2,903 billion in 2016, primarily due to a decrease in cash used in the acquisition of property, plant and equipment related primarily to a decrease in cash used in the construction of new nuclear generation units following the completion of construction of Shin-Kori unit #3.

Net cash used in investing activities decreased from Won 3,137 billion in 2014 to Won 3,045 billion in 2015, primarily due to a decrease in cash used in the payment of non-current advanced payments related to our power transmission connection facility, mostly offset by an increase in cash used in the acquisition of property, plant and equipment related primarily to an increase in cash used in the construction of new nuclear generation units.

Cash Flows from Financing Activities

Net cash used in financing activities increased from Won 5 billion in the three months ended March 31, 2016 to Won 235 billion in the three months ended March 31, 2017, largely due to an increase in cash used in the repayment of current portion of long-term bonds.

Net cash used in financing activities increased from Won 822 billion in 2015 to Won 1,747 billion in 2016, largely due to an increase in cash used in the repayment of bonds, including in the early redemption of outstanding bonds and payment of dividends.

Net cash used in financing activities increased from Won 230 billion in 2014 to Won 822 billion in 2015, largely due to payment of dividends and a decrease in proceeds from bonds issuance.

Capital Requirements

Capital Expenditures

Our most significant cash requirement has been funding capital expenditures related to the construction of power generation facilities. Our capital expenditures, which represent the amount of cash used in the acquisitions of property, plant and equipment and intangible assets in our statements of cash flows, were Won 2,213 billion, Won 2,647 billion, Won 1,946 billion and Won 427 billion in 2014, 2015, 2016 and the three months ended March 31, 2017, respectively.

We expect our current capital requirements to significantly increase in the future as a result of our capital investment program. See "*Business — Capital Investment Program.*" The current capital investment program contemplates the construction of five additional nuclear power generation units consisting of three units at the Shin-Kori site and two units at the Shin-Hanul site, each with a 1,400 megawatt capacity. We expect to complete these units between 2017 and 2022. In addition, pursuant to the Basic Plan, we plan to build four additional nuclear units between 2017 and 2027, consisting of two units at the Shin-Hanul site, each with a 1,400 megawatt capacity, and two units at the Cheonji site, each with a 1,500 megawatt capacity. Under the Seventh Basic Plan, KHNP plans to build two additional nuclear units between 2028 and 2029, each with a 1,500 megawatt capacity, at sites which have yet to be determined. The construction of new nuclear power generation units requires significant investment over extended periods of time before such units can commence operation. We anticipate that capital expenditures for construction of nuclear power generation facilities will be the most significant use of our funds over the next several years.

The table below sets forth for 2017, 2018, 2019 and 2020, the budgeted amounts of capital expenditures pursuant to our capital investment program. The budgeted amounts may vary from the actual amounts of our capital expenditures for a variety of reasons, including changes in the number of units to be constructed and the timing of such construction, changes in rates of exchange between the Won and foreign currencies, changes in interest rates and other factors.

	For the year ended December 31,			
	2017[(1)]	2018	2019	2020
	(in billions of Won)			
Construction of new generation facilities[(2)]	₩2,684	₩3,020	₩2,875	₩3,130
Maintenance of existing generation facilities	716	863	874	768
Nuclear Fuel[(3)]	1,123	1,283	1,445	1,489
Others[(4)]	614	965	1,408	1,086
Total[(5)]	₩5,137	₩6,130	₩6,602	₩6,473

Notes:

(1) Includes amounts expended through March 31, 2017.

(2) Includes our capital expenditures relating to renewable energy facilities.

(3) Initially categorized as an asset but later reduced for amortization.

(4) Miscellaneous expenditures for investments and maintenance of non-generation and ancillary facilities.

(5) The estimates for our capital expenditures and their allocation to different projects may vary as they are subject to many uncertainties, many of which are beyond our control.

Spent Fuel Disposal Expenses and Interest Expenses

In addition to the capital expenditures relating to the construction of additional nuclear power generation facilities, we also incur fees payable to a separate waste management corporation for disposal of low and intermediate level radioactive waste and spent fuel. Such costs reflect, to a large extent, past and future disposal costs related to spent fuel and waste. Pursuant to the Radioactive Waste Management Act enacted in 2009, payment in cash for existing disposal cost for spent fuel has been deferred for five years since 2009 and became payable at the end of 2014. Disposal fees for existing spent fuel, whose accrued amount as of March 31, 2017 was Won 2,909 billion, are being paid out with interest over a 15-year period from the end of 2014 until 2028. We also accrued interest on the deferred amounts beginning in 2009. Such spent fuel disposal expenses and interest expenses to be incurred and paid out in cash over the next five years are estimated as follows:

Type	2017	2018	2019	2020	2021
	(In billions of Won)				
Newly created[(1)]	₩ 582	₩ 636	₩ 562	₩ 650	₩ 702
Existing	194	194	194	194	194
Interest[(2)]	56	67	79	91	103
Total	₩ 832	₩ 897	₩ 835	₩ 935	₩ 999

Notes:

(1) Based on (i) our internal spent fuel estimates and (ii) expected disposal costs of Won 319.8 million per fuel assembly for light water reactors and Won 13.2 million per fuel assembly for heavy water reactors.

(2) Based on assumed annual interest of 4.36%.

See also "*Business — Nuclear Safety — Decommissioning" and "— Critical Accounting Policies — Retirement of Tangible Assets.*"

Repayment of Debt and other Cash Requirements

Our current portion of long-term debt (including borrowings and bonds), net of discount, amounted in the aggregate to Won 976 billion, Won 589 billion, Won 698 billion and Won 944 billion as of December 31, 2014, 2015, 2016 and March 31, 2017, respectively. We had no short-term borrowings as of December 31, 2014, 2015, 2016 and March 31, 2017. Our non-current portion of long-term debt (including borrowings and bonds), net of discount, amounted in the aggregate to Won 8,884 billion, Won 9,126 billion, Won 8,044 billion and Won 7,304 billion as of December 31, 2014, 2015, 2016 and March 31, 2017, respectively. The payments of principal and interest on our borrowings will require a considerable amount of funding.

The following summarizes our contractual obligations as of March 31, 2017, and the effect such obligations are expected to have on liquidity and cash flow in future periods.

	Payments Due by Period				
	Total	Less Than 1 Year	1-3 Years	4-5 Years	After 5 Years
	(In billions of Won)				
Long-term debt[1]	₩ 8,280	₩ 944	₩1,307	₩1,355	₩ 4,674
Interest payments on long-term debt	2,240	293	528	450	969
Short-term borrowings and interest payments on short-term borrowings	—	—	—	—	—
Plant construction[2]	16,221	1,979	6,137	5,255	2,850
Retirement and severance benefits[3]	620	43	150	48	379
Long-term payables[4]	3,952	290	316	278	3,068
Total	₩31,313	₩3,549	₩8,438	₩7,386	₩11,940

N/A = not applicable

Notes:

(1) Includes the current portion and amortization of discount on bonds and issue costs. The amounts herein are not discounted to present value.

(2) Represents our obligations under contracts to construct the power generation units in Shin-Kori #4, Shin-Hanul #1 and 2, Shin-Kori #5 and 6 and Shin-Hanul #3 and 4.

(3) Represents the amount we are required to set aside or accrue under applicable Korean law based on the number and age of our employees as of March 31, 2017 (includes amounts already set aside).

(4) Includes fuel payment after usage and the unused portion of Won 114 billion, authorized by a board resolution in September 2008 as part of an arrangement with communities around Kori unit #1 and a board resolution in June 2015 as part of an arrangement with communities around Wolsong unit #1, to be invested in various infrastructure-related investments to enhance the living environment of the affected communities, including the construction of community centers, sport centers and a public library.

For a description of our contingencies and contracts, see note 42 to our audited financial statements as of and for the years ended December 31, 2015 and 2016 and note 42 to our unaudited condensed consolidated interim financial statements as of and for the three months ended March 31, 2016 and 2017, included elsewhere in the Offering Circular.

Relocation Expenses

In June 2005, the Government announced its policy to relocate the headquarters of government-invested enterprises, including us, out of the Seoul metropolitan area to other provinces in Korea. In line with this policy, we entered into an agreement with Gyeongju City to relocate our headquarters to Gyeongju City, and we completed such relocation in December 2015. The total relocation cost for us was approximately Won 563 billion, which was paid out over the construction period with cash from operations.

Liquidity and Capital Resources

We have met our working capital and other capital requirements primarily from, and we intend to continue to rely on, net cash provided by operating activities and financing activities. We had working capital (current assets minus current liabilities) of Won 1,646 billion, Won 2,815 billion, Won 2,875 billion and Won 2,490 billion as of December 31, 2014, 2015, 2016 and March 31, 2017, respectively.

During the three months ended March 31, 2017, the balance of our cash and cash equivalents increased by Won 46 billion as we used Won 666 billion in investing activities, mainly for construction of new nuclear power plants, while we generated cash in the amount of Won 947 billion from operating activities and used Won 235 billion in financing activities, including repayment of current portion of long-term bonds.

During 2016, the balance of our cash and cash equivalents decreased by Won 478 billion as we used Won 2,903 billion in investing activities, mainly for the construction of new nuclear power plants and Won 1,747 billion in financing activities, while we generated Won 4,173 billion from operating activities.

During 2015, the balance of our cash and cash equivalents increased by Won 391 billion as we generated Won 4,258 billion from operating activities, while we used Won 3,045 billion in investing activities, mainly for the construction of new nuclear power plants and Won 822 billion for financing activities, including repayments of current portion of long-term bonds and short-term borrowings.

During 2014, the balance of our cash and cash equivalents decreased by Won 128 billion as we used Won 3,137 billion in investing activities, mainly for the construction of our nuclear power plants, and Won 230 billion in financing activities, while we generated cash in the amount of Won 3,238 billion from operating activities.

In 2014, we did not declare any dividends, as we reported net loss in 2013. In March 2015, we paid dividends of Won 446 billion, or Won 1,841 per share, related to income earned in 2014. In March 2016, we paid dividends of Won 635 billion, or Won 2,620 per share, related to income earned in 2015. In March 2017, we paid dividends of Won 543 billion, or Won 2,240 per share, related to income earned in 2016.

In order to meet future working capital and other capital requirements, including our capital expenditures and servicing of our future debt, we intend to rely upon debt financings and, to a lesser extent, net cash provided by operating activities.

Our ability to incur long-term debt in the future is subject to a variety of uncertainties including, among others, the amount of capital that other Korean entities may seek to raise in the markets. Economic, political and other conditions in Korea may also affect investor demand for our debt securities and those of other Korean entities. In addition, our ability to incur debt will also be affected by the Government's policies relating to borrowings, the liquidity of the Korean capital markets and our operating results and financial condition. We expect that a portion of our long-term debt will need to be raised through foreign currency borrowings outside of Korea.

As of March 31, 2017, our cash and cash equivalents were Won 133 billion, our total and unused committed bank credit lines amounted to Won 650 billion (of which none has been used as of March 31, 2017) provided by KEB Hana Bank and certain other Korean banks, respectively, and our total uncommitted trade finance credit facility amounted to US$800 million (of which none had been used as of March 31, 2017) provided by major foreign banks.

Market Risks

Our primary market risk exposures are to fluctuations in exchange rates, interest rates and fuel prices.

We are currently not exposed to any material foreign exchange risk related to foreign currency denominated liabilities, as the majority of our long-term borrowings and bonds are currently denominated in Won and our foreign currency denominated bonds are fully hedged. We expect that our reliance on access to the foreign capital markets will increase and that, as a result, we will have to continue to take measures to mitigate a significant portion of our exposure to exchange rate fluctuations through currency forward contracts, including any U.S. dollar-denominated notes that we may issue from time to time under this Program. We are also exposed to foreign exchange risk related to our purchases of fuels since substantially all of our fuel materials directly or indirectly come from sources outside Korea. Prices for such fuel materials are quoted based on prices stated in, and in many cases are paid for in, currencies other than Won. Nuclear fuel costs represented 10.3%, 10.2%, 10.1% and 11.1% of our revenue in 2014, 2015, 2016 and the three months ended March 31, 2017, respectively.

We are exposed to interest rate risk. Upward fluctuations in interest rates increase the cost of additional debt and the interest cost of outstanding variable rate borrowings. We manage interest rate exposure in our debt positions by limiting our variable-rate and fixed-rate exposures to percentages of total debt and by monitoring the effects of market changes in interest rates. As of December 31, 2016 and March 31, 2017, Won 659 billion and Won 611 billion, respectively, of our long-term debt (including borrowings and bonds) were floating rate debts.

Inflation

The effects of inflation in Korea on our financial condition and results of operations are reflected primarily in construction costs as well as in labor expenses. Inflation in Korea, as measured by the consumer price index, was 1.3% in 2014, 0.7% in 2015 and 1.0% in 2016. Inflation in Korea has not had a significant impact on our results of operations. It is possible that future inflation may have an adverse effect on our financial condition or results of operations.

THE KOREAN ELECTRICITY INDUSTRY

Background

Total demand for electricity in Korea increased by 0.6% in 2014, 1.3% in 2015 and 2.8% in 2016, in each case, year on year, according to KEPCO, and the consumption of electric power is expected to continue to increase by 2.1% per annum from 2015 to 2029, according to the Seventh Basic Plan.

Historically, KEPCO and its generation subsidies (the "**Generation Subsidiaries**") have made substantial expenditures for the construction of power plants and other facilities to meet increased demand for electric power. Subject to the Restructuring Plan as discussed in *"— Restructuring of the Electricity Industry in Korea"* below, KEPCO and the Generation Subsidiaries plan to continue to make substantial expenditures to expand and enhance their generation, transmission and distribution system in the future.

The Korean electric utility industry traces its origin to the establishment of the first electric utility company in Korea in 1898. On July 1, 1961, the industry was reorganized by the merger of Korea Electric Power Company, Seoul Electric Company and South Korea Electric Company, which resulted in the formation of Korea Electric Company. From 1976 to 1981, the Government acquired the private minority shareholdings in Korea Electric Company. After the Government had acquired all of the outstanding shares of Korea Electric Company, Korea Electric Company dissolved, and KEPCO was incorporated in 1981, assuming the assets and liabilities of Korea Electric Company. KEPCO ceased to be wholly owned by the Government in 1989 when the Government sold 21.0% of its common stock. As of March 31, 2017, the Government owned 51.1% (including indirect holdings by Korea Development Bank, which is wholly owned by the Government) of the outstanding shares of KEPCO's common stock.

The Korea Electric Power Corporation Act requires that the Government own at least 51% of KEPCO's capital stock. Direct or indirect ownership of more than 50% of KEPCO's outstanding common stock enables the Government to control the approval of certain corporate matters which require a stockholders' resolution, including approval of dividends. The rights of the Government and Korea Development Bank as holders of KEPCO's common stock are exercised by the MOTIE in consultation with the Ministry of Strategy and Finance (the "**MOSF**"). To our knowledge, the Government currently has no plan to cease to own, directly or indirectly, at least 51% of KEPCO's outstanding common stock.

Prior to the corporate reorganization effected on April 2, 2001, which created six generation subsidiaries wholly owned by KEPCO (including us), KEPCO was the principal electricity generation company in Korea. KEPCO continues to be the principal electricity transmission and distribution company in Korea, subject to the implementation of the Restructuring Plan.

Restructuring of the Electricity Industry in Korea

On January 21, 1999, the MOTIE published a plan to restructure the electricity industry (the "**Restructuring Plan**"). The overall objectives of the Restructuring Plan were to:

- introduce competition and thereby increase efficiency in the Korean electricity industry,
- ensure a long-term, inexpensive and stable electricity supply, and
- promote consumer convenience through the expansion of consumer choice.

The following is a description of the Restructuring Plan and the Government's position relating to the Restructuring Plan.

Phase I

During Phase I, which was the preparation stage for Phase II and lasted from January 1, 1999 to April 2, 2001, KEPCO continued to be the principal electricity generator, with several independent power producers supplying electricity to it under existing power purchase agreements. On February 23, 2001, KEPCO's board of directors approved a plan to split its non-nuclear and non-hydroelectric generation capacity into five separate wholly owned generation subsidiaries, namely, Korea South-East Power Co., Ltd. ("**KOSEP**"), Korea Southern Power Co., Ltd. ("**KOSPO**"), Korea Western Power Co., Ltd. ("**KOWEPO**"), Korea Midland Power Co., Ltd. ("**KOMIPO**") and Korea East-West Power Co., Ltd. ("**KEWP**"), each with its own management structure, assets and liabilities. KEPCO's hydroelectric and nuclear generation capacity was transferred into a separate wholly owned generation subsidiary (namely, us). On March 16, 2001, KEPCO's shareholders approved the plan to establish the Generation Subsidiaries effective as of April 2, 2001.

The Government's objectives in dividing the power generation capacity into separate generation subsidiaries were principally to:

- introduce competition and thereby increase efficiency in the electricity generation industry in Korea, and

- ensure the stable supply of electricity in Korea.

Following the implementation of Phase I, KEPCO retained, until the adoption of the Community Energy System in July 2004, its monopoly position with respect to the transmission and distribution of electricity in Korea.

While KEPCO's ownership percentage of the non-nuclear and non-hydroelectric generation subsidiaries was to be decided by the ultimate form of the Restructuring Plan approved by the Government, to our knowledge, KEPCO plans to continue to retain 100% ownership of us and the transmission and distribution business.

Phase II

Phase II of the Restructuring Plan began on April 2, 2001. For Phase II, the Government introduced a competitive or bidding pool system under which KEPCO purchases power from the Generation Subsidiaries and other companies for transmission and distribution to customers. Such competitive bidding pool system, which is a cost-based system, was established on April 2, 2001. For a further description of the pool system, see *"— Power Purchase — Cost-Based Pool System"* below.

Pursuant to the Electricity Business Act amended on December 23, 2000, the Government established the KPX on April 2, 2001 to deal with the sale of electricity and implement regulations governing the electricity market to allow for electricity distribution through a competitive bidding process. The Government also established the KOREC on April 27, 2001 to regulate the restructured Korean electricity industry and to ensure fair competition. As part of this process, the KPX established the Electricity Market Rules relating to the operation of the bidding pool system. To amend the Electricity Market Rules, the KPX must have the proposed amendment reviewed by the KOREC and then obtain the approval of the MOTIE.

The KOREC's main functions include implementation of necessary standards and measures for electricity market operation and review of matters relating to licensing participants in the Korean electricity industry. The KOREC also acts as an arbitrator in disputes involving utility rates and participants in the Korean electricity industry and consumers and investigates illegal or deceptive activities of the participants in the Korean electricity industry.

Privatization of Non-nuclear Generation Subsidiaries

In April 2002, the MOTIE released the basic privatization plan for the five non-nuclear Generation Subsidiaries. KEPCO commenced the process for selling its interest in KOSEP in 2002. According to the original plan, this process was, in principle, to take the form of a sale of management control, potentially supplemented by an initial public offering as a way of broadening the investor base.

Suspension of the Plan to Form and Privatize Distribution Subsidiaries

In September 2003, the Tripartite Commission, which included, among others, representatives from the Government and the leading businesses and labor unions in Korea, established the Joint Study Group on Reforming Electricity Distribution Network to propose a methodology of introducing competition within the industry for distribution of electricity. In June 2004, based on a report published by this Joint Study Group, the Tripartite Commission issued a resolution that recommended halting the plan to form and privatize the distribution subsidiaries, and in lieu thereof, creating independent business divisions within KEPCO, namely, the "strategy business units," as a way of improving operational efficiency and internal competition among the district divisions. This resolution was adopted by the MOTIE in June 2004, and KEPCO subsequently commissioned a third party consultant to conduct a study on implementing plans related to the creation of the strategy business units and solicited comments on the study from various parties, including labor unions and the Government. Based on this study and the related comments, in September 2006, KEPCO established nine strategy business units (which, together with KEPCO's other business units, were subsequently restructured into 14 business units in February 2012) having a separate management structure with limited autonomy and separate financial accounting and performance evaluation criteria. Based on whether the strategic business units successfully achieve their intended goals of improving operational efficiency and internal competition, KEPCO may expand the use of strategic business units.

Introduction of Market-based Public Enterprise System

On August 25, 2010, the Government announced an electricity industry development plan through which the Government aims to increase efficiency through fostering competition and strengthen the autonomy of public companies. Pursuant to this plan, in December 2010, the MOTIE announced guidelines for a cooperative framework between KEPCO and the Generation Subsidiaries, and in January 2011, the five non-nuclear Generation Subsidiaries formed a "joint cooperation unit" and transferred their pumped-storage hydroelectric business units to us. Furthermore, in January 2011, the six Generation Subsidiaries were officially designated as "market-oriented public enterprises," whereupon the president of each such subsidiary is required to enter into a management contract directly with the minister of the MOTIE, performance evaluation of such subsidiaries is conducted by the Public Enterprise Management Evaluation Commission, and the president and the statutory auditor of each such subsidiary are appointed by the President of Korea while the selection of outside directors is subject to approval by the minister of the MOSF. Previously, the president of each such subsidiary entered into a management contract with KEPCO's president, performance evaluation of such subsidiaries was conducted by KEPCO's evaluation committee, and the president and the statutory auditor of each such subsidiary were appointed by, and the selection of outside directors was subject to approval by, KEPCO's president.

Power Purchase

Cost-Based Pool System

Since April 2001, the purchase and sale of electricity in Korea is required to be made through the KPX, which is a statutory not-for-profit organization established under the Electricity Business Act responsible for setting the price of electricity, handling the trading and collecting relevant data for the electricity market in Korea. The suppliers of electricity in Korea consist of the Generation Subsidiaries, including us, which were spun-off from KEPCO in April 2001, and independent power producers, which numbered ten as of March 31, 2017. KEPCO distributes electricity purchased through the KPX to end users.

The price of electricity in the Korean electricity market is determined principally based on the cost of generating electricity using a system known as the "cost-based pool" system, under which the Generation Subsidiaries, including us, fully pass through changes in fuel costs to KEPCO in its purchase through KPX of electricity from the Generation Subsidiaries, including us. Under the cost-based pool system, the price of electricity has two principal components, namely the marginal price (representing, in principle, the variable cost of generating electricity) and the capacity price (representing, in principle, the fixed cost of generating electricity).

Marginal Price

The primary purpose of the marginal price is to compensate the generation companies for fuel costs, which represents the principal component of the variable costs of generating electricity. Such marginal price is referred to as the "system marginal price." The concept of marginal price under the cost-based pool system has undergone several changes in recent years in large part due to the sharp fluctuations in fuel prices. For example, prior to December 31, 2006, the marginal price operated on a two-tiered structure, namely, a "base load" marginal price applicable to electricity generated from nuclear fuels and coals, which tend to be less expensive per unit of electricity than electricity generated from LNG, oil and hydroelectric power to which a "non-base load" marginal price applied. The base load marginal price and the non-base load marginal price were generally set at levels so that electricity generated from cheaper fuels could be utilized first while ensuring a relatively fair rate of return to all generation units. However, when the price of coal rose sharply beginning in the second half of 2006, the pre-existing base load marginal price was abolished and a market cap by the name of "regulated market price" was introduced in its stead for electricity generated from base load fuels, with the regulated market price being set at a level higher than the pre-existing base load marginal price in order to compensate the Generation Subsidiaries for the rapid rise in the price of coal. However, when the price of coal continued to rise sharply above the level originally assumed in setting the regulated market price, this had the effect of undercutting KEPCO's profit margin as the purchaser of electricity from the Generation Subsidiaries, although the Generation Subsidiaries were able to maintain a better margin under the regulated market price regime than under the pre-existing base load marginal price regime. Accordingly, on May 1, 2008, the regulated market price regime was abolished, and the current system of "system marginal price" was introduced in order to set the marginal price in a more flexible way by using the concept of an "adjusted coefficient" tailored to each fuel type.

Under the system marginal price regime currently in effect, the marginal price of electricity at which the Generation Subsidiaries sell electricity to KEPCO is determined using the following formula:

Marginal Price = Variable Cost + [System Marginal Price - Variable Cost] * Adjusted Coefficient

The system marginal price represents, in effect, the marginal price of electricity at a given hour at which the projected demand for electricity and the projected supply of electricity for such hour intersect, as determined by the merit order system, which is a system used by the KPX to allocate which generation units will supply electricity for which hour and at what price. The projected demand for electricity for a given hour is determined by the KPX based on a forecast made one day prior to trading, and such forecast takes into account, among other factors, historical statistics relating to demand for electricity nationwide by day and by hour, after taking into account, among other factors, seasonality and peak-hour versus non-peak hour demand analysis. The projected supply of electricity at a given hour is determined as the aggregate of the available capacity of all generation units that have submitted bids to supply electricity for such hour. These bids are submitted to the KPX one day prior to trading.

Under the merit order system, the generation unit with the lowest variable cost of producing electricity among all the generation units that have submitted a bid for a given hour is first awarded a purchase order for electricity up to the available capacity of such unit as indicated in its bid. The generation unit with the next lowest variable cost is then awarded a purchase order up to its available capacity in its bid, and so forth, until the projected demand for electricity for such hour is met. The variable cost of the generation unit that is the last to receive the purchase order for such hour is referred to as the system marginal price, which also represents the most expensive price at which electricity can be supplied at a given hour based on the demand and supply for such hour. Generation units whose variable costs exceed the system marginal price for a given hour do not receive purchase orders to supply electricity for such hour. The variable cost of each generation unit is determined by the Cost Evaluation Committee on a monthly basis and reflected in the following month based on the fuel costs as of two months prior to such determination. The final allocation of electricity supply, however, is further adjusted on the basis of other factors, including the proximity of a generation unit to the geographical area to which power is being supplied, network and fuel constraints and the amount of power loss.

The purpose of the merit order system is to encourage generating units to reduce their electricity generation costs by making their generation process more efficient, sourcing fuels from more cost-effective sources or adopting other cost savings programs. The additional adjustment mechanism is designed to improve the overall cost-efficiency in the distribution and transmission of electricity to the end-users by adjusting for losses arising from the distribution and transmission process.

Under the merit order system, the electricity purchase allocation, the system marginal price and the final allocation adjustment are automatically determined based on an objective formula. The adjusted coefficient, the capacity price and the variable costs are determined in advance of trading by the Cost Evaluation Committee. Accordingly, a supplier of electricity cannot exercise control over the merit order system or its operations to such supplier's strategic advantage.

The adjusted coefficient applies uniformly to all generation units that use the same type of fuel, and is generally higher for generation units that use fuel types that inherently entail higher construction and maintenance costs, such as nuclear plants. The adjusted coefficient is determined by the Cost Evaluation Committee in principle on a semi-annual basis, although in exceptional cases driven by external factors such as fuel costs and electricity tariff rates, the adjusted coefficient may be adjusted on a quarterly basis. In determining the adjusted coefficient, the Cost Evaluation Committee considers various factors, including the market prices of fuels, electricity tariff rates and their impacts on the relative fair investment returns for KEPCO and the Generation Subsidiaries, among others.

In March 2013, the Cost Evaluation Committee imposed a price cap on the system marginal price, which cap affects, in practice, only those generation units using the most expensive fuel types, namely LNG and oil.

Capacity Price

In addition to payment in respect of the variable cost of generating electricity, the Generation Subsidiaries receive payment in the form of capacity price, the purpose of which is to compensate them for the costs of constructing generation facilities and to provide incentives for new construction. The capacity price is determined annually by the Cost Evaluation Committee based on the construction costs and maintenance costs of a standard generation unit and is paid to each generation company for the amount of available capacity indicated in the bids submitted the day before trading. From time to time, the capacity price is adjusted in ways to soften the impact of changes in the marginal price over time based on the expected rate of return for the Generation Subsidiaries. Currently, the capacity price is determined using the following formula:

Capacity Price = Reference Capacity Price * Reserve Capacity Factor
* Time of the Day Capacity Factor * Fuel Switching Factor

In 2017 year-to-date, the average capacity price of our generation units was 8.65/kWh.

Effective as of January 1, 2007, a regionally differentiated capacity price system was introduced by setting a standard capacity reserve ratio in the range of 12% to 20% in order to prevent excessive capacity build-up as well as induce optimal capacity investment at the regional level. The capacity reserve ratio is the ratio of peak demand to the total available capacity. Under this system, generation units in a region where available capacity is insufficient to meet demand for electricity as evidenced by a failure to meet the standard capacity reserve ratio receive an increased capacity price. Conversely, generation units in a region where available capacity exceeds demand for electricity as evidenced by satisfaction of the standard capacity reserve ratio receive a reduced capacity price. Other than the foregoing region-based variations, the capacity price generally applies uniformly to all generation units regardless of fuel types used.

Vesting Contract System

On May 20, 2014, the Electricity Business Act was amended, with effect from November 21, 2014, to introduce a vesting contract system to determine the price and quantity of electricity to be sold and purchased through the KPX between the purchaser of electricity (currently, KEPCO) and the sellers of electricity (namely, the Generation Subsidiaries (including us) and independent power producers. The application of the adjusted coefficient under the cost-based pool system is planned to be gradually replaced by the vesting contract system.

Under the vesting contract system, electricity generators using base load fuels (such as nuclear, coal, hydro and by-product gas) at a particular generation unit will be required to enter into a contract with the purchaser of electricity (currently, KEPCO), which will specify, among other things, the quantity of electricity to be generated and sold from such generation unit and the price at which such electricity will be sold. The contracted quantity will be subject to annual adjustment in consideration of past generation amounts and maintenance and overhaul periods, among others. The contracted price will be subject to monthly adjustment largely depending on fuel price movements, provided that in the event of a drastic change in electricity tariff rates, inflation rate or the general market conditions of electricity supply and demand, the contracted price may be further adjusted on an as-needed basis. Generally, the contractual terms will be subject to prior consultation with the Korea Electricity Commission (a commission under the MOTIE) and approval by the Minister of the MOTIE in order to ensure fair and standardized application of the vesting contract system to all producers of electricity.

In addition to aiming to stabilize the electricity supply market, a key feature of the vesting contract system is to provide a settlement mechanism that is designed to incentivize producers of electricity to supply electricity at or exceeding the contracted quantity. Under this settlement mechanism, an electricity producer is required to settle, among others, the difference between the contracted price and the market price of electricity sold at a given hour through the KPX (namely, the system marginal price), as multiplied by the contracted quantity of electricity.

The net consideration that the seller of electricity at a particular generation unit is entitled to receive upon sale of the contracted quantity of electricity through the KPX at a given hour is determined using the following formula, assuming the system marginal price is higher than the contracted price:

Net consideration = Gross consideration - Settlement amount, where:

(A) Gross consideration equals the sum of:

(i) System marginal price * quantity of electricity sold; and

(ii) Capacity price (as discussed above), as applicable to the particular generation unit; and

(B) Settlement amount equals the sum of:

(i) (System marginal price - contracted price) * contracted quantity; and

(ii) Capacity price.

Accordingly, under this settlement mechanism, assuming sale of electricity in the contracted quantity and further assuming the system marginal price being higher than the contracted price, the consideration to be received by the seller of electricity net of the settlement amount will effectively amount to the product of the contracted quantity multiplied by the contracted price. If the seller sells a quantity of electricity exceeding the contracted quantity at a given hour, under the settlement mechanism and assuming the system marginal price being higher than the contracted price, the seller is entitled to an extra return (effectively, an incentive) equal to the product of the excess quantity multiplied by the difference between the system marginal price and the contracted price. On the other hand, if the seller sells a quantity of electricity falling short of the contracted quantity at a given hour, under the settlement mechanism and assuming the system marginal price being higher than the contracted price, the seller is required to pay an amount (effectively, a penalty) equal to the product of the shortfall quantity multiplied by the difference between the system marginal price and the contracted price. The foregoing notions of incentive and penalty are intended to minimize the additional cost of purchasing electricity at the higher system marginal price in the event that the seller of electricity fails to deliver the contracted quantity of electricity. Details of the settlement mechanism in the event of the system marginal price being lower than the contracted price have not yet been finalized.

The vesting contract system was introduced principally in order to prevent excessive profit-taking by low-cost producers of electricity using base load fuels (such as nuclear, coal, hydro and by-product gas) by replacing the adjusted coefficient as the basis for determining the guaranteed return to generation companies, as well as to attain the following objectives. First, this system seeks to increase transactional certainty and stability of electricity supply and purchase by requiring that a relatively long-term (generally one-year) contract be entered into in relation to electricity supply, which had been previously made entirely through what was effectively a spot market. Second, in order to foster responsible management of electricity supply by generation companies, the generation companies will become subject to minimum supply requirements and will be rewarded or penalized depending on whether they meet these requirements. Third, the introduction of standard contractual prices is designed to encourage cost savings and productivity enhancements on the part of the generation companies, which will be rewarded or penalized depending on whether they can supply electricity at such standard contractual prices.

Since the vesting contract system and many of the related details are still being finalized, it presently remains unclear in what final form and when the vesting contract system will actually be fully implemented, whether the vesting contract system will be able to achieve the desired results and whether there will be any adverse unintended consequences from the application of the system. No assurance can be given that such system will not adversely affect our business, results of operation or financial condition in the future.

Renewable Portfolio Standard

In order to expand the utilization of renewable energy resources for generating electrical energy, to reduce greenhouse gas emission and to protect the environment, the Government adopted the RPS in December 2010, under which 10% of all electricity generated by the power generation companies in Korea will be required to be sourced from renewable energy by 2023. Generation companies receive Renewable Energy Certificates (“**RECs**”), based on a weighted scheme, for energy generated from an eligible renewable energy source, which can be used to satisfy their own RPS requirements or traded on the KPX to other generation companies to satisfy their RPS requirements. Fines are levied on any generation company with generation capacities of 500 MW or more that fails to do so in the prescribed timeline.

Second Basic National Energy Plan

On January 13, 2014, the MOTIE adopted the Second Basic National Energy Plan following consultations with representatives from civic groups, the power industry and academia. The Second Basic National Energy Plan, which is a comprehensive plan that covers the entire spectrum of energy industries in Korea, covers the period from 2013 to 2035 (compared to 2008 to 2030 under the First Basic National Energy Plan) and focuses on the following six key tasks: (i) shifting the focus of energy policy to demand management with a goal of reducing electricity demand by 15% by 2035, (ii) establishing a geographically decentralized electricity generation system so as to reduce transmission losses with a goal of supplying at least 15% of total electricity through such system by 2035, (iii) applying latest greenhouse gas emission reduction technologies to newly constructed generation units in order to further promote safety and environmental sensitivities, (iv) strengthening exploration and procurement capabilities to enhance Korea’s energy security and to ensure stable supply of energy and increasing the portion of electricity supplied from renewable sources to 11% by 2035, (v) reinforcing the system for stable supply of conventional energy, such as oil and gas, and (vi) introducing in 2015 an energy voucher system in lieu of a tariff discount system for the benefit of consumers in the low income group. In addition, the Second Basic National Energy Plan has revised the target level of nuclear generation capacity in Korea's electricity supply mix to 29%, compared to 41% under the First Basic National Energy Plan announced in 2008.

Seventh Basic Plan Relating to the Long-Term Supply and Demand of Electricity

In July 2015, the Government released the Seventh Basic Plan which serves as the guideline for stable medium- and long-term supply of electric power. The objectives of the Seventh Basic Plan include, among other things, (i) ensuring a stable supply of electricity, (ii) increasing the portion of low carbon electricity supply sources, (iii) active consumer demand management, (iv) permanent closing of operations of Kori unit #1, and (v) diversifying electricity supply sources by utilizing renewable energy sources.

Plan to Reform State-owned Enterprises in the Energy and Resources Development Sector

On June 14, 2016, the Government announced broad plans to overhaul state-owned enterprises in the energy and resources development sector, including KEPCO, in response to reported losses and inefficiencies among state-owned enterprises. The Government aimed to streamline overlapping energy and resources development roles and functions among the state-owned enterprises by divesting from businesses not essential to the core purpose for which a stated-owned enterprise was established, while also encouraging competition by gradually opening up the energy and resources development industry to the private sector. With respect to the electric power industry, the plans call for, among other things, (i) KEPCO's divesture of its overseas businesses to the Generation Subsidiaries, (ii) the designation and specialization among the Generation Subsidiaries on the areas of business to pursue overseas, (iii) the gradual liberalization of the electricity distribution market and (iv) the initial public offering of the Generation Subsidiaries in conjunction with the sale of minority interests (20% to 30%) in such subsidiaries, by 2020.

BUSINESS

Overview

We were established on April 2, 2001 as a result of a corporate split from KEPCO, pursuant to which KEPCO transferred all of its nuclear and hydroelectric power generation assets and related liabilities to us in accordance with the Act on the Promotion of Restructuring the Electric Power Industry and the Restructuring Plan for the electricity industry in Korea announced by MOTIE. See "*The Korean Electricity Industry — Restructuring of the Electricity Industry in Korea.*" Pursuant to Article 2 of our Articles of Association, we engage in nuclear and hydroelectric power generation and sell all of our generated electricity to KEPCO through the KPX in accordance with Article 31 of the Electricity Business Act of Korea. We are wholly owned by KEPCO and are the only nuclear power generation company in Korea.

Our vision is to become a trusted leader in the global energy industry. Our key strategic priorities are in the following three areas: enhanced safety for our nuclear operations, incremental and selective expansion of overseas businesses and creation of new business opportunities based on technological development. We maintain a "safety first, corruption free" principle for all our operating systems and comprehensively improve our business through technological innovation. We plan to continue to focus on winning mandates for EPC projects as well as explore opportunities for expanding into the "build, operate and own" business. We also strive to explore new business areas, such as decommissioning and renewable energy optimization, with a view of exporting such services in the future.

As of March 31, 2017, we owned and operated 25 nuclear power generation units with aggregate installed capacities of 23,116 MW, 35 hydroelectric power generation units with aggregate installed capacities of 606 MW, 16 pumped-storage hydro power generation units with aggregate installed capacities of 4,700 MW, and six wind/solar power generation units with aggregate installed capacity of 17 MW. All of our nuclear power plants supply base load power, and hydroelectric power plants supply electricity during peak hours.

Nuclear power is one of the largest electricity supply sources in Korea. As of March 31, 2017, we owned approximately 26.0% of the total electricity generation capacity in Korea (excluding plants generating electricity primarily for private or emergency use). In 2016 and for the three months ended March 31, 2017, we sold 158,804 GW hours and 37,981 GW hours of electricity, respectively, to KEPCO. Nuclear power, all of which is generated by us, accounted for 30.3% and 27.6% of total electricity sold in Korea in 2016 and for the three months ended March 31, 2017, respectively. In 2016 and for the three months ended March 31, 2017, nuclear power generation accounted for 97.1% and 97.0%, respectively, of the electricity generated by us.

In 2014, 2015, 2016 and for the three months ended March 31, 2017, our revenue was Won 9,504 billion, Won 10,747 billion, Won 11,277 billion and Won 2,688 billion, respectively. We recorded profit of Won 1,440 billion in 2014, Won 2,456 billion in 2015, Won 2,472 billion in 2016 and Won 568 billion for the three months ended March 31, 2017. As of March 31, 2017, our total assets amounted to Won 52,688 billion.

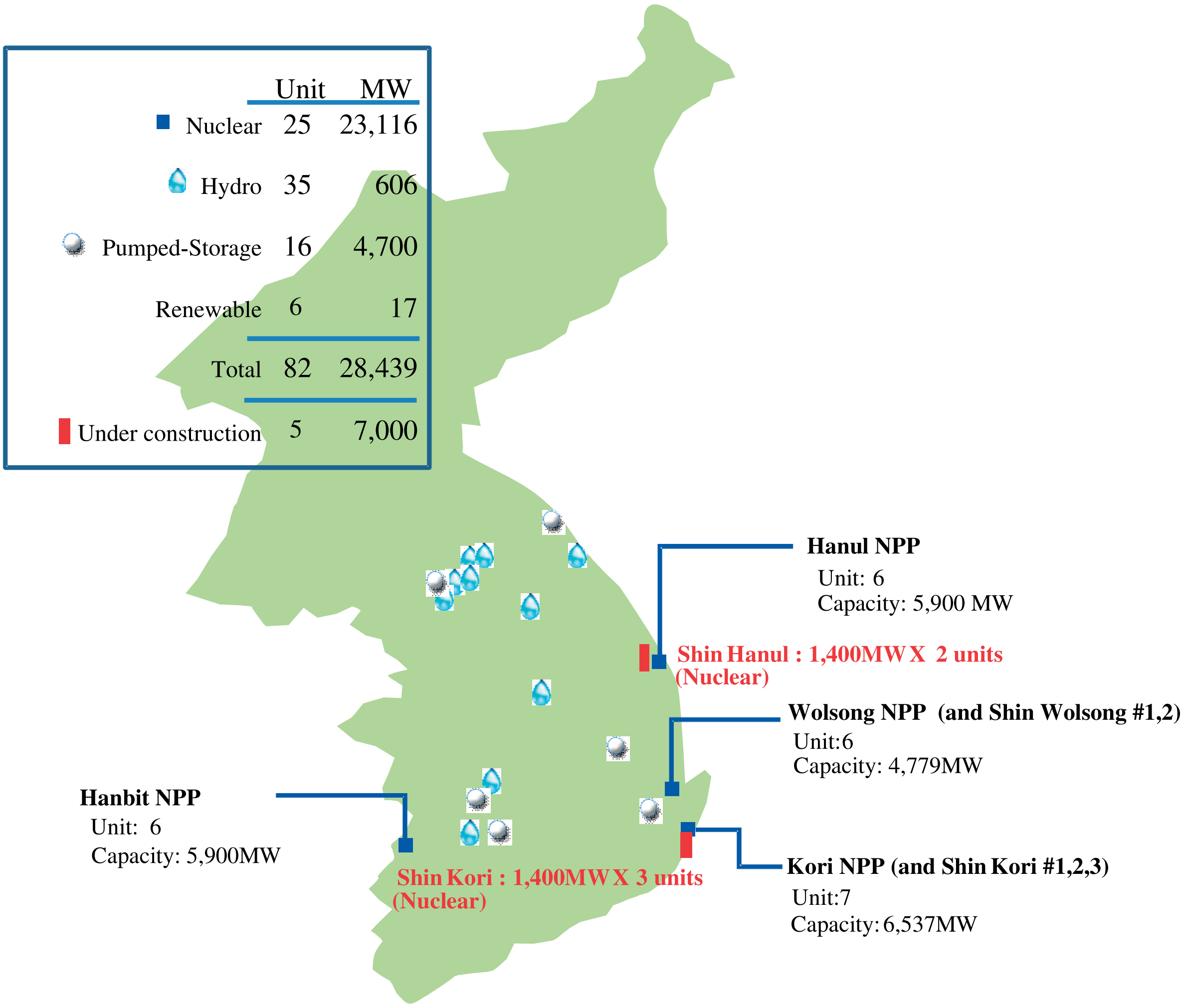
Pursuant to the Basic Plan, we have incurred substantial expenditures for the construction of nuclear power generation units and other facilities to meet increased demand for electric power. Based on the National Energy Basic Plan and the Basic Plan, we plan to continue to make substantial expenditures to expand and enhance our nuclear power generating capacity in the future. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Capital Requirements.*"

We are a corporation of unlimited duration incorporated with limited liability under the laws of Korea. Our registered office is located at 1655 Bulguk-ro, Yangbuk-myeon, Gyeongju-si, Gyeongsangbuk-do 38120, Republic of Korea. Our corporate registration number in the commercial registry office in Korea is 120-86-18943.

Power Generation

KEPCO commenced nuclear power generation activities in 1978 when its first nuclear power generation unit, Kori unit #1, began commercial operations. On April 2, 2001, KEPCO transferred all of its nuclear and hydroelectric power generation assets and related liabilities to us.

The following map shows the geographic locations of our power plants as of March 31, 2017.



As of March 31, 2017, we owned and operated (i) 25 nuclear power generation units at four power plant complexes in Korea, located in Kori, Wolsong, Hanbit and Hanul, (ii) 35 hydroelectric power generation units, (iii) 16 pumped-storage hydro power generation units and (iv) six wind/solar power generation units.

The table below sets forth, as of the dates and the periods indicated, the number of units, installed capacity and the average capacity factor for the four types of generation facilities.

	Number of Units as of March 31, 2017	Installed Capacity as of March 31, 2017[(2)]	Average Capacity Factor in 2016[(3)]	Average Capacity Factor for the three months ended March 31, 2017[(2)]
		(MWs)	(Percent)	
Nuclear	25[(1)]	23,116	79.7	74.2
Hydro	35	606	22.5	9.9
Pumped-storage	16	4,700	8.8	10.3
Solar	5	16	13.5	16.3
Wind	1	1	6.7	6.0
Total	82	28,439	—	—

Notes:

(1) Includes Kori unit #1, which had installed capacity of 587 MWs and was permanently shut down on June 19, 2017 in accordance with the Seventh Basic Plan.

(2) Installed capacity represents the level of output that may be sustained continuously without significant risk of damage to plant and equipment.

(3) Average capacity factor represents the total number of kWh of electricity generated in the respective period divided by the total number of kWh that would have been generated assuming continuous operation of generation units at installed capacity expressed as a percentage.

The operating life of units of each type without substantial renovation is approximately 30 to 60 years for nuclear and over 40 years for hydroelectric.

Since the oil crisis in 1974, nuclear power generation has been an important component of Korea's power development plans. While nuclear units are more expensive to construct than other units of comparable capacity, nuclear fuel is less expensive than fossil fuels in terms of marginal costs for producing comparable amounts of energy. However, efficient operation of nuclear units requires that such plants be run continuously at relatively constant energy output levels. As electricity cannot be stored in significant amounts, generation must be varied continuously to match demand. Each day there is a certain level below which demand does not fall. This minimum level of demand throughout the day is known as "base load." Nuclear power generation units operate at base load because design and safety considerations limit the extent to which the plant can vary output. For production at times when demand exceeds the level of continuous demand, reliance is made on units fired by fossil fuel and hydroelectric units, which can be started and shut down more efficiently than nuclear units. Hydroelectric units, along with thermal units fired by LNG and gas turbine internal combustion units, are one of the most efficient types of units for rapid startup and shutdown, and therefore have been used principally to meet short-term surges in demand.

Nuclear

The table below sets forth certain information with respect to the nuclear power generation units we owned as of March 31, 2017.

	Reactor Type(1)	Reactor Design(2)	Turbine and Generation(3)	Commencement of Operations	Capacity Installed
					(MWs)
Kori-1(4)	PWR	W	GEC, Hitachi, D	1978	587
Kori-2	PWR	W	GEC	1983	650
Kori-3	PWR	W	GEC, Hitachi	1985	950
Kori 4	PWR	W	GEC, Hitachi	1986	950
Shin-Kori-1	PWR	D, KEPCO E&C, W	D, GE	2011	1,000
Shin-Kori-2	PWR	D, KEPCO E&C, W	D, GE	2012	1,000
Shin-Kori-3	PWR	D, KEPCO E&C, W	D, GE	2016	1,400
Wolsong-1	PHWR	AECL	P	1983	679
Wolsong-2	PHWR	AECL, H, K	H, GE	1997	700
Wolsong-3	PHWR	AECL, H	H, GE	1998	700
Wolsong-4	PHWR	AECL, H	H, GE	1999	700
Shin-Wolsong-1	PWR	D, KEPCO E&C, W	D, GE	2012	1,000
Shin-Wolsong-2	PWR	D, KEPCO E&C, W	D, GE	2015	1,000
Hanbit-1	PWR	W	W, D	1986	950
Hanbit-2	PWR	W	W, D	1987	950
Hanbit-3	PWR	H, CE, K	H, GE	1995	1,000
Hanbit-4	PWR	H, CE, K	H, GE	1996	1,000
Hanbit-5	PWR	D, W, KEPCO E&C	D, GE	2002	1,000
Hanbit-6	PWR	D, W, KEPCO E&C	D, GE	2002	1,000
Hanul-1	PWR	F	A	1988	950
Hanul-2	PWR	F	A	1989	950
Hanul-3	PWR	H, CE, K	H, GE	1998	1,000
Hanul-4	PWR	H, CE, K	H, GE	1999	1,000
Hanul-5	PWR	D, KEPCO E&C, W	D, GE	2004	1,000
Hanul-6	PWR	D, KEPCO E&C, W	D, GE	2005	1,000
Total installed capacity					23,116

Notes:

(1) "PWR" means pressurized light water reactor; "PHWR" means pressurized heavy water reactor.

(2) "W" means Westinghouse Electric Company (U.S.A.); "AECL" means Atomic Energy Canada Limited (Canada); "F" means Framatome (France); "H" means Hanjung; "CE" means Combustion Engineering (U.S.A.); "D" means Doosan Heavy Industries; "K" means Korea Atomic Energy Research Institute; "KEPCO E&C" means KEPCO Engineering & Construction.

(3) "GEC" means General Electric Company (U.K.); "P" means Parsons (Canada and U.K.); "W" means Westinghouse Electric Company (U.S.A.); "A" means Alstom (France); "H" means Hanjung; "GE" means General Electric (U.S.A.); "D" means Doosan Heavy Industries; "Hitachi" means Hitachi Ltd. (Japan).

(4) In accordance with the Seventh Basic Plan, Kori unit #1 was permanently shut down on June 19, 2017.

We are currently building five additional nuclear generation units, consisting of three units at the Shin-Kori site and two units at the Shin-Hanul site, each with a 1,400 megawatt capacity. We expect to complete these units between 2017 and 2022. In addition, pursuant to the Basic Plan, we plan to build four additional nuclear units, consisting of two units at the Shin-Hanul site, each with a 1,400 megawatt capacity, and two units at the Cheonji site, each with a 1,500 megawatt capacity, which we expect to complete between 2022 and 2027. Under the Seventh Basic Plan, we plan to build two additional nuclear units between 2028 and 2029, each with a 1,500 megawatt capacity, at sites which have yet to be determined. In accordance with the Seventh Basic Plan, Kori unit #1 was permanently shut down on June 19, 2017, and we plan to complete the decommissioning process by 2032.

The structure of a nuclear power plant in many aspects resembles that of a conventional thermal power station, since in both cases the heat produced in the boiler (or reactor) is transported by some coolant and used to generate steam. The steam then goes to the blades of a turbine and by rotating them, causes a connected generator to produce electric energy. The steam goes to the condenser, where it condenses, i.e., becomes liquid again. The cooled-down water afterwards returns to the boiler or reactor, or in the case of PWRs to the steam generator.

The key difference between a conventional thermal power station and a nuclear power plant is the method of heat production. In a fossil plant, oil, gas or coal is fired in the boiler, as a result of which the chemical energy of the fuel is converted into heat. In a nuclear power plant, energy that comes from fission reactions is utilized.

Several nuclear power plant types are used for energy generation in the world. The different types are usually classified based on the main features of the reactor applied in them.

At our reactors, we apply two of the most widespread power plant reactor types:

- Light water reactors: both the moderator and coolant are operated with light water (H20). The PWR and boiling water reactors belong to this category. These units use enriched uranium and require a complete shutdown of the power generation unit during a nuclear fuel change.

- Heavy water reactors: both the coolant and moderator are operated with heavy water (D20). The PHWR belongs to this category. These units use non-enriched uranium and do not require a shutdown of the power generation unit during a nuclear fuel change.

The table below sets forth the average capacity factor and the average fuel cost per kWh with respect to each nuclear power generation unit we owned for the dates indicated.

Unit	Average Capacity Factor For the Year Ended December 31, 2016	Average Capacity Factor For the Three Months Ended March 31, 2017	Average Fuel Cost Per kWh For the Year Ended December 31, 2016[1]
	(Percent)		(Won)
Kori-1	89.5	99.8	8.5
Kori-2	66.9	100.3	8.9
Kori-3	100.2	19.9	7.0
Kori-4	87.8	95.8	7.5
Shin-Kori-1	99.6	23.7	5.8
Shin-Kori-2	75.9	100.4	5.8
Shin-Kori-3	102.4	102.5	6.2
Wolsong-1	53.3	100.3	10.8
Wolsong-2	74.4	63.1	9.8
Wolsong-3	70.9	77.6	10.9
Wolsong-4	75.8	100.6	9.8
Shin-Wolsong-1	84.7	92.2	5.7
Shin-Wolsong-2	82.9	100.0	6.7
Hanbit-1	73.4	0.0	8.3
Hanbit-2	34.1	9.2	6.7
Hanbit-3	79.8	100.2	7.3
Hanbit-4	99.6	100.0	6.9
Hanbit-5	99.2	52.9	6.0
Hanbit-6	86.8	100.3	6.6
Hanul-1	81.2	0.3	6.9
Hanul-2	86.6	100.0	6.9
Hanul-3	52.7	100.0	7.8
Hanul-4	60.7	75.3	5.8
Hanul-5	78.4	61.3	6.7
Hanul-6	100.2	99.8	6.4

Notes:

(1) In accordance with the Seventh Basic Plan, Kori unit #1 was permanently shut down on June 19, 2017.

(2) Average fuel cost per kWh information with respect to each nuclear power generation unit is only available as of the end of half year or full year periods.

As of March 31, 2017, extended fuel cycle operations were in effect for all 25 of our nuclear units. Under extended fuel cycle operations, nuclear units can be run continuously for periods longer than the conventional twelve-month period between shutdowns for refueling and maintenance. The extended fuel cycle periods vary from 15 to 18 months.

In 2016 and the three months ended March 31, 2017, the average shutdown period for fuel replacement and maintenance was 88.6 days and 79.2 days, respectively, per unit. Our nuclear units experienced an average of 0.2 unplanned shutdowns per unit in 2016. In the three months ended March 31, 2017, our nuclear units did not experience any unplanned shutdowns.

In the ordinary course of operation, our nuclear units routinely experience damage and wear and tear and are repaired during routine shutdown periods or during unplanned temporary suspensions of operations. No significant damage has occurred in any of our nuclear reactors and no significant nuclear exposure or release incidents have occurred at any of our nuclear facilities since the first nuclear plant commenced operations in 1978.

Nuclear power has a stable and low cost structure that forms the base load of Korea's electricity supply. In 2016 and the three months ended March 31, 2017, the average nuclear fuel cost was Won 7.2 per kWh and Won 7.9 per kWh, respectively.

Hydroelectric

The table below sets forth for the three months ended March 31, 2017 certain information regarding each hydroelectric power plant.

Name (Number of Plants)	Classification	Year Built	Installed Capacity	Average Capacity Factor For the Year Ended December 31, 2016	Average Capacity Factor For the Three Months Ended March 31, 2017
			(MWs)	(Percent)	
Hwacheon (4)	Dam waterway	1944	108.0	13.7	7.2
Chuncheon (2)	Dam	1965	62.3	15.8	6.8
Euiam (2)	Dam	1967	48.0	23.5	22.4
Cheongpyung (4)	Dam,	1943	140.1	16.1	11.9
	Dam waterway	(Dam waterway built in 2011)			
Paldang (4)	Dam	1973	120.0	25.0	15.1
Seomjingang (3)	Basin deviation	1945	34.8	17.7	0.3
Boseonggang (2)	Basin deviation	1937	4.5	60.8	34.5
Kwoesan (2)	Dam	1957	2.6	31.7	22.2
Anheung (3)	Dam waterway	1978	0.4	28.2	13.8
Kangreung (2)	Basin deviation	1991	82.0	0	0.0
Topyeong (1)	Dam	2011	0.04	22.2	6.4
Muju (1)	Dam	2003	0.4	28.0	8.6
Sancheong (2)	Dam	2010	1.0	40.5	11.2
Yangyang (2)	Dam	2004	1.4	16.7	16.0
Yecheon (1)	Dam	2011	0.9	11.8	3.4

As of March 31, 2017, we operated 35 hydroelectric power-producing units with total generating capacity of approximately 606 MWs. The Government-owned Korea Water Resources Corporation assumes full control of multipurpose dams, while we maintain the dams used for power generation.

Existing hydroelectric power plants exploit most of the water resources in Korea available for commercially viable hydroelectric power generation. Consequently, we are working to develop small-size hydro units with capacity of less than 10,000 kWs instead of the relatively larger hydro units currently in operation.

Due to its high cost of generation and relative ease in starting up and shutting down the generation units, hydroelectric power generation is reserved for peak periods.

Pumped storage

The table below sets forth for three months ended March 31, 2017 certain information regarding each pumped storage power plant.

Name (Number of Plants)	Classification	Year Built	Installed Capacity	Average Capacity Factor For the Year Ended December 31, 2016	Average Capacity Factor For the Three Months Ended March 31, 2017
			(MWs)	(Percent)	
Cheongpeoung (2)	Pumped Storage	1980	400.0	4.3	5.5
Samrangjin (2)	Pumped Storage	1985	600.0	7.6	8.6
Muju (2)	Pumped Storage	1995	600.0	7.3	11.8
Sancheong (2)	Pumped Storage	2001	700.0	11.1	12.9
Yangyang (4)	Pumped Storage	2006	1,000.0	7.6	10.5
Cheongsong (2)	Pumped Storage	2006	600.0	11.4	5.7
Yecheon (2)	Pumped Storage	2011	800.0	10.3	13.8

As of March 31, 2017, we operated 16 pumped storage power-producing units with a total generating capacity of 4,700 MWs.

Fuel

All uranium ore concentrates, conversion and enrichment services are imported from sources outside Korea (including the United States, United Kingdom, France, Germany, Kazakhstan, Russia, Niger, Canada, Australia, Japan, Hong Kong and China) and are paid for with currencies other than Won, primarily U.S. dollars.

In order to ensure stable supply, we enter into long-term and medium-term contracts with various suppliers, and supplement such supplies with purchases of fuels on spot markets. In addition, we have entered into definitive agreements to purchase equity interests in uranium mines, a uranium production company and a uranium enrichment plant. In connection with such investments, we have secured long-term supply of uranium pursuant to those and other related agreements. See "— *Overseas Activities.*"

For the three months ended March 31, 2017, we purchased all of our uranium concentrates requirements under long-term supply contracts with suppliers in Canada, France, Germany, Kazakhstan, Japan, Niger and the United Kingdom. Under the long-term supply contracts, the purchase prices of uranium concentrates are adjusted annually based on base price and spot market price prevailing at the time of actual delivery. Non-Korean suppliers provide the conversion and enrichment of uranium concentrates and Korean suppliers provide fabrication of fuel assemblies.

The conversion of uranium concentrates is provided by suppliers in Canada, France, Russia, the United States, Japan, Germany and China, based on supply contracts with terms typically ranging from one to nine years, while the enrichment of uranium concentrates is provided by suppliers in France, United Kingdom, Russia and China, based on long-term contracts with terms typically ranging from nine to 19 years.

The table below sets forth the price trend of uranium since December 31, 2012.

Year	Ux Term Price
	(U.S. $)
December 2012	60.17
December 2013	54.25
December 2014	46.50
December 2015	46.25
December 2016	39.17
January 2017	30.00
February 2017	31.00
March 2017	31.00
April 2017	31.00

Source: UX Consulting, long-term market prices as determined on the last Monday of each month.

Historically, due to our long-term supply contracts we have been able to secure uranium supply at rates below long-term market prices. Contract prices for processing of uranium are adjusted annually in accordance with the general rate of inflation with exceptions for certain fixed contract prices. We intend to obtain our uranium requirements in the future, in part, through purchases under long-term and medium-term contracts and, in part, through spot market purchases.

The table below sets forth details of our material nuclear fuel purchase contracts as of March 31, 2017.

Country of Source	Contract Company	Contract Duration	Key Contract Details	Notes
Canada	Cameco Corporation	‘14-’18	Uranium Concentrate Purchase Contract	
Kazakhstan	National Atomic Company Kazatomprom	‘11-’17	Uranium Concentrate Purchase Contract	
Germany	Urangesellschaft (UG)	‘10-’19 & ‘19-’23	Uranium Concentrate Purchase Contract	
Niger	SOPAMIN-SA	‘10-’19	Uranium Concentrate Purchase Contract	
Japan	ITOCHU Corporation	‘14-’18	Uranium Concentrate Purchase Contract	
United Kingdom	Rio Tinto Uranium Limited	‘14-’18 & ‘19-’23 ‘17-’19	Uranium Concentrate Purchase Contract	
United Kingdom	Urenco Limited	‘16-’25	Uranium Concentrate Purchase Contract	
Canada	Cameco Corporation	‘13-’18	Conversion Service Contract	Light Water Reactor
United States	ConverDyn	‘13-’18 & ‘16-’18	Conversion Service Contract	Light Water Reactor
United States	Nukem	‘17-’19	Uranium Concentrate Purchase Contract	
China	CNEIC	‘11-’20	Conversion Service Contract	Light Water Reactor

Country of Source	Contract Company	Contract Duration	Key Contract Details	Notes
China	CNEIC	'11-'20	Enrichment Service Contract	
France	AREVA NC	'10-'29	Enrichment Service Contract	
France	AREVA Mines	'20-'22	Uranium Concentrate Purchase Contract	
France	AREVA Mines	'23-'27	Uranium Concentrate Purchase Contract	
United Kingdom	Urenco Limited	'15-'25	Enrichment Service Contract	
Russia	Techsnabexport (Tenex)	'13-'22	Enrichment Uranium Contract	
South Korea	Korea Nuclear Fuel Co., Ltd. (KNF)	'17-'18	Form Processing Contract	Light, Heavy Water Reactor

Sales and Purchase of Power

Generation Companies Combined

Pursuant to Article 31 of the Electricity Business Act of Korea, we sell all of the electricity we generate to KEPCO through the KPX. KEPCO is the only company engaged in the transmission and distribution of electricity in Korea as of the date hereof. The tables below set forth electricity sales, as well as sales of RECs (which are traded on the KPX among generation companies), of each of the generation companies, including us, for the years ended December 31, 2014, 2015 and 2016 and the three months ended March 31, 2016 and 2017 based on the power trading results of KPX.

	For the year ended December 31, 2014				
	Volume	Percentage of Total Volume	Sales [1]	Percentage of Total Sales	Unit Price
	(Gigawatt hours)	(%)	(in billions of Won)	(%)	(Won/kWh)
Generation Companies:					
KHNP	155,042	31.6	9,253	20.8	59.68
KOSPO	56,727	11.6	6,267	14.1	110.48
KOMIPO	50,216	10.2	4,983	11.2	99.24
KOWEPO	48,424	9.9	4,883	11.0	110.85
KOSEP	63,923	13.0	4,417	9.9	69.10
EWP	48,585	9.9	4,487	10.1	92.35
Others	67,482	13.8	10,108	22.8	149.78
Total	490,398	100.0	44,398	100.0	90.53
Energy Sources:					
Nuclear	149,199	30.4	8,188	18.4	54.88
Bituminous coal	189,471	38.6	12,340	27.8	65.13
Anthracite coal	7,752	1.6	706	1.6	91.11
Oil	7,596	1.5	1,681	3.8	221.24
LNG	114,847	23.4	18,479	41.6	160.90
Pumped storage	5,042	1.0	865	1.9	171.63
Renewables	16,492	3.4	2,139	4.8	129.72
Total	490,398	100.0	44,398	100.0	90.53

	For the year ended December 31, 2014				
	Volume	Percentage of Total Volume	Sales [(1)]	Percentage of Total Sales	Unit Price
	(Gigawatt hours)	(%)	(in billions of Won)	(%)	(Won/kWh)
Load:					
Base load	342,420	69.8	20,671	46.6	60.37
Non-base load	147,979	30.2	23,726	53.4	160.34
Total	490,398	100.0	44,398	100.0	90.53

Source: KPX.

Note:

(1) Includes sale of RECs by generation companies in the amount of Won 517 billion, which is equivalent to 1.2% of total sales.

	For the year ended December 31, 2015				
	Volume	Percentage of Total Volume	Sales [(1)]	Percentage of Total Sales	Unit Price
	(Gigawatt hours)	(%)	(in billions of Won)	(%)	(Won/kWh)
Generation Companies:					
KHNP	161,466	32.6	10,496	25.2	65.00
KOSPO	46,819	9.5	4,351	10.5	92.94
KOMIPO	43,876	8.9	3,880	9.3	88.42
KOWEPO	46,136	9.3	4,204	10.1	91.11
KOSEP	67,116	13.5	4,931	11.8	73.47
EWP	46,960	9.5	4,067	9.8	86.60
Others	82,988	16.8	9,705	23.3	116.94
Total	495,361	100.0	41,633	100.0	84.04
Energy Sources:					
Nuclear	157,167	31.7	9,853	23.7	62.69
Bituminous coal	194,288	39.2	13,793	33.1	70.99
Anthracite coal	6,782	1.4	730	1.8	107.69
Oil	9,407	1.9	1,414	3.4	150.29
LNG	106,426	21.5	13,446	32.3	126.34
Pumped storage	3,641	0.7	483	1.2	132.75
Renewables	17,649	3.6	1,913	4.6	108.37
Total	495,361	100.0	41,633	100.0	84.04
Load:					
Base load	353,580	71.4	23,907	57.4	67.61
Non-base load	141,781	28.6	17,725	42.6	125.02
Total	495,361	100.0	41,633	100.0	84.04

Source: KPX.

Note:

(1) Includes sale of RECs by generation companies in the amount of Won 681 billion, which is equivalent to 1.6% of total sales.

	For the year ended December 31, 2016				
	Volume	Percentage of Total Volume	Sales (1)	Percentage of Total Sales	Unit Price
	(Gigawatt hours)	(%)	(in billions of Won)	(%)	(Won/kWh)
Generation Companies:					
KHNP	158,804	31.2	11,144	26.7	70.17
KOSPO	47,999	9.4	4,353	10.4	90.68
KOMIPO	42,925	8.4	3,733	8.9	86.96
KOWEPO	48,407	9.5	4,323	10.4	89.30
KOSEP	67,765	13.3	5,049	12.1	74.50
EWP	49,292	9.7	4,318	10.4	87.60
Others	94,037	18.5	8,790	21.1	93.47
Total	509,228	100.0	41,708	100.0	81.90
Energy Sources:					
Nuclear	154,310	30.3	10,479	25.1	67.91
Bituminous coal	199,539	39.2	15,575	37.3	78.05
Anthracite coal	7,071	1.4	627	1.5	88.70
Oil	13,308	2.6	1,457	3.5	109.50
LNG	111,782	22.0	11,188	26.8	100.09
Pumped storage	3,618	0.7	384	0.9	106.21
Renewables	19,600	3.8	1,998	4.8	101.92
Total	509,228	100.0	41,708	100.0	81.90
Load:					
Base load	349,340	68.6	25,831	61.9	73.94
Non-base load	159,888	31.4	15,877	38.1	99.30
Total	509,228	100.0	41,708	100.0	81.90

Source: KPX.

Note:

(1) Includes sale of RECs by generation companies in the amount of Won 1,181 billion, which is equivalent to 2.8% of total sales.

	For the three months ended March 31, 2016				
	Volume	Percentage of Total Volume	Sales (1)	Percentage of Total Sales	Unit Price
	(Gigawatt hours)	(%)	(in billions of Won)	(%)	(Won/kWh)
Generation Companies:					
KHNP	43,130	32.7	3,274	27.4	75.92
KOSPO	10,903	8.3	1,099	9.2	100.76
KOMIPO	11,672	8.8	1,084	9.1	92.88
KOWEPO	12,410	9.4	1,406	10.4	97.96
KOSEP	16,882	12.8	1,246	11.8	83.31
EWP	12,790	9.7	1,253	10.5	97.96
Others	24,249	18.4	2,576	21.6	106.23
Total	132,035	100.0	11,939	100.0	90.42
Energy Sources:					
Nuclear	42,154	31.9	3,150	26.4	74.72
Bituminous coal	48,311	36.6	4,047	33.9	83.77
Anthracite coal	1,961	1.5	205	1.7	104.28
Oil	4,979	3.8	573	4.8	115.10
LNG	29,290	22.2	3,421	28.7	116.80
Pumped storage	876	0.7	114	1.0	130.14
Renewables	4,465	3.4	429	3.6	96.04
Total	132,035	100.0	11,939	100.0	90.42
Load:					
Base load	90,839	68.8	7,262	60.8	79.95
Non-base load	41,196	31.2	4,676	39.2	113.51
Total	132,035	100.0	11,939	100.0	90/42

Source: KPX.

Note:

(1) Includes sale of RECs by generation companies in the amount of Won 83 billion, which is equivalent to 0.7% of total sales.

	For the three months ended March 31, 2017				
	Volume	Percentage of Total Volume	Sales (1)	Percentage of Total Sales	Unit Price
	(Gigawatt hours)	(%)	(in billions of Won)	(%)	(Won/kWh)
Generation Companies:					
KHNP	37,981	28.5	2,675	21.3	70.44
KOSPO	11,842	8.9	1,277	10.2	107.81
KOMIPO	12,844	9.6	1,307	10.4	101.72
KOWEPO	11,446	8.6	1,231	9.8	107.58
KOSEP	17,703	13.3	1,600	12.7	90.36
EWP	12,904	9.7	1,366	10.9	105.89
Others	28,450	21.4	3,116	24.8	109.52
Total	133,170	100.0	12,572	100.0	94.40
Energy Sources:					
Nuclear	36,803	27.6	2,487	19.8	67.59
Bituminous coal	56,442	42.4	5,191	41.3	91.97
Anthracite coal	1,541	1.2	166	1.3	107.57
Oil	2,166	1.6	334	2.7	154.24
LNG	29,875	22.4	3,703	29.5	123.94
Pumped storage	1,044	0.8	127	1.0	121.40
Renewables	5,299	4.0	564	4.5	106.44
Total	133,170	100.0	12,572	100.0	94.40
Load:					
Base load	91,121	68.4	7,525	59.9	82.58
Non-base load	42,049	31.6	5,047	40.1	120.02
Total	133,170	100.0	12,572	100.0	94.40

Source: KPX.

Note:

(1) Includes sale of RECs by generation companies in the amount of Won 102 billion, which is equivalent to 0.8% of total sales.

Cost-Based Pool System

Currently, other than in limited circumstances under the Community Energy System, the purchase and sale of electricity in Korea is required to be made through the KPX. The price of electricity in the Korean electricity market is known as the “cost-based pool” system and is determined principally based on the variable cost of generating electricity, adjusted by an adjustment factor that varies depending on fuel sources. See *“The Korean Electricity Industry — Power Purchase — Cost-Based Pool System.”*

Demand Trends in Korea

The rapid growth in Korea’s economy since the early 1960s has resulted in substantial growth in the demand for electricity. Consumption levels, particularly during periods of peak demand, continue to press the limits of available supply.

According to KEPCO, demand for electricity in Korea grew at a compounded average rate of 1.8% per annum for the five years ended December 31, 2016, and total demand for electricity in Korea increased by 0.6% in 2014, 1.3% in 2015 and 2.8% in 2016, in each case, year on year. The GDP growth rate at chained 2010 year prices was 3.3% in 2014, 2.6% in 2015 and 2.7% in 2016, in each case, year on year based on preliminary data from the Bank of Korea.

The table below sets forth, for the periods indicated, the annual rate of growth in Korea's GDP as published by the Bank of Korea and the annual rate of growth in electricity demand (measured in total annual electricity consumption) as published by KEPCO.

	For the year ended December 31,				
	2012	**2013**	**2014**	**2015**	**2016**
Growth in GDP (at chained 2010 year prices)	2.3%	2.9%	3.3%	2.6%	2.7%[(1)]
Growth in electricity consumption	2.5%	1.8%	0.6%	1.3%	2.8%

Source: KEPCO; Bank of Korea

Note:
(1) Preliminary.

The demand for electricity varies depending on the season and the time of day. Demand is generally higher during the summer and winter seasons due to the use of air conditioners and heaters, respectively, and during daylight hours due to commercial and industrial activity. Variations in weather conditions may also cause significant variations in demand for electricity.

Demand by Class of Customer

The table below sets forth the consumption of electric power by class of customer for the periods indicated.

	For the year ended December 31,					% of Total
	2012	**2013**	**2014**	**2015**	**2016**	**2016**
			(gigawatt hours)			(%)
Industrial	258,102	265,373	272,552	273,548	278,828	56.1
Commercial	101,593	102,196	100,761	103,679	108,617	21.9
Residential	65,484	65,815	64,457	65,619	68,057	13.7
Agricultural	12,776	13,866	14,505	15,702	16,580	3.3
Others[(1)]	28,638	27,599	25,317	25,107	24,957	5.0
Total	466,593	474,849	477,592	483,655	497,039	100.0

Source: KEPCO

Note:
(1) Consists of consumption for education, street lighting and overnight power.

The industrial sector represents the largest segment of electricity consumption in Korea. Demand from the industrial sector has steadily increased as a result of a general increase in industrial production. Demand from the industrial sector increased by 1.9% to 278,828 gigawatt hours in 2016 compared to 2015.

Demand from the commercial sector has also generally increased in recent years. The continued expansion of the service sector of the Korean economy has resulted in increased office building construction, office automation and use of air conditioners. Growth in the commercial sector is also attributable to the construction industry and the expansion of the leisure and distribution industries. Demand from the commercial sector increased by 4.8% to 108,617 gigawatt hours in 2016 compared to 2015.

Continuing increase in demand from the residential sector is due primarily to increased use of air conditioners and other electrical appliances. Demand from the residential sector increased by 3.7% to 68,057 gigawatt hours in 2016 compared to 2015.

Power Development

In January 2014, the Government announced the Second Basic National Energy Plan, which is a comprehensive plan that covers the entire spectrum of energy industries in Korea, for the period from 2013 to 2035. The Second Basic National Energy Plan focuses on the following six key tasks: (i) shifting the focus of energy policy to demand management with a goal of reducing electricity demand by 15% by 2035, (ii) establishing a geographically decentralized electricity generation system so as to reduce transmission losses with a goal of supplying at least 15% of total electricity through such system by 2035, (iii) applying latest greenhouse gas emission reduction technologies to newly constructed generation units in order to further promote safety and environmental friendliness, (iv) strengthening exploration and procurement capabilities to enhance Korea's energy security and to ensure stable supply of energy and increasing the portion of electricity supplied from renewable sources to 11% by 2035, (v) reinforcing the system for stable supply of conventional energy, such as oil and gas and (vi) introducing in 2015 an energy voucher system in lieu of a tariff discount system for the benefit of consumers in the low income group. In addition, the Second Basic National Energy Plan revised the target level of nuclear generation capacity in Korea's electricity supply mix to 29%, compared to 41% under the First Basic National Energy Plan announced in 2008.

In July 2015, the Government released the Seventh Basic Plan which serves as the guideline for stable medium and long term supply of electric power. The objectives of the Seventh Basic Plan include, among other things, (i) ensuring a stable supply of electricity, (ii) increasing the portion of low carbon electricity supply sources, (iii) active consumer demand management, (iv) permanent closing of operations of Kori unit #1, and (v) diversifying electricity supply sources by utilizing renewable energy sources.

Capital Investment Program

According to the Seventh Basic Plan, as amended, the total nominal capacity of all generating facilities in Korea in 2029 is expected to be 136,868 megawatts, of which nuclear power plants are expected to contribute 23.4%, coal-fired plants 26.8%, LNG plants 20.6%, renewable energy plants 20.1%, oil-fired plants 0.7% and other plants 8.4%. In accordance with the Seventh Basic Plan, as amended, we intend to install additional nuclear power capacity of 7,000 MWs during the period from 2017 to 2022. For the period from 2022 to 2029, we expect to install additional nuclear power capacity of 8,800 MWs. The aggregate long-term nuclear power capacity is subject to change depending on the Government's energy policy. See "*Risk Factors — Risks Relating to Our Business — The Government's plan and policy for the electricity industry in Korea may have a material adverse effect on us and the price of the Notes.*"

The table below sets forth information as to installed capacity of new or expanded nuclear power generation units to be completed by us in each year from 2017 to 2029 as set forth in the Seventh Basic Plan and the currently estimated year of completion.

Expected Year of Completion	Number of Units	Name	Type of Units[(1)]	Installed Capacity Addition	Total Installed Capacity
2017	1	Shin-Kori-4	PWR	1,400	24,516
2018	1	Shin-Hanul-1	PWR	1,400	25,916
2019	1	Shin-Hanul-2	PWR	1,400	27,316
2021	1	Shin-Kori-5	PWR	1,400	28,716
2022	1	Shin-Kori-6	PWR	1,400	30,116
2022	1	Shin-Hanul-3	PWR	1,400	31,516
2023	1	Shin-Hanul-4	PWR	1,400	32,916
2026	1	Cheonji-1	PWR	1,500	34,416
2027	1	Cheonji-2	PWR	1,500	35,916
2028	1	Daejin or Cheonji	PWR	1,500	37,416
2029	1	—	PWR	1,500	38,916

Note:

(1) PWR means pressurized light water reactor.

Our capital expenditures, which represent the amount of cash used in the acquisitions of property, plant and equipment and intangible assets in our statements of cash flows, were Won 2,213 billion in 2014, Won 2,647 billion in 2015, Won 1,946 billion in 2016, Won 498 billion for the three months ended March 31, 2016 and Won 427 billion for the three months ended March 31, 2017, which includes amounts used to develop renewable energy sources, such as wind power and solar energy.

Under the RPS system adopted in 2012, 10% of all electricity generated by each power generation company in Korea, including us, will be required to be sourced from renewable energy sources by 2023. In order to comply with the RPS system, we have added solar units with aggregate installed capacity of 2 MWs at Yecheon. We also added generation units at Younggwang with aggregate installed capacity of 10.9 MWs. In addition, we currently operate a fuel cell powered generation unit with installed capacity of 58.8 MWs in Gyeonggi province.

We are also pursuing other renewable generation projects. The actual number and capacity of generation units we construct and the timing of such construction will depend upon a variety of factors, including demand growth projections, availability and cost of financing, changes in fuel prices and availability of fuel, ability to acquire necessary plant sites, environmental considerations, community opposition and other factors.

The table below sets forth for 2017, 2018, 2019 and 2020, the budgeted amounts of capital expenditures pursuant to our capital investment program. The budgeted amounts may vary from the actual amounts of our capital expenditures for a variety of reasons, including changes in the number of units to be constructed and the timing of such construction, changes in rates of exchange between the Won and foreign currencies, changes in interest rates and other factors.

	For the year ended December 31,			
	2017[1]	2018	2019	2020
	(in billions of Won)			
Construction of new generation facilities[2]	₩2,684	₩3,020	₩2,875	₩3,130
Maintenance of existing generation facilities	716	863	874	768
Nuclear Fuel[3]	1,123	1,283	1,445	1,489
Others[4]	614	965	1,408	1,086
Total[5]	₩5,137	₩6,130	₩6,602	₩6,473

Notes:

(1) Includes amounts expended through March 31, 2017.

(2) Includes our capital expenditures relating to renewable energy facilities.

(3) Initially categorized as an asset but later reduced for amortization.

(4) Miscellaneous expenditures for investments and maintenance of non-generation and ancillary facilities.

(5) The estimates for our capital expenditures and their allocation to different projects may vary as they are subject to many uncertainties, many of which are beyond our control.

Overseas Activities

We are actively engaged in a number of overseas resource development and EPC projects. Our overseas resource development activities help us establish strategic relationships with companies that supply or enrich nuclear fuel, and our EPC projects help us apply our operational experience abroad to add new revenue streams.

Resource Development Projects

In January 2008 and August 2010, we, as part of a consortium of energy companies, entered into agreements with Fission Energy Corp., a uranium exploration company located in Canada, to carry out a joint uranium exploration project in Waterbury Lake, Saskatchewan, Canada. In April 2013, Denison Mines Corp. acquired Fission Energy Corp.'s 60.0% interest in the Waterbury Lake uranium project. We have invested C$15.5 million and currently hold a 25.9% equity interest of the project. Further exploration in Waterbury Lake, which started in January 2014, is in progress.

In June 2009, we and KEPCO entered into a definitive agreement with Denison to purchase 58.0 million shares, or 19.9%, of the share capital of Denison for an aggregate purchase price of C$75.4 million. The Waterbury Lake exploration project is ongoing with Denison as the current operator. In December 2016, as a result of changes in government policy, we purchased KEPCO's equity interest in Denison. As of March 31, 2017, our interest in Denison Mines Corp. was 10.8%. On July 2, 2012, we and KEPCO acquired a 9.40% equity interest in Energy Fuel Inc. ("**EFI**"), a Denver-based uranium producer, from Denison, and we currently hold a 2.6% interest. Under the terms of the agreement, we were entitled to procure 159 metric tons of uranium per annum during the periods from 2010 to 2015 and 2016 to 20202, subject to certain conditions with respect to pricing.

In June 2009, we entered into a definitive agreement with Areva NC and Société d'Enrichissement du Tricastin to purchase a 2.5% equity interest in the Georges Besse II enrichment plant in France for €129 million. Construction of the Georges Besse II project began in 2006 and is designed to include two enrichment units. The plant commenced commercial operations in April 2011 and is expected to reach full capacity in 2017. Under the terms of the agreement, we have a right to request enrichment services in case of emergency and we will also receive a *pro rata* portion of the net income generated by the new plant.

In December 2009, we and KEPCO entered into a definitive agreement with Areva NC Expansion ("**ANCE**") to purchase 15.0% of the share capital of ANCE and 10% of the share capital of Imouraren SA, which is an ANCE-invested mine operating company. In December 2016, as a result of changes in government policy, we purchased KEPCO's equity interest in ANCE. We currently hold a 13.5% equity interest in ANCE and a 9.0% in Imouraren SA. We are entitled to procure up to approximately 9.0% of Imouraren SA's annual uranium production in Niger, which is estimated to be 620 metric tons based on ANCE's annual production plan for 36 years starting from its production.

EPC Projects

In December 2009, KEPCO entered into a contract with Emirates Nuclear Energy Corporation (the "**ENEC**"), a state-owned nuclear energy provider of the United Arab Emirates ("**UAE**"), to design and construct four civil nuclear power generation units to be located in Barakah for the UAE's peaceful nuclear energy program (the "**UAE Nuclear Project**"). Under the contract, KEPCO is to perform various duties including, among others, designing and constructing four nuclear power generation units each with a capacity of 1,400 megawatts, supplying nuclear fuel for three fuel cycles including initial loading, with each cycle currently projected to last for approximately 18 months, and providing technical support, training and education related to plant operation. The contract amount for the UAE Nuclear Project is US$18.6 billion, with the term of the contract to last from December 27, 2009 to May 1, 2020. The first unit was completed in May 2017, and the target completion dates for the remaining three units are May 2018, May 2019 and May 2020. ENEC and KEPCO are currently negotiating to adjust the target completion dates, taking into account the preparation for operation of Unit #1 and UAE's power supply and demand conditions.

On March 15, 2010, we entered into a Joint Project Management Agreement with KEPCO, the prime contractor for the UAE Nuclear Project, under which agreement the Joint Project Division was established to provide engineering, procurement and construction services during the construction of the Barakah nuclear power generation units. We and KEPCO own 40% and 60% of the shares of the Joint Project, respectively. Additionally, we undertook to assist the operation of the Barakah nuclear power generation units by setting up and commissioning the units and training the staff at ENEC under a separate operating support services contract entered into in May 2010 with KEPCO. On July 20, 2016, we entered into an operating support services agreement with ENEC to render certain operating support services, such as annually providing a supply of operators and engineers, for the Barakah nuclear power generation units until 2030. The contract amount under OSSA is US$600 million.

Environment and Community Programs

The Environment Policy Basic Act of 1990 and other related legislation and regulations (the "**Environment Acts**"), which are principally administered by the Ministry of Environment, regulate atmospheric emissions, waste water and other emissions from our nuclear, hydro and pumped storage units. We know of no material breach or violation of the requirements of the Environment Acts at any of our plants.

The Act for Supporting the Communities Surrounding Power Plants addresses neighboring community concerns about nuclear power generation units. Pursuant to this Act, we are required to provide financial support for scholarship programs, programs for economic development and promotion of culture and social welfare in communities where we operate our nuclear facilities. We are required to make annual contributions to the affected local communities in (i) an amount equal to Won 0.25 per kWh of electricity generated by our nuclear generation units during the one-year period before the immediately preceding fiscal year, (ii) an amount equal to Won 0.2 per kWh of electricity generated by our hydroelectric generation units and pumped-storage generation units during the one-year period before the immediately preceding fiscal year, (iii) Won 5 million per thousand kW of hydroelectric generation capacity and (iv) Won 0.5 million per thousand kW of pumped-storage generation capacity. In 2016 and the three months ended March 31, 2017, we expended Won 41,540 million and Won 6,138 million, respectively, for the Power Plant Regional Support Program and, as of such respective dates, the balance of provisions amounted to Won 152,851 million and Won 207,027 million, respectively.

The Act on the Compensation and Support for Areas Adjacent to Transmission and Substation Facilities, enacted in January 2014 with effect from July 2014, prescribes measures to be taken by power generation or transmission companies with respect to the communities adjacent to transmission and substation facilities. Under this Act, those who own land or houses in the vicinity of transmission lines and substation may claim compensation for damages or compel purchase of such properties by the power generation or transmission companies which are legally obligated in principle to pay for such damages or purchase such properties. In addition, under this Act, residents of communities adjacent to transmission and substation facilities are entitled to subsidies on electricity tariff as well as support for a variety of welfare projects and collective business ventures.

From time to time, we enter into separate arrangements, at significant cost, to undertake various infrastructure and other community improvement projects, such as building schools and parks and providing financial support for the benefit of communities that may be affected by the construction, operation or extension of life of our nuclear plants. In connection with extending the operating lives of Kori unit #1 in 2007 and Wolsong unit #1 in 2015, we entered into arrangements to, among other things, build community facilities in the areas surrounding these units and provide loan assistance to qualifying local residents. We entered into similar arrangements with local communities in connection with the construction of the Shin-Kori and Shin-Hanul generation units.

Nuclear Safety

We take nuclear safety as our top priority and continue to focus on ensuring the safe and reliable operation of our nuclear power plants. We also focus on enhancing corporate ethics and transparency in the operation of our plants.

We have a corporate code of ethics and are firmly committed to enhancing nuclear safety, developing new technologies and improving transparency. We have also established the “Statement of Safety Policy for Nuclear Power Plants” to ensure the highest level of nuclear safety. Furthermore, we invest approximately 5% of our total annual sales into research and development for the enhancement of nuclear safety and operational performance.

However, our safety programs, even if implemented to the best of our abilities, do not necessarily ensure the safety of our nuclear plants in all aspects.

Safety Inspections after Fukushima Dai-ichi Nuclear Disaster

The nuclear disaster at Fukushima Dai-ichi Nuclear Power Plant following the 9.0 magnitude earthquake and tsunami in north eastern Japan in March 2011 have created heightened concerns regarding the safety of nuclear power facilities. Inspections by the relevant regulatory bodies immediately after the disaster found that our power plants were safe against natural disasters foreseeable to occur in Korea. However, they recommended measures to improve our long-term safety and to enhance our readiness against worst case scenarios.

Following these recommendations, in May 2011, the Ministry of Education, Science and Technology identified 46 projects to improve our safety, including installing additional automatic shutdown systems for earthquakes, extending coastal barriers for seismic waves, procuring mobile power generators and storage batteries, installing passive hydrogen removers at nuclear facilities and improving our radiology emergency medical system. In February 2012, we further identified 10 additional projects for safety enhancement such as improvement of standard operating procedures and emergency operation manuals. In March 2014, the NSSC identified three additional measures to improve the medium and long-term safety of our nuclear plants, including measures to strengthen our plants against natural and man-made disasters as well as establish emergency response centers. The progress of these projects is regularly reported to the government. We plan to complete implementation of all such projects by December 31, 2021.

On September 12, 2016, multiple earthquakes including a magnitude 5.8 earthquake hit the city of Gyeongju, where our headquarters and the Wolsong nuclear power plant are located. Although there were no material safety issues, we manually stopped the operations of Wolsong units #1, 2, 3, and 4 according to our safety guidelines. All units resumed their operations on December 5, 2016, with the approval by the NSSC. We continue to implement measures to improve safety by reinforcing seismic capability of our core facilities and performing stress tests across all our nuclear power plants.

Compliance with International Standards

We implement safety measures and controls in the design, fabrication, construction, operation and maintenance of our nuclear power generation units in order to reduce the risk of possible release of radioactive materials. International nuclear plant safety standards are set by the IAEA. Compliance with the standards is generally monitored by the NSSC. We submit a safety assessment report once every quarter to the NSSC and KINS, which is a technical expert organization entrusted by the NSCC to perform regulatory functions such as safety reviews, inspections, and development of regulatory technical standards for the regulation of nuclear power plants and radiation facilities. In addition, the NSSC personnel and the KINS personnel are employed at our operation sites full-time, enabling continuous reporting to the regulatory bodies. In addition, the Nuclear Safety Act and regulations promulgated thereunder ("**Nuclear Safety Acts**") specify safety standards for nuclear power generation units in Korea. Our nuclear units are in compliance in all material respects with the standards of the IAEA and with requirements under Korean law. If we or the NSSC determine safety conditions and measures are inadequate, operation of one or more nuclear units may be suspended temporarily or indefinitely. No material suspension of operation for accidents or other safety reasons (other than periodic or other precautionary inspections) has occurred at any of our nuclear units at any time.

We also maintain a close relationship with international nuclear organizations in order to enhance nuclear safety. In particular, we invite international safety review teams such as the World Association of Nuclear Operators ("**WANO**") Peer Review Team, the IAEA and the Expert Mission Team to our nuclear plants for purposes of meeting international standards for independent review of our facilities. We actively exchange relevant operational information and technical expertise with our peers in other countries. For example, Hanul units #5 and 6 conducted the WANO Peer Reviews and Shin-Kori unit #4 conducted the WANO Pre Start-up Review in 2016. We also invited the WANO Follow-up Peer Review Team to Wolsong units #1, 2, 3 and 4, Hanul units #1, 2, 3 and 4 and Shin-Kori units #1 and 2 in 2016. The recommendations and findings from this event were shared with our other nuclear plants to implement improvements at such plants.

Integrated Safety Management and Surveillance Systems

We implement comprehensive programs to monitor, ensure and improve the safety of nuclear power plants. In order to enhance nuclear safety through risk-informed assessment, we conduct probabilistic safety assessments, including for low power-shutdown states, for all our nuclear power plants. In order to systematically verify nuclear safety and identify the potential areas for safety improvements, we perform periodic safety reviews on a 10-year frequency basis for all our operating units. These reviews have been completed for Kori units #1, 2, 3 and 4, Hanbit units #1, 2, 3, 4, 5 and 6 Hanul units #1, 2, 3, 4, 5 and 6 and Wolsong units #1, 2, 3 and 4. In order to enhance nuclear safety and plant performance, we have established a maintenance effectiveness monitoring program based on the maintenance rules issued by the United States Nuclear Regulatory Commission, which covers all of our nuclear power plants in commercial operation.

We have developed the Risk Monitoring System for operating nuclear power plants, which is implemented in all of our nuclear power plants. The Risk Monitoring System is intended to help ensure nuclear plant safety. In addition, we have developed and implemented the Severe Accident Management Guidelines and are developing the Severe Accident Management Guidelines for Low Power-Shutdown States in order to manage severe accidents for all of our nuclear power plants.

We currently operate R&D programs to minimize radiation using various methods and to maximize safety related to management of radioactive waste and reduction of such waste materials by developing disposal repository for low and intermediate level radioactive waste. The average level of radiation per unit was 0.36 man-SV, 0.37 man-SV and 0.44 man-SV in 2014, 2015 and 2016, respectively, which were all lower than the global average of 0.73 man-SV, 0.72 man-SV and 0.67 man-SV respectively. "Man-SV" measures the biological effects of radiation to which a population is collectively exposed. In addition, we have in place a Radiation Emergency Plan in preparation for nuclear accidents and conduct regular preventive exercises and drills.

Nuclear Waste Management

In 2009, the Radioactive Waste Management Act was enacted in order to centralize radioactive waste disposal and management process. Under this legislation, KORAD, a government-owned corporation established under the legislation, has assumed full responsibility for the management of nuclear waste from January 1, 2009, including LILW and spent fuel. We transferred to KORAD all of our assets and liabilities relating to existing and in-construction nuclear waste management facilities in 2008 and 2009. The construction of the nuclear waste management facility was completed and government approval for its operations was obtained in December 2014. The construction cost of the nuclear waste management facility incurred since 2006 has been reimbursed by KORAD to us. Approximately 9,272 of the existing drums of LILW have been transported to the surface repository site for storage since December 2010 while underground storage facilities are still being constructed. The Government has not set forth any specific direction regarding spent fuel storage policy.

KORAD currently charges Won 12.19 million per drum for the disposal of LILW, Won 13.2 million per fuel assembly for the disposal of spent fuel from pressurized heavy water reactor nuclear power plants, and Won 319 million per fuel assembly for the disposal of spent nuclear fuel from pressurized light water reactor nuclear plants. We are required to make, and have made, payments of the disposal fees incurred after January 1, 2009. With respect to the nuclear waste disposal costs prior to 2009, of which the amount including accrued interests as of March 31, 2017 was Won 2,909 billion, we are required under the Radio Waste Management Act to transfer to KORAD the amount accrued for such reserves over a 15-year period beginning in 2014, after a five-year deferral.

Decommissioning

Decommissioning of a nuclear power generation unit is the process whereby the unit is shut down at the end of its economic life, the fuel is removed and the unit is eventually dismantled. We have adopted a decommissioning strategy under which the last stage of decommissioning would commence up to five to ten years after unit closure. We renewed the operation license of Kori unit #1, our first plant, which commenced operations in 1978, for an additional 10 years in 2007. At the recommendation of MOTIE, we have decided not to renew the operating license of Kori unit #1, and decommissioning of Kori unit #1 will begin upon expiration of the operating license in June 2017. The renewal of license for Wolsong unit #1 was approved by the NSSC in February 2015 for an additional 10 years until 2022. In June 2015, reactivation of Wolsong unit #1 was approved by the NSSC after periodic inspection. However, a civic group has since then brought a lawsuit to reverse such approval, and in February 2017, a lower court ruled to annul the NSSC's approval, which ruling has since been appealed. At present, the outcome of this litigation remains uncertain. We retain full financial and operational responsibility for decommissioning our units.

We have accumulated decommissioning costs as a liability since 1983. The decommissioning costs of nuclear facilities are estimated based on the study by the related committee and defined by the Radioactive-Waste Management Act, which requires us to credit annual appropriations separately. The decommissioning costs are reviewed by MOTIE every two years. In 2016, due to decreased discount rates and the commencement of operation of Shin-Kori unit #3, the total amount of allowances increased. As of March 31, 2017, we have accrued Won 13,033 billion for the cost of dismantling and decontaminating existing nuclear power plants, which consists of dismantling costs of nuclear plants of Won 10,286 billion and dismantling costs of spent fuel and radioactive waste of Won 2,747 billion. As of March 31, 2017, we hold Won 653 billion in beneficiary securities exclusively for the payment of decommissioning costs, which is the estimated cost of decommissioning one nuclear plant, and plan to maintain a similar amount of reserve going forward. For the accounting treatment of decommissioning costs, see *"Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies — Retirement of Tangible Assets."*

Research and Development

Our Research and Development ("**R&D**") program is centered on safety, including R&D relating to the operation of nuclear facilities, quality inspection technologies of such facilities, preventive repair and maintenance of equipment, evaluation of operating life and maintenance of nuclear facilities, technical developments for improvement in design safety for the APR+ reactor and digital control devices. In the field of nuclear power, our R&D programs are primarily focused on developing technology for enhancing the safety and economy of nuclear plants, such as the "*Life Time Management for Nuclear Power Plan*" project. In the field of hydroelectric power, our R&D efforts are primarily focused on projects to improve operational reliability and automatic control techniques. In 2014, 2015, 2016 and the three months ended March 31, 2017, we incurred Won 312 billion, Won 347 billion, Won 439 billion and Won 92 billion, respectively, of ordinary development expenses.

We had approximately 562 employees engaged in R&D activities as of March 31, 2017. In addition, we contribute quarterly payments to the Government for the Nuclear Research & Development Fund an amount equal to Won 1.2 per kWh of power produced.

Insurance

Risks of substantial liability arise from the operation of nuclear-fueled generation units and from the use and handling of nuclear fuel and possible radioactive emissions associated with such nuclear fuel. While we carry insurance and are the beneficiary of a Government indemnity with respect to such risks, the amounts and coverage thereof are limited.

As of March 31, 2017, we maintain property damage insurance coverage that covers damage at any of our nuclear plants up to US$1 billion per accident, which includes property insurance coverage for acts of terrorism up to US$300 million and for breakdown of machinery up to US$300 million. In addition, we have construction insurance for Shin-Kori units #4, 5 and 6, and Shin-Hanul units #1 and 2. We also maintain nuclear liability insurance for personal injury and property damage caused to third parties for coverage of up to 300 million Special Drawing Rights ("**SDRs**"), which is equivalent to approximately US$407 million as of March 31, 2017 (based on the exchange rate published by the International Monetary Fund), per accident per plant complex, for total coverage of 1.5 billion SDRs. We are also the beneficiary of a Government indemnity for damage claims of up to 300 million SDRs per accident per nuclear plant, for a total coverage of 1.5 billion SDRs. In addition, we maintain liability insurance related to our hydro and renewable plant facilities and nuclear fuel transportation, as well as directors' and officers' liability insurance. We are not responsible for the insurance coverage related to the construction of LILW management facilities, which were transferred to the KORAD in 2008. See "*Risk Factors — Risks Relating to Our Business — Our insurance coverage may not be sufficient.*"

Under the Nuclear Damage Compensation Act, we are liable only up to 300 million SDRs, which was equivalent to approximately Won 454.8 billion as of March 31, 2017, per single accident per plant complex; provided that such limitation will not apply where we intentionally caused the harm or knowingly failed to prevent the harm from occurring. We may receive the Government's support, subject to the approval of the National Assembly, if (i) the damages exceed the insurance coverage amount and (ii) the Government deems such support to be necessary for the purposes of protecting damaged persons and supporting the development of nuclear energy business. The amount of the Government's support to us for such qualifying nuclear incident is 300 million SDRs, which is the limit of our liability, minus any amount covered by insurance.

Competition

We are the only nuclear power generating operation in Korea. High initial investment costs, national security and safety concerns are an effective barrier for entry for any newcomer in the Korean nuclear industry.

We believe that we do not compete directly with KEPCO's other generation subsidiaries and with independent power generators for the sale of electricity in Korea due to the inherent differences in costs structures between nuclear and non-nuclear generation companies. In general, nuclear generation companies' costs of generating power are lower than that of non-nuclear generation companies. Our overall unit generation costs are generally the lowest among KEPCO's generation subsidiaries, owing to a stable and low cost structure of nuclear power that forms the base load of Korea's electricity supply.

Employees

As of March 31, 2017, we had 11,303 regular employees, and, of the total number of employees, approximately 9.0% were administrative staff and 79.6% were engineers. As of March 31, 2017, approximately 66.6% of our employees were members of the KHNP Workers Union, which negotiates a collective bargaining agreement, which has a term of two years, for its members.

Since our formation on April 2, 2001, our businesses have not been interrupted by any strikes or work stoppages by employees and our relations with our employees have been good. However, we cannot assure that we will not have any strikes or work stoppages or other labor problems in the future.

Property, Plant and Equipment

Our property consists mainly of power generation equipment and facilities in Korea. See "— *Power Generation*" and "— *Capital Investment Program*" above. As of March 31, 2017, the net book value of our property, plant and equipment was Won 43.4 trillion. No significant amount of our properties is leased.

Legal and Regulatory Proceedings

As of March 31, 2017, we are currently involved in various legal proceedings and regulatory matters in connection with our business, including being involved in litigation as a defendant in 69 cases and as a plaintiff in 31 cases. We may from time to time become a party to further legal proceedings or regulatory matters arising in the ordinary course of our business.

On May 2, 2014, the Busan District Prosecutor's Office announced that it had prosecuted 32 former and current employees of us and KEPCO Engineering and Construction Company, our affiliate, as well as other persons (including employees of the suppliers and testing agencies) in connection with the falsified testing and bribery incidents that were first discovered in May 2013. We took appropriate disciplinary actions against the implicated employees according to our policy and the relevant employees have been dismissed from their employment. We have strengthened our internal audit policies and procedures as a result, and are currently in compliance in all material respects with the measures initiated by us or required by the government and other regulatory authorities. For a further description, see "*Risk Factors — Risk Relating to Our Business — Our risk management policies and procedures may not be fully effective at all times.*"

We are subject to a number of lawsuits involving our current and former employees based on claims for unpaid ordinary wages. For example, in January 2015, certain of our employees filed a lawsuit against us seeking retroactive compensation in the aggregate amount of Won 11.8 billion for unpaid ordinary wages. In April 2017, the Seoul High Court ruled partially against us, and we paid Won 6.8 billion of the claimed amounts. For a further description, see "*Risk Factors — Risk Relating to Our Business — We may be exposed to potential claims made by current or previous employees for unpaid wages and may also incur increased labor costs as a result of the expansion of the scope of ordinary wages.*"

In September 2013, Hyundai Engineering & Construction Co., Ltd., SK Engineering & Construction Co., Ltd. and GS Engineering & Construction Co., Ltd. filed a lawsuit against us for additional contract payments in the amount of Won 204 billion in connection with certain design changes made during the construction of Shin-Hanul units #1 and 2. The plaintiff companies submitted an application as to why they demand extra contract payments due to the design changes and why they are seeking such payment from us. In November 2016, the court ruled against us, and we paid Won 218 billion of the claimed amounts in full and have subsequently appealed the ruling. The lawsuit is currently pending.

The nuclear power plant at Wolsong unit #1 began operations in 1982 and ended its operations in 2012 pursuant to its 30-year operating license. In February 2015, the NSSC evaluated the safety of operating Wolsong unit #1 and approved its extended operation until November 2022. However, a civic group subsequently filed a lawsuit to annul the NSSC's decision, and in February 2017, the Seoul Administrative Court ruled against the NSSC, which ruling has since been appealed. We joined the appeal as a third party stakeholder in April 2017, and we continue to operate Wolsong unit #1 pursuant to the NSSC's initial decision to extend the unit's operations. The civic group has filed an injunction to suspend the operation of Wolsong unit #1. We cannot assure you that the courts will ultimately rule to grant the extension of operating life for Wolsong unit #1. If the extension of operating life for Wolsong unit #1 is annulled, we will recognize at that time a significant loss related to our long-term assets for Wolsong unit #1, for which the estimated book value is approximately Won 560 billion as of March 31, 2017. In addition, we will need to increase our provision for decommissioning liabilities related to Wolsong unit #1, which was Won 530 billion as of March 31, 2017, and our short-term cash outflows will increase in connection with the dismantling of the nuclear unit. As a result of the above, our results of operation, financial condition and cash flow could be adversely affected. However, further analysis is required in order to gauge the actual financial impact of such an event.

In addition, there are seven other nuclear generation units whose operating lives under their initial operating license will expire in the next ten years, or by 2027. Thus, if the courts were to ultimately rule against the extension of operating life for Wolsong unit #1, we may find it more difficult to have the operating lives of other nuclear units extended as well. The failure to extend the operating lives of these units would result in a loss of revenues from such units and cause us to move up our capital expenditures for the construction of new nuclear generation units, each of which could adversely affect our results of operation and financial condition.

Furthermore, in September 2016, Greenpeace and 559 Korean nationals brought a lawsuit against the NSSC to revoke the permit the NSSC granted to us in relation to the construction of Shin-Kori units #5 and 6. We filed to join the lawsuit as a third party stakeholder in April 2017. This case is currently pending at the Seoul Administrative Court. If the courts were to ultimately rule against the construction of these new nuclear power generation units, we will experience a loss of revenues, which could adversely affect our results of operation and financial condition.

In July 2012, residents in the community surrounding the Kori nuclear power plant filed a lawsuit against us claiming that our nuclear generation units have caused or contributed to increased incidents of thyroid cancer among such residents. In October 2014, the courts partially ruled against us, and we paid Won 15 million of the claimed amounts of Won 200 million and appealed the ruling in the Busan High Court. The appeal is currently pending. Subsequently, residents in the communities surrounding four of our nuclear generation units have brought a class action suit against us with similar claims that our nuclear generation units have caused or contributed to increased incidents of thyroid cancer. The lawsuit is currently pending in the Busan District Court.

These incidents have had a material adverse effect, and may have a further material adverse effect, on our reputation, business, results of operation, financial condition or the general acceptance of nuclear power, especially if, as a result of these incidents or otherwise, there are findings of other criminal or other illegal or improper activities or if there are additional shutdowns or challenges to constructing new plants that lead to greater social and political concerns over nuclear safety to the effect of impeding our normal operation of nuclear generation units.

MANAGEMENT

Directors, Audit Committee and Senior Management

Under our Articles of Association, our board of directors, consisting of not more than fifteen directors, including the president, is vested with the power of management. The directors are classified into two categories: standing directors and non-standing directors. The total number of non-standing directors must be at least a majority of the total number of all directors. Under the Articles of Association, an audit committee is responsible for monitoring our business affairs and accounts. The audit committee must consist of three directors, two of whom must be non-standing directors. At least one of the three directors must also be an accounting or financial expert. Under the Articles of Association, our representative director, who also acts as our president, is appointed by the President of Korea through the following nomination process: the recommendation of two or more candidates by the committee for nomination of directors established within the board of directors pursuant to the revised Articles of Association; the resolution of the Committee for Management of Public Institutions established under Article 8 of the Act on the Management of Public Institutions; the resolution of shareholders at the general meeting; and the nomination of the Minister of Trade, Industry & Energy. The standing directors, other than our president, are appointed by our president following the resolution of shareholders at the general meeting, except that any standing director who is to become a member of the audit committee is appointed by the President of Korea following the nomination of two or more candidates by the committee for nomination of directors, the resolution of the Committee for Management of Public Institutions, the resolution of shareholders and the nomination of the Minister of Strategy and Finance. The non-standing directors are appointed by the Minister of Strategy and Finance following the nomination of two or more candidates by the committee for nomination of directors, the resolution of the Committee for Management of Public Institutions and the resolution of shareholders. Our president serves as our chief executive officer and represents us and administers our day-to-day business in all matters not specifically designated as responsibilities of the board.

The names, titles, and outside occupations, if any, of our current directors, and the respective dates on which they took office are set forth below.

Name (Age)	Title	Outside Occupation	Position Held Since
Kwan Sup Lee (55).............	Standing Director and President and CEO	None	November 15, 2016
Joo Sung Nam (58).............	Standing Director	None	January 17, 2017
Young Taik Jun (58)............	Standing Director, Executive Vice President of the Planning Division	None	February 13, 2016
Hwee Soo Jun (57).............	Standing Director, Executive Vice President of the Power Generation Division	None	January 11, 2017
Cheong Ro Yoon (59)	Standing Director, Executive Vice President of the Safety, Quality and Technology Division	None	October 31, 2015

Name (Age)	Title	Outside Occupation	Position Held Since
Yong Hi Lee (59)	Standing Director, Executive Vice President of the Construction Division	None	January 11, 2017
Sung Hee Cho (65).............	Non-Standing Director	Director of Research Council of Energy & Resources Industrial Development	October 17, 2014
Seung Gyu Ryu (71)	Non-Standing Director	—	February 14, 2014
Jin Goo Lee (69)	Non-Standing Director	—	February 11, 2015
Seong Jin Cho (60).............	Non-Standing Director	Professor at Kyungsung University's Department of Energy Science	September 29, 2016
Sang Jick Lee (59)	Non-Standing Director	Non-Standing Director of Korea Institute for Advancement of Technology	September 29, 2016
Joung Hae Seo (58)............	Non-Standing Director	Dean of Kyungpook National University	September 29, 2016
Hae Sang Kwon (59)...........	Non-Standing Director	Member of the Advisory Committee at Korea Management Association Consulting	February 22, 2017

Kwang Sup Lee has served as a Standing Director and a President and CEO since November 15, 2016. Mr. Lee received an M.A. in Public Administration from Harvard University. Mr. Lee previously served as Vice Minister of the MOTIE.

Joo Sung Nam has served as a Standing Director and a Standing Member of the Audit Committee since January 17, 2017. Mr. Nam received a doctorate degree in Public Administration from Hanyang University. Mr. Nam previously served as the Head of the Board of Audit and Inspection of Korea .

Young Taik Jun has served as a Standing Director and an Executive Vice President of the Planning & Administration Division since February 13, 2016. Mr. Jun received a B.A. in Astronomy from Seoul National University. Mr. Jun previously served as our Executive Vice President of the Green Energy Department.

Hwee Soo Jun has served as a Standing Director and an Executive Vice President of the Power Generation Division since January 11, 2017. Mr. Jun has received a B.S. in Nuclear Engineering from Hanyang University. Mr. Jun previously served as our General Manager of the Wolsong Power Plant.

Cheong Ro Yoon has served as a Standing Director and an Executive Vice President of the Safety, Quality and Technology Division since October 31, 2015. Mr. Yoon received a B.S. in Mechanical Engineering from Hongik University. Mr. Yoon previously served as our General Manager of the Wolsong Power Plant.

Yong Hi Lee has served as a Standing Director and Executive Vice President of the Construction Division since January 11, 2017. Mr. Lee received his B.S. in Electrical Engineering from Donga University. Mr. Lee previously served as our General Manager of the Kori Power Plant.

Sung Hee Cho has served as a Non-Standing Director since October 17, 2014. Mr. Cho currently also serves as Director of Research Council of Energy & Resources Industrial Development. Mr. Cho received a B.A. in English from Hankuk University of Foreign Studies.

Seung Gyu Ryu has served as a Non-Standing Director since February 14, 2014. Mr. Ryu previously served as Non-Standing Advisor of Korea Airport Service Co., Ltd. Mr. Ryu studied Environmental Sciences at Yong In University.

Jin Goo Lee has served as a Non-Standing Director since February 11, 2015. Mr. Lee received a B.A. in Social Physical Education from Kyongbuk Science College. Mr. Lee previously served as a Non-Standing Director of Korea Radioactive Waste Agency.

Seong Jin Cho has served as a Non-Standing Director since September 29, 2016. Mr. Cho received a doctorate degree in Physics from Yonsei University. Mr. Cho also serves as Professor at Kyungsung University's Department of Energy Science.

Sang Jick Lee has served as a Non-Standing Director since September 29, 2016. Mr. Lee received an M.A. in Political Science from Korea University. Mr. Lee also serves as Non-Standing Director of Korea Institute for Advancement of Technology.

Joung Hae Seo has served as a Non-Standing Director since September 29, 2016. Mr. Seo received a doctorate degree in Business from Hitotsubashi University. Mr. Seo also serves as Dean of Kyungpook National University.

Hae Sang Kwon has served as a Non-Standing Director since February 22, 2017. Mr. Kwon received an M.A. in Economics from the University of Birmingham. Mr. Kwon also serves as Member of the Advisory Committee at Korea Management Association Consulting.

The presence at board meetings of a majority of the board members constitutes a voting quorum and resolutions can be passed by a majority of the board members.

The business address of our directors is 1655 Bulguk-ro, Yangbuk-myeon, Gyeongju-si, Gyeongsangbuk-do, 38120, Republic of Korea.

Compensation of Directors and Executive Officers

For the year ended December 31, 2016, the aggregate amount of remuneration paid and accrued to the directors and executive officers, as a group, was Won 1,071 million. The aggregate amount set aside or accrued during the year ended December 31, 2016 to provide retirement and severance benefits for directors and executive officers, including the statutory auditor, was Won 39 million.

Board Practices

Under our Articles of Association, the term of office of our directors is two years, except that the term of office for our representative director is three years. A director whose term of office has expired carries on his or her duties until the successor director is appointed. The term of office for directors may be extended on an annual basis. The president, or the representative director, may not be removed from post except by the President of Korea who has the appointive power under the Act on the Management of Public Institutions.

As permitted by law in Korea, our board currently does not maintain a remuneration committee. Under our Articles of Association, we currently have an audit committee, currently composed of standing member Joo Sung Nam and non-standing members Seung Gyu Ryu and Joung Hae Seo.

Our president's management contract provides for benefits upon termination of his employment. The president is only eligible for termination benefits after more than one year of continuous service. For each year's employment, the payment amount for termination benefits is equal to the average value of compensation for one month, which is equal to the president's annual base compensation together with all incentive bonuses received during his tenure divided by the number of months he served as president.

The terms for termination benefits for directors are determined in accordance with the internal regulations for executive compensation. Standing directors are only eligible for benefits after retirement or upon death following one year of continuous service. The payment amount for retirement benefits is calculated by multiplying (i) the annual base compensation received by the director during the past three months prior to termination together with all incentive bonuses received by the director during his tenure divided by three times (ii) the number of years of service.

Share Ownership

The table below sets forth certain information relating to the ownership of our capital stock as of March 31, 2017:

Title of Class	Identity of Person or Group	Shares Owned	Percentage
Common stock	KEPCO	242,442,838	100.0%
Total..		242,442,838	100.0%

RELATED PARTY TRANSACTIONS

For our company's sale of electricity to KEPCO through the KPX, see "*Business — Sales and Purchase of Power*."

As of March 31, 2017, we had a 14.28% ownership of the KPX, accounted for using the fair value method, in the amount of Won 33 billion. For transactions and related account balances with related parties, including KEPCO and its subsidiaries, see note 40 to our audited financial statements for the years ended December 31, 2015 and 2016 and note 40 to our unaudited condensed consolidated interim financial statements for the three months ended March 31, 2016 and 2017 included herein.

Significant transactions with related parties for the years ended December 31, 2015 and 2016 included the following: (i) sale of electricity and others to KEPCO for Won 10,831 billion and Won 11,447 billion, respectively; (ii) purchase of electricity and others from KEPCO for Won 1,211 billion and Won 1,264 billion, respectively and; (iii) payment of utility maintenance fee of Won 425 billion and Won 468 billion, respectively, to Korea Plant Service & Engineering Co., Ltd.

Significant transactions with related parties for the three months ended March 31, 2016 and 2017 included the following: (i) sale of electricity and others to KEPCO for Won 3,397 billion and Won 2,707 billion, respectively; (ii) purchase of electricity and others from KEPCO for Won 773 billion and Won 722 billion, respectively; (iii) payment of utility maintenance fee of Won 39 billion and Won 90 billion, respectively, to Korea Plant Service & Engineering Co., Ltd.; and (iv) payment of technology services from KEPCO Engineering & Construction Inc. for Won 55 billion and Won 53 billion, respectively.

In addition, significant receivables and payables arising from related party transactions as of December 31, 2015 and 2016 and March 31, 2017 consisted of receivables from KEPCO, which were Won 1,249 billion, Won 1,473 billion and Won 1,140 billion, respectively.

TAXATION

The following summary contains a description of certain Korean and U.S. federal income tax consequences of the ownership and disposition of Notes, but it does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase or dispose of Notes. This summary is based on the Korean and U.S. federal income tax laws in force on the date of this Offering Circular (which are subject to change and which changes may have retroactive effect), and does not describe any tax consequences arising under the laws of any state, locality or taxing jurisdiction other than the laws of Korea and the federal income tax laws of the United States.

Prospective purchasers of Notes should consult their own tax advisors as to the Korean, U.S. or other tax consequences of the ownership and disposition of Notes, including the effect of any foreign, state or local tax laws.

Korean Taxation

The taxation of non-resident individuals and non-Korean corporations generally depends on whether they have a "**Permanent Establishment**" (as defined under Korean law and any applicable tax treaty) in Korea to which the relevant Korean source income is attributable or with which such relevant Korean source income is effectively connected. Non-residents without such a Permanent Establishment in Korea ("**Non-Residents**") are taxed in the manner described below. Non-residents with such Permanent Establishment are taxed in accordance with different rules.

Income Tax and Corporation Tax on Interest

Interest on the Notes paid to Non-Residents is exempt from income tax and corporation tax (whether payable by withholding or otherwise) pursuant to the Special Tax Treatment Control Law (the "**STTCL**"), subject to the tax consequences with respect to Index Linked Notes set out in the applicable Pricing Supplement, **provided that** the Notes are "foreign currency denominated bonds issued outside of Korea" under the STTCL. The term "foreign currency denominated bonds issued outside of Korea" in this context is not defined under the STTCL. In this regard, the Korean tax authority issued a ruling on 1 September 1990 to the effect that "Notes Issuance Facility, USCP, Euro CP and Banker's Acceptance, etc." are not treated as "foreign currency denominated bonds."

If not exempt under the STTCL, the rate of income tax or corporation tax applicable to interest or any premium on the Notes, for a Non-Resident, is currently 14 percent. In addition, a tax surcharge, called a local income tax, is imposed at the rate of 10 percent of the income or corporation tax (raising the total tax rate to 15.4 percent).

The tax rates may be reduced or exempted by applicable tax treaty between Korea and the residence country of the recipient of the interest. The relevant tax treaties are discussed below.

In order to obtain the benefit of a tax exemption available under applicable tax treaties, a beneficial owner of the interest should submit to the party liable for withholding an application for an exemption, together with a certificate of the tax residence issued by a competent authority of the beneficial owner's residence country. Subject to certain exceptions, the Korean tax laws also require an overseas investment vehicle (which is defined as an organization established in a foreign jurisdiction that manages funds collected through investment solicitation by way of acquiring, disposing or otherwise investing in proprietary targets and then distributes the outcome of such management to investors) to obtain the application for tax exemption from the beneficial owners together with a certificate of tax residence of the beneficial owner and submit a report of overseas investment vehicle to the party liable for the withholding, together with a detailed statement on the beneficial owner of the income and the obtained application for exemption from the beneficial owner. The party liable for the withholding of the interest is required to submit the application for exemption together with the certificate of tax residence to its district tax office no later than the ninth day of the month following the month in which the interest is paid. However, this requirement does not apply to exemptions under Korean tax law.

Further, in order to obtain the benefit of a reduced rate available under applicable tax treaties, a beneficial owner should submit an application for reduced rate to the party liable for the withholding before the receipt of relevant payment (if there is no change in the contents of such application, it is not required to submit again within three years thereafter), together with a certificate of the non-resident holder's tax residence issued by a competent authority of the non-resident holder's residence country. Subject to certain exceptions, the Korean tax law also requires an overseas investment vehicle to receive the application for entitlement to a preferential tax rate from the beneficial owners and forward a report of overseas investment vehicle to the party liable for the withholding, together with a detailed statement on the beneficial owner of the income. However, this requirement does not apply to exemptions under Korean tax law.

If the Non-Resident holder could not obtain the benefit of an exempted or reduced rate due to the failure of the timely submission of the above-mentioned application, the Non-Resident holder can get the tax refunded if the application of the claim for reassessment is submitted within five years from the last day of the month in which the withholding occurs.

Index Linked Notes

A detailed description of the tax considerations relevant to Index Linked Notes will be provided in the applicable Pricing Supplement.

Capital Gains Tax

The Korean tax laws currently exclude from Korean taxation gains made by a Non-Resident from the sale of the Notes to another non-resident (other than to the other non-resident's Permanent Establishment in Korea). In addition, capital gains earned by a Non-Resident from the transfer outside Korea of the Notes are currently exempt from taxation by virtue of the STTCL, **provided that** the issuance of the Notes is deemed to be an overseas issuance.

In the absence of an applicable tax treaty or any other special tax laws eliminating the capital gains tax, the applicable rate of tax is the lower of 11 percent (including local income tax) of the gross realization proceeds (the "**Gross Realization Proceeds**") and (subject to the production of satisfactory evidence of the acquisition cost and certain direct transfer cost of the relevant Notes) 22 percent (including local income tax) of the gain made. The gain is calculated as the Gross Realization Proceeds less the acquisition cost and certain direct transfer cost (including taxes, dues and brokerage commissions paid in direct connection with the acquisition and transfer of the Notes). If such evidence shows that no gain (or a loss) was made on the sale no Korean tax is payable. There is no provision under the relevant Korean law for offsetting gains and losses or otherwise aggregating transactions for the purpose of computing the net gain attributable to sales of securities of Korean companies.

The purchaser or any other designated withholding agent of the Notes is obliged under Korean law to withhold the applicable amount of Korean tax and make payment thereof to the relevant Korean tax authority. Unless the seller can claim the benefit of an exemption from the tax under an applicable tax treaty, in the absence of the seller producing satisfactory evidence of his or her acquisition cost and certain direct transfer cost in relation to the Notes being sold, the purchaser or such withholding agent must withhold an amount equal to 11 percent of the Gross Realization Proceeds. Any amounts withheld by the purchaser or such withholding agent must be paid to the relevant Korean tax authority no later than the tenth day of the month following the month in which the sale of the relevant Notes occurred. Failure to transmit the withheld tax to the Korean tax authorities in time technically subjects the purchaser or the withholding agent to penalties under Korean tax laws and a Non-Resident who is liable for payment of any Korean tax on gains, either as a seller of Notes or as a purchaser or the withholding agent who is obliged to withhold such tax, is subject to the Korean tax authorities seeking enforcement through attachment of, or other legal proceedings against, payments due to it from its Korean investments and to enforcement against the assets or revenues of any of the Non-Resident's branch or representative offices in Korea.

In addition, in order to obtain the benefit of a tax exemption available under applicable tax treaties, a beneficial owner should submit to the purchaser or the withholding agent an application for exemption, together with a certificate of the beneficial owner's tax residence issued by a competent authority of the beneficial owner's residence country. Subject to certain exceptions, the Korean tax law also requires an overseas investment vehicle to receive the application for tax exemption from the beneficial owners together with a certificate of tax residence of the beneficial owner and forward a report of overseas investment vehicle to the withholding obligor, together with a detailed statement on the beneficial owner of the income and the obtained application for an exemption from the beneficial owner. The purchaser or the withholding agent is required to submit the application for exemption together with the certificate of the beneficial owner's tax residence to its district tax office no later than the ninth day of the month following the month in which sale proceeds are paid. However, this requirement does not apply to exemptions under Korean tax law.

If the Non-Resident holder could not obtain the benefit of a tax exemption due to the failure of the timely submission of the above-mentioned application, the Non-Resident holder can get the tax refunded if the application of the claim for reassessment is submitted within five years from the last day of the month in which the withholding occurs.

Inheritance Tax and Gift Tax

Korean inheritance tax is imposed upon (a) all assets (wherever located) of the deceased if at the time of his or her death he or she was domiciled in Korea or resided in Korea for at least one year immediately prior to his death and (b) all property located in Korea which passes on death (irrespective of the domicile of the deceased). Gift tax is imposed upon (a) all gift assets granted to a donee if at the time of the making of the gift the donee was domiciled in Korea or resided in Korea for at least one year immediately prior to the donation and (b) all gift assets located in Korea (irrespective of the domicile of the donee). The taxes are imposed if the value of the relevant property is above a certain limit and the rate varies from 10 percent to 50 percent according to the identity of the parties involved. At present, Korea has not entered into any tax treaties regarding its inheritance or gift taxes.

Under the Korean inheritance and gift tax laws, notes issued by Korean corporations are deemed located in Korea irrespective of where they are physically located or by whom they are owned, and consequently, the Korean inheritance and gift taxes will be imposed on transfers of the Notes by inheritance or gift. Prospective purchasers should consult their personal tax advisors regarding the consequences of the imposition of the Korean inheritance or gift tax.

Stamp Duty and Securities Transaction Tax

No stamp, issue or registration duties will be payable in Korea by Non-Resident holders of the Notes in connection with the issue of the Notes except for a nominal amount of stamp duty on certain documents executed in Korea which will be paid by the Issuer. A securities transaction tax will not be imposed on the transfer of Notes.

Tax Treaties

At the date of this Offering Circular, Korea has tax treaties with *inter alia* Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Singapore, Sweden, Switzerland, the United Kingdom and the United States of America under which the rate of withholding tax on interest is reduced, generally to between 5 percent and 16.5 percent (13.2 percent under the treaty with the United States) (including local income tax), and the tax on capital gains is often eliminated (as it is generally under the treaty with the United States).

Each Non-Resident holder should enquire for himself whether he is entitled to the benefit of a tax treaty. It is the responsibility of the party claiming the benefits of a tax treaty in respect of interest payments to file with the Issuer a certificate as to his or her residence. In the absence of sufficient proof, the Issuer must withhold taxes in accordance with the above discussion.

Withholding and Gross-up

As mentioned above, interest on the Notes is exempt from any withholding or deduction on account of income tax or corporation tax pursuant to the STTCL. However, in the event that the Issuer is required by law to make any withholding or deduction for or on account of any Korean taxes, the Issuer has agreed, subject to certain customary exceptions, to pay such additional amounts as may be necessary in order that the net amounts received by the Non-Resident holder after such withholding or deduction shall equal the respective amounts received by the Non-Resident holder in the absence of such withholding or deduction.

United States Federal Income Taxation

The following is a summary of certain U.S. federal income tax considerations that may be relevant to a holder of a Note. This summary is based on laws, regulations, rulings and decisions now in effect, all of which are subject to change. This summary deals only with beneficial owners of Notes that will hold Notes as capital assets, and does not address particular tax considerations that may be applicable to investors that are subject to special tax rules, such as banks, tax-exempt entities, insurance companies, regulated investment companies, dealers in securities or currencies, traders in securities electing to mark to market, persons that will hold Notes as a position in a “straddle” or conversion transaction, or as part of a “synthetic security” or other integrated financial transaction, entities taxed as partnerships or the partners therein, persons subject to the alternative minimum tax, U.S. expatriates, nonresident alien individuals present in the United States for more than 182 days in a taxable year, or persons that have a “functional currency” other than the U.S. dollar. Any special U.S. federal income tax considerations relevant to a particular issue of Notes, including any Index Linked Notes, will be provided in the applicable Pricing Supplement.

This summary addresses only U.S. federal income tax consequences, and does not address consequences arising under state, local, foreign tax laws or the Medicare tax on net investment income. Investors should consult their own tax advisors in determining the tax consequences to them of holding Notes under such tax laws, as well as the application to their particular situation of the U.S. federal income tax considerations discussed below.

Because Bearer Notes cannot be offered or sold in connection with their initial distribution to U.S. citizens or residents (or to other persons located in the United States), this summary does not discuss special tax considerations relevant to the ownership and disposal of Bearer Notes by U.S. holders. This summary addresses only Notes that are properly characterized as indebtedness for U.S. federal income tax purposes. Particular tax consequences relating to Notes having a term to maturity of more than 30 years or Dual Currency Notes will be discussed in the applicable Pricing Supplement.

As used herein, a "U.S. holder" is a beneficial owner of a Note that is, for U.S. federal income tax purposes, a citizen or resident of the United States or a domestic corporation or that otherwise is subject to U.S. federal income taxation on a net income basis in respect of the Note. A "non-U.S. holder" is a beneficial owner of a Note that is an individual, corporation, foreign estate, or foreign trust, that is not a U.S. holder.

U.S. Holders

Payments of Interest and Additional Amounts. The gross amount of payments of "qualified stated interest" (as defined below under "— Original Issue Discount") and additional amounts, if any (*i.e.*, without reduction for Korean withholding taxes, determined utilizing the appropriate Korean withholding tax rate applicable to the U.S. holder), but excluding any pre-issuance accrued interest, will be taxable to a U.S. holder as ordinary interest income at the time that such payments are accrued or are received (in accordance with the U.S. holder's method of tax accounting). If payments of this kind are made with respect to a Note denominated in a single currency other than the U.S. dollar (a "**Foreign Currency Note**"), the amount of interest income realized by a U.S. holder that uses the cash method of tax accounting will be the U.S. dollar value of the Specified Currency payment based on the exchange rate in effect on the date of receipt regardless of whether the payment in fact is converted into U.S. dollars. A U.S. holder that uses the accrual method of accounting for tax purposes will accrue interest income on the Note in the relevant foreign currency and translate the amount accrued into U.S. dollars based on the average exchange rate in effect during the interest accrual period (or portion thereof within the U.S. holder's taxable year), or, at the accrual basis U.S. holder's election, at the spot rate of exchange on the last day of the accrual period (or the last day of the taxable year within such accrual period if the accrual period spans more than one taxable year), or at the spot rate of exchange on the date of receipt, if this date is within five business days of the last day of the accrual period. A U.S. holder that makes this election must apply it consistently to all debt instruments from year to year and cannot change the election without the consent of the Internal Revenue Service (the "**IRS**"). A U.S. holder that uses the accrual method of accounting for tax purposes will recognize foreign currency gain or loss, as the case may be, on the receipt of an interest payment made with respect to a Foreign Currency Note if the exchange rate in effect on the date the payment is received differs from the rate applicable to a previous accrual of that interest income. Amounts attributable to pre-issuance accrued interest will generally not be includable in income, except to the extent of foreign currency gain or loss attributable to any changes in exchange rates during the period between the date the U.S. Holder acquired the Note and the first Interest Payment Date. This foreign currency gain or loss will be treated as ordinary income or loss but generally will not be treated as an adjustment to interest income received on the Note.

Korean withholding taxes paid at the appropriate rate applicable to the U.S. holder will be treated as foreign income taxes eligible for credit against such U.S. holder's U.S. federal income tax liability, subject to generally applicable limitations and conditions, or, at the election of such U.S. holder, for deduction in computing such U.S. holder's taxable income (provided that the U.S. holder elects to deduct, rather than credit, all foreign income taxes paid or accrued for the relevant taxable year). Interest and additional amounts will constitute income from sources without the United States for U.S. foreign tax credit purposes. The calculation of foreign tax credits and, in the case of a U.S. holder that elects to deduct foreign taxes, the availability of deductions, involves the application of rules that depend on a U.S. holder's particular circumstances. U.S. holders should consult their own tax advisors regarding the availability of foreign tax credits and the treatment of additional amounts.

Original Issue Discount. If the Issuer issues Notes at a discount from their stated redemption price at maturity (as defined below), and the discount is equal to or more than the product of one-fourth of one percent (0.25 percent) of the stated redemption price at maturity of such Notes multiplied by the number of full years to their maturity (the "**de minimis threshold**"), such Notes will be "original issue discount Notes." The difference between the issue price and the stated redemption price at maturity of such Notes will be the "original issue discount" ("**OID**"). The "issue price" of a Note will be the first price at which a substantial amount of the Notes is sold to the public (*i.e.*, excluding sales of the Notes to underwriters, placement agents, wholesalers, or similar persons). The "stated redemption price at maturity" will include all payments under a Note other than payments of qualified stated interest. The term "qualified stated interest" generally means stated interest that is unconditionally payable in cash or property (other than debt instruments issued by the Issuer) at least annually during the entire term of the Note at a single fixed interest rate or, subject to certain conditions, based on one or more interest indices. Zero Coupon Notes will be treated as issued with OID.

U.S. holders of original issue discount Notes generally will be subject to special tax accounting rules for obligations issued with OID. U.S. holders of such Notes should be aware that, as described in greater detail below, they generally must include OID in ordinary gross income for U.S. federal income tax purposes as it accrues, in advance of the receipt of cash attributable to that income.

In general, each U.S. holder of an original issue discount Note, regardless of whether the holder uses the cash or the accrual method of tax accounting, will be required to include in ordinary gross income the sum of the "daily portions" of OID on the Note for all days during the taxable year that the U.S. holder owns the Note. The daily portions of OID on an original issue discount Note are determined by allocating to each day in any accrual period a ratable portion of the OID allocable to that accrual period. Accrual periods may be any length and may vary in length over the term of an original issue discount Note, provided that no accrual period is longer than one year and each scheduled payment of principal or interest occurs on either the final day or the first day of an accrual period. In the case of an initial holder, the amount of OID on an original issue discount Note allocable to each accrual period is determined by (a) multiplying the "adjusted issue price" (as defined below) of the original issue discount Note at the beginning of the accrual period by its yield to maturity (appropriately adjusted to reflect the length of the accrual period) and (b) subtracting from that product the amount (if any) of qualified stated interest allocable to that accrual period. The "yield to maturity" of a Note is the discount rate that causes the present value of all payments on the Note as of its original issue date to equal the issue price of the Note. The "adjusted issue price" of an original issue discount Note at the beginning of any accrual period will generally be the sum of its issue price (generally including accrued interest, if any) and the amount of OID allocable to all prior accrual periods, reduced by the amount of all payments other than payments of qualified stated interest (if any) made with respect to the Note in all prior accrual periods. As a result of this "constant yield" method of including OID in income, the amounts includible in income by a U.S. holder in respect of an original issue discount Note denominated in U.S. dollars generally are lesser in the early years and greater in the later years than the amounts that would be includible on a straight-line basis.

A U.S. holder generally may make an irrevocable election to include in its income its entire return on a Note (*i.e.*, the excess of all remaining payments to be received on the

Note, including payments of qualified stated interest, over the amount paid by the U.S. holder for the Note) under the constant-yield method described above. For Notes purchased at a premium or bearing market discount in the hands of the U.S. holder, the U.S. holder making such election will also be deemed to have made the election (discussed below in "— Premium and Market Discount") to amortize premium or to accrue market discount in income currently on a constant-yield basis.

In the case of an original issue discount Note that is also a Foreign Currency Note, a U.S. holder should determine the U.S. dollar amount includible in income as OID for each accrual period by (a) calculating the amount of OID allocable to each accrual period in the Specified Currency using the constant-yield method described above, and (b) translating the amount of the Specified Currency so derived at the average exchange rate in effect during that accrual period (or portion thereof within a U.S. holder's taxable year) or, at the U.S. holder's election (as described above under "— Payments of Interest and Additional Amounts"), at the spot rate of exchange on the last day of the accrual period (or the last day of the taxable year within such accrual period if the accrual period spans more than one taxable year), or at the spot rate of exchange on the date of receipt, if that date is within five business days of the last day of the accrual period. Because exchange rates may fluctuate, a U.S. holder of an original issue discount Note that is also a Foreign Currency Note may recognize a different amount of OID income in each accrual period than would the holder of an otherwise similar original issue discount Note denominated in U.S. dollars. All payments on an original issue discount Note, other than payments of qualified stated interest, will generally be viewed first as payments of previously accrued OID to the extent thereof, with payments attributed first to the earliest-accrued OID, and then as payments of principal. Upon the receipt of an amount attributable to OID (whether in connection with a payment of an amount that is not qualified stated interest or the sale or retirement of the original issue discount Note), a U.S. holder will recognize ordinary income or loss measured by the difference between the amount received (translated into U.S. dollars at the exchange rate in effect on the date of receipt or on the date of disposition of the original issue discount Note, as the case may be) and the amount accrued (using the exchange rate applicable to such previous accrual).

A subsequent U.S. holder of an original issue discount Note that purchases the Note at a cost less than its remaining redemption amount (as defined below), or an initial U.S. holder that purchases an original issue discount Note at a price other than the Note's issue price, also generally will be required to include in gross income the daily portions of OID, calculated as described above. However, if the U.S. holder acquires the original issue discount Note at a price greater than its adjusted issue price, the holder is required to reduce its periodic inclusions of OID income to reflect the premium paid over the adjusted issue price. The "remaining redemption amount" for a Note is the total of all future payments to be made on the Note other than payments of qualified stated interest.

Floating Rate Notes generally will be treated as "variable rate debt instruments" under applicable Treasury Regulations. Accordingly, the stated interest on a Floating Rate Note generally will be treated as "qualified stated interest" and such a Note will not have OID solely as a result of the fact that it provides for interest at a variable rate. If a Floating Rate Note qualifying as a "variable rate debt instrument" is an original issue discount Note, for purposes of determining the amount of OID allocable to each accrual period under the rules above, the Note's "yield to maturity" and "qualified stated interest" will generally be determined as though the Note bore interest in all periods at a fixed rate equal determined at the time of issuance of the Note. Additional rules may apply if interest on a Floating Rate Note is based on more than one interest index. If a Floating Rate Note does not qualify as a "variable rate debt instrument," the Note will be subject to special rules (the

"**Contingent Payment Regulations**") that govern the tax treatment of debt obligations that provide for contingent payments ("**Contingent Debt Obligations**"). A detailed description of the tax considerations relevant to U.S. holders of any such Notes will be provided in the applicable Pricing Supplement.

Certain of the Notes may be subject to special redemption, repayment or interest rate reset features, as indicated in the applicable Pricing Supplement. Notes containing such features, in particular original issue discount Notes, may be subject to special rules that differ from the general rules discussed above. Purchasers of Notes with such features should carefully examine the applicable Pricing Supplement and should consult their own tax advisors with respect to the Notes since the tax consequences with respect to such features, and especially with respect to OID, will depend, in part, on the particular terms of the Notes.

If a Note provides for a scheduled Accrual Period that is longer than one year (for example, as a result of a long initial period on a Note with interest that is generally paid on an annual basis), then stated interest on the Note will not qualify as "qualified stated interest" under the applicable Treasury Regulations. As a result, the Note would be an original issue discount Note. In that event, among other things, cash-method U.S. holders will be required to accrue stated interest on the Note under the rules for OID described above, and all U.S. holders will be required to accrue OID that would otherwise fall under the *de minimis* threshold.

Purchase, Sale and Retirement of Notes. A U.S. holder's tax basis in a Note generally will equal the cost of such Note to such holder, increased by any amounts includible in income by the holder as original issue discount and market discount and reduced by any amortized premium (each as described below) and any payments other than payments of qualified stated interest made on such Note. In the case of a Foreign Currency Note, the cost of such Note to a U.S. holder will be the U.S. dollar value of the foreign currency purchase price on the date of purchase. In the case of a Foreign Currency Note that is traded on an established securities market, a cash basis U.S. holder (and, if it so elects, an accrual basis U.S. holder) will determine the U.S. dollar value of the cost of such Note by translating the amount paid at the spot rate of exchange on the settlement date of the purchase. The amount of any subsequent adjustments to a U.S. holder's tax basis in a Note in respect of original issue discount, market discount and premium denominated in a Specified Currency will be determined in the manner described under "Original Issue Discount" above and "Premium and Market Discount" below. The conversion of U.S. dollars to a Specified Currency and the immediate use of the Specified Currency to purchase a Foreign Currency Note generally will not result in taxable gain or loss for a U.S. holder.

Upon the sale, exchange or retirement of a Note, a U.S. holder generally will recognize gain or loss equal to the difference between the amount realized on the sale, exchange or retirement (less any accrued qualified stated interest, which will be taxable as such) and the U.S. holder's tax basis in such Note. If a U.S. holder receives a currency other than the U.S. dollar in respect of the sale, exchange or retirement of a Note, the amount realized will be the U.S. dollar value of the Specified Currency received calculated at the exchange rate in effect on the date the instrument is disposed of or retired. In the case of a Foreign Currency Note that is traded on an established securities market, a cash basis U.S. holder, and if it so elects, an accrual basis U.S. holder will determine the U.S. dollar value of the amount realized by translating such amount at the spot rate on the settlement date of the sale. The election available to accrual basis U.S. holders in respect of the purchase and sale of Foreign Currency Notes traded on an established securities market, discussed above, must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the IRS.

Except as discussed below with respect to market discount, Short-Term Notes (as defined below) and foreign currency gain or loss, gain or loss recognized by a U.S. holder generally will be long-term capital gain or loss if the U.S. holder has held the Note for more than one year at the time of disposition. Long-term capital gains recognized by an individual holder generally are subject to tax at a lower rate than short-term capital gains or ordinary income. The deduction of capital losses is subject to limitations.

Gain or loss recognized by a U.S. holder on the sale, exchange or retirement of Foreign Currency Note generally will be treated as ordinary income or loss to the extent that the gain or loss is attributable to changes in exchange rates during the period in which the holder held such Note. This foreign currency gain or loss will not be treated as an adjustment to interest income received on the Notes.

Capital gain or loss recognized by a U.S. holder generally will be U.S.-source gain or loss. Consequently, if any such gain is subject to foreign withholding tax, a U.S. holder may not be able to credit the tax against its U.S. federal income tax liability unless the credit can be applied (subject to the applicable limitations) against tax due on other income treated as derived from foreign sources. U.S. holders should consult their own tax advisors as to the foreign tax credit implications of a disposition of the Notes.

Premium and Market Discount. A U.S. holder of a Note that purchases the Note at a cost greater than its remaining redemption amount will be considered to have purchased the Note at a premium, and may elect to amortize the premium (as an offset to interest income), using a constant-yield method, over the remaining term of the Note. Such election, once made, generally applies to all bonds held or subsequently acquired by the U.S. holder on or after the first taxable year to which the election applies and may not be revoked without the consent of the IRS. A U.S. holder that elects to amortize the premium must reduce its tax basis in a Note by the amount of the premium amortized during its holding period. Original issue discount Notes purchased at a premium will not be subject to the OID rules described above. In the case of premium in respect of a Foreign Currency Note, a U.S. holder should calculate the amortization of the premium in the Specified Currency. Amortization deductions attributable to a period reduce interest payments in respect of that period and therefore are translated into U.S. dollars at the exchange rate used by the U.S. holder for such interest payments. Exchange gain or loss will be realized with respect to amortized bond premium on such a Note based on the difference between the exchange rate on the date or dates the premium is recovered through interest payments on the Note and the exchange rate on the date on which the U.S. holder acquired the Note. With respect to a U.S. holder that does not elect to amortize bond premium, the amount of bond premium will be included in the U.S. holder's tax basis when the Note matures or is disposed of by the U.S. holder. Therefore, a U.S. holder that does not elect to amortize such premium and that holds the Note to maturity generally will be required to treat the premium as capital loss when the Note matures.

If a U.S. holder of a Note purchases the Note at a price that is lower than its remaining redemption amount, or in the case of an original issue discount Note, a price that is lower than its adjusted issue price, by at least 0.25% of its remaining redemption amount multiplied by the number of remaining whole years to maturity, the Note will be considered to have "market discount" in the hands of such U.S. holder. In such case, gain realized by the U.S. holder on the disposition of the Note generally will be treated as ordinary income to the extent of the market discount that accrued on the Note while held by the U.S. holder. In addition, the U.S. holder could be required to defer the deduction of a portion of the interest paid on any indebtedness incurred or maintained to purchase or carry the Note. In general terms, market discount on a Note will be treated as accruing ratably over the term of the Note, or, at the election of the holder, under a constant-yield method. Market discount on a Foreign Currency Note will be accrued by a U.S. holder in the Specified Currency. The amount includible in income by a U.S. holder in respect of such accrued market discount will be the U.S. dollar value of the amount accrued, generally calculated at the exchange rate in effect on the date that the Note is disposed of by the U.S. holder.

A U.S. holder may elect to include market discount in income on a current basis as it accrues (on either a ratable or constant-yield basis), in lieu of treating a portion of any gain realized on a sale of a Note as ordinary income. If a U.S. holder elects to include market discount on a current basis, the interest deduction deferral rule described above will not apply. Any accrued market discount on a Foreign Currency Note that is currently includible in income will be translated into U.S. dollars at the average exchange rate for the accrual period (or portion thereof within the U.S. holder's taxable year). Any such election, if made, applies to all market discount bonds acquired by the taxpayer on or after the first day of the first taxable year to which such election applies and is revocable only with the consent of the IRS.

Short-Term Notes. The rules set forth above will also generally apply to Notes having maturities of not more than one year ("**Short-Term Notes**"), but with certain modifications.

First, applicable Treasury Regulations treat *none* of the interest on a Short-Term Note as qualified stated interest. Thus, all Short-Term Notes will be original issue discount Notes. OID will be treated as accruing on a Short-Term Note ratably, or at the election of a U.S. holder, under a constant yield method.

Second, a U.S. holder of a Short-Term Note that uses the cash method of tax accounting and is not a bank, securities dealer, regulated investment company or common trust fund, and does not identify the Short-Term Note as part of a hedging transaction, will generally not be required to include OID in income on a current basis. Such a U.S. holder may not be allowed to deduct all of the interest paid or accrued on any indebtedness incurred or maintained to purchase or carry such Note until the Maturity of the Note or its earlier disposition in a taxable transaction. In addition, the U.S. holder will be required to treat any gain realized on a sale, exchange or retirement of the Note as ordinary income to the extent such gain does not exceed the OID accrued with respect to the Note during the period the U.S. holder held the Note. Notwithstanding the foregoing, a cash-basis U.S. holder of a Short-Term Note may elect to accrue OID into income on a current basis or to accrue the "acquisition discount" on the Note under the rules described below. If the U.S. holder elects to accrue OID or acquisition discount, the limitation on the deductibility of interest described above will not apply.

A U.S. holder using the accrual method of tax accounting and certain cash-basis U.S. holders (including banks, securities dealers, regulated investment companies and common trust funds) generally will be required to include original issue discount on a Short-Term Note in income on a current basis. Alternatively, a U.S. holder of a Short-Term Note can elect to accrue the "acquisition discount," if any, with respect to the Note on a current basis. If such an election is made, the OID rules will not apply to the Note. Acquisition discount is the excess of the Short-Term Note's stated redemption price at maturity (*i.e.*, all amounts payable on the Short-Term Note) over the purchase price. Acquisition discount will be treated as accruing ratably or, at the election of the U.S. holder, under a constant-yield method based on daily compounding.

Finally, the market discount rules will not apply to a Short-Term Note.

Index Linked Notes and Other Notes Providing for Contingent Payments. The Contingent Payment Regulations, which govern the tax treatment of Contingent Debt Obligations, generally require accrual of interest income on a constant-yield basis in respect of such obligations at a yield determined at the time of their issuance, and may require adjustments to such accruals when any contingent payments are made. A detailed description of the tax considerations relevant to U.S. holders of any Contingent Debt Obligations will be provided in the applicable Pricing Supplement.

Foreign Currency Notes and Reportable Transactions. A U.S. holder that participates in a "reportable transaction" will be required to disclose its participation to the IRS. The scope and application of these rules is not entirely clear. A U.S. holder may be required to treat a foreign currency exchange loss relating to a Foreign Currency Note as a reportable transaction if the loss exceeds $50,000 in a single taxable year if the U.S. holder is an individual or trust, or higher amounts for other U.S. holders. In the event the acquisition, ownership or disposition of a Foreign Currency Note constitutes participation in a "reportable transaction" for purposes of these rules, a U.S. holder will be required to disclose its investment to the IRS, currently on Form 8886. Prospective purchasers should consult their tax advisors regarding the application of these rules to the acquisition, ownership or disposition of Foreign Currency Notes.

Specified Foreign Financial Assets. Individual U.S. holders that own "specified foreign financial assets" with an aggregate value in excess of $50,000 are generally required to file an information statement along with their tax returns, currently on Form 8938, with respect to such assets. "Specified foreign financial assets" include any financial accounts held at a non-U.S. financial institution, as well as securities issued by a non-U.S. issuer (which may include Notes issued in certificated form) that are not held in accounts maintained by financial institutions. Higher reporting thresholds apply to certain individuals living abroad and to certain married individuals. Regulations extend this reporting requirement to certain entities that are treated as formed or availed of to hold direct or indirect interests in specified foreign financial assets based on certain objective criteria. U.S. holders that fail to report the required information could be subject to substantial penalties. In addition, the statute of limitations for assessment of tax would be suspended, in whole or part. Prospective investors should consult their own tax advisors concerning the application of these rules to their investment in the Notes, including the application of the rules to their particular circumstances.

Non-U.S. Holders

Subject to the discussion below under "— Information Reporting and Backup Withholding," payments of interest on the Notes to a non-U.S. holder, and any gain realized on a disposition of the Notes by a non-U.S. holder, generally will be exempt from U.S. federal income taxes, including withholding tax. However, to receive this exemption a non-U.S. holder may be required to satisfy certification requirements, described below under " Information Reporting and Backup Withholding," to establish that it is not a U.S. holder.

Information Reporting and Backup Withholding

Information returns will be filed with the IRS in connection with payments on the Notes made to, and the proceeds of dispositions of Notes effected by, certain U.S. taxpayers. In addition, certain U.S. taxpayers may be subject to backup withholding in respect of such amounts if they do not provide their taxpayer identification numbers to the person from whom they receive payments. Non-U.S. taxpayers may be required to comply with applicable certification procedures to establish that they are not U.S. taxpayers in order to avoid the application of such information reporting requirements and backup withholding. The amount of any backup withholding from a payment to a U.S. or non-U.S. taxpayer will be allowed as a credit against the holder's U.S. federal income tax liability and may entitle the holder to a refund, provided that the required information is timely furnished to the IRS.

Proposed Financial Transactions Tax ("FTT")

The European Commission has published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has a broad scope and could, if introduced in its current form, apply to certain dealings in the Notes in certain circumstances.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between the participating Member States and the legality of the proposal is uncertain. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate and/or certain of the participating Member States may decide to withdraw.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

BOOK-ENTRY CLEARANCE SYSTEMS

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream (together, the "Clearing Systems") currently in effect. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer, the Arranger, any Dealer nor any party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. The relevant Pricing Supplement will specify the Clearing System(s) applicable for each Series.

Book-entry Systems

DTC

DTC has advised the Issuer that it is a limited purpose trust company organized under the New York Banking Law, a "**banking organization**" within the meaning of the New York Banking Law, a "**clearing corporation**" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to Section 17A of the Exchange Act. DTC holds securities that its participants ("**Participants**") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC System is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("**Indirect Participants**").

Under the rules, regulations and procedures creating and affecting DTC and its operations (the "**Rules**"), DTC makes book-entry transfers of Registered Notes among Direct Participants on whose behalf it acts with respect to Notes accepted into DTC's book-entry settlement system ("**DTC Notes**") as described below and receives and transmits distributions of principal and interest on DTC Notes. The Rules are on file with the U.S. Securities and Exchange Commission. Direct Participants and Indirect Participants with which beneficial owners of DTC Notes ("**Owners**") have accounts with respect to the DTC Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Notes through Direct Participants or Indirect Participants will not possess Registered Notes, the Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest in respect of the DTC Notes.

Purchases of DTC Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Notes on DTC's records. The ownership interest of each actual purchaser of each DTC Note ("**Beneficial Owner**") is in turn to be recorded on the Direct and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the

DTC Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book-entry system for the DTC Notes is discontinued.

To facilitate subsequent transfers, all DTC Notes deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the DTC Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to DTC Notes. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the DTC Notes will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the due date for payment in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the due date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

Under certain circumstances, including if there is an Event of Default under the Notes, DTC will exchange the DTC Notes for definitive Registered Notes, which it will distribute to its Participants in accordance with their proportionate entitlements and which, if representing interests in a Rule 144A Global Note, will be legended as set forth under "*Subscription and Sale and Transfer and Selling Restrictions*."

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Owner desiring to pledge DTC Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Notes, will be required to withdraw its Registered Notes from DTC as described below.

Euroclear and Clearstream

Euroclear and Clearstream each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

Book-entry Ownership of and Payments in Respect of DTC Notes

The Issuer may apply to DTC in order to have any Tranche of Notes represented by a Registered Global Note accepted in its book-entry settlement system. Upon the issue of any such Registered Global Note, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by such Registered Global Note to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer. Ownership of beneficial interests in such a Registered Global Note will be limited to Direct Participants or Indirect Participants, including, in the case of any Regulation S Global Note, the respective depositaries of Euroclear and Clearstream. Ownership of beneficial interests in a Registered Global Note accepted by DTC will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. dollars of principal and interest in respect of a Registered Global Note accepted by DTC will be made to the order of DTC or its nominee as the registered holder of such Note. In the case of any payment in a currency other than U.S. dollars, payment will be made to the Exchange Agent on behalf of DTC or its nominee and the Exchange Agent will (in accordance with instructions received by it) remit all or a portion of such payment for credit directly to the beneficial holders of interests in the Registered Global Note in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. dollars and credited to the applicable Participants' account.

The Issuer expects DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. The Issuer also expects that payments by Participants to beneficial owners of Notes will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not the responsibility of DTC, the Principal Paying Agent, the Registrar or the Issuer. Payment of principal, premium, if any, and interest, if any, on Notes to DTC is the responsibility of the Issuer.

Transfers of Notes Represented by Registered Global Notes

Transfers of any interests in Notes represented by a Registered Global Note within DTC, Euroclear and Clearstream will be effected in accordance with the customary rules and operating procedures of the relevant clearing system. The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Notes represented by a Registered Global Note to such persons may depend upon the ability to exchange such Notes for Notes in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system, who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Notes represented by a Registered Global Note accepted by DTC to pledge such Notes to persons or entities that do not participate in the DTC system or otherwise to take action in respect of such Notes may depend upon the ability to exchange such Notes for Notes in definitive form. The ability of any holder of Notes represented by a Registered Global Note accepted by DTC to resell, pledge or otherwise transfer such Notes may be impaired if the proposed transferee of such Notes is not eligible to hold such Notes through a direct or indirect participant in the DTC system.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described under "*Subscription and Sale and Transfer and Selling Restrictions*", cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream or Euroclear accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Registrar, the Fiscal Agent and any custodian ("**Custodian**") with whom the relevant Registered Global Notes have been deposited.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Clearstream and Euroclear and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream and Euroclear, on the other, transfers of interests in the relevant Registered Global Notes will be effected through the Registrar, the Fiscal Agent and the Custodian receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross-market transfers, settlement between Euroclear or Clearstream accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC, Clearstream and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Notes among participants and accountholders of DTC, Clearstream and Euroclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuer, the Agents or any Dealer will be responsible for any performance by DTC, Clearstream or Euroclear or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

The Dealers have, in an amended and restated program agreement dated May 26, 2015 (as amended, restated and supplemented, the "Program Agreement"), agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase or procure purchasers for Notes. Any such agreement will extend to those matters stated under "Form of the Notes" and "Terms and Conditions of the Notes." In the Program Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment of the Program and the issue of Notes under the Program and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

In order to facilitate the offering of any Tranche of the Notes, certain persons participating in the offering of the Tranche may, to the extent permitted by applicable laws and regulations, engage in transactions that stabilize, maintain or otherwise affect the market price of the relevant Notes during and after the offering of the Tranche. Specifically, such persons may over allot or create a short position in the Notes for their own account by selling more Notes than have been sold to them by the Issuer. Such persons may also elect to cover any such short position by purchasing Notes in the open market. In addition, such persons may stabilize or maintain the price of the Notes by bidding for or purchasing Notes in the open market and may impose penalty bids, under which selling concessions allowed to syndicate members or other broker-dealers participating in the offering of the Notes are reclaimed if Notes previously distributed in the offering are repurchased in connection with stabilization transactions or otherwise. The effect of these transactions may be to stabilize or maintain the market price of the Notes at a level above that which might otherwise prevail in the open market. The imposition of a penalty bid may also affect the price of the Notes to the extent that it discourages resales thereof. No representation is made as to the magnitude or effect of any such stabilizing or other transactions. Such transactions, if commenced, may be discontinued at any time. Stabilization activities are subject to certain prescribed time limits in certain jurisdictions.

Certain Relationships

The Dealers and certain affiliates of the Dealers may have performed banking and advisory services (which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities) for the Issuer from time to time for which they have received customary fees and expenses. The Dealers and certain of their affiliates may, from time to time, engage in transactions with and perform services for the Issuer in the ordinary course of their business. In the ordinary course of their various business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investments and securities activities may involve securities and instruments of the Issuer.

The Dealers or certain of their respective affiliates may purchase the Notes and be allocated Notes for asset management and/or proprietary purposes and not with a view to distribution. The Dealers and/or their affiliates may purchase Notes for their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Notes, and/or other securities of the Issuer or its respective subsidiaries or associates at the same time as the offer and sale of the Notes, or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Notes to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Notes).

Transfer Restrictions under U.S. Securities Law

As a result of the following restrictions, purchasers of Notes in the United States are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such Notes.

Each purchaser of Registered Notes (other than a person purchasing an interest in a Registered Global Note with a view to holding it in the form of an interest in the same Global Note) or person wishing to transfer an interest from one Registered Global Note to another or from global to definitive form or vice versa, will be required to acknowledge, represent and agree as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

(i) that either: (a) it is a QIB, purchasing (or holding) the Notes for its own account or for the account of one or more QIBs and it is aware that any sale to it is being made in reliance on Rule 144A or (b) it is an Institutional Accredited Investor, that, prior to its purchase of the Notes has delivered to the Registrar an IAI Investment Letter in the form as set forth below or (c) it is outside the United States and is not a U.S. person;

(ii) that the Notes have not been and will not be registered under the Securities Act or any other applicable U.S. state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;

(iii) that, unless it holds an interest in a Regulation S Global Note and either is a person located outside the United States or is not a U.S. person, if in the future it decides to resell, pledge or otherwise transfer the Notes or any beneficial interests in the Notes, it will do so, prior to the date which is one year after the later of the last Issue Date for the Series and the last date on which the Issuer or an affiliate of the Issuer was the owner of such Notes, only (a) to the Issuer or any affiliate thereof, (b) inside the United States to a person whom the seller reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (c) outside the United States in compliance with Rule 903 or Rule 904 under the Securities Act, (d) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available) or (e) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable U.S. state securities laws;

(iv) it will, and will require each subsequent holder to, notify any purchaser of the Notes from it of the resale restrictions referred to in paragraph (iii) above, if then applicable;

(v) that Notes initially offered in the United States to QIBs will be represented by one or more Rule 144A Global Notes, that Notes offered to Institutional Accredited Investors will be in the form of Definitive IAI Registered Notes and that Notes offered outside the United States in reliance on Regulation S will be represented by one or more Regulation S Global Notes;

(vi) that the Notes, other than the Regulation S Global Notes, will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (A) REPRESENTS THAT (1) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING THE SECURITIES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS OR (2) IT IS AN INSTITUTIONAL "ACCREDITED INVESTOR" (AS DEFINED IN RULE 501(A)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT) (AN "INSTITUTIONAL ACCREDITED INVESTOR"); (B) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THE SECURITIES EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND, PRIOR TO THE DATE WHICH IS ONE YEAR AFTER THE LATER OF THE LAST ISSUE DATE FOR THE SERIES AND THE LAST DATE ON WHICH THE ISSUER OR AN AFFILIATE OF THE ISSUER WAS THE OWNER OF SUCH SECURITIES OTHER THAN (1) TO THE ISSUER OR ANY AFFILIATE THEREOF, (2) INSIDE THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 UNDER THE SECURITIES ACT, (4) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; AND (C) IT AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

THIS SECURITY AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDERS OF SUCH SECURITIES SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR RESALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO RESALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS SECURITY SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS SECURITY AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).";

(vii) if it is outside the United States and is not a U.S. person, that if it should resell or otherwise transfer the Notes prior to the expiration of the distribution compliance period (defined as 40 days after the later of the commencement of the offering and the closing date with respect to the original issuance of the

Notes), it will do so only (a)(i) outside the United States in compliance with Rule 903 or Rule 904 under the Securities Act or (ii) to a QIB in compliance with Rule 144A and (b) in accordance with all applicable U.S. state securities laws; and it acknowledges that the Regulation S Global Notes will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT. THIS LEGEND SHALL CEASE TO APPLY UPON THE EXPIRY OF THE PERIOD OF 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF ALL THE NOTES OF THE TRANCHE OF WHICH THIS NOTE FORMS A PART."; and

(viii) that the Issuer and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the Issuer; and if it is acquiring any Notes as a fiduciary or agent for one or more accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Institutional Accredited Investors who purchase Registered Notes in definitive form offered and sold in the United States in reliance upon the exemption from registration provided by Regulation D of the Securities Act are required to execute and deliver to the Registrar an IAI Investment Letter. Upon execution and delivery of an IAI Investment Letter by an Institutional Accredited Investor, Notes will be issued in definitive registered form, see *"Form of the Notes."*

The IAI Investment Letter will state, among other things, the following:

(i) that the Institutional Accredited Investor has received a copy of this Offering Circular and such other information as it deems necessary in order to make its investment decision;

(ii) that the Institutional Accredited Investor understands that any subsequent transfer of the Notes is subject to certain restrictions and conditions set forth in this Offering Circular and the Notes (including those set out above) and that it agrees to be bound by, and not to resell, pledge or otherwise transfer the Notes except in compliance with, such restrictions and conditions and the Securities Act;

(iii) that, in the normal course of its business, the Institutional Accredited Investor invests in or purchases securities similar to the Notes;

(iv) that the Institutional Accredited Investor is an Institutional Accredited Investor within the meaning of Rules 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act and has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its investment in the Notes, and it and any accounts for which it is acting are each able to bear the economic risk of its or any such accounts' investment for an indefinite period of time;

(v) that the Institutional Accredited Investor is acquiring the Notes purchased by it for its own account or for one or more accounts (each of which is an Institutional Accredited Investor) as to each of which it exercises sole investment discretion and not with a view to any distribution of the Notes, subject, nevertheless, to the understanding that the disposition of its property shall at all times be and remain within its control; and

(vi) that, in the event that the Institutional Accredited Investor purchases Notes, it will acquire Notes having a minimum purchase price of at least US$500,000 (or the approximate equivalent in another Specified Currency).

No sale of Legended Notes in the United States to any one purchaser will be for less than US$200,000 (or its foreign currency equivalent) principal amount or, in the case of sales to Institutional Accredited Investors, US$500,000 (or its foreign currency equivalent) principal amount and no Legended Note will be issued in connection with such a sale in a smaller principal amount. If the purchaser is a non-bank fiduciary acting on behalf of others, each person for whom it is acting must purchase at least US$200,000 (or its foreign currency equivalent) or, in the case of sales to Institutional Accredited Investors, US$500,000 (or its foreign currency equivalent) principal amount of Registered Notes.

Transfer Restrictions under Korean Laws and Regulations

Each purchaser of the Notes, by accepting delivery of this Offering Circular, will be deemed to have acknowledged, represented and agreed as follows:

THE NOTES HAVE NOT BEEN REGISTERED UNDER FSCMA. ACCORDINGLY, THE NOTES MAY NOT BE OFFERED, SOLD OR DELIVERED, DIRECTLY OR INDIRECTLY, IN KOREA OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY RESIDENT OF KOREA (AS SUCH TERM IS DEFINED UNDER THE FOREIGN EXCHANGE TRANSACTION LAW OF KOREA AND ITS ENFORCEMENT DECREE) OR TO OTHERS FOR RE-OFFERING OR RESALE, EXCEPT AS OTHERWISE PERMITTED UNDER APPLICABLE KOREAN LAWS AND REGULATIONS.

IN ADDITION, DURING THE FIRST YEAR AFTER THE ISSUANCE OF THE NOTES, THE NOTES MAY NOT BE TRANSFERRED TO ANY RESIDENT OF KOREA OTHER THAN A KOREAN QIB WHO IS REGISTERED WITH THE KOFIA AS A KOREAN QIB AND SUBJECT TO THE REQUIREMENT OF MONTHLY REPORTS WITH THE KOFIA OF ITS HOLDING OF KOREAN QIB BONDS AS DEFINED IN THE REGULATION ON ISSUANCE, PUBLIC DISCLOSURE, ETC. OF SECURITIES OF KOREA, PROVIDED THAT (A) THE NOTES ARE DENOMINATED, AND THE PRINCIPAL AND INTEREST PAYMENTS THEREUNDER ARE MADE, IN A CURRENCY OTHER THAN KOREAN WON, (B) THE AMOUNT OF THE NOTES ACQUIRED BY SUCH KOREAN QIBS IN THE PRIMARY MARKET IS LIMITED TO LESS THAN 20 PERCENT OF THE AGGREGATE ISSUE AMOUNT OF THE NOTES, (C) THE NOTES ARE LISTED ON ONE OF THE MAJOR OVERSEAS SECURITIES MARKETS DESIGNATED BY THE FINANCIAL SUPERVISORY SERVICE OF KOREA, OR CERTAIN PROCEDURES, SUCH AS REGISTRATION OR REPORT WITH A FOREIGN FINANCIAL INVESTMENT REGULATOR, HAVE BEEN COMPLETED FOR OFFERING OF THE NOTES IN A MAJOR OVERSEAS SECURITIES MARKET, (D) THE ONE-YEAR RESTRICTION ON OFFERING, DELIVERING OR SELLING OF NOTES TO A KOREAN RESIDENT OTHER THAN A KOREAN QIB IS EXPRESSLY STATED IN THE NOTES, THE RELEVANT UNDERWRITING AGREEMENT, SUBSCRIPTION AGREEMENT, AND THE OFFERING CIRCULAR AND (E) THE ISSUER AND THE DEALERS SHALL INDIVIDUALLY OR COLLECTIVELY KEEP THE EVIDENCE OF FULFILLMENT OF CONDITIONS (A) THROUGH (D) ABOVE AFTER HAVING TAKEN NECESSARY ACTIONS THEREFOR.

Selling Restrictions

United States of America

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except (i) to QIBs in reliance on Rule 144A, (ii) to Institutional Accredited Investors, that, prior to their purchase of the Notes have furnished an IAI Investment Letter and (iii) in accordance with Regulation S under the Securities Act.

Notes in bearer form (other than Notes with a maturity of 365 days or less including unilateral rollovers and extensions) will be issued in accordance with the provisions of United States Treasury Regulations Section 1.163-5(c)(2)(i)(D) (the "**D Rules**"), or in accordance with the provisions of United States Treasury Regulations Section 1.163-5(c)(2)(i)(C) (the "**C Rules**"), as specified in the applicable Pricing Supplement.

In respect of Notes issued in accordance with the D Rules, each Dealer has represented and agreed that:

(i) except to the extent permitted under the D Rules, (x) it has not offered or sold, and during the restricted period will not offer or sell, Notes to a person who is within the United States or its possessions or to a United States person, and (y) such Dealer has not delivered and will not deliver within the United States or its possessions definitive Notes in bearer form that are sold during the restricted period;

(ii) it has and throughout the restricted period will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes in bearer form are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules;

(iii) if such Dealer is a United States person, it has represented that it is acquiring the Notes in bearer form for purposes of resale in connection with their original issuance and if such Dealer retains Notes for its own account, it will only do so in accordance with the requirements of United States Treasury Regulations Section 1.163-5(c)(2)(i)(D)(6);

(iv) with respect to each affiliate that acquires from such Dealer Notes in bearer form for the purposes of offering or selling such Notes during the restricted period, such Dealer either (x) repeats and confirms the representations and agreements contained in sub-clauses (i), (ii) and (iii) on such affiliate's behalf or (y) agrees that it will obtain from such affiliate for the benefit of the Issuer the representations and agreements contained in sub-causes (i), (ii) and (iii); and

(v) such Dealer will obtain for the benefit of the Issuer the representations and agreements contained in sub-clauses (i), (ii), (iii) and (iv) from any person other than its affiliate with whom it enters into a written contract, as defined in United States Treasury Regulations Section 1.163-5(c)(2)(i)(D)(4), for the offer and sale during the restricted period of Notes.

Terms used in the above paragraph have the meanings given to them by the Code and regulations thereunder, including the D Rules.

In respect of Notes issued in accordance with the C Rules, Notes in bearer form must be issued and delivered outside the United States and its possessions in connection with their original issuance. In relation to such tranche, each Dealer has represented and agreed that it has not offered, sold or delivered and will not offer, sell or deliver, directly or indirectly, Notes in bearer form within the United States or its possessions in connection with their original issuance. Further, each Dealer has represented and agreed in connection with the original issuance of Notes, that it has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if either of them is within the United States or its possessions and will not otherwise involve its U.S. office in the offer or sale of Notes in bearer form. Terms used in this paragraph have the meaning given to them by the Code and regulations thereunder, including the C Rules.

Notes issued pursuant to the D Rules and any receipts or coupons appertaining thereto will bear the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitation provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

In connection with any Notes which are offered or sold outside the United States in reliance on an exemption from the registration requirements of the Securities Act provided under Regulation S ("**Regulation S Notes**"), each Dealer has represented and agreed that it will not offer, sell or deliver such Regulation S Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Regulation S Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Program will be required to agree, that it will send to each dealer to which it sells any Regulation S Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Regulation S Notes within the United States or to, or for the account or benefit of, U.S. persons.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

Dealers may arrange for the resale of Notes to QIBs pursuant to Rule 144A and each such purchaser of Notes is hereby notified that the Dealers may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. The minimum aggregate principal amount of Notes which may be purchased by a QIB pursuant to Rule 144A is US$200,000 (or the approximate equivalent thereof in any other currency).

Each issuance of Index Linked, Commodity Linked or Currency Linked Notes may be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Pricing Supplement.

To the extent the Dealers intend to make any offers or sales of the Notes in the United States, or to nationals or residents of the United States, they will do so only through one or more registered broker-dealers in compliance with applicable securities laws and regulations, as well as with applicable laws of the various states.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the pricing supplement in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

(a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an offer of Notes to the public in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

United Kingdom

Each Dealer has represented and agreed that:

(i) in relation to the Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell the Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the "**FSMA**") by the Issuer;

(ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended) (the "**FIEA**"). Each Dealer has represented and agreed that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Control Law (Law No. 228 of 1949, as amended)), or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Singapore

This Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"). Accordingly, each Dealer has represented, warranted and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person, which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)), the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person as defined in Section 275(2) of the SFA, or any person pursuant to Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Hong Kong

Each Dealer has represented, warranted and agreed that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes (except for Notes which are a "**structured product**" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) ("**SFO**") other than (i) to "professional investors" as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "**prospectus**" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**Companies Ordinance**") or which do not constitute an offer to the public within the meaning of the Companies Ordinance; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "**professional investors**" as defined in the SFO and any rules made under the SFO.

Korea

Each Dealer has represented and agreed and each Dealer further appointed under the Program will be required to represent and agree, that the Notes have not been and will not be offered, delivered or sold directly or indirectly in Korea or to any resident of Korea or to others for re-offering or resale directly or indirectly in Korea or to any resident of Korea (as defined in the Foreign Exchange Transactions Law of Korea and the regulations thereunder) except as otherwise permitted under applicable Korean laws and regulations.

In addition, each Dealer has confirmed and each Dealer further appointed under the Program will be required to confirm, that (i) during the first year after the issuance of the Notes, the Notes may not be transferred to any resident of Korea other than a Korean QIB who is registered with KOFIA as a Korean QIB and subject to the requirement of monthly reports with the KOFIA of its holding of Korean QIB bonds as defined in the Regulation on Issuance, Public Disclosure, etc. of Securities of Korea, provided that (a) the Notes are denominated, and the principal and interest payments thereunder are made, in a currency other than Korean won, (b) the amount of the Notes acquired by such Korean QIBs in the primary market is limited to less than 20 percent of the aggregate issue amount of the Notes, (c) the Notes are listed on one of the major overseas securities markets designated by the Financial Supervisory Service of Korea, or certain procedures, such as registration or report with a foreign financial investment regulator, have been completed for offering of the Notes in a major overseas securities market, (d) the one-year restriction on offering, delivering or selling of Notes to a Korean resident other than a Korean QIB is expressly stated in the Notes, the relevant underwriting agreement, subscription agreement, and the offering circular and (e) the Issuer and the Dealers shall individually or collectively keep the evidence of fulfillment of conditions (a) through (d) above after having taken necessary actions therefor.

Each Dealer has undertaken and each Dealer further appointed under the Program will be required to undertake to use commercially reasonable best measures as a Dealer in the ordinary course of its business so that any securities dealer to which it sells the Notes confirms that it is purchasing such Notes as principal and agrees with such Dealer that it will comply with the restrictions described above.

General

None of the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the initial purchasers or any affiliate of the initial purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the initial purchasers or such affiliate on behalf of the issuer in such jurisdiction.

GENERAL INFORMATION

Authorization

The establishment of the Program has been duly authorized by a resolution of the Board of Directors of the Issuer dated April 29, 2008. Each issue of Notes under the Program is to be authorized by the Board of Directors of the Issuer at the time of issue.

Listing of Notes on the SGX-ST

Approval in-principle has been received from the SGX-ST in connection with the Program and application will be made for the listing and quotation of Notes that may be issued under the Program, which Notes are agreed, at or prior to the time of issue thereof, to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted for listing and quotation on the SGX-ST. For so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, such Notes will be traded on the SGX-ST in a minimum board lot size of S$200,000 (or its equivalent in another currency).

Documents Available

From the date hereof and so long as Notes are capable of being issued under the Program, copies of the following documents will, when published, be available from the registered office of the Issuer and from the specified office of the Paying Agent for the time being in London:

(i) the Articles of Association (together with English translations) of the Issuer;

(ii) the audited consolidated financial statements of the Issuer in respect of the financial years ended December 31, 2014, 2015 and 2016;

(iii) the most recently published audited consolidated annual financial statements of the Issuer and the most recently published consolidated interim financial statements of the Issuer;

(iv) the Program Agreement, the Agency Agreement, the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;

(v) a copy of this Offering Circular;

(vi) any future offering circulars, prospectuses, information memoranda and supplements including Pricing Supplements (except that a Pricing Supplement relating to an unlisted Note will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Paying Agent as to its holding of Notes and identity) to this Offering Circular and any other documents incorporated herein or therein by reference; and

(vii) in the case of each issue of listed Notes subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

Clearing Systems

The Notes in bearer form have been accepted for clearance through Euroclear and Clearstream. The appropriate Common Code and ISIN for each Tranche of Bearer Notes allocated by Euroclear and Clearstream will be specified in the applicable Pricing Supplement. In addition, the Issuer may make an application for any Notes in registered form to be accepted for trading in book-entry form by DTC. The CUSIP and/or CINS numbers (if any) for each Tranche of Registered Notes, together with the relevant ISIN and Common Code, will be specified in the applicable Pricing Supplement. If the Notes are to clear through an additional or alternative clearing system, the appropriate information will be specified in the applicable Pricing Supplement.

Independent Auditors

Our consolidated financial statements as of and for the years ended December 31, 2014, 2015 and 2016, included herein, have been audited by KPMG Samjong Accounting Corp. ("**KPMG**").

With respect to the unaudited condensed consolidated interim financial statements as of March 31, 2017 and for the three months ended March 31, 2016 and 2017, included herein, KPMG has reported that it applied limited procedures in accordance with professional standards for a review of such information. However, its separate report included herein, states that it did not audit and it does not express an opinion on such interim financial information. Accordingly, the degree of reliance on its report on such information should be restricted in light of the limited nature of the review procedures applied.

Information relating to the Fiscal Agent

The Fiscal Agent is Citicorp International Limited ("**CIL**"). CIL was incorporated as a company with limited liability in Hong Kong under the Companies Ordinance on October 23, 1970 with company number 21829. It is a wholly-owned subsidiary of Citigroup Inc., a U.S. registered bank holding company.

CIL is a restricted license bank and registered institution subject to regulation and supervision by the Hong Kong Monetary Authority and Securities and Futures Commission. The registered office of CIL is 39/F Champion Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong.

A copy of CIL's Memorandum and Articles of Association, as amended from time to time, together with copies of the most recent financial statements and annual report of CIL will be available for inspection at its principal place of business located at 39/F Champion Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong (Attention: Agency & Trust).

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Independent Auditors' Review Report

The Board of Directors and Shareholder
Korea Hydro & Nuclear Power Co., Ltd.:

Reviewed financial statements
We have reviewed the accompanying condensed consolidated interim financial statements of Korea Hydro & Nuclear Power Co., Ltd. and its subsidiaries (the "Group"), which comprise the condensed consolidated interim statement of financial position as of March 31, 2017, the condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the three-month periods ended March 31, 2017 and 2016 and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility
Management is responsible for the preparation and fair presentation of these condensed consolidated interim financial statements in accordance with Korean International Financial Reporting Standards ("K-IFRS") No.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 condensed 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 condensed consolidated interim financial statements referred to above are not prepared, in all material respects, in accordance with K-IFRS No.1034, 'Interim Financial Reporting'.

Other matters

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

The statement of financial position of the Group 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, were audited by us in accordance with Korean Standards on Auditing and our report thereon, dated March 6, 2017, expressed an unqualified opinion. The accompanying condensed consolidated statement of financial position of the Group as of December 31, 2016, presented for comparative purposes, 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 11, 2017

This report is effective as of May 11, 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 condensed consolidated interim 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.

KOREA HYDRO & NUCLEAR POWER CO., LTD. AND SUBSIDIARIES
Unaudited Condensed Consolidated Interim Statements of Financial Position
As of March 31, 2017 and December 31, 2016

(In millions of won)	Note		March 31, 2017	December 31, 2016
Assets				
Cash and cash equivalents	5,6	₩	133,097	86,806
Current financial assets	5,7,10		705,771	539,279
Trade accounts and other receivables	5,8,16		1,242,731	1,568,716
Inventories	11		3,790,384	3,752,633
Income tax receivables			5	-
Current non-financial assets	12		115,107	114,337
Assets held-for-sale	36		1,400	1,400
Total current assets			5,988,495	6,063,171
Non-current financial assets	5,7,9,10		1,157,328	1,343,643
Non-current trade accounts and other receivables	5,8		63,221	67,518
Property, plant and equipment	14,15,18,22		43,425,708	43,501,123
Intangible assets	15,17,18		90,653	87,886
Investments in associates and joint ventures	13		82,585	82,221
Deferred income tax assets	35		608,275	625,674
Non-current non-financial assets	12		1,272,102	1,251,241
Total non-current assets			46,699,872	46,959,306
Total assets		₩	**52,688,367**	**53,022,477**

See accompanying notes to the unaudited condensed consolidated interim financial statements.

KOREA HYDRO & NUCLEAR POWER CO., LTD. AND SUBSIDIARIES
Unaudited Condensed Consolidated Interim Statements of Financial Position, Continued
As of March 31, 2017 and December 31, 2016

(In millions of won)	Note		March 31, 2017	December 31, 2016
Liabilities				
Trade accounts and other payables	5,20	₩	1,332,286	1,007,651
Current financial liabilities	5,7,19,21		944,191	697,659
Income tax payable			428,688	723,978
Current non-financial liabilities	25		246,758	337,262
Current provisions	24		546,550	421,612
Total current liabilities			3,498,473	3,188,162
Non-current trade accounts and other payables	5,20		2,955,054	2,940,340
Non-current financial liabilities	5,7,19,21		7,339,099	8,043,806
Non-current non-financial liabilities	25		2,688	2,688
Employee benefit obligation	23		385,714	363,962
Non-current provisions	24		13,039,583	13,038,933
Total non-current liabilities			23,722,138	24,389,729
Total liabilities		₩	**27,220,611**	**27,577,891**
Equity				
Share capital	26	₩	10,704,515	10,704,515
Retained earnings	27		14,761,978	14,740,077
Other components of equity	28		(35,173)	(36,675)
Equity attributable to owners of the Controlling Company			25,431,320	25,407,917
Non-controlling interests			36,436	36,669
Total equity		₩	**25,467,756**	**25,444,586**
Total liabilities and equity		₩	**52,688,367**	**53,022,477**

See accompanying notes to the unaudited condensed consolidated interim financial statements.

KOREA HYDRO & NUCLEAR POWER CO., LTD. AND SUBSIDIARIES

Unaudited Condensed Consolidated Interim Statements of Comprehensive Income

For the three-month periods ended March 31, 2017 and 2016

(In millions of won)

	Note		March 31, 2017	March 31, 2016
Revenue	4,16,29	₩	2,687,859	3,329,585
Cost of sales	37		1,898,699	1,603,363
Gross profit			**789,160**	**1,726,222**
Selling and administrative expenses	30,37		49,193	41,053
Operating profit			**739,967**	**1,685,169**
Other income	31		6,687	6,750
Other expenses	31		(8,665)	(4,158)
Other profit (loss), net	32		9,990	(2,931)
Finance income	5,7,33		270,930	63,877
Finance expenses	5,7,34		(372,081)	(158,362)
Equity method loss of associates, net	13		(293)	(351)
Profit before income taxes			**646,535**	**1,589,994**
Income tax expense	35		79,002	381,418
Profit for the period			**567,533**	**1,208,576**
Other comprehensive income (loss):				
Items that will never be reclassified subsequently to profit or loss:				
Remeasurements of the defined benefit plan, net of tax	23,27		(2,800)	(26,013)
Items that are or may be reclassified subsequently to profit or loss:	28			
Net change in the unrealized fair value of available-for-sale financial assets, net of tax			7,561	(35)
Foreign currency translation differences of foreign operations, net of tax			(4,716)	46
Share in other comprehensive income (loss) of associates, net of tax	13		(1,343)	3,056
Total other comprehensive loss, net of tax			**(1,298)**	**(22,946)**
Total comprehensive income for the period		₩	**566,235**	**1,185,630**

See accompanying notes to the unaudited condensed consolidated interim financial statements.

KOREA HYDRO & NUCLEAR POWER CO., LTD. AND SUBSIDIARIES

Unaudited Condensed Consolidated Interim Statements of Comprehensive Income, Continued

For the three-month periods ended March 31, 2017 and 2016

(In millions of won, except earnings per share information)

	Note		March 31, 2017	March 31, 2016
Profit (loss) for the year attributable to:				
Owners of the Controlling Company		₩	567,773	1,208,664
Non-controlling interests			(240)	(88)
Profit for the period		₩	567,533	1,208,576
Total comprehensive income (loss) attributable to:				
Owners of the Controlling Company		₩	566,475	1,185,718
Non-controlling interests			(240)	(88)
Total comprehensive income for the period		₩	566,235	1,185,630
Earnings per share				
Basic earnings per share (in won)	38	₩	2,342	4,985

See accompanying notes to the unaudited condensed consolidated interim financial statements.

KOREA HYDRO & NUCLEAR POWER CO., LTD. AND SUBSIDIARIES
Unaudited Condensed Consolidated Interim Statements of Changes in Equity
For the three-month period ended March 31, 2017

(In millions of won)		Equity attributable to owners of the Company					
		Shares capital	Retained earnings	Other components of equity	Subtotal	Non-controlling interests	Total equity
Balance at January 1, 2016	₩	10,704,515	12,968,045	(66,847)	23,605,713	23,159	23,628,872
Total comprehensive income:							
Profit for the year		-	1,208,664	-	1,208,664	(88)	1,208,576
Items that will never be reclassified subsequently to profit or loss :							
Remeasurements of the defined benefit plan, net of tax		-	(26,013)	-	(26,013)	-	(26,013)
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		-	-	(35)	(35)	-	(35)
Foreign currency translation differences of foreign operations, net of tax		-	-	46	46	-	46
Share in other comprehensive loss of associates, net of tax		-	-	3,056	3,056	-	3,056
Transactions with owners of the Controlling Company, recognized directly in equity:							
Dividends		-	(635,200)	-	(635,200)	-	(635,200)
Balance at March 31, 2016	₩	10,704,515	13,515,496	(63,780)	24,156,231	23,071	24,179,302

See accompanying notes to the unaudited condensed consolidated interim financial statements

KOREA HYDRO & NUCLEAR POWER CO., LTD. AND SUBSIDIARIES
Unaudited Condensed Consolidated Interim Statements of Changes in Equity, Continued
For the three-month period ended March 31, 2017

(In millions of won)		Equity attributable to owners of the Company					
		Shares capital	Retained earnings	Other components of equity	Subtotal	Non-controlling interests	Total equity
Balance at January 1, 2017	₩	10,704,515	14,740,077	(36,675)	25,407,917	36,669	25,444,586
Total comprehensive income:							
Profit for the period		-	567,773	-	567,773	(240)	567,533
Items that will never be reclassified subsequently to profit or loss :							
Remeasurements of the defined benefit plan, net of tax		-	(2,800)	-	(2,800)	-	(2,800)
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		-	-	7,561	7,561	-	7,561
Foreign currency translation differences of foreign operations, net of tax		-	-	(4,716)	(4,716)	-	(4,716)
Share in other comprehensive income (loss) of associates, net of tax		-	-	(1,343)	(1,343)	-	(1,343)
Transactions with owners of the Controlling Company, recognized directly in equity:							
Issuance of share capital in subsidiaries		-	-	-	-	7	7
Dividends		-	(543,072)	-	(543,072)	-	(543,072)
Balance at March 31, 2017	₩	10,704,515	14,761,978	(35,173)	25,431,320	36,436	25,467,756

See accompanying notes to the unaudited condensed consolidated interim financial statements.

KOREA HYDRO & NUCLEAR POWER CO., LTD. AND SUBSIDIARIES
Unaudited Condensed Consolidated Interim Statements of Cash flows
For the three-month periods ended March 31, 2017 and 2016

(In millions of won)		**March 31, 2017**	**March 31, 2016**
Cash flows from operating activities			
Profit for the period	₩	567,533	1,208,576
Adjustments for:			
Income tax expense		79,002	381,418
Depreciation of property, plant and equipment		562,784	494,752
Amortization of nuclear fuel		288,012	293,307
Amortization of intangible assets		3,258	2,801
Depreciation of idle assets		1,664	1,670
Retirement benefit expense		17,347	15,507
Interest expense		124,099	121,002
Loss on disposals of financial instruments assets		1,038	-
Equity method loss of associates and joint venture		293	351
Loss on disposals of property, plant and equipment		150	199
Loss on disposals of intangible assets		-	68
Provisions for greenhouse gas emission		15,432	850
Provisions for decommissioning costs		59,606	60,559
Provisions for litigation		888	-
Other provisions		96,862	31,970
Provisions for employee benefits		32,171	38,723
Loss on unrealized change in fair value of derivative instruments		8,213	33,141
Loss on derivative transactions		236,701	3,725
Loss on foreign currency translations		2,206	586
Gain on disposals of property, plant and equipment		(2,140)	(1,626)
Gain on disposals of intangible assets		(463)	-
Gain on disposals of inventories		-	(145)
Reversal of allowance for bad debts		-	(21)
Gain from assets contributed		(2)	(1,328)
Interest income		(4,481)	(8,249)
Gain on derivative transactions		(3,109)	(2,902)
Gain on foreign currency translations		(263,452)	(52,729)
Others		17	61
	₩	1,256,096	1,413,690

See accompanying notes to the unaudited condensed consolidated interim financial statements.

KOREA HYDRO & NUCLEAR POWER CO., LTD. AND SUBSIDIARIES
Unaudited Condensed Consolidated Interim Statements of Cash flows, Continued
For the three-month periods ended March 31, 2017 and 2016

(In millions of won)		**March 31, 2017**	**March 31, 2016**
Changes in:			
Current trade accounts receivable	₩	331,033	88,541
Current other accounts receivable		(10,335)	(22,063)
Current accrued income		46,134	(243)
Current advanced payments		7,353	403
Current prepaid expenses		(378)	(1,129)
Other current non-financial assets		(391)	(12,133)
Inventories		(261,456)	(284,843)
Current trade accounts payable		(151,434)	(123,848)
Current other accounts payable		(44,845)	(160,260)
Current accrued expenses		(115,073)	(128,165)
Current leasehold deposits received		(1)	(2)
Current other deposits received		(118)	(1,396)
Current advance received		1,354	-
Current withholdings		(30,797)	(23,009)
Current deferred income		688	849
Non-current other accounts payable		(14,036)	(24)
Other current non-financial liabilities		(61,746)	214,087
Provisions for employee benefits		(24,143)	(22,065)
Provisions for power plant regional support program		(6,138)	(5,890)
Provisions for litigation		(88,056)	-
Provisions for decommissioning cost of nuclear plants		(244)	(40)
Provisions for disposal of low and intermediate-level radioactive waste		(7,323)	(13,666)
Non-current employee benefit obligation		(50)	(4)
Payment of retirement benefits		(2,595)	(665)
Retirement pension assets		202	300
		(432,395)	(495,265)
Cash generated from operating activities		1,391,234	2,127,001
Interest received		3,057	6,352
Interest paid		(89,962)	(91,593)
Income tax paid		(356,873)	(254,581)
Net cash provided by operating activities	₩	947,456	1,787,179

See accompanying notes to the unaudited condensed consolidated interim financial statements.

KOREA HYDRO & NUCLEAR POWER CO., LTD. AND SUBSIDIARIES

Unaudited Condensed Consolidated Interim Statements of Cash flows, Continued

For the three-month periods ended March 31, 2017 and 2016

(In millions of won)		**March 31, 2017**	**March 31, 2016**
Cash flows from investing activities			
Proceeds from disposal of short-term financial instruments	₩	240,002	210
Increase in short-term financial asset		(380,001)	(550,000)
Collection of short-term loans		1,688	1,660
Increase in short-term loans		(40,000)	-
Decrease in current guarantee deposits		10,837	20,402
Acquisition of long-term financial assets		(96,324)	-
Increase in long-term loans		(4,405)	(4,177)
Proceeds from disposal of available-for-sale financial assets		196,000	-
Acquisition of available-for-sale financial assets		(100,133)	-
Payment of non-current guarantee deposits		(48,893)	(106,222)
Payment of non-current advanced payments		(20,498)	(2,520)
Acquisition of investments in associates		(2,000)	(4)
Proceeds from disposal of property, plant and equipment		5,001	2,695
Acquisition of property, plant and equipment		(426,705)	(494,493)
Receipt of government subsidy		-	57
Proceeds from disposal of intangible assets		463	-
Acquisition of intangible assets		(792)	(3,467)
Net cash used in investing activities	₩	(665,760)	(1,135,859)

See accompanying notes to the unaudited condensed consolidated interim financial statements.

Unaudited Condensed Consolidated Interim Statements of Cash flows, Continued

For the three-month periods ended March 31, 2017 and 2016

(In millions of won)		**March 31, 2017**	**March 31, 2016**
Cash flows from financing activities			
Repayment of current portion of long-term borrowings		(3,944)	(3,778)
Repayment of current portion of long-term bonds		(230,000)	-
Settlement of derivative instruments		(1,332)	(823)
Issuance of share capital in subsidiaries		7	-
Net cash used in financing activities		(235,269)	(4,601)
Effect of exchange rate fluctuations on cash held	₩	(136)	4
Net increase in cash and cash equivalents		46,291	646,723
Cash and cash equivalents at beginning of the period		86,806	564,703
Cash and cash equivalents at end of the period	₩	133,097	1,211,426

See accompanying notes to the unaudited condensed consolidated interim financial statements.

1. Reporting Entity

(a) The controlling company

Korea Hydro & Nuclear Power Co., Ltd. ("KHNP" or the "Controlling Company") was incorporated on April 2, 2001 through the spin-off of the power generation division of Korea Electric Power Corporation ("KEPCO") in accordance with the *Act on Promotion of Restructuring the Electric Power Industry*. KHNP engages in the generation of electricity and development of electric power resources and sells all generated electricity to KEPCO through the Korea Power Exchange ("KPX"), in accordance with Article 31 of the *Electricity Business Law*.

As of March 31, 2017, KHNP owns and operates 25 nuclear generating units, 35 hydroelectric generating units, 16 pumped-storage facilities and 6 new renewable energy generating units. As of March 31, 2017, KHNP's generation capacity is 28,439MW. The accompanying condensed consolidated interim financial statements include the Controlling Company and its consolidated subsidiaries (together, "the Group").

As of March 31, 2017, KEPCO holds 100% of KHNP's outstanding shares.

(b) Consolidated subsidiaries

(i) Details of consolidated subsidiaries as of March 31, 2017 and December 31, 2016 are as follows:

Company	Key operating activities	Location	Ownership March 31, 2017	Ownership December 31, 2016
KHNP Canada Energy Ltd.	Uranium resources development	Canada	100.00%	100.00%
Gyeonggi Green Energy Co., Ltd.	Electricity and heat generation	Korea	62.01%	62.01%
Korea Imouraren Uranium Investment Corp.	Uranium resources development	France	100.00%	100.00%
Korea Waterbury Uranium Limited Partnership	Uranium resources development	Canada	70.00%	70.00%

(ii) Summarized financial information of subsidiaries as of and for the three-month period ended March 31, 2017 is as follows:

(In millions of won)

Company		Assets	Liabilities	Revenue	Net income (loss)
KHNP Canada Energy Ltd.	₩	58,611	43	-	(13)
Gyeonggi Green Energy Co., Ltd.		296,266	216,859	19,391	(640)
Korea Imouraren Uranium Investment Corp.		151,509	716	-	527
Korea Waterbury Uranium Limited Partnership		20,875	133	-	(12)

1. Reporting Entity, Continued

(b) Consolidated subsidiaries, continued

(iii) Significant restrictions related to subsidiaries are as follows:

Company	Significant Restrictions in Details
Gyeonggi Green Energy Co., Ltd.	Acquisition or disposal of assets more than ₩35 billion, change in the capacity of cogeneration units (except for the change due to performance improvement of equipment or maintenance) will require unanimous consent of all directors.

2. Basis of Preparation

(a) Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with K-IFRS No.1034, 'Interim Financial Reporting'. They do not include all the information required for a complete set of K-IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as of and for the year ended December 31, 2016.

(b) Use of estimates and judgments

① Management's judgments, assumptions and estimation uncertainties
The preparation of the condensed consolidated interim 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.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as of and for the year ended December 31, 2016.

② Measurement of fair value
The Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Group 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 Group 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.

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

2. Basis of Preparation, Continued

(b) Use of estimates and judgments, continued

② Measurement of fair value, continued

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 Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

(c) New standards and interpretations not yet adopted

The following new standards have been published for mandatory application for annual periods beginning after January 1, 2017.

(i) K-IFRS No. 1109, Financial Instruments
K-IFRS 1109, published in December 2015, replaces the existing guidance in K-IFRS No. 1039, Financial Instruments: Recognition and Measurement. K-IFRS 1109 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from K-IFRS No. 1039. K-IFRS 1109 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

As of March 31, 2017, other than the potential impacts described in the consolidated financial statements as of and for the year ended December 31, 2016, there are no significant changes in relation to the Group's preparation for the adoption of this new standard.

(ii) K-IFRS No. 1115, Revenue from Contracts with Customers K-IFRS 1115, published in January 2016, establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including K-IFRS No. 1018, Revenue, K-IFRS No. 1011, Construction Contracts and K-IFRS No. 2113, Customer Loyalty Programmes. K-IFRS 1115 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted.

As of March 31, 2017, other than the potential impacts described in the consolidated financial statements as of and for the year ended December 31, 2016, there are no significant changes in relation to the Group's preparation for the adoption of this new standard.

3. Significant Accounting Policies

Except as described below, the accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as of and for the year ended December 31, 2016. The following changes in accounting policy are also expected to be reflected in the Group's consolidated financial statements as of and for the year ending December 31, 2017.

The Group has adopted the following new standards and amendments to standards and interpretation with a date of initial application of January 1, 2017. These new amendments did not have any impact on the amounts reported in its condensed consolidated interim financial statements. The details of changes in accounting policies are as follows:

- Amendments to K-IFRS 1007 'Statement of Cash Flows'

The amendments require changes in liabilities arising from financing activities to be disclosed. The Group will make required disclosures in its annual consolidated financial statements as of and for the year ending December 31, 2017.

- Amendments to K-IFRS 1012 'Income Taxes'

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 Group assesses whether there will be sufficient taxable profit, the Group should compare the deductible temporary differences with future taxable profit that excludes tax deductions resulting from the reversal of those deductible temporary differences.

4. Segment Information

The Group's segments are determined based on components of the Group that are engaged in revenue generating activities and for which discrete financial information is available that is regularly reported to the chief operating decision maker ("CODM") for the purpose of resource allocation and assessment of performance. The CODM uses both operating profit (loss) and net profit (loss) for the period as measures of segment results to assess segment performance and to allocate resources. Segment operating profit is used to report segment performance below because management believes it is determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the Group's consolidated financial statements. Segment operating profit (loss) is determined in the same manner as consolidated operating profit (loss) under K-IFRS, respectively. Segment assets and liabilities are equal to total assets and total liabilities in accordance with K-IFRS. Also, segment assets and liabilities are based on the separate financial statements of the entities instead of on consolidated basis. The Group's operating segments are "Electric power generation (nuclear and others)" and "Others". The "Electric power generation (nuclear and others)" segment revenue is primarily composed of sales of electric power and service revenue. The "Others" segment represents the business unit that manages the Group's foreign operations.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3.

(a) Information about operating segments related to segment results

(i) For the three-month period ended March 31, 2017

(In millions of won)		**Electric power generation**	**Others**	**Reconciling items**	**Consolidated totals**
Revenue from external customers	₩	2,687,859	-	-	2,687,859
Intersegment revenue		-	-	-	-
Segment revenue		2,687,859	-	-	2,687,859
Segment operating profit (loss)		739,981	(14)	-	739,967
Other income (expenses), net					(1,979)
Other profit, net					9,990
Finance income					270,930
Finance expenses					372,081
Equity method loss of associates, net					(293)
Income taxes					79,002
Depreciation and amortization		854,054	-	-	854,054

4. Segment Information, Continued

(a) Information about operating segments related to segment results, continued

(ii) For the three-month period ended March 31, 2016

(In millions of won)		Electric power generation	Others	Reconciling items	Consolidated totals
Revenue from external customers	₩	3,329,585	-	-	3,329,585
Intersegment revenue		-	-	-	-
Segment revenue		3,329,585	-	-	3,329,585
Segment operating profit (loss)		1,685,180	(11)	-	1,685,169
Other income (expenses), net					2,593
Other profit, net					(2,931)
Finance income					63,877
Finance expenses					(158,362)
Equity method loss of associates, net					(351)
Profit before income taxes					1,589,995
Depreciation and amortization		790,860	-	-	790,860

(b) Information about operating segments related to segment assets and liabilities as of March 31, 2017 and December 31, 2016

(i) As of March 31, 2017

(In millions of won)		Electric power generation	Others	Reconciling items	Consolidated totals
Total segment assets(*)	₩	52,470,522	506,387	(288,542)	52,688,367
Investment in associates		63,175	-	-	63,175
Investment in joint ventures		-	-	19,410	19,410
Acquisition of non-current assets		427,497	-	-	427,497
Total segment liabilities		27,009,712	217,617	(6,718)	27,220,611

4. Segment Information, Continued

(b) Information about operating segments related to segment assets and liabilities as of March 31, 2017 and December 31, 2016, continued

(ii) As of December 31, 2016

(In millions of won)		Electric power generation	Others	Reconciling items	Consolidated totals
Total segment assets (*)	₩	53,084,041	229,558	(291,122)	53,022,477
Investment in associates		61,468	-	-	61,468
Investment in joint ventures		-	-	20,753	20,753
Acquisition of non-current assets		1,945,612	-	-	1,945,612
Total segment liabilities		27,588,017	959	(11,085)	27,577,891

(*) As segment assets and liabilities are determined based on separate financial statements, for subsidiaries which are in a different segment from that of its immediate parent company, their carrying amount in separate financial statements is eliminated upon consolidation which were ₩275,369 million and ₩262,075 million in 2017 and 2016, respectively. In addition, adjustments are made to adjust the amount of investment in associates and joint ventures from the amount reflected in segment assets to that determined using equity method in consolidated financial statements which were ₩4,961 million and ₩16,472 million in 2017 and 2016, respectively.

(c) Geographical information

The Group is headquartered in Korea, with substantially all of its assets located in Korea and substantially all of its revenue is generated domestically.

(d) Information about major customers

For the three-month periods ended March 31, 2017 and 2016, the Group recognized total revenue from the Group's largest customer KEPCO of ₩2,668,132 million and ₩3,313,527 million, respectively.

5. Categories of Financial Instruments

(a) Details of categories of financial instruments as of March 31, 2017 and December 31, 2016 are as follows:

(i) Financial assets

1) March 31, 2017

(In millions of won)		Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Total
Current financial assets:					
Cash and cash equivalents	₩	-	133,097	-	133,097
Current financial assets					
Short-term financial instruments		-	480,806	-	480,806
Loans		-	199,924	-	199,924
Derivative assets		25,041	-	-	25,041
		25,041	680,730	-	705,771
Trade accounts and other receivables		-	1,242,731	-	1,242,731
Sub-total		25,041	2,056,558	-	2,081,599
Non-current financial assets:					
Non-current financial assets					
Long-term financial instruments		-	310,445	-	310,445
Available-for-sale financial assets		-	-	689,473	689,473
Loans		-	122,284	-	122,284
Derivative assets		35,126	-	-	35,126
		35,126	432,729	689,473	1,157,328
Trade accounts and other receivables		-	63,221	-	63,221
Sub-total		35,126	495,950	689,473	1,220,549
	₩	60,167	2,552,508	689,473	3,302,148

5. Categories of Financial Instruments, Continued

(a) Details of categories of financial instruments as of March 31, 2017 and December 31, 2016 are as follows, continued:

(i) Financial assets, continued

2) December 31, 2016

(In millions of won)		Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Total
Current financial assets:					
Cash and cash equivalents	₩	-	86,806	-	86,806
Current financial assets					
Short-term financial instruments		-	340,850	-	340,850
Loans		-	159,375	-	159,375
Derivative assets		39,054	-	-	39,054
		39,054	500,225	-	539,279
Trade accounts and other receivables		-	1,568,716	-	1,568,716
Sub-total		39,054	2,155,747	-	2,194,801
Non-current financial assets:					
Non-current financial assets					
Long-term financial instruments		-	214,121	-	214,121
Available-for-sale financial assets		-	-	779,298	779,298
Loans		-	123,960	-	123,960
Derivative assets		226,264	-	-	226,264
		226,264	338,081	779,298	1,343,643
Trade accounts and other receivables		-	67,518	-	67,518
Sub-total		226,264	405,599	779,298	1,411,161
	₩	265,318	2,561,346	779,298	3,605,962

5. Categories of Financial Instruments, Continued

(a) Details of categories of financial instruments as of March 31, 2017 and December 31, 2016 are as follows, continued:

(ii) Financial liabilities

1) March 31, 2017

(In millions of won)		**Financial liabilities at fair value through profit or loss**	**Financial liabilities measured at amortized cost**	**Total**
Current financial liabilities:				
Current financial liabilities				
Current portion of long-term borrowings	₩	-	16,204	16,204
Current portion of long-term bonds		-	927,952	927,952
Derivative liabilities		35	-	35
		35	944,156	944,191
Trade accounts and other payables		-	1,332,286	1,332,286
Sub-total		35	2,276,442	2,276,477
Non-current financial liabilities:				
Non-current financial liabilities				
Long-term borrowings		-	203,968	203,968
Bonds		-	7,099,843	7,099,843
Derivative liabilities		35,288	-	35,288
		35,288	7,303,811	7,339,099
Trade accounts and other payables		-	2,955,054	2,955,054
Sub-total		35,288	10,258,865	10,294,153
	₩	35,323	12,535,307	12,570,630

5. Categories of Financial Instruments, Continued

(a) Details of categories of financial instruments as of March 31, 2017 and December 31, 2016 are as follows, continued:

(ii) Financial liabilities, continued

2) December 31, 2016

(In millions of won)		**Financial liabilities at fair value through profit or loss**	**Financial liabilities measured at amortized cost**	**Total**
Current financial liabilities:				
Current financial liabilities				
Current portion of long-term borrowings	₩	-	16,031	16,031
Current portion of long-term bonds		-	681,628	681,628
		-	697,659	697,659
Trade accounts and other payables		-	1,007,651	1,007,651
Sub-total		-	1,705,310	1,705,310
Non-current financial liabilities:				
Long-term borrowings		-	208,085	208,085
Bonds		-	7,835,721	7,835,721
		-	8,043,806	8,043,806
Trade accounts and other payables		-	2,940,340	2,940,340
Sub-total		-	10,984,146	10,984,146
	₩	-	12,689,456	12,689,456

5. Categories of Financial Instruments, Continued

(b) Gain (loss) by categories of financial instruments for the three-month periods ended March 31, 2017 and 2016 are as follows:

(In millions of won)

Categories	Description		March 31, 2017	March 31, 2016
Loans and receivables	Cash and cash equivalents-interest income	₩	1,267	4,115
	Financial instruments-interest income		2,642	3,431
	Loans-interest income		98	73
	Trade accounts and other receivables- interest income		474	630
	Gain on fluctuation of exchange rate in foreign currency, net		5,696	326
Financial assets at fair value through profit or loss	Loss on change in the unrealized fair value of derivative instruments, net		(145,906)	(33,141)
	Loss on transactions of derivative instruments, net		(6,019)	(823)
Available-for-sale financial assets	Net change in the unrealized fair value of available-for-sale financial assets before tax		9,974	(45)
	Loss on disposals of available-for-sale financial assets		(1,038)	-
Financial liabilities measured at fair value through profit or loss	Loss on change in the unrealized fair value of derivative instruments, net		(90,795)	-
	Gain on transactions of derivative instruments, net		915	-
Financial liabilities at amortized cost	Gain on fluctuation of exchange rate in foreign currency, net		262,643	47,475
	Amortization of present value discount		(31,356)	(32,558)
	Other interest expense		(92,743)	(88,444)

6. Cash and Cash Equivalents

Cash and cash equivalents as of March 31, 2017 and December 31, 2016 are as follows:

(In millions of won)		March 31, 2017	December 31, 2016
Cash equivalents	₩	25,400	17,150
Deposits with banks and short-term instruments classified as cash equivalents		107,697	69,656
	₩	133,097	86,806

7. Financial Assets at Fair Value Through Profit or Loss

(a) Financial assets at fair value through profit or loss as of March 31, 2017 and December 31, 2016 are as follows:

		March 31, 2017		December 31, 2016	
(In millions of won)		Current	Non-current	Current	Non-current
Short-term financial instruments					
Derivative assets	₩	25,041	35,126	39,054	226,264

(b) Details of derivative financial instruments as of March 31, 2017 and December 31, 2016 are as follows:

		March 31, 2017		December 31, 2016	
(In millions of won)		Current	Non-current	Current	Non-current
Derivative assets					
Foreign currency forwards	₩	-	7,829	3,773	32,805
Foreign currency swaps		25,041	27,297	35,281	193,459
	₩	25,041	35,126	39,054	226,264
Derivatives liabilities					
Foreign currency forwards	₩	35	-	-	-
Foreign currency swaps		-	35,288	-	-
	₩	35	35,288	-	-

(c) Details of foreign currency forwards contracts as of March 31, 2017 are as follows:

(In millions of won, in thousands of USD, won/USD)

		Amount of contract		Contractual foreign
Counterparty	Period	Pay	Receive	exchange rate
Hana Bank	2014.04.10~2021.07.12	KRW 55,120	USD 52,000	1,060.00
Hana Bank	2014.04.28~2021.07.12	KRW 50,784	USD 48,000	1,058.00
Bank of America	2014.04.29~2021.07.12	KRW 105,400	USD 100,000	1,054.00
Hana Bank	2014.05.09~2021.07.12	KRW 104,600	USD 100,000	1,046.00
Hana Bank	2017.03.15~2017.04.03	KRW 1,263	USD 1,100	1,147.92

7. Financial Assets at Fair Value Through Profit or Loss, Continued

(d) Details of foreign currency swap contracts as of March 31, 2017 are as follows:

(In millions of won, in thousands of USD, won/USD)

Counterparty	Period	Amount of contract: Pay	Amount of contract: Receive	Interest rate of contract: Pay	Interest rate of contract: Receive	Contractual foreign exchange rate
Citibank	2012.09.12~2022.09.19	KRW 112,930	USD 100,000	2.79%	3.00%	1,129.30
JP Morgan	2012.09.12~2022.09.19	KRW 112,930	USD 100,000	2.79%	3.00%	1,129.30
Bank of America	2012.09.12~2022.09.19	KRW 112,930	USD 100,000	2.79%	3.00%	1,129.30
Shinhan Bank	2016.12.21~2022.09.19	KRW 112,930	USD 100,000	2.79%	3.00%	1,129.30
HSBC	2012.11.01~2022.09.19	KRW 111,770	USD 100,000	2.89%	3.00%	1,117.70
Hana Bank	2012.10.26~2022.09.19	KRW 111,770	USD 100,000	2.87%	3.00%	1,117.70
SC	2012.10.26~2022.09.19	KRW 111,770	USD 100,000	2.89%	3.00%	1,117.70
Deutsche Bank	2012.12.28~2022.09.19	KRW 55,885	USD 50,000	2.79%	3.00%	1,117.70
DBS	2013.02.20~2018.02.20	KRW 108,140	USD 100,000	2.63%	Libor 3M+0.84%	1,081.40
DBS	2013.05.07~2018.02.20	KRW 108,140	USD 100,000	2.57%	Libor 3M+0.84%	1,081.40
DBS	2013.05.08~2018.02.20	KRW 108,140	USD 100,000	2.57%	Libor 3M+0.84%	1,081.40
HSBC	2013.10.30~2018.10.02	KRW 107,450	USD 100,000	3.41%	2.88%	1,074.50
SC	2013.10.30~2018.10.02	KRW 107,450	USD 100,000	3.44%	2.88%	1,074.50
JP Morgan	2013.10.30~2018.10.02	KRW 107,450	USD 100,000	3.48%	2.88%	1,074.50
Bank of America	2014.01.02~2018.10.02	KRW 107,450	USD 100,000	3.09%	2.88%	1,074.50
Citibank	2014.01.02~2018.10.02	KRW 107,450	USD 100,000	3.09%	2.88%	1,074.50
JP Morgan	2014.05.22~2017.05.22	KRW 102,670	USD 100,000	2.89%	Libor 3M+0.78%	1,026.70
Deutsche Bank	2014.05.22~2017.05.22	KRW 102,670	USD 100,000	2.89%	Libor 3M+0.78%	1,026.70
HSBC	2014.10.28~2019.10.28	KRW 105,260	USD 100,000	2.48%	2.38%	1,052.60
SC	2014.10.28~2019.10.28	KRW 105,260	USD 100,000	2.48%	2.38%	1,052.60
Korea Development Bank	2016.08.04~2019.10.28	KRW 105,260	USD 100,000	2.48%	2.38%	1,052.60
Nomura Financial Investment (Korea) Co., Ltd.	2015.06.15~2025.06.15	KRW 111,190	USD 100,000	2.60%	3.25%	1,111.90
Korea Development Bank	2015.06.15~2025.06.15	KRW 111,190	USD 100,000	2.62%	3.25%	1,111.90
Woori Bank	2015.06.15~2025.06.15	KRW 55,595	USD 50,000	2.62%	3.25%	1,111.90
Hana Bank	2015.06.15~2025.06.15	KRW 55,595	USD 50,000	2.62%	3.25%	1,111.90

The Group contracted derivative financial instruments for the purpose of hedging risk but classified them as derivative financial instruments held for trading, since those derivatives do not meet the applicable requirements of applying hedge accounting under K-IFRS 1039 "Financial Instruments: Recognition and Measurement".

7. Financial Assets at Fair Value Through Profit or Loss, Continued

(e) Gain (loss) on valuation and transaction of derivatives (not designated as in hedging relationships) for the three-month periods ended March 31, 2017 and 2016 are as follows:

(In millions of won)		Gain (loss) on valuation		Gain (loss) on transaction	
		March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
Currency forwards	₩	(25,013)	(2,358)	(4,104)	(390)
Currency swaps		(211,688)	(30,783)	(1,000)	(433)
	₩	(236,701)	(33,141)	(5,104)	(823)

8. Trade Accounts and Other Receivables

(a) Trade accounts and other receivables as of March 31, 2017 and December 31, 2016 are as follows:

(i) March 31, 2017

(In millions of won)		Gross amount	Allowance for doubtful accounts	Amortization of present value discount	Carrying amount
Current assets:					
Trade accounts receivable	₩	954,250	-	-	954,250
Other receivables		292,254	(3,185)	(588)	288,481
		1,246,504	(3,185)	(588)	1,242,731
Non-current assets:					
Other receivables		64,260	-	(1,039)	63,221
	₩	1,310,764	(3,185)	(1,627)	1,305,952

8. Trade Accounts and Other Receivables, Continued

(a) Trade accounts and other receivables as of March 31, 2017 and December 31, 2016 are as follows, continued:

(ii) December 31, 2016

(In millions of won)		Gross amount	Allowance for doubtful accounts	Amortization of present value discount	Carrying amount
Current assets:					
Trade accounts receivable	₩	1,279,119	-	-	1,279,119
Other receivables		293,375	(3,185)	(593)	289,597
		1,572,494	(3,185)	(593)	1,568,716
Non-current assets:					
Other receivables		68,632	-	(1,114)	67,518
	₩	1,641,126	(3,185)	(1,707)	1,636,234

(b) Other receivables as of March 31, 2017 and December 31, 2016 are as follows:

(i) March 31, 2017

(In millions of won)		Gross amount	Allowance for doubtful accounts	Amortization of present value discount	Carrying amount
Current assets:					
Other accounts receivable	₩	17,544	(3,185)	-	14,359
Accrued income		200,530	-	-	200,530
Guarantee deposits		72,590	-	(588)	72,002
Current other receivables		1,590	-	-	1,590
		292,254	(3,185)	(588)	288,481
Non-current assets:					
Guarantee deposits		64,260	-	(1,039)	63,221
	₩	356,514	(3,185)	(1,627)	351,702

8. Trade Accounts and Other Receivables, Continued

(b) Other receivables as of March 31, 2017 and December 31, 2016 are as follows, continued:

(ii) December 31, 2016

(In millions of won)		Gross amount	Allowance for doubtful accounts	Amortization of present value discount	Carrying amount
Current assets:					
Other accounts receivable	₩	9,173	(3,185)	-	5,988
Accrued income		214,276	-	-	214,276
Guarantee deposits		68,336	-	(593)	67,743
Current other receivables		1,590	-	-	1,590
		293,375	(3,185)	(593)	289,597
Non-current assets:					
Guarantee deposits		68,632	-	(1,114)	67,518
	₩	362,007	(3,185)	(1,707)	357,115

Trade accounts and other receivables classified as loans and receivables are measured at amortized cost. For electricity sales revenue, the average trade accounts receivable turnover is 2 business days from the date of the revenues generated.

Interest is charged on trade accounts receivable after 2 business days from invoice date based on interest rates of overdue open market loans.

(c) Aging analysis of the trade accounts receivable as of March 31, 2017 and December 31, 2016 are as follows:

(In millions of won)		March 31, 2017	December 31, 2016
Receivables (not overdue, not impaired)	₩	954,250	1,279,119
Receivables (overdue, not impaired)		-	-
Receivables (other)		-	-
		954,250	1,279,119
Less: allowance for doubtful accounts		-	-
Less: present value discount		-	-
	₩	954,250	1,279,119

8. Trade Accounts and Other Receivables, Continued

(d) Aging analysis of other receivables as of March 31, 2017 and December 31, 2016 are as follows:

(In millions of won)		March 31, 2017	December 31, 2016
Receivables (not overdue, not impaired)	₩	353,329	358,822
Receivables (overdue, not impaired)		-	-
Receivables (other)		3,185	3,185
0~60 days		-	-
60~90 days		-	-
90~120 days		-	-
120~365 days		-	-
Over 365 days		3,185	3,185
		356,514	362,007
Less: allowance for doubtful accounts		(3,185)	(3,185)
Less: present value discount		(1,627)	(1,707)
	₩	351,702	357,115

(e) Changes in the allowance for doubtful accounts for the three-month period ended March 31, 2017 and for the year ended December 31, 2016 are as follows:

		March 31, 2017		December 31, 2016	
(In millions of won)		Trade accounts receivable	Other receivables	Trade accounts receivable	Other receivables
Beginning balance	₩	-	3,185	-	3,207
Bad debt expenses		-	13	-	14
Write-offs		-	(13)	-	(14)
Reversal of allowance for bad debts		-	-	-	(22)
Ending balance	₩	-	3,185	-	3,185

9. Available-For-Sale Financial Assets

(a) Changes in available-for-sale financial assets for the three-month period ended March 31, 2017 and for the year ended December 31, 2016 are as follows:

(i) March 31, 2017

(In millions of won)		January 1, 2017	Acquisition cost	Disposals	Gain on valuation	Impairment losses	Others (*)	March 31, 2017
Listed equity securities	₩	40,284	133	-	7,071	-	(2,894)	44,594
Unlisted equity securities		301,999	-	-	-	-	-	301,999
Sub total		342,283	133	-	7,071	-	(2,894)	346,593
Beneficiary securities		437,015	100,000	(197,038)	1,865	-	1,038	342,880
	₩	779,298	100,133	(197,038)	8,936	-	(1,856)	689,473
Non-current available-for-sale financial assets		779,298	100,133	(197,038)	8,936	-	(1,856)	689,473

(*) Includes foreign currency translation.

(ii) December 31, 2016

(In millions of won)		January 1, 2016	Acquisition cost	Disposals	Gain on valuation	Impairment losses	Others (*)	December 31, 2016
Listed equity securities	₩	301	40,133	-	(428)	(19)	297	40,284
Unlisted equity securities		205,599	-	-	(2,126)	-	98,526	301,999
Sub total		205,900	40,133	-	(2,554)	(19)	98,823	342,283
Beneficiary securities		-	440,600	(640)	(2,945)	-	-	437,015
	₩	205,900	480,733	(640)	(5,499)	(19)	98,823	779,298
Non-current available-for-sale financial assets		205,900	480,733	(640)	(5,499)	(19)	98,823	779,298

(*) Includes increase as a result of acquisition of Korea Imouraren Uranium Investment Corp. (available-for-sale financial assets investment, AREVA NC Expansion) and foreign currency translation.

9. Available-For-Sale Financial Assets, Continued

(b) Available-for-sale financial assets as of March 31, 2017 and December 31, 2016 are as follows:

(i) March 31, 2017

(In millions of won except share information and ownership)	Shares	Ownership		Acquisition cost	Carrying amount	Fair value
Listed securities:						
Fission Uranium Corp.	700,000	0.14%	₩	325	492	492
Denison Mines Corp.	58,248,500	10.77%		36,799	39,970	39,970
Fission 3.0 Corp.	300,000	0.15%		36	20	20
Energy Fuel Inc.	1,711,814	2.59%		3,414	4,112	4,112
Sub-total				40,574	44,594	44,594
Unlisted securities:						
Korea Power Exchange (*1)	-	14.28%		18,263	32,910	32,910
SET Holding (*1)	1,100,220	2.50%		229,255	170,170	170,170
HeeMang Sunlight Power Co., Ltd. (*2)	78,600	8.33%		393	393	393
AREVA NC Expansion (*3)	1,077,124	13.49%		98,526	98,526	98,526
Sub-total				346,437	301,999	301,999
Beneficiary securities: (*4)						
Investment-pool-integrated specialized investment fund of the private equity investment trust No.10	-	-		79,549	79,263	79,263
Pension-and-fund-integrated specialized investment fund of the private equity investment trust No.2	-	-		79,593	79,286	79,286
Pension-and-fund-integrated specialized investment fund in new growth engine industry of the private equity investment trust No.1	-	-		53,220	53,499	53,499
HanWha-K master lease Professional investment type private equity investment organization	-	-		30,560	30,804	30,804
Repo A1 ABCP 2	-	-		50,000	50,000	50,000
Royal-class Repo & Fixed Income 1	-	-		50,000	50,028	50,028
Sub-total				342,922	342,880	342,880
			₩	729,933	689,473	689,473

(*1) The Group has estimated the fair value by using the discounted cash flow method and has recognized the difference between its fair value and book value as gain or loss on valuation of available-for-sale financial assets in other comprehensive income or loss during the three-month period ended March 31, 2017.

(*2) These available-for-sale financial assets that do not have a quoted market price in an active market and their fair value cannot be reliably measured, therefore they are measured at cost.

9. Available-For-Sale Financial Assets, Continued

(b) Available-for-sale financial assets as of March 31, 2017 and December 31, 2016 are as follows, continued:

(i) March 31, 2017, continued

(*3) The acquisition cost is the carrying amount recognized previously in the consolidated financial statements of the ultimate parent, KEPCO, as of the date of the business combination. The original acquisition cost of equity interest in AREVA NC Expansion held by Korea Imouraren Uranium Investment Corp. in KEPCO's consolidated financial statements amounted to ₩288,443 million.

(*4) As of March 31, 2017, the Group invested in ₩342,880 million as beneficiary securities exclusively for payment of decommissioning cost of nuclear power plants. The Group has measured the fair value of the beneficiary securities based on its net asset value.

(ii) December 31, 2016

(In millions of won except share information and ownership)	**Shares**	**Ownership**		**Acquisition cost**	**Carrying amount**	**Fair value**
Listed securities:						
Fission Uranium Corp.	700,000	0.14%	₩	325	401	401
Denison Mines Corp.	58,248,500	10.77%		36,799	36,481	36,481
Fission 3.0 Corp.	300,000	0.17%		36	17	17
Energy Fuel Inc.	1,711,814	2.59%		3,280	3,385	3,385
Unlisted securities:						
Korea Power Exchange (*1)	-	14.28%		18,263	32,910	32,910
SET Holding (*1)	1,100,220	2.50%		229,255	170,170	170,170
HeeMang Sunlight Power Co., Ltd. (*2)	78,600	8.33%		393	393	393
AREVA NC Expansion (*3)	1,077,124	13.49%		98,526	98,526	98,526
Sub-total				386,877	342,283	342,283
Beneficiary securities: (*4)						
Investment-pool-integrated specialized investment fund of the private equity investment trust No.10	-	-		142,470	141,315	141,315
Pension-and-fund-integrated specialized investment fund of the private equity investment trust No.2	-	-		213,710	211,920	211,920
Pension-and-fund-integrated specialized investment fund in new growth engine industry of the private equity investment trust No.1	-	-		53,220	53,212	53,212
HanWha-K master lease Professional investment type private equity investment organization	-	-		30,560	30,568	30,568
Sub-total				439,960	437,015	437,015
			₩	826,837	779,298	779,298

9. Available-For-Sale Financial Assets, Continued

(b) Available-for-sale financial assets as of March 31, 2017 and December 31, 2016 are as follows, continued:

(ii) December 31, 2016, continued:

(*1) The Group has estimated the fair value by using the discounted cash flow method and has recognized the difference between its fair value and book value as gain or loss on valuation of available-for-sale financial assets in other comprehensive income or loss during the year ended December 31, 2016.

(*2) These available-for-sale financial assets that do not have a quoted market price in an active market and their fair value cannot be reliably measured, therefore they are measured at cost.

(*3) The acquisition cost is the carrying amount recognized previously in the consolidated financial statements of the ultimate parent, KEPCO, as of the date of the business combination. The original acquisition cost of equity interest in AREVA NC Expansion held by Korea Imouraren Uranium Investment Corp. in KEPCO's consolidated financial statements amounted to ₩288,443 million.

(*4) As of December 31, 2016, the Group invested in ₩437,015 million as beneficiary securities exclusively for payment of decommissioning cost of nuclear power plants. The Group has measured the fair value of the beneficiary securities based on its net asset value.

10. Other Financial Assets

(a) Other financial assets as of March 31, 2017 and December 31, 2016 are as follows:

		March 31, 2017		December 31, 2016	
(In millions of won)		**Current**	**Non-current**	**Current**	**Non-current**
Financial instruments	₩	480,806	310,445	340,850	214,121
Loans		199,924	122,284	159,375	123,960
	₩	680,730	432,729	500,225	338,081

10. Other Financial Assets, Continued

(b) Details of financial instruments as of March 31, 2017 and December 31, 2016 are as follows:

		March 31, 2017		December 31, 2016	
(In millions of won)		**Current**	**Non-current(*)**	**Current**	**Non-current(*)**
Time deposit	₩	100,806	30,000	220,850	30,000
Others		380,000	280,445	120,000	184,121
	₩	480,806	310,445	340,850	214,121

(*) As of March 31, 2017 and December 31, 2016, the Group set aside ₩310,445 million and ₩214,121 million, respectively, for decommissioning costs for nuclear power plants. These funds are financial assets that cannot be used for general purposes with a restricted access period exceeding 12 months following March 31, 2017. Therefore, these have been categorized as non-current assets.

(c) Details of loans as of March 31, 2017 and December 31, 2016 are as follows:

		March 31, 2017		December 31, 2016	
(In millions of won)		**Current**	**Non-current**	**Current**	**Non-current**
Loans for tuition	₩	3,696	71,943	3,102	69,287
Loans for housing		997	6,145	1,035	6,322
Other loans		195,353	51,249	155,352	54,729
Less: present value discount		(122)	(7,053)	(114)	(6,378)
	₩	199,924	122,284	159,375	123,960

11. Inventories

Inventories as of March 31, 2017 and December 31, 2016 are as follows:

(In millions of won)		**March 31, 2017**	**December 31, 2016**
Product	₩	8,749	4,396
Raw materials		2,702,038	2,757,342
Supplies		930,529	849,178
Inventories-in-transit		149,068	141,717
	₩	3,790,384	3,752,633

12. Non-Financial Assets

Non-financial assets as of March 31, 2017 and December 31, 2016 are as follows:

		March 31, 2017		December 31, 2016	
(In millions of won)		Current	Non-current	Current	Non-current
Advanced payments	₩	7,478	1,263,603	8,128	1,243,105
Prepaid expenses		74,316	8,499	73,288	8,136
Others		33,313	-	32,921	-
	₩	115,107	1,272,102	114,337	1,251,241

13. Investments in Associates and Joint Ventures

(a) Investments in associates as of March 31, 2017 and December 31, 2016 are as follows:

			Ownership	
Company	Location	Key operating activities	March 31, 2017	December 31, 2016
<Associates>				
Korea Offshore Wind Power Co., Ltd. (*)	KOREA	Offshore wind resources development	12.50%	12.50%
Noeul Green Energy Co., Ltd.	KOREA	Electricity and heat generation	29.00%	29.00%
Busan Green Energy Co., Ltd.	KOREA	Electricity and heat generation	29.00%	29.00%
Korea Nuclear Partners Co., Ltd.	KOREA	Electric material agency	29.00%	29.00%
Solar School Plant Co., Ltd. (*)	KOREA	Photovoltaic power generation electricity resources development	8.38%	8.38%
KEPCO Energy Solution Co., Ltd (*)	KOREA	Energy-efficient equipment investment services business	8.33%	8.33%
Gwangyang Green Energy Co., Ltd.	KOREA	Biomass generation	20.00%	-
<Joint ventures>				
Waterbury Lake Uranium Limited Partnership	CANADA	Uranium resources development	36.97%	36.97%

(*) Korea Offshore Wind Power Co., Ltd., Solar School Plant Co., Ltd. and KEPCO Energy Solution Co., Ltd. are included in the scope of investments in associates as the Group can exercise significant influence according to the shareholder agreement.

13. Investments in Associates and Joint Ventures, Continued

(b) Changes in investments in associates for the three-month period ended March 31, 2017 and for the year ended December 31, 2016 are as follows:

(i) March 31, 2017

(In millions of won)

Company		January 1, 2017	Acquisition	Share of profit (loss)	Changes in equity	Disposals	Others	March 31, 2017
<Associates>								
Korea Offshore Wind Power Co., Ltd.	₩	4,472	-	(114)	-	-	-	4,358
Noeul Green Energy Co., Ltd.		1,218	-	(128)	-	-	-	1,090
Busan Green Energy Co., Ltd.		13,803	-	(134)	-	-	-	13,669
Korea Nuclear Partners Co., Ltd.		248	-	24	-	-	-	272
Solar School Plant Co., Ltd.		16,752	-	19	-	-	-	16,771
KEPCO Energy Solution Co., Ltd.		24,975	-	49	-	-	-	25,024
Gwangyang Green Energy Co., Ltd.		-	2,000	(9)	-	-	-	1,991
Sub-total	₩	61,468	2,000	(293)	-	-	-	63,175
<Joint ventures>								
Waterbury Lake Uranium Limited Partnership.		20,753	-	-	(1,343)	-	-	19,410
	₩	82,221	2,000	(293)	(1,343)	-	-	82,585

13. Investments in Associates and Joint Ventures, Continued

(b) Changes in investments in associates for the three-month period ended March 31, 2017 and for the year ended December 31, 2016 are as follows, continued:

(ii) December 31, 2016

(In millions of won)

Company		January 1, 2016	Acquisition	Share of profit (loss)	Changes in equity	Disposals	Others	December 31, 2016
<Associates>								
Korea Imouraren Uranium Investment Corp.(*1)	₩	89,695	-	(56,295)	28,046	-	(61,446)	-
Kepco Canada Uranium Investment Limited Partnership(*2)		9,678	24,241	732	4,569	(39,220)	-	-
Korea Waterbury Uranium Limited Partnership(*1)		4,910	25	1,508	1,657	-	(8,100)	-
Korea Offshore Wind Power Co., Ltd.		658	4,500	(620)	(66)	-	-	4,472
Yeong Wol Energy Station Co., Ltd. (*3)		1,289	-	85	26	-	(1,400)	-
Noeul Green Energy Co., Ltd.		295	1,340	(417)	-	-	-	1,218
Busan Green Energy Co., Ltd.		14,512	-	(709)	-	-	-	13,803
Korea Nuclear Partners Co., Ltd.		289	-	(41)	-	-	-	248
Solar School Plant Co., Ltd.		-	16,750	2	-	-	-	16,752
KEPCO Energy Solution Co., Ltd.		-	25,000	(25)	-	-	-	24,975
Sub-total	₩	121,326	71,856	(55,780)	34,232	(39,220)	(70,946)	61,468
<Joint ventures>								
Waterbury Lake Uranium Limited Partnership. (*4)		-	-	-	-	-	20,753	20,753
	₩	121,326	71,856	(55,780)	34,232	(39,220)	(50,193)	82,221

(*1) This company has been classified as a subsidiary during 2016 due to additional acquisition of shares.
(*2) KEPCO Canada Uranium Investment Limited Partnership was dissolved during the year ended December 31, 2016.
(*3) The Group reclassified investments in Yeongwol Energy Station Co., Ltd. to assets held-for-sale according to the shareholder's agreement.

13. Investments in associates and Joint Ventures, Continued

(b) Changes in investments in associates for the three-month period ended March 31, 2017 and for the year ended December 31, 2016 are as follows, continued:

(ii) December 31, 2016, continued

(*4) The acquisition cost is the carrying amount recognized previously in the consolidated financial statements of the ultimate parent, KEPCO, as of the date of business combination. The original acquisition cost of the equity interest in Waterbury Lake Uranium Limited Partnership held by Korea Waterbury Uranium Limited Partnership in KEPCO's consolidated financial statements amounted to ₩26,602 million.

(c) The summary financial information of investments accounted for using the equity method as of and for the three-month period ended March 31, 2017 and as of and for the year ended December 31, 2016 are as follows:

(i) March 31, 2017

(In millions of won)

Company		Total assets	Total liabilities	Revenue	Net profit (loss)
<Associates>					
Korea Offshore Wind Power Co., Ltd.	₩	34,937	74	-	(915)
Noeul Green Energy Co., Ltd.		124,484	120,728	5,356	(440)
Busan Green Energy Co., Ltd.		155,450	108,315	-	(461)
Korea Nuclear Partners Co., Ltd.		1,417	478	212	83
Solar School Plant Co., Ltd.		200,602	352	4	241
KEPCO Energy Solution Co., Ltd.		300,604	313	-	590
Gwangyang Green Energy Co., Ltd.		9,892	25	372	(44)
<Joint ventures>					
Waterbury Lake Uranium Limited Partnership		53,350	133	-	-

(ii) December 31, 2016

(In millions of won)

Company		Total assets	Total liabilities	Revenue	Net profit (loss)
<Associates>					
Korea Offshore Wind Power Co., Ltd.	₩	37,826	2,048	-	(4,960)
Noeul Green Energy Co., Ltd.		115,062	110,866	203	(1,155)
Busan Green Energy Co., Ltd.		147,843	100,247	-	(2,444)
Korea Nuclear Partners Co., Ltd.		1,363	507	372	(140)
Solar School Plant Co., Ltd.		200,268	259	1	9
KEPCO Energy Solution Co., Ltd.		299,933	233	-	(300)
<Joint ventures>					
Waterbury Lake Uranium Limited Partnership		56,181	47	-	-

14. Property, Plant and Equipment

(a) Property, plant and equipment as of March 31, 2017 and December 31, 2016 are as follows:

(i) March 31, 2017

(In millions of won)		Acquisition cost	Government grants	Accumulated depreciation	Carrying amount
Land	₩	2,443,120	-	-	2,443,120
Buildings		7,411,196	(115)	(2,224,988)	5,186,093
Structures		4,460,389	(11,102)	(1,627,180)	2,822,107
Machineries		22,225,422	(16,584)	(7,819,570)	14,389,268
Ships		1,965	-	(1,489)	476
Vehicles		35,700	(294)	(28,746)	6,660
Fixtures and furniture		407,778	(285)	(289,040)	118,453
Tools		347,085	(228)	(292,841)	54,016
Construction-in-progress		11,517,697	-	-	11,517,697
Finance lease assets		908,990	-	(244,968)	664,022
Asset retirement costs		6,834,582	-	(2,962,031)	3,872,551
Loaded nuclear fuels		10,813,646	-	(8,462,401)	2,351,245
	₩	67,407,570	(28,608)	(23,953,254)	43,425,708

(ii) December 31, 2016

(In millions of won)		Acquisition cost	Government grants	Accumulated depreciation	Carrying amount
Land	₩	2,443,574	-	-	2,443,574
Buildings		7,359,515	(120)	(2,144,223)	5,215,172
Structures		4,445,615	(11,250)	(1,579,662)	2,854,703
Machineries		21,782,541	(17,056)	(7,468,645)	14,296,840
Ships		1,965	-	(1,462)	503
Vehicles		32,896	-	(28,028)	4,868
Fixtures and furniture		395,578	(324)	(278,156)	117,098
Tools		340,250	(279)	(288,031)	51,940
Construction-in-progress		11,538,394	-	-	11,538,394
Finance lease assets		908,456	-	(237,204)	671,252
Asset retirement costs		6,869,769	-	(2,906,423)	3,963,346
Loaded nuclear fuels		10,589,945	-	(8,246,512)	2,343,433
	₩	66,708,498	(29,029)	(23,178,346)	43,501,123

14. Property, Plant and Equipment, Continued

(b) Changes in property, plant and equipment for the three-month period ended March 31, 2017 and for the year ended December 31, 2016 are as follows:

(i) March 31, 2017

(In millions of won)		January 1, 2017	Acquisitions/ Capitalization	Disposals	Depreciation (*1)	Others (*2)	March 31, 2017
Land	₩	2,443,574	-	(2,861)	-	2,407	2,443,120
Buildings		5,215,292	-	-	(80,788)	51,704	5,186,208
(Government grants)		(120)	-	-	5	-	(115)
Structures		2,865,953	-	(66)	(47,599)	14,921	2,833,209
(Government grants)		(11,250)	-	-	148	-	(11,102)
Machineries		14,313,896	3,941	(82)	(351,009)	439,106	14,405,852
(Government grants)		(17,056)	-	-	516	(44)	(16,584)
Ships		503	-	-	(27)	-	476
Vehicles		4,868	142	-	(754)	2,698	6,954
(Government grants)		-	-	-	6	(300)	(294)
Fixtures and furniture		117,422	3,847	(2)	(12,948)	10,419	118,738
(Government grants)		(324)	-	-	39	-	(285)
Tools		52,219	1,344	-	(6,525)	7,206	54,244
(Government grants)		(279)	-	-	51	-	(228)
Construction-in-progress		11,538,394	417,431	-	-	(438,128)	11,517,697
Finance lease assets		671,252	-	-	(7,764)	534	664,022
Asset retirement costs		3,963,346	-	-	(137,488)	46,693	3,872,551
Loaded nuclear fuels		2,343,433	-	-	(215,889)	223,701	2,351,245
	₩	43,501,123	426,705	(3,011)	(860,026)	360,917	43,425,708

(*1) Depreciation expenses are recorded in cost of sales, selling and administrative expenses and other income and expenses.
(*2) Include transfer from raw materials to loaded nuclear fuels and increase in the costs related to provision for decommissioning cost.

14. Property, Plant and Equipment, Continued

(b) Changes in property, plant and equipment for the three-month period ended March 31, 2017 and for the year ended December 31, 2016 are as follows, continued:

(ii) December 31, 2016

(In millions of won)		January 1, 2016	Acquisitions/ Capitalization	Disposals	Depreciation (*1)	Others (*2)	December 31, 2016
Land	₩	2,248,193	270	(20,903)	-	216,014	2,443,574
Buildings		4,048,981	-	(2,835)	(297,168)	1,466,314	5,215,292
(Government grants)		(141)	-	-	21	-	(120)
Structures		2,843,141	-	(2)	(189,865)	212,679	2,865,953
(Government grants)		(11,842)	-	-	592	-	(11,250)
Machineries		13,017,786	1,008	(376)	(1,236,742)	2,532,220	14,313,896
(Government grants)		(19,042)	-	-	2,056	(70)	(17,056)
Ships		613	-	-	(156)	46	503
Vehicles		7,296	335	(1)	(4,358)	1,596	4,868
Fixtures and furniture		71,320	48,073	(208)	(42,435)	40,672	117,422
(Government grants)		(476)	-	-	158	(6)	(324)
Tools		46,805	6,602	(12)	(26,495)	25,319	52,219
(Government grants)		(445)	-	-	200	(34)	(279)
Construction-in-progress		13,605,175	1,870,785	-	-	(3,937,566)	11,538,394
Finance lease assets		605,826	-	-	(29,734)	95,160	671,252
Asset retirement costs		4,020,258	-	-	(509,618)	452,706	3,963,346
Loaded nuclear fuels		2,219,845	-	-	(851,645)	975,233	2,343,433
	₩	42,703,293	1,927,073	(24,337)	(3,185,189)	2,080,283	43,501,123

(*1) Depreciation expenses are recorded in cost of sales, selling and administrative expenses and other income and expenses.
(*2) Include transfer from raw materials to loaded nuclear fuels and increase in the costs related to provision for decommissioning cost.

15. Government Grants

(a) Government grants as of March 31, 2017 and December 31, 2016 are as follows:

(In millions of won)		**March 31, 2017**	**December 31, 2016**
Property, plant and equipment			
Buildings	₩	115	120
Structures		11,102	11,250
Machineries		16,584	17,056
Vehicles		294	-
Fixtures and furniture		285	324
Tools		228	279
Sub-total		28,608	29,029
Intangible assets			
Computer software		253	281
Development costs		24	24
Sub-total		277	305
	₩	28,885	29,334

(b) Changes in government grants for the three-month period ended March 31, 2017 and for the year ended December 31, 2016 are as follows:

(i) March 31, 2017

(In millions of won)		**January 1, 2017**	**Depreciation/ Amortization**	**Others**	**March 31, 2017**
Property, plant and equipment					
Buildings	₩	120	(5)	-	115
Structures		11,250	(148)	-	11,102
Machineries		17,056	(516)	44	16,584
Vehicles		-	(6)	300	294
Fixtures and furniture		324	(39)	-	285
Tools		279	(51)	-	228
Sub-total		29,029	(765)	344	28,608
Intangible assets					
Computer software		281	(28)	-	253
Development costs		24	-	-	24
Sub-total		305	(28)	-	277
	₩	29,334	(793)	344	28,885

15. Government Grants, Continued

(b) Changes in government grants for the three-month period ended March 31, 2017 and for the year ended December 31, 2016 are as follows, continued:

(ii) December 31, 2016

(In millions of won)		**January 1, 2016**	**Depreciation/ Amortization**	**Others**	**December 31, 2016**
Property, plant and equipment					
Buildings	₩	141	(21)	-	120
Structures		11,842	(592)	-	11,250
Machineries		19,042	(2,056)	70	17,056
Fixtures and furniture		476	(158)	6	324
Tools		445	(200)	34	279
Sub-total		31,946	(3,027)	110	29,029
Intangible assets					
Computer software		341	(100)	40	281
Development costs		-	-	24	24
Sub-total		341	(100)	64	305
	₩	32,287	(3,127)	174	29,334

16. Construction Contracts

(a) Changes in the balance of construction contracts for the three-month period ended March 31, 2017 are as follows:

(In millions of won)		January 1, 2017	Increase in new orders and others	Recognition of contract revenue	March 31, 2017
Chameliya hydroelectric power plant construction	₩	1,087	-	46	1,041

(b) Construction income recognized in ongoing construction contracts as of March 31, 2017 and December 31, 2016 are as follows:

(i) March 31, 2017

(In millions of won)		Accumulative contracts income	Accumulative contracts cost	Accumulative net income
Chameliya hydroelectric power plant construction	₩	15,198	(13,343)	1,855

(ii) December 31, 2016

(In millions of won)		Accumulative contracts income	Accumulative contracts cost	Accumulative net income
Chameliya hydroelectric power plant construction	₩	15,152	(13,297)	1,855

(c) Contracts due from and due to customers as of March 31, 2017 and December 31, 2016 are as follows:

(In millions of won)		March 31, 2017	December 31, 2016
Chameliya hydroelectric power plant construction:			
Due to customers for contract work	₩	1,948	1,902

17. Intangible Assets

(a) Intangible assets as of March 31, 2017 and December 31, 2016 are as follows:

(i) March 31, 2017

(In millions of won)		Acquisition cost	Government grants	Accumulated amortization	Accumulated impairment losses	Carrying amount
Computer software	₩	59,335	(253)	(41,228)	-	17,854
Industrial rights		2,313	-	(1,182)	-	1,131
Development cost		132,179	(24)	(114,221)	-	17,934
Intangible assets under development		21,839	-	-	-	21,839
Land use rights		2,706	-	(377)	-	2,329
Others						
Loading and unloading facilities rights		28,571	-	(11,769)	-	16,802
Dam use rights		6,274	-	(1,358)	-	4,916
Memberships		1,158	-	-	(359)	799
Others (*)		15,907	-	(8,858)	-	7,049
	₩	270,282	(277)	(178,993)	(359)	90,653

(*) Include rights to use nuclear energy facility, rights to use hospitals for local residents in the nuclear plant district, rights to use advertisement billboard and others.

(ii) December 31, 2016

(In millions of won)		Acquisition cost	Government grants	Accumulated amortization	Accumulated impairment losses	Carrying amount
Computer software	₩	59,062	(281)	(39,168)	-	19,613
Industrial rights		2,313	-	(1,124)	-	1,189
Development cost		125,715	(24)	(112,655)	-	13,036
Intangible assets under development		21,479	-	-	-	21,479
Land use rights		2,706	-	(312)	-	2,394
Others						
Loading and unloading facilities rights		28,571	-	(11,297)	-	17,274
Dam use rights		6,274	-	(1,322)	-	4,952
Memberships		1,158	-	-	(359)	799
Others (*)		15,868	-	(8,718)	-	7,150
	₩	263,146	(305)	(174,596)	(359)	87,886

(*) Include rights to use nuclear energy facility, rights to use hospitals for local residents in the nuclear plant district, rights to use advertisement billboard and others.

17. Intangible Assets, Continued

(b) Changes in intangible assets for the three-month period ended March 31, 2017 and for the year ended December 31, 2016 are as follows:

(i) March 31, 2017

(In millions of won)		January 1, 2017	Acquisition/ Capitalization	Disposal	Amortization (*)	Others	March 31, 2017
Computer software	₩	19,894	117	-	(1,702)	(202)	18,107
(Government grants)		(281)	-	-	28	-	(253)
Industrial rights		1,189	-	-	(4)	(54)	1,131
Development cost		13,060	-	-	(905)	5,803	17,958
(Government grants)		(24)	-	-	-	-	(24)
Intangible assets under development		21,479	675	-	-	(315)	21,839
Land use rights		2,394	-	-	(65)	-	2,329
Others							
Loading and unloading facilities rights		17,274	-	-	(472)	-	16,802
Dam use rights		4,952	-	-	(36)	-	4,916
Memberships		799	-	-	-	-	799
Others		7,150	-	-	(114)	13	7,049
	₩	87,886	792	-	(3,270)	5,245	90,653

(*) Amortization expenses are recorded in cost of sales, selling and administrative expenses and other income and expenses.

.

(ii) December 31, 2016

(In millions of won)		January 1, 2016	Acquisition/ Capitalization	Disposal	Amortization (*)	Others	December 31, 2016
Computer software	₩	11,886	11,375	-	(5,406)	2,039	19,894
(Government grants)		(341)	-	-	100	(40)	(281)
Industrial rights		1,259	-	-	(10)	(60)	1,189
Development cost		10,330	-	-	(4,817)	7,547	13,060
(Government grants)		-	-	-	-	(24)	(24)
Intangible assets under development		21,063	7,164	-	-	(6,748)	21,479
Land use rights		-	-	-	(194)	2,588	2,394
Others							
Loading and unloading facilities rights		19,164	-	-	(1,890)	-	17,274
Dam use rights		5,097	-	-	(145)	-	4,952
Memberships		799	-	-	-	-	799
Others		7,573	-	(84)	(449)	110	7,150
	₩	76,830	18,539	(84)	(12,811)	5,412	87,886

(*) Amortization expenses are recorded in cost of sales, selling and administrative expenses and other income and expenses.

18. Borrowing Costs

Borrowing costs capitalized for the three-month periods ended March 31, 2017 and 2016 are as follows:

(In millions of won)		March 31, 2017	March 31, 2016
Amount of capitalization:			
Construction-in-progress	₩	66,646	78,440
Intangible assets under development and others		7,368	6,630
	₩	74,014	85,070
Capitalization ratio		3.58%	3.55%

19. Financial Liabilities at Fair Value Through Profit or Loss

Financial liabilities at fair value through profit or loss as of March 31, 2017 and December 31, 2016 are as follows:

		March 31, 2017		December 31, 2016	
(In millions of won)		Current	Non-current	Current	Non-current
Derivative instruments	₩	35	35,288	-	-

20. Trade Accounts and Other Payables

Trade accounts and other payables as of March 31, 2017 and December 31, 2016 are as follows:

		March 31, 2017		December 31, 2016	
(In millions of won)		Current	Non-current	Current	Non-current
Trade accounts payable	₩	16,870	-	168,348	-
Other accounts payable (*)		396,434	2,955,054	434,325	2,940,340
Accrued expenses		372,376	-	401,325	-
Leasehold deposits received		1,244	-	1,245	-
Other deposits received		2,290	-	2,408	-
Dividends payable		543,072	-	-	-
	₩	1,332,286	2,955,054	1,007,651	2,940,340

(*) As of March 31, 2017 and December 31, 2016, ₩2,909,409 million and ₩2,878,053 million, respectively, are accrued expenses related to spent fuel management charges and are to be paid out in installments over a 15-year period from 2014.

21. Borrowings and Bonds

(a) Borrowings as of March 31, 2017 and December 31, 2016 are as follows:

(In millions of won)		March 31, 2017	December 31, 2016
Current liabilities:			
Current portion of long-term borrowings	₩	16,204	16,031
Current portion of long-term bonds		928,050	681,700
Less: discount on bonds		(98)	(72)
Sub-total		944,156	697,659
Non-current liabilities:			
Long-term borrowings		203,968	208,085
Bonds		7,132,835	7,872,525
Less: discount on bonds		(32,992)	(36,804)
Sub-total		7,303,811	8,043,806
	₩	8,247,967	8,741,465

(b) The Group has no short-term borrowings as of March 31, 2017 and December 31, 2016.

21. Borrowings and Bonds, Continued

(c) Long-term borrowings as of March 31, 2017 and December 31, 2016 are as follows:

(i) March 31, 2017

(In millions of won)

Financial institution	Type	Maturity	Interest rate		March 31, 2017
Korea Resources Corporation	Resource development loan	2024.09.15	Treasury notes (3M)-2.25%	₩	1,352
		2025.03.15	Treasury notes (3M)-2.25%		4,519
		2025.12.15	Treasury notes (3M)-2.25%		1,584
		-	Treasury notes (3M)-2.25%		4,445
Korea Development Bank	Facility loan	2028.06.24	4.60%		36,092
Samsung Life Insurance Co., Ltd.		2028.06.24	4.60%		16,556
Samsung Fire & Marine Insurance Co., Ltd.		2028.06.24	4.60%		28,973
KB Insurance Co., Ltd.		2028.06.24	4.60%		27,317
Hyundai Marine & Fire Insurance Co., Ltd.		2028.06.24	4.60%		24,833
Dongbu Insurance Co., Ltd.		2028.06.24	4.60%		16,556
Hana Bank		2028.06.24	4.60%		16,556
Samsung Life Insurance Co., Ltd.		2028.06.24	Corporate bonds+1.1%		16,556
Shinhan Bank		2028.06.24	Corporate bonds+1.1%		24,833
					220,172
Less: current portion					(16,204)
				₩	203,968

21. Borrowings and Bonds, Continued

(c) Long-term borrowings as of March 31, 2017 and December 31, 2016 are as follows, continued:

(ii) December 31, 2016

(In millions of won)

Financial institution	Type	Maturity	Interest rate		December 31, 2016
Korea Resources Corporation	Resource development loan	2024.09.15	Treasury notes (3M)-2.25%	₩	1,397
		2025.03.15	Treasury notes (3M)-2.25%		4,660
		2025.12.15	Treasury notes (3M)-2.25%		1,629
		-	Treasury notes (3M)-2.25%		4,445
Korea Development Bank	Facility loan	2028.06.24	4.60%		36,735
Samsung Life Insurance Co., Ltd.		2028.06.24	4.60%		16,851
Samsung Fire & Marine Insurance Co., Ltd.		2028.06.24	4.60%		29,489
KB Insurance Co., Ltd.		2028.06.24	4.60%		27,804
Hyundai Marine & Fire Insurance Co., Ltd.		2028.06.24	4.60%		25,276
Dongbu Insurance Co., Ltd.		2028.06.24	4.60%		16,851
Hana Bank		2028.06.24	4.60%		16,851
Samsung Life Insurance Co., Ltd.		2028.06.24	Corporate bonds+1.1%		16,851
Shinhan Bank		2028.06.24	Corporate bonds+1.1%		25,277
					224,116
Less: current portion					(16,031)
				₩	208,085

21. Borrowings and Bonds, Continued

(d) Bonds as of March 31, 2017 and December 31, 2016 are as follows:

(In millions of won)

	Issue	Maturity	Interest rate		March 31, 2017	December 31, 2016
Corporate bond #8	2009.05.04	2019.05.04	5.28%	₩	120,000	120,000
Corporate bond #9-1	2009.10.16	2024.10.16	5.72%		30,000	30,000
Corporate bond #9-2	2009.10.16	2029.10.16	5.74%		70,000	70,000
Corporate bond #11	2009.11.06	2029.11.06	5.84%		100,000	100,000
Corporate bond #14	2010.04.20	2020.04.20	5.10%		100,000	100,000
Corporate bond #15-2	2010.05.10	2017.05.10	5.11%		160,000	160,000
Corporate bond #17-1	2010.12.10	2020.12.10	4.60%		80,000	80,000
Corporate bond #17-2	2010.12.10	2040.12.10	5.06%		100,000	100,000
Corporate bond #24	2009.07.07	2019.07.07	5.39%		100,000	100,000
Corporate bond #26-1	2011.03.25	2021.03.25	4.66%		100,000	100,000
Corporate bond #26-2	2011.03.25	2031.03.25	4.89%		100,000	100,000
Corporate bond #27-2	2011.04.15	2021.04.15	4.68%		100,000	100,000
Corporate bond #27-3	2011.04.15	2031.04.15	4.88%		100,000	100,000
Corporate bond #28	2011.07.01	2026.07.01	4.56%		100,000	100,000
Corporate bond #29-2	2011.12.08	2021.12.08	4.04%		100,000	100,000
Corporate bond #29-3	2011.12.08	2031.12.08	4.26%		100,000	100,000
Corporate bond #30-1	2012.01.19	2017.01.19	-		-	40,000
Corporate bond #30-2	2012.01.19	2022.01.19	4.04%		120,000	120,000
Corporate bond #30-3	2012.01.19	2032.01.19	4.24%		50,000	50,000
Corporate bond #31-1	2012.03.20	2017.03.20	-		-	50,000
Corporate bond #31-2	2012.03.20	2022.03.20	4.15%		100,000	100,000
Corporate bond #31-3	2012.03.20	2032.03.20	4.32%		150,000	150,000
Corporate bond #32-1	2012.04.26	2017.04.26	3.80%		50,000	50,000
Corporate bond #32-2	2012.04.26	2022.04.26	3.97%		90,000	90,000
Corporate bond #32-3	2012.04.26	2032.04.26	4.14%		130,000	130,000
Corporate bond #33-1	2012.05.18	2022.05.18	3.82%		100,000	100,000
Corporate bond #33-2	2012.05.18	2032.05.18	4.01%		100,000	100,000
Corporate bond #34-1	2012.07.13	2022.07.13	3.54%		90,000	90,000
Corporate bond #34-2	2012.07.13	2032.07.13	3.71%		100,000	100,000
Corporate bond #35-1	2013.01.18	2018.01.18	2.98%		70,000	70,000
Corporate bond #35-2	2013.01.18	2023.01.18	3.15%		90,000	90,000
Corporate bond #35-3	2013.01.18	2033.01.18	3.32%		100,000	100,000
Corporate bond #36-1	2013.03.28	2018.03.28	2.78%		90,000	90,000
Corporate bond #36-2	2013.03.28	2023.03.28	2.98%		100,000	100,000
Corporate bond #36-3	2013.03.28	2033.03.28	3.19%		100,000	100,000
Corporate bond #37-1	2013.04.26	2018.04.26	2.77%		40,000	40,000
Corporate bond #37-2	2013.04.26	2023.04.26	2.93%		100,000	100,000
Corporate bond #37-3	2013.04.26	2033.04.26	3.12%		120,000	120,000

21. Borrowings and Bonds, Continued

(d) Bonds as of March 31, 2017 and December 31, 2016 are as follows, continued:

(In millions of won)	Issue	Maturity	Interest rate		March 31, 2017	December 31, 2016
Corporate bond #38-1	2013.07.19	2018.07.19	3.38%	₩	50,000	50,000
Corporate bond #38-2	2013.07.19	2023.07.19	3.62%		100,000	100,000
Corporate bond #38-3	2013.07.19	2033.07.19	3.88%		90,000	90,000
Corporate bond #39-2	2013.10.18	2023.10.18	3.71%		90,000	90,000
Corporate bond #40-2	2013.11.22	2023.11.22	3.92%		140,000	140,000
Corporate bond #41-1	2014.01.17	2017.01.17	-		-	140,000
Corporate bond #41-2	2014.01.17	2024.01.17	3.86%		130,000	130,000
Corporate bond #42-1	2014.04.25	2019.04.25	3.30%		10,000	10,000
Corporate bond #42-2	2014.04.25	2024.04.25	3.68%		100,000	100,000
Corporate bond #42-3	2014.04.25	2034.04.25	3.89%		100,000	100,000
Corporate bond #43-1	2014.12.18	2019.12.18	2.44%		60,000	60,000
Corporate bond #43-2	2014.12.18	2024.12.18	2.80%		220,000	220,000
Corporate bond #43-3	2014.12.18	2034.12.18	3.07%		90,000	90,000
Corporate bond #44-1	2015.06.29	2020.06.29	2.31%		60,000	60,000
Corporate bond #44-2	2015.06.29	2025.06.29	2.70%		40,000	40,000
Corporate bond #44-3	2015.06.29	2035.06.29	2.94%		150,000	150,000
					4,880,000	5,110,000
Less: discount on bonds					(8,534)	(11,178)
Less: current portion					(369,908)	(569,632)
				₩	4,501,558	4,661,193

21. Borrowings and Bonds, Continued

(e) Foreign bonds as of March 31, 2017 and December 31, 2016 are as follows:

(In millions of won, in thousands of USD)

				March 31, 2017		December 31, 2016	
	Issue	**Maturity**	**Interest rate**	**USD**	**Won equivalents**	**USD**	**Won equivalents**
Global bond #3	2011.07.13	2021.07.13	4.75%	500,000	558,050	500,000	604,250
Global bond #4	2012.09.19	2022.09.19	3.00%	750,000	837,075	750,000	906,375
Global bond #5	2013.10.02	2018.10.02	2.88%	500,000	558,050	500,000	604,250
Global bond #6	2014.10.28	2019.10.28	2.38%	300,000	334,830	300,000	362,550
Global bond #7	2015.06.15	2025.06.15	3.25%	300,000	334,830	300,000	362,550
Foreign FRN 1	2013.02.20	2018.02.20	Libor 3M+0.84%	300,000	334,830	300,000	362,550
Foreign FRN 2	2014.05.22	2017.05.22	Libor 3M+0.78%	200,000	223,220	200,000	241,700
				$ 2,850,000	3,180,885	$ 2,850,000	₩ 3,444,225
Less: discount on bonds					(24,556)		(28,020)
Less: current portion					(558,044)		(241,677)
					₩ 2,598,285		₩ 3,174,528

22. Finance Lease Liabilities

(a) Lease contracts

The Group has entered into financing lease agreements for their power transmission connection facility. Pursuant to the agreement, the lease terms are from 8 to 32 years, no bargain purchase option exists at the end of the lease terms, and the legal ownership of the leased assets of carrying amounts of ₩664,022 million and ₩671,252 million as of March 31, 2017 and December 31, 2016, respectively is retained by the lessor.

(b) As of March 31, 2017, the Group does not have finance lease liabilities.

(c) As of March 31, 2017, the Group does not have non-cancelable operating lease agreements for the use of assets.

23. Retirement Benefit Obligations

(a) Defined contribution plans

For the three-month periods ended March 31, 2017 and 2016, retirement benefit expenses of ₩8,734 million and ₩8,013 million, respectively were recognized in the consolidated statements of comprehensive income and represent contribution amounts paid to retirement benefit plans in accordance with a ratio defined in retirement benefit plans. For the three-month periods ended March 31, 2017 and 2016, the Group recognized cost of sales of ₩5,564 million and ₩5,581 million, respectively; selling and administrative expenses of ₩354 million and ₩343 million, respectively; and others of ₩2,816 million and ₩2,089 million, respectively. As of March 31, 2017, there is no liability for retirement benefits since the entire amount has been paid. There is no contribution of non-payment with should be recognized as a liability.

23. Retirement Benefit Obligations, Continued

(b) Defined benefit plans

(i) The principal assumptions as of March 31, 2017 and December 31, 2016 are as follows:

	March 31, 2017	December 31, 2016
Discount rate	2.35% ~ 2.68%	2.35% ~ 2.57%
Future salary and benefit levels	2.00% ~ 7.30%	2.00% ~ 7.30%

(ii) Details of the Group's expense relating to its retirement benefit obligations for the three-month periods ended March 31, 2017 and 2016 are as follows:

(In millions of won)		March 31, 2017	March 31, 2016
Current service cost	₩	18,617	16,503
Interest cost		3,399	2,770
Expected return on plan assets		(1,515)	(934)
Transfer to other accounts		(5,787)	(5,047)
	₩	14,714	13,292

The Group recognized these expenses as payments to employee benefits. For the three-month periods ended March 31, 2017 and 2016, the Group recognized cost of sales of ₩13,768 million and ₩12,408 million, respectively; selling and administrative expenses of ₩946 million and ₩884 million, respectively; and others of ₩5,787 million and ₩5,047 million, respectively.

(iii) The amounts recognized in the consolidated statements of financial position related to retirement benefit obligations as of March 31, 2017 and December 31, 2016 are as follows:

(In millions of won)		March 31, 2017	December 31, 2016
Present value of defined benefit obligations	₩	620,493	597,572
Fair value of plan assets		(237,019)	(235,900)
Retirement benefit obligations	₩	383,474	361,672

(iv) Changes in present value of retirement benefit obligations for the three-month period ended March 31, 2017 and for the year ended December 31, 2016 are as follows:

(In millions of won)		March 31, 2017	December 31, 2016
Beginning balance	₩	597,572	453,019
Current service cost		18,617	74,695
Interest cost		3,399	12,533
Remeasurement component		3,500	75,085
Actual payments		(2,595)	(17,760)
Ending balance	₩	620,493	597,572

23. Retirement Benefit Obligations, Continued

(b) Defined benefit plans, continued

(v) Changes in fair value of plan assets for the three-month period ended March 31, 2017 and for the year ended December 31, 2016 are as follows:

(In millions of won)		March 31, 2017	December 31, 2016
Beginning balance	₩	235,900	148,404
Expected return on plan assets		1,515	4,002
Remeasurement component		(194)	(891)
Contribution from the employer		-	92,200
Actual payments		(202)	(7,815)
Ending balance	₩	237,019	235,900

In addition, accumulated loss on remeasurement component amounted to ₩40,883 million and ₩38,083 million was recognized as other comprehensive income as of March 31, 2017 and December 31, 2016, respectively.

(vi) Types of plan assets and fair value of plan assets as of March 31, 2017 and December 31, 2016 are as follows:

(In millions of won)		March 31, 2017	December 31, 2016
Equity instruments	₩	81,130	80,568
Liability instruments		41,972	42,538
Bank deposits		21,628	27,050
Others		92,289	85,744
	₩	237,019	235,900

Actual return on plan assets for the three-month periods ended March 31, 2017 and 2016 are ₩1,321 million and ₩902 million, respectively.

(vii) Remeasurement component recognized in other comprehensive income for the three-month period ended March 31, 2017 and for the year ended December 31, 2016 are as follows:

(In millions of won)		March 31, 2017	December 31, 2016
Actuarial gain or loss arising from changes in demographic assumptions	₩	-	-
Actuarial gain or loss arising from changes in financial assumptions		7,930	3,492
Experience adjustments		(11,430)	(78,577)
Return on plan assets		(194)	(891)
	₩	(3,694)	(75,976)

23. Retirement Benefit Obligations, Continued

(c) The amounts recognized in the consolidated statements of financial position related to employee benefits obligations other than retirement benefit obligation as of March 31, 2017 and December 31, 2016 are as follows:

(In millions of won)		March 31, 2017	December 31, 2016
Other employee benefit obligation			
Long-term employee paid annual leave	₩	2,240	2,290
	₩	2,240	2,290

24. Provisions

(a) Provisions as of March 31, 2017 and December 31, 2016 are as follows:

		March 31, 2017		December 31, 2016	
(In millions of won)		Current	Non-current	Current	Non-current
Provisions for employee benefits	₩	128,224	-	120,196	-
Provisions for litigation		-	6,196	-	93,096
Provisions for decommissioning cost					
Nuclear plants		-	10,286,203	-	10,195,928
Spent fuel		-	1,374,560	-	1,374,225
Radioactive waste		-	1,372,488	-	1,375,548
Provisions for greenhouse gas emission		33,795	-	18,363	-
Others					
Provisions for power plant regional support program		207,027	-	152,851	-
Provisions related to tax		-	136	-	136
Provisions for renewable portfolio standard		177,504	-	130,202	-
	₩	546,550	13,039,583	421,612	13,038,933

24. Provisions, Continued

(b) Changes in provisions for the three-month period ended March 31, 2017 and for the year ended December 31, 2016 are as follows:

(i) March 31, 2017

(In millions of won)		January 1, 2017	Charged to profit and loss for the year	Payment	Reversal	Other	March 31, 2017
Provisions for employee benefits	₩	120,196	32,171	(24,143)	-	-	128,224
Provisions for litigation		93,096	888	(88,056)	-	268	6,196
Provisions for decommissioning cost							
Nuclear plants		10,195,928	90,519	(244)	-	-	10,286,203
Spent fuel		1,374,225	102,035	(101,700)	-	-	1,374,560
Radioactive waste		1,375,548	4,263	(7,323)	-	-	1,372,488
Provisions for greenhouse gas emission		18,363	15,432	-	-	-	33,795
Others							
Provisions for power plant regional support program		152,851	49,559	(6,138)	-	10,755	207,027
Provisions related to tax		136	-	-	-	-	136
Provisions for renewable portfolio standard		130,202	85,476	(38,174)	-	-	177,504
	₩	13,460,545	380,343	(265,778)	-	11,023	13,586,133

24. Provisions, Continued

(b) Changes in provisions for the three-month period ended March 31, 2017 and for the year ended December 31, 2016 are as follows, continued:

(ii) December 31, 2016

(In millions of won)		**January 1, 2016**	**Charged to profit and loss for the year**	**Payment**	**Reversal**	**Other**	**December 31, 2016**
Provisions for employee benefits	₩	76,112	228,728	(184,644)	-	-	120,196
Provisions for litigation(*)		27,238	64,613	(218,332)	(893)	220,470	93,096
Provisions for decommissioning cost							
Nuclear plants		9,684,285	513,384	(1,741)	-	-	10,195,928
Spent fuel		1,375,184	469,982	(470,941)	-	-	1,374,225
Radioactive waste		1,403,434	43,846	(71,999)	-	267	1,375,548
Provisions for greenhouse gas emission		8,817	18,363	(35)	(8,782)	-	18,363
Others							
Provisions for power plant regional support program		129,654	50,252	(41,540)	-	14,485	152,851
Provisions related to tax		136	-	-	-	-	136
Provisions for renewable portfolio standard		145,273	270,975	(286,046)	-	-	130,202
	₩	12,850,133	1,660,143	(1,275,278)	(9,675)	235,222	13,460,545

(*) 'Others' primarily include the amount recognized as addition to construction-in-progress

25. Non-Financial Liabilities

Non-financial liabilities as of March 31, 2017 and December 31, 2016 are as follows:

		March 31, 2017		December 31, 2016	
(In millions of won)		Current	Non-current	Current	Non-current
Advance received	₩	1,456	-	102	-
Deferred income		1,233	-	545	-
Withholdings		13,040	-	43,837	-
Others		231,029	2,688	292,778	2,688
	₩	246,758	2,688	337,262	2,688

26. Share Capital

(a) Share capital as of March 31, 2017 and December 31, 2016 are as follows:

(In millions of won except par value and share information)

		March 31, 2017	December 31, 2016
Number of shares authorized		500,000,000	500,000,000
Par value per share	₩	5,000	5,000
Number of shares issued		242,442,838	242,442,838
Issued capital	₩	1,212,214	1,212,214

(b) Changes in share capital for the three-month period ended March 31, 2017 and for the year ended December 31, 2016 are as follows:

(Share)	March 31, 2017	December 31, 2016
Number of issued shares	242,442,838	242,442,838

(c) Share premium as of March 31, 2017 and December 31, 2016 are as follows:

(In millions of won)		March 31, 2017	December 31, 2016
Paid-in capital in excess of par value	₩	9,492,301	9,492,301

27. Retained Earnings and Dividends

(a) Retained earnings as of March 31, 2017 and December 31, 2016 are as follows:

(In millions of won)		March 31, 2017	December 31, 2016
Legal reserve (*)	₩	606,107	606,107
Voluntary reserves		9,490,204	7,578,466
Unappropriated retained earnings		4,665,667	6,555,504
	₩	14,761,978	14,740,077

(*) The Korean Commercial Code requires the Controlling Company to appropriate a legal reserve in an amount equal to at least 10% of cash dividends for each accounting period until the reserve equals 50% of stated capital. The legal reserve may be used to reduce a deficit or may be transferred to common stock in connection with a free issue of shares.

(b) Details of voluntary reserves as of March 31, 2017 and December 31, 2016 are as follows:

(In millions of won)		March 31, 2017	December 31, 2016
Reserve for business rationalization (*1)	₩	370	370
Reserve for research and human development (*2)		212,291	212,291
Reserve for investment on social overhead capital		308,840	308,840
Reserve for business expansion		5,191,328	4,235,459
Others		3,777,375	2,821,506
	₩	9,490,204	7,578,466

(*1) The Group has appropriated the majority of its tax credits as a reserve for business rationalization in accordance with the *Restriction of Special Taxation Act*. These reserves was used to reduce a deficit or transferred to capital. However, these reserves have been changed to a voluntary reserve due to changes in the aforementioned Act since December, 2002.

(*2) Reserve for research and human development is appropriated by the Group for qualified tax credits to reduce corporate tax liabilities. Remaining reserves after appropriation are available for cash dividends.

(c) Changes in retained earnings for the three-month period ended March 31, 2017 and for the year ended December 31, 2016 are as follows:

(In millions of won)		March 31, 2017	December 31, 2016
Beginning balance	₩	14,740,077	12,968,045
Profit for the year-Controlling Company		567,773	2,464,813
Dividends paid		(543,072)	(635,200)
Remeasurements of the defined benefit plan, net of tax		(2,800)	(57,581)
Ending balance	₩	14,761,978	14,740,077

27. Retained Earnings and Dividends, Continued.

(d) Dividends paid for the three-month period ended March 31, 2017 and for the year ended December 31, 2016 are as follows:

(i) March 31, 2017

(In millions of won, except share information and dividends for share)

	Number of issued shares	Treasury stocks	Number of dividend shares		Dividends per share	Dividends
Common stock	242,442,838	-	242,442,838	₩	2,240	543,072

(ii) December 31, 2016

(In millions of won, except share information and dividends for share)

	Number of issued shares	Treasury stocks	Number of dividend shares		Dividends per share	Dividends
Common stock	242,442,838	-	242,442,838	₩	2,620	635,200

27. Retained Earnings and Dividends, Continued

(e) Changes in remeasurements of the defined benefit plan for the three-month period ended March 31, 2017 and for the year ended December 31, 2016 are as follows:

(In millions of won)		March 31, 2017	December 31, 2016
At the beginning of the year	₩	(38,073)	19,508
Changes during the year		(3,694)	(75,964)
Tax effect		894	18,383
At the end of the year	₩	(40,873)	(38,073)

28. Other Components of Equity

(a) Other components of equity as of March 31, 2017 and December 31, 2016 are as follows:

(In millions of won)		March 31, 2017	December 31, 2016
Accumulated other comprehensive loss	₩	(34,924)	(36,426)
Other capital adjustments		(249)	(249)
	₩	(35,173)	(36,675)

(b) Changes in accumulated other comprehensive income for the three-month period ended March 31, 2017 and for the year ended December 31, 2016 are as follows:

(i) March 31, 2017

(In millions of won)		Net change in the unrealized fair value of available-for-sale financial assets	Foreign currency translation differences of foreign operations	Share in other comprehensive income (loss) of associates, net of tax	Total
Beginning balance	₩	(36,138)	(191)	(97)	(36,426)
Change during the year (*)		9,974	(6,221)	(1,343)	2,410
Tax effect		(2,413)	1,505	-	(908)
Ending balance	₩	(28,577)	(4,907)	(1,440)	(34,924)

(*) There was no reclassification to profit or loss during the three-month period ended March 31, 2017.

28. Other Components of Equity, Continued

(b) Changes in accumulated other comprehensive income for the three-month period ended March 31, 2017 and for the year ended December 31, 2016 are as follows, continued:

(ii) December 31, 2016

(In millions of won)		Net change in the unrealized fair value of available-for-sale financial assets	Foreign currency translation differences of foreign operations	Share in other comprehensive income (loss) of associates, net of tax	Total
Beginning balance	₩	(31,969)	(300)	(34,329)	(66,598)
Change during the year (*)		(5,499)	143	34,232	28,876
Tax effect		1,330	(34)	-	1,296
Ending balance	₩	(36,138)	(191)	(97)	(36,426)

(*) There was no reclassification to profit or loss during the year ended December 31, 2016.

(c) Other capital adjustments as of March 31, 2017 and December 31, 2016 are as follows:

(In millions of won)		March 31, 2017	December 31, 2016
Changes in paid-in capital subsidiaries	₩	(249)	(249)

29. Revenue

Revenue for the three-month periods ended March 31, 2017 and 2016 are as follows:

(In millions of won)		March 31, 2017		March 31, 2016	
		Domestic	Overseas	Domestic	Overseas
Sales of electric power					
Electric power generation (Nuclear)	₩	2,487,374	-	3,148,400	-
Electric power generation (Non-nuclear)		162,384	-	146,165	-
Sub-total		2,649,758	-	3,294,565	-
Service revenue		30,010	8,045	31,187	3,765
Construction contracts revenue		-	46	-	68
	₩	2,679,768	8,091	3,325,752	3,833

30. Selling and Administrative Expenses

(a) Selling and administrative expenses for the three-month periods ended March 31, 2017 and 2016 are as follows:

(In millions of won)		March 31, 2017	March 31, 2016
Salaries	₩	10,023	10,333
Retirement benefits		1,300	1,227
Other employee benefits		4,745	1,478
Insurance expenses		257	283
Depreciation of property, plant and equipment		8,021	3,167
Amortization of intangible assets		1,965	1,603
Commission		9,431	8,049
Advertisement		2,155	2,432
Training		243	148
Vehicles		30	32
Publication expenses		100	143
Business expenses		68	77
Rent		2,314	3,760
Communication		1,321	1,518
Taxes and dues		305	201
Supplies expenses		111	69
Utilities		391	3
Repairs		1,902	112
Ordinary development expenses		672	639
Travel expenses		270	556
Clothing expenses		2	1
Subscription		60	127
Others		3,507	5,095
	₩	49,193	41,053

30. Selling and Administrative Expenses, Continued

(b) Details of others of selling and administrative expenses for the three-month periods ended March 31, 2017 and 2016 are as follows:

(In millions of won)		March 31, 2017	March 31, 2016
Other wage	₩	2,143	2,610
Compliance costs		23	34
Award costs		13	23
Registration fees		92	199
Litigation costs		899	1,797
Meeting costs		337	432
	₩	3,507	5,095

31. Other Income and Expenses

(a) Details of other income for the three-month periods ended March 31, 2017 and 2016 are as follows:

(In millions of won)		March 31, 2017	March 31, 2016
Reversal of allowance for doubtful accounts	₩	-	21
Gain from assets contributed		2	1,328
Reparations		1,753	1,736
Rental income		1,117	921
Others		3,815	2,744
	₩	6,687	6,750

(b) Details of other expense for the three-month periods ended March 31, 2017 and 2016 are as follows:

(In millions of won)		March 31, 2017	March 31, 2016
Depreciation of idle assets	₩	1,664	1,670
Other bad debt expenses		13	12
Donations		3,988	1,224
Others		3,000	1,252
	₩	8,665	4,158

32. Other profit (loss), net

(a) Details of other profit (loss), net for the three-month periods ended March 31, 2017 and 2016 are as follows:

(In millions of won)		March 31, 2017	March 31, 2016
Gain on disposals of property plant and equipment	₩	2,140	1,626
Gain on disposals of intangible assets		463	-
Gain on foreign currency translations (*)		112	3
Gain on foreign currency transactions (*)		8,291	2,649
Gain on insurance transactions		383	-
Other profit		130	188
Loss on disposals of property plant and equipment		(150)	(199)
Loss on disposals of intangible assets		-	(68)
Loss on foreign currency translations (*)		(176)	(92)
Loss on foreign currency transactions (*)		(1,198)	(6,991)
Other loss		(5)	(47)
	₩	9,990	(2,931)

(*) Gain (loss) on foreign currency translations and foreign currency transactions arising from operating activities.

33. Finance income

(a) Finance income for the three-month periods ended March 31, 2017 and 2016 are as follows:

(In millions of won)		March 31, 2017	March 31, 2016
Interest income	₩	4,481	8,249
Gain on transactions of derivative financial instruments		3,109	2,902
Gain on foreign currency translations (*)		263,340	52,726
	₩	270,930	63,877

(*) Gain on foreign currency translations arising from financing activities.

(b) Details of interest income included in finance income for the three-month periods ended March 31, 2017 and 2016 are as follows:

(In millions of won)		March 31, 2017	March 31, 2016
Cash and cash equivalents	₩	1,267	4,115
Financial instruments		2,642	3,431
Loans		98	73
Trade accounts and other receivables		474	630
	₩	4,481	8,249

34. Finance expenses

(a) Finance expenses for the three-month periods ended March 31, 2017 and 2016 are as follows:

(In millions of won)		March 31, 2017	March 31, 2016
Interest expense	₩	124,099	121,002
Loss on disposals of financial instruments assets		1,038	-
Loss on change in the unrealized fair value of derivative instruments		236,701	33,141
Loss on transactions of derivative financial instruments		8,213	3,725
Loss on foreign currency translations (*)		2,030	494
	₩	372,081	158,362

(*) Loss on foreign currency translations arising from financing activities.

34. Finance Expenses, Continued

(b) Details of interest expenses included in finance expenses for the three-month periods ended March 31, 2017 and 2016 are as follows:

(In millions of won)		March 31, 2017	March 31, 2016
Long-term borrowings	₩	2,237	2,537
Bonds		74,000	85,014
Provision and other payables		121,876	118,521
		198,113	206,072
Less: capitalization of borrowing costs		(74,014)	(85,070)
	₩	124,099	121,002

35. Income Tax Expense

(a) The components of income tax expense for the three-month periods ended March 31, 2017 and 2016 are as follows:

(In millions of won)		March 31, 2017	March 31, 2016
Current income tax expense:			
Current income tax	₩	61,617	433,483
Adjustment due to changes in estimates related to prior years		-	489
Income tax charged (credited) directly to equity		(14)	8,301
		61,603	442,273
Deferred income tax benefit:			
Changes in temporary differences		17,399	(60,855)
		17,399	(60,855)
Income tax expense	₩	79,002	381,418

35. Income Tax Expense, Continued

(b) A reconciliation between actual income tax expense and the computed income tax used by applying the statutory rate of 24.2% to profit before income tax for the three-month periods ended March 31, 2017 and 2016 are as follows:

(In millions of won)		March 31, 2017	March 31, 2016
Profit before income tax	₩	646,535	1,589,994
Tax effect at the rate of 24.2%		156,461	384,779
Adjustments:			
Non-taxable income		(20)	-
Non-deductible expense		362	104
Tax credits and deduction		(78,745)	(1,179)
Others		944	(2,775)
		(77,459)	(3,850)
Adjustment for prior years		-	489
Income tax expense	₩	79,002	381,418
Effective tax rate		12.2%	24.0%

36. Assets Held-For-Sale

Investments in associates that are classified as held for sale at the end of the reporting period are as follows.

(In millions of won)		March 31, 2017	December 31, 2016
Yeong Wol Energy Station Co., Ltd.	₩	1,400	1,400

The Group reclassified investments in Yeongwol Energy Station Co., Ltd. to assets held-for-sale according to the shareholder's agreement.

37. Expenses Classified by Nature

Expenses classified by nature for the three-month periods ended March 31, 2017 and 2016 are as follows:

(a) March 31, 2017

(In millions of won)		Selling and administrative expenses	Cost of sales	Total
Raw materials used	₩	-	184,326	184,326
Salaries		10,023	153,438	163,461
Retirement benefits		1,300	19,332	20,632
Other employee benefits		4,745	24,730	29,475
Insurance expenses		257	9,417	9,674
Depreciation of property, plant and equipment		8,021	554,763	562,784
Amortization of nuclear fuel		-	288,012	288,012
Amortization of intangible assets		1,965	1,293	3,258
Commission		9,431	47,684	57,115
Expense for provisions for decommissioning cost		-	59,606	59,606
Expense for other provisions		-	113,128	113,128
Advertisement		2,155	424	2,579
Training		243	146	389
Vehicles		30	129	159
Publication expenses		100	113	213
Business expenses		68	396	464
Rent		2,314	15,252	17,566
Communication		1,321	495	1,816
Freight expenses		-	17	17
Taxes and dues		305	59,626	59,931
Supplies expenses		111	962	1,073
Utilities		391	1,847	2,238
Repairs		1,902	211,359	213,261
Ordinary development expenses		672	90,978	91,650
Travel expenses		270	1,080	1,350
Clothing expenses		2	127	129
Research and analysis expenses		-	268	268
Subscription		60	1,183	1,243
Others		3,507	58,568	62,075
	₩	49,193	1,898,699	1,947,892

37. Expenses Classified by Nature, Continued

(b) March 31, 2016

(In millions of won)		Selling and administrative expenses	Cost of sales	Total
Raw materials used	₩	-	151,759	151,759
Salaries		10,333	148,558	158,891
Retirement benefits		1,227	17,989	19,216
Other employee benefits		1,478	18,692	20,170
Insurance expenses		283	9,104	9,387
Depreciation of property, plant and equipment		3,167	491,585	494,752
Amortization of nuclear fuel		-	293,307	293,307
Amortization of intangible assets		1,603	1,198	2,801
Commission		8,049	42,065	50,114
Expense for provisions for decommissioning cost		-	60,559	60,559
Expense for other provisions		-	32,820	32,820
Advertisement		2,432	396	2,828
Training		148	148	296
Vehicles		32	108	140
Publication expenses		143	94	237
Business expenses		77	414	491
Rent		3,760	13,486	17,246
Communication		1,518	610	2,128
Freight expenses		-	40	40
Taxes and dues		201	62,336	62,537
Supplies expenses		69	874	943
Utilities		3	1,894	1,897
Repairs		112	130,086	130,198
Ordinary development expenses		639	80,331	80,970
Travel expenses		556	1,656	2,212
Clothing expenses		1	105	106
Research and analysis expenses		-	226	226
Subscription		127	1,552	1,679
Others		5,095	41,371	46,466
	₩	41,053	1,603,363	1,644,416

38. Earnings per Share

(a) Basic earnings per share for the three-month periods ended March 31, 2017 and 2016 are as follow:

(In won)		March 31, 2017	March 31, 2016
Basic earnings per share	₩	2,342	4,985

(b) Controlling interest in profit for the period and weighted average number of common shares outstanding for the three-month periods ended March 31, 2017 and 2016 are as follows:

(In millions of won except share information)		March 31, 2017	March 31, 2016
Controlling interest in profit for the year	₩	567,773	1,208,664
Weighted average number of common stock		242,442,838	242,442,838

39. Risk Management

(a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue while maximizing the return to shareholder through the optimization of the debt and equity balance. The capital structure of the Group consists of net debt (offset by cash and bank balances) and equity. The Group's overall capital risk management strategy remains consistent with prior year.

Details of the Group's capital risk management items as of March 31, 2017 and December 31, 2016 are as follows:

(In millions of won)		March 31, 2017	December 31, 2016
Total borrowings	₩	8,247,967	8,741,465
Cash and financial instruments		613,903	427,656
Net borrowings		7,634,064	8,313,809
Total shareholder`s equity	₩	25,467,756	25,444,586
Ratio of net borrowings to total shareholder's equity		29.98%	32.67%

(b) Financial risk management

The Group is exposed to various risks related to its financial instruments, such as, market risk (currency risk, interest rate risk, price risk), and credit risk. The Group monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks.

The Group uses derivative financial instruments to hedge certain risk exposures. The Group's overall financial risk management strategy remains consistent with prior year.

39. Risk Management, Continued

(b) Financial risk management, continued

(i) Risk management policy

The Group's management is responsible for the establishment and supervision of the financial risk management system. The goal of financial risk management is to reduce and eliminate the financial risks to acceptable levels by identifying sources of potential risks to the Group's financial performance. The Group is equipped with policies and procedures to control financial risks at the entity level. The Group continuously monitors the compliance with policies and procedures of risk management.

(ii) Credit risk

Exposure to credit risk is mainly from the Group's borrowing activities as well as from derivatives and debt securities. In addition, there are credit risks arising from financial guarantees and loan commitments..

① Credit risk management

The Group uses publicly available information and its own internal data related to trade accounts receivable, to rate its major customers and to measure the credit risk that a counter party will default on a contractual obligation. As the majority of the Group's trade accounts receivable are due from governmental entities (i.e. KEPCO and others), the Group does not have significant credit risk exposure. Regarding its debt securities, the Group continuously monitors credit ratings issued by credit agencies, and the Group's working capital (i.e. cash) is deposited at financial institutions with a high credit rating.

② Impairment & allowance account

In accordance with Group policies, individual material financial assets are assessed on a regular basis, trade accounts receivables that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. For such assessment, the Group considers the amount of collaterals obtained (including the recoverability) for the individual financial assets and the expected recoverable amounts.

The Group maximum exposure to credit risk as of March 31, 2017 and December 31, 2016 are as follows:

(In millions of won)		**March 31, 2017**	**December 31, 2016**
Cash and cash equivalents	₩	133,097	86,806
Financial assets at fair value through profit or loss		60,167	265,318
Available-for-sale financial assets		689,473	779,298
Loans		322,208	283,335
Financial instruments		791,251	554,971
Trade accounts and other receivables		1,305,952	1,636,234

There were no financial assets (current or non-current) acquired or received as a result of exercise of rights to collaterals received or additionally obtained to adjust credit limits.

39. Risk Management, Continued

(b) Financial risk management, continued

(iii) Market risk

Market risk is the risk that the Group's fair value of the financial instruments or future cashflows are effected by the changes in the market. Market risk consists of interest rate risk, currency risk and other price risk.

(iv) Sensitivity analysis

① Major assets and liabilities with uncertanties in underlying assumptions

1) Defined benefit obligation

Changes in the Group's defined benefit obligation due to changes in underlying assumptions as of March 31, 2017 and December 31, 2016 are as follows:

(In millions of won)			March 31, 2017		December 31, 2016	
Assumption	**Accounts**		**1% increase**	**1% decrease**	**1% increase**	**1% decrease**
Future salary increases	Defined benefit obligation	₩	74,558	(63,938)	71,031	(60,972)
Discount rate	Defined benefit obligation		(65,415)	78,328	(63,725)	76,303

2) Provision for decommissioning cost

Details of underlying assumptions used to estimate provision for decommissioning cost as of March 31, 2017 and December 31, 2016 are as follows:

	March 31, 2017	**December 31, 2016**
Nuclear plants:		
Inflation rate	1.40%	1.40%
Discount rate	3.55%	3.55%
Spent fuel:		
Inflation rate	2.93%	2.93%
Discount rate	4.49%	4.49%

The following is a sensitivity analysis of provision for decommissioning cost assuming 0.1% increase or decrease movements in the underlying assumptions as of March 31, 2017 and December 31, 2016:

(In millions of won)		**March 31, 2017**		**December 31, 2016**	
		0.1% increase	**0.1% decrease**	**0.1% increase**	**0.1% decrease**
Discount rate:					
Nuclear plants	₩	(208,678)	214,487	(209,277)	215,139
Spent fuel		(52,365)	54,400	(52,353)	54,387
Inflation rate:					
Nuclear plants		242,219	(235,599)	240,115	(233,553)
Spent fuel		55,186	(53,194)	55,173	(53,182)

39. Risk Management, Continued

(b) Financial risk management, continued

(iv) Sensitivity analysis, continued

② Management judgment effected by uncertainties in underlying assumptions

1) Foreign currency risk

The Group undertakes transactions denominated in foreign currencies and consequently, it is exposed to exchange rate fluctuations. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities, excluding the Group's foreign subsidiary, as of March 31, 2017 and December 31, 2016 are as follows:

a) March 31, 2017

(In millions of won)		USD	CAD	EUR	AED	Total
Assets:						
Cash and cash equivalents	₩	21,357	151	2,038	1,389	24,935
Short-term financial instruments		-	645	-	-	645
Long-term financial instruments		-	44,594	98,526	-	143,120
Trade accounts and other receivables		4,867	184	688	-	5,739
Loans		-	-	50,257	-	50,257
Total assets denominated in foreign currency		26,224	45,574	151,509	1,389	224,696
Liabilities:						
Trade accounts and other payables		1,228	201	934	-	2,363
Bonds		3,156,329	-	-	-	3,156,329
Total liabilities denominated in foreign currency		3,157,557	201	934	-	3,158,692
Net exposure	₩	(3,131,333)	45,373	150,575	1,389	(2,933,996)

39. Risk Management, Continued

(b) Financial risk management, continued

(iv) Sensitivity analysis, continued

② Management judgment effected by uncertainties in underlying assumptions, continued

1) Foreign currency risk, continued

b) December 31, 2016

(In millions of won)		USD	JPY	CAD	EUR	AED	Total
Assets:							
Cash and cash equivalents	₩	2,448	-	188	2,184	1,426	6,246
Short-term financial instruments		-	-	690	-	-	690
Long-term financial instruments		-	-	40,284	98,526	-	138,810
Trade accounts and other receivables		68,553	-	91	174	-	68,818
Loans		-	-	-	53,417	-	53,417
Total assets denominated in foreign currency		71,001	-	41,253	154,301	1,426	267,981
Liabilities:							
Trade accounts and other payables		145,631	95	91	516	56	146,389
Bonds		3,444,225	-	-	-	-	3,444,225
Total liabilities denominated in foreign currency		3,589,856	95	91	516	56	3,590,614
Net exposure	₩	(3,518,855)	(95)	41,162	153,785	1,370	(3,322,633)

Currency exchange rates as of March 31, 2017 and December 31, 2016 are as follows:

(In won)		March 31, 2017		December 31, 2016	
Currency		**Average exchange rate**	**Ending exchange rate**	**Average exchange rate**	**Ending exchange rate**
USD	₩	1,154.28	1,116.10	1,160.50	1,208.50
JPY		10.15	9.99	10.68	10.37
CAD		871.69	836.84	876.27	894.72
EUR		1,229.54	1,192.61	1,283.30	1,267.60
AED		314.27	303.87	315.95	329.02

39. Risk Management, Continued

(b) Financial risk management, continued

(iv) Sensitivity analysis, continued

② Management judgment effected by uncertainties in underlying assumptions, continued

1) Foreign currency risk, continued

A sensitivity analysis on the Group's profit for the period assuming 10% increase or decrease in currency exchange rates as of March 31, 2017 and December 31, 2016 are as follows:

(In millions of won)		March 31, 2017		December 31, 2016	
		10% increase	**10% decrease**	**10% increase**	**10% decrease**
Increase (decrease) of profit for the period	₩	(293,400)	293,400	(332,263)	(332,263)
Increase (decrease) of shareholder's equity		(293,400)	293,400	(332,263)	332,263

Sensitivity analysis above is conducted for monetary assets and liabilities denominated in foreign currencies other than functional currency as of March 31, 2017 and December 31, 2016.

39. Risk Management, Continued

(b) Financial risk management, continued

(iv) Sensitivity analysis, continued

② Management judgment effected by uncertainties in underlying assumptions, continued

2) Interest rate risk

The Group is exposed to interest rate risk due to its borrowing with floating interest rates. An 1% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

The Group's long-term borrowings and bonds with floating interest rates as of March 31, 2017 and December 31, 2016 are as follows:

(In millions of won)		**March 31, 2017**	**December 31, 2016**
Long-term borrowings (including current portion)	₩	53,289	54,259
Bonds (including current portion)		558,050	604,250
	₩	611,339	658,509

A sensitivity analysis on the Group's long-term borrowings and bonds assuming 1% increase or decrease in interest rates as of March 31, 2017 and 2016 are as follows:

(In millions of won)		**March 31, 2017**		**March 31, 2016**	
		1% increase	**1% decrease**	**1% increase**	**1% decrease**
Increase (decrease) of profit for the year	₩	(1,528)	1,528	(1,597)	1,597
Increase (decrease) of shareholder's equity		(1,528)	1,528	(1,597)	1,597

To manage its interest rate risks, the Group in addition to maintaining an appropriate mix of fixed and floating rate borrowings, has entered into certain interest rate swap agreements.

39. Risk Management, Continued

(b) Financial risk management, continued

(v) Liquidity risk

The Group has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

In addition, the Group has established credit lines on its trade finance and bank overdrafts, and through payment guarantees it has received, it maintains adequate credit (borrowing) facility. In addition, in case of major construction investment, the Group has the ability to use reserve cash or utilize long-term borrowings.

Details of remaining maturities of the Group's non-derivative financial liabilities based on agreement terms are as follows. The amount disclosed below represents the undiscounted cash flows the Group is obligated to pay in the future on the earliest repayment date:

① Remaining maturities of the Group's non-derivative financial liabilities are as follows:

1) March 31, 2017

(In millions of won)		**Under 1 year**	**1~2 years**	**2~5 years**	**Over 5 years**	**Total**
Borrowings and bonds (*)	₩	1,237,040	940,667	2,700,228	5,643,055	10,520,990
Trade accounts and other payables		1,340,106	261,208	853,962	2,761,879	5,217,155
	₩	2,577,146	1,201,875	3,554,190	8,404,934	15,738,145

(*) Includes estimated interest payment.

2) December 31, 2016

(In millions of won)		**Under 1 year**	**1~2 years**	**2~5 years**	**Over 5 years**	**Total**
Borrowings and bonds (*)	₩	1,000,770	1,518,281	2,592,957	6,072,739	11,184,747
Trade accounts and other payables		1,018,078	261,208	853,962	2,775,915	4,909,163
	₩	2,018,848	1,779,489	3,446,919	8,848,654	16,093,910

(*) Includes estimated interest payment.

As the Group manages its liquidity based on its net assets and net liability balances, the Group liquidity risk management analysis includes its non-derivative financial assets.

39. Risk Management, Continued

(b) Financial risk management, continued

(v) Liquidity risk, continued

② Details of the Group's expected holding period of its non-derivative financial assets as of March 31, 2017 and December 31, 2016 are as follows:

1) March 31, 2017

(In millions of won)		Under 1 year	1~5 years	Over 5 years	(*)	Total
Cash and cash equivalents	₩	133,097	-	-	-	133,097
Financial instruments		480,806	-	310,445	-	791,251
Available-for-sale financial assets		-	30,805	-	658,668	689,473
Loans		199,985	7,562	71,579	50,257	329,383
Trade accounts and other receivables		1,243,319	64,030	230	-	1,307,579
	₩	2,057,207	102,397	382,254	708,925	3,250,783

(*) Cannot reasonably estimate the maturity period.

2) December 31, 2016

(In millions of won)		Under 1 year	1~5 years	Over 5 years	(*)	Total
Cash and cash equivalents	₩	86,806	-	-	-	86,806
Financial instruments		340,850	-	214,121	-	554,971
Available-for-sale financial assets		-	30,568	-	748,730	779,298
Loans		159,489	5,645	71,340	53,417	289,891
Trade accounts and other receivables		1,569,309	68,402	230	-	1,637,941
	₩	2,156,454	104,615	285,691	802,147	3,348,907

(*) Cannot reasonably estimate the maturity period.

39. Risk Management, Continued

(b) Financial risk management, continued

(v) Liquidity risk, continued

③ Remaining maturities of Group's derivative financial liabilities are as follows:

1) March 31, 2017

(In millions of won)		Under 1 year	1~2 years	2~5 years	Over 5 years	Total
Cash inflow	₩	37,222	35,994	107,983	1,222,548	1,403,747
Cash outflow		(33,745)	(32,678)	(97,732)	(1,218,914)	(1,383,069)
	₩	3,477	3,316	10,251	3,634	20,678

2) December 31, 2016
The Group has no derivative financial liabilities as of December 31, 2016.

(c) Fair value estimate

The fair value of the Group's actively-traded financial instruments (i.e. Available-for-sale financial assets and others) is the based on the traded market-price as of the reporting period end. The fair value of the Group's financial assets is the amount which the asset could be exchanged for or the amount a liability could be settled for.

The fair values of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the Group uses that technique.

For trade accounts receivable and payable, the Group considers the carrying value, net of impairment, as fair value. While for disclosure purposes, the fair value of non-current financial liabilities is estimated by discounting a financial instruments with similar contractual cashflows based on the effective interest method.

39. Risk Management, Continued

(c) Fair value estimate, continued

(i) Fair value and carrying amount

The fair value of financial assets and financial liabilities as of March 31, 2017 and December 31, 2016 are as follows:

(In millions of won)		March 31, 2017		December 31, 2016	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at fair value					
Available-for-sale financial assets	₩	689,473	689,473	779,298	779,298
Derivative financial instruments held for trading		60,167	60,167	265,318	265,318
		749,640	749,640	1,044,616	1,044,616
Financial assets at amortized cost					
Loans		322,208	322,208	283,335	283,335
Trade accounts and other receivables		1,305,952	1,305,952	1,636,234	1,636,234
Cash and cash equivalents		133,097	133,097	86,806	86,806
Financial instruments		791,251	791,251	554,971	554,971
		2,552,508	2,552,508	2,561,346	2,561,346
Financial liabilities at fair value					
Derivative financial instruments held for trading		35,323	35,323	-	-
Financial liabilities at amortized cost					
Unsecured bonds		8,027,795	8,973,983	8,517,349	9,501,306
Borrowings		220,172	220,172	224,116	224,116
Trade accounts and other payables		4,287,340	4,287,340	3,947,991	3,947,991
	₩	12,535,307	13,481,495	12,689,456	13,673,413

(ii) Interest rates used in calculating fair values

Interest rates used to discount expected cash flows were determined by adding credit spreads to government bond yields at the end of the reporting period.

(iii) Fair value hierarchy

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, classified as Level 1, 2, or 3.

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities.
Level 2	Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly.
Level 3	Inputs that are not based on observable market data.

39. Risk Management, Continued

(c) Fair value estimate, continued

(iii) Fair value hierarchy, continued

① Fair values of financial instruments by hierarchy level as of March 31, 2017 and December 31, 2016 are as follows:

1) March 31, 2017

(In millions of won)		Level 1	Level 2	Level 3	Fair value
Financial assets at fair value:					
Available-for-sale financial assets	₩	44,594	342,880	301,606	689,080
Derivative assets		-	60,167	-	60,167
Financial liabilities at fair value:					
Derivative liabilities	₩	-	35,323	-	35,323

2) December 31, 2016

(In millions of won)		Level 1	Level 2	Level 3	Fair value
Financial assets at fair value:					
Available-for-sale financial assets	₩	40,285	437,015	301,606	778,906
Derivative assets		-	265,318	-	265,318

② Changes in available-for-sale financial assets for the three-month period ended March 31, 2017 and for the year ended December 31, 2016 are as follows:

1) March 31, 2017

(In millions of won)		Beginning balance	Acquisition (Disposal)	Gain on valuation	Others	Ending balance
Available-for-sale financial assets	₩	779,298	(96,904)	8,936	(1,857)	689,473

2) December 31, 2016

(In millions of won)		Beginning balance	Acquisition (Disposal)	Loss on valuation	Others	Ending balance
Available-for-sale financial assets	₩	205,900	480,093	(5,499)	98,804	779,298

40. Related Party Transactions

(a) The nature of the relationship as of March 31, 2017 is as follows:

Nature of the relationship	Related party
Parent company	Korea Electric Power Corporation
Subsidiary	KHNP Canada Energy Ltd. Gyeonggi Green Energy Co., Ltd. Korea Imouraren Uranium Investment Corp. Korea Waterbury Uranium Limited Partnership,
Associate	Korea Offshore Wind Power Co., Ltd. Noeul Green Energy Co., Ltd. Busan Green Energy Co., Ltd. Korea Nuclear Partners Co., Ltd. Solar School Plant Co.,Ltd KEPCO Energy Solution Co., Ltd Gwangyang Green Energy Co., Ltd
Joint venture	Waterbury Lake Uranium Limited Partnership
Other related company	Korea Midland Power Co., Ltd. Korea East-West Power Co., Ltd. Korea South-East Power Co., Ltd. Korea Western Power Co., Ltd. Korea Southern Power Co., Ltd. KEPCO Engineering & Construction Inc. KEPCO Plant Service & Engineering Co., Ltd. KEPCO Nuclear Fuel Co., Ltd. KEPCO Knowledge, Data & Network Co., Ltd. Korea Power Exchange YTN Co., Ltd. and others. Korea Development Bank HeeMang Sunlight Power Co., Ltd. Korea Gas Corporation Yeong Wol Energy Station Co., Ltd.

40. Related Party Transactions, Continued

(b) All transactions between KHNP and its consolidated subsidiaries are eliminated in the consolidation process. The transactions with related parties for the three-month periods ended March 31, 2017 and 2016 are as follows:

(In millions of won)		Sales and others		Purchase and others	
		March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
Korea Electric Power Corporation	₩	2,707,022	3,397,358	722,215	772,643
Busan Green Energy Co., Ltd.		-	117	-	-
Korea Offshore Wind Power Co., Ltd.		1	-	1	-
Yeong Wol Energy Station Co., Ltd.		-	-	1,388	2,015
Korea South-East Power Co., Ltd.		1	-	-	-
Korea Western Power Co., Ltd.		19	19	-	-
KEPCO Plant Service & Engineering Co., Ltd.		256	290	90,265	38,876
KEPCO Engineering & Construction Inc.		188	11	53,418	55,423
KEPCO Knowledge, Data & Network Co., Ltd.		-	-	6,596	18,953
KEPCO Nuclear Fuel Co., Ltd.		-	-	41,434	14,947
Korea Power Exchange		-	-	3,929	4,428
Korea Development Bank		-	-	416	460

(c) Receivables and payables arising from related party transactions as of March 31, 2017 and December 31, 2016 are as follows:

(In millions of won)		Trade accounts receivable and others (*)		Trade accounts payable and others (*)	
		March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2016
Korea Electric Power Corporation	₩	1,139,639	1,473,262	600,217	57,145
Korea Imouraren Uranium Investment Corp.		60	-	-	-
Korea Offshore Wind Power Co., Ltd.		-	354	-	-
Korea Western Power Co., Ltd.		21	21	-	-
KEPCO Plant Service & Engineering Co., Ltd.		-	22	1,985	39,321
KEPCO Engineering & Construction Inc.		-	2	18,665	1,946
KEPCO Knowledge, Data & Network Co., Ltd.		-	-	2,584	1,621
KEPCO Nuclear Fuel Co., Ltd.		58,702	19,669	11,430	20,112
Korea Power Exchange		-	-	1,184	1,158
Korea Development Bank		-	-	36	28

(*) All outstanding balances with these related parties are priced on an arm's length basis and are received and payable under normal payment terms.

40. Related Party Transactions, Continued

(d) Others arising from related party transactions for the three-month periods ended March 31, 2017 are as follows:

(i) Loans and funding

(In millions of won)		Transaction		
		Borrowing	**Repayment**	**Funding**
Gwangyang Green Energy Co., Ltd		-	-	2,000
Loans		4,405	(1,368)	-
	₩	4,405	(1,368)	2,000

(ii) Borrowings

(In millions of won)	**Type**		**December 31, 2016**	**Borrowing**	**Repayment**	**Others**	**March 31, 2017**
Korea Development Bank	Facility loan	₩	36,735	-	(643)	-	36,092

(e) Employee benefits to key executives of the Controlling Company for the three-month periods ended March 31, 2017 and 2016 are as follows:

(In millions of won)		**March 31, 2017**	**March 31, 2016**
Salaries	₩	197	205
Retirement benefits		9	14
	₩	206	219

(f) Housing and tuition loans to employees as of March 31, 2017 and December 31, 2016 are as follows:

(In millions of won)		**March 31, 2017**	**December 31, 2016**
Short-term loans	₩	4,571	4,023
Long-term loans		71,172	69,384
	₩	75,743	73,407

40. Related Party Transactions, Continued

(g) The details of collateral provided to related parties as of March 31, 2017 are as follows:

(In millions of won)

Relationship	Related party	Financial Institutions		Credit limit	Contract year	Guaranteed asset (*)
Associate	Noeul Green Energy Co., Ltd.	Hana Bank and others	₩	1,740	Up to 2033.12.31	Noeul Green Energy Co., Ltd. Shares
	Busan Green Energy Co., Ltd.	Shinhan Bank and others		14,564	Up to 2033.12.31	Busan Green Energy Co., Ltd. Shares
Other related company	Yeong Wol Energy Station Co., Ltd.	Meritz Fire & Marine Insurance Co., Ltd.		1,400	Up to 2028.12.31	Yeong Wol Energy Station Co., Ltd. Shares

(*) As of March 31, 2017, the entire shares of Yeong Wol Energy Station Co., Ltd. held by the Group were pledged as collateral to the financial institutions.

(h) The details of derivatives transactions with relate parties as of March 31, 2017 are as follows:

(In millions of won and thousands of U.S. dollars)

	Counterparty	Contract year	Contract amount		Contract interest rate per annum			Contract exchange rate
			Pay	Receive	Pay(%)	Receive(%)		
Currency Swap	Korea Development Bank	2015~2025	KRW 111,190	USD 100,000	2.62%	3.25%	₩	1,111.90
	Korea Development Bank	2016~2019	KRW 105,260	USD 100,000	2.48%	2.38%	₩	1,052.60

41. Non-Cash Transactions

Significant non-cash transactions for the three-month periods ended March 31, 2017 and 2016 are as follows:

(In millions of won)

		March 31, 2017	March 31, 2016
Transfer of long-term borrowings and bonds to current portion	₩	498,842	323,479
Transfer of construction-in-progress to property, plant and equipment		438,128	254,669
Recognition of assets retirement costs		46,693	44,134
Transfer of spent fuel management charges to accrued expenses		101,701	101,273

42. Contingencies and Contracts

(a) Ongoing litigations as of March 31, 2017 and December 31, 2016 are as follows:

(In millions of won, except number of cases)	Number of cases			Claim amount	
	March 31, 2017	December 31, 2016		March 31, 2017	December 31, 2016
Ongoing litigations (*)	67	59	₩	329,991	327,772

(*) The details of ongoing litigations as of March 31, 2017 are as follows:

(In millions of won)

Court	Plaintiff	Defendant	Description	Claim amount	Progression of litigation
Seoul High Court	Individuals	Korea Hydro&Nuclear Power Co., Ltd.	Wage	96,338	Pending at the 2nd trial
Busan High Court	Individuals	Korea Hydro&Nuclear Power Co., Ltd.	Wage	8,900	Pending at the 2nd trial
Busan District Court	Individuals	Korea Hydro&Nuclear Power Co., Ltd.	Wage	460	Pending at the 1st trial
Daegu District Court	Individuals	Korea Hydro&Nuclear Power Co., Ltd.	Wage	225	Pending at the 1st trial
Seoul High Court	Hyundai Engineering & Construction Co., Ltd. and others	Korea Hydro&Nuclear Power Co., Ltd.	Increase in contract bill	204,564	Pending at the 2nd trial
Seoul High Court	S&TC	Korea Hydro&Nuclear Power Co., Ltd.	Cancellation of vendor's contract and others	9,642	Pending at the 2nd trial
Seoul High Court and others	Hanjin Heavy Industries & Construction Co ltd and others	Korea Hydro&Nuclear Power Co., Ltd. and others	Contract deposits and others	9,862	Lawsuit pending

42. Contingencies and contracts, Continued

(a) Ongoing litigations as of March 31, 2017 and 2016 are as follows, continued:

The Group is the defendant against a number of claims. Provisions have been made as appropriate (See Note 24). The timing and amount of the cash outflows depend on the outcomes of the court proceedings. The Group has reserved ₩6,196 million of provision for certain outstanding litigations. For all the other lawsuits, the Group does not believe that it has any present obligations and therefore, the Group has not recognized any provisions as of March 31, 2017.The following are further descriptions of the potentially significant claims pertaining to the Group.

A group of plantiff filed a lawsuit against NSSC regarding NSSC's approval to continue the operation of Wolsong Unit 1 nuclear power plant and it is ongoing as of March 31, 2017. On February 7, 2017 the Seoul Administrative Court ruled to annul the the NSSC’s permission for life extension of the operational period of Wolsong Unit 1 nuclear power plant. On February 14, 2017, NSSC appealed against the first judgment. Meanwhile, the Joint Action for a Nuclear-free Society submitted a suspension of execution of permission to operate Wolsong Unit 1 nuclear power plant to the Seoul Administrative Court. On February 14, 2017, the Group joined in the lawsuit for a suspension of execution of permission to operate Wolsong Unit 1 nuclear power plant as a third party and a stakeholder. The Group became a defendant in the lawsuit on April 17, 2017. The Group is continuing to operate Wolsong Unit 1 nuclear power plant based on the judgment of NSSC that the approval of NSSC is valid, and believes that Wolsong Unit 1 nuclear power plant will be operated until 2022.

① In December 2013, the Supreme Court of Korea ruled that regular bonuses also fall under the category of ordinary wages on the condition that those bonuses are paid regularly and uniformly. The Supreme Court ruled, that “employees shall not retroactively demand the difference in overtime pay as additional wages, in the event that the demand itself causes an unexpected increase in spending for their company, and thus lead the Group to financial difficulty. In that case, the request is not acceptable, since it is unjust, and it is in breach of the principle of good faith."

Prior to the ruling of the Supreme Court, KHNP determined wages in accordance with budget instructions from the Ministry of Strategy and Finance, which excluded bonuses from ordinary wages and was with the consent of the Group's labor unions. Subsequently, the Group is involved in litigation as a defendant in a lawsuit by employees seeking retrospective compensation in the form of additional wages. As of December 31, 2016, the Group has set aside ₩90,336 million as a provision for any litigation that may arise in relation to the above lawsuit. In 2017, ₩98,327 million was paid in relation to the lawsuit.

② Hyundai Engineering & Construction Co., Ltd.(“Hyundai E&C”), SK Engineering & Construction Co., Ltd. and GS Engineering & Construction Co., Ltd. filed a lawsuit for increase in contract bill (formerly, amounted to ₩1,000 million) against KHNP in September 2013, in relation to the design changes on the plant construction of New Hanwool 1 & 2. Hyundai Engineering & Construction Co., Ltd. and two other companies increased the contract bill to ₩133,426 million in October 2014 and ₩204,040 million in November 2015, respectively, and submitted an application to demand extra contract payments due to the design changes. KHNP has paid ₩217,624 million of the claim amounts in full upon the first ruling in November 2016 and recognized the amount as addition to construction-in-progress accordingly. The Group has appealed against the first ruling and the lawsuit is currently ongoing. .

③ The Group has set aside ₩2,745 million as a provision for any litigation against S&TC claim based on the judgment of Seoul Central District Court.

42. Contingencies and Contracts, Continued

(b) Credit lines provided by financial institutions as of March 31, 2017 are as follows:

(In millions of won, in thousands of USD, in thousands of NPR)

Financial institution	Currency	Guarantee limit	Description
Nonghyup Bank	KRW	50,000	Commitments on bank-overdraft
Kookmin Bank	KRW	100,000	
Hana Bank	KRW	100,000	
Woori Bank	KRW	50,000	
Daegu Bank	KRW	50,000	
Shinhan Bank	KRW	150,000	Limit amount available for CP
Hana Bank	KRW	150,000	
SMBC	USD	100,000	Trade finance
JP Morgan	USD	150,000	
BNP Paribas	USD	150,000	
Export-Import Bank of Korea	USD	150,000	
DBS	USD	100,000	
Societe Generale	USD	150,000	
Nonghyup Bank	USD	50,000	Certification of payment on L/C
HSBC	USD	40,000	Inclusive credit
Korea Development Bank and others	KRW	251,600	Loan limit
Kathmandu Bank and others	USD	84	Completion guarantees related to electricity generation business
	NPR	7,176	
Habib Bank	USD	2,206	
Kathmandu Bank and others	USD	1,997	Certification of Performance guarantee on contract
	NPR	32,633	
KEB HanaCard Co., Ltd.	KRW	4,800	Others
Industrial Bank of Korea	KRW	2,990	
Woori Card Co., Ltd.	KRW	4,000	
Export-Import Bank of Korea	EUR	1,400	
Nonghyup Bank	KRW	54,633	
Woori Bank	KRW	20,000	

(c) The Group voluntarily suspended operations of the Gangneung hydroelectric generating plant, with a carrying amount of ₩93,222 million as of March 31, 2017, to improve the quality of water used in generating electricity. The expenses related to the suspension of operations of ₩60 million and depreciation on the utility plant amounting to ₩1,664 million are charged to other expenses for the three-month period ended March 31, 2017.

42. Contingencies and Contracts, Continued

(d) Contractual amounts power for plants either completed or under construction-in-progress as of March 31, 2017 are as follows:

(In millions of won, in thousands of USD)

Account	Currency	Sae-oul # 1 & 2	Sae-oul # 3 & 4	Shin-Hanul # 1 & 2	Shin-Hanul # 3 & 4
Material expenses	KRW	2,224,543	850,735	3,015,017	1
	USD	719,650	3,851	104,261	-
Professional fees	KRW	420,435	181,611	406,068	64,608
	USD	13,076	5,381	10,538	-
Construction fees	KRW	1,471,117	274,633	1,757,259	12,958
Fuel expenses	KRW	66,016	-	13,137	-
	USD	239,988	-	122,518	-
Other	KRW	1,815,221	154,055	1,615,309	27,487
	KRW	5,997,332	1,461,034	6,806,790	105,054
	USD	972,714	9,232	237,317	-

(e) The Group has various purchase commitments for Uranium and the details of the major contracts as of March 31, 2017 are as follows:

	Contract Year	Quantity
Concentrate	2017 ~ 2030	34,719 Ton U3O8
Transformation	2017 ~ 2022	18,738 Ton U
Enrichment	2017 ~ 2029	34,879 Ton SWU
Fabrication	2017 ~ 2022	1,852 Ton U

(f) Details of collateral provided by the Group for long-term borrowings as of March 31, 2017 are as follows:

(In millions of won)

	Type	Loan amounts	Loan limit	Maximum amount guaranteed	Financial institution
Long-term borrowings (*)	Facility loan	₩ 208,272	251,600	327,080	Korea Development Bank and others

(*) As of March 31, 2017, the Group and other shareholder of Gyeonggi Green Energy Co., Ltd., one of its subsidiaries provided all outstanding shares of Gyeonggi Green Energy Co., Ltd. to financial institutions, as collateral related to the long-term borrowings above. Additionally, pledge for transfer of rights of long-term borrowings, pledge for insurance claims related long-term borrowings and other pledges were established.

43. Subsequent Events

Subsequent to March 31, 2017, the Group has issued new debt securities for funds of facilities and refinancing as follow:

(In millions of won)

	Issue	Maturity	Interest rate		Amounts
Corporate bond #45-1	2017.04.27	2020.04.27	1.93%	₩	140,000
Corporate bond #45-2	2017.04.27	2027.04.27	2.44%		50,000
Corporate bond #45-3	2017.04.27	2037.04.27	2.60%		110,000
				₩	300,000

Independent Auditors' Report

The Board of Directors and Shareholder
Korea Hydro & Nuclear Power Co., Ltd.:

We have audited the accompanying consolidated financial statements of Korea Hydro & Nuclear Power Co., Ltd. and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Korean Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2016 and 2015 and of its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Korean International Financial Reporting Standards.

Other Matters

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

KPMG Samjong Accounting Corp.

Seoul, Korea
March 6, 2017

This report is effective as of March 6, 2017, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

KOREA HYDRO & NUCLEAR POWER CO., LTD. AND SUBSIDIARIES
Consolidated Statements of Financial Position
As of December 31, 2016 and 2015

(In millions of won)	Note		December 31, 2016	December 31, 2015
Assets				
Cash and cash equivalents	5,6	₩	86,806	564,703
Current financial assets	5,7,10		539,279	67,742
Trade accounts and other receivables	5,8,16		1,568,716	1,341,085
Inventories	11		3,752,633	3,511,170
Current non-financial assets	12		114,337	80,301
Assets held-for-sale	36		1,400	-
Total current assets			6,063,171	5,565,001
Non-current financial assets	5,7,9,10		1,343,643	1,107,705
Non-current trade accounts and other receivables	5,8		67,518	67,446
Property, plant and equipment	14,15,18,22		43,501,123	42,703,293
Intangible assets	15,17,18		87,886	76,830
Investments in associates and joint ventures	13		82,221	121,326
Deferred income tax assets	35		625,674	470,432
Non-current non-financial assets	12		1,251,241	1,140,754
Total non-current assets			46,959,306	45,687,786
Total assets		₩	**53,022,477**	**51,252,787**

See accompanying notes to the consolidated financial statements.

KOREA HYDRO & NUCLEAR POWER CO., LTD. AND SUBSIDIARIES
Consolidated statements of Financial Position, Continued
As of December 31, 2016 and 2015

(In millions of won)	Note		December 31, 2016	December 31, 2015
Liabilities				
Trade accounts and other payables	5,20	₩	1,007,651	1,134,887
Current financial liabilities	5,7,19,21		697,659	588,989
Income tax payable			723,978	581,765
Current non-financial liabilities	25		337,262	84,676
Current provisions	24		421,612	359,856
Total current liabilities			3,188,162	2,750,173
Non-current trade accounts and other payables	5,20		2,940,340	2,947,883
Non-current financial liabilities	5,7,19,21		8,043,806	9,126,038
Non-current non-financial liabilities	25		2,688	2,688
Employee benefit obligation	23		363,962	306,856
Non-current provisions	24		13,038,933	12,490,277
Total non-current liabilities			24,389,729	24,873,742
Total liabilities		₩	**27,577,891**	**27,623,915**
Equity				
Share capital	26	₩	10,704,515	10,704,515
Retained earnings	27		14,740,077	12,968,045
Other components of equity	28		(36,675)	(66,847)
Equity attributable to owners of the Controlling Company			25,407,917	23,605,713
Non-controlling interests			36,669	23,159
Total equity		₩	**25,444,586**	**23,628,872**
Total liabilities and equity		₩	**53,022,477**	**51,252,787**

See accompanying notes to the consolidated financial statements.

KOREA HYDRO & NUCLEAR POWER CO., LTD. AND SUBSIDIARIES
Consolidated statements of Comprehensive Income
For the years ended December 31, 2016 and 2015

(In millions of won)

	Note		2016	2015
Revenue	4,16,29	₩	11,277,136	10,747,026
Cost of sales	37		7,228,756	6,783,693
Gross profit			**4,048,380**	**3,963,333**
Selling and administrative expenses	30,37		201,137	171,615
Operating profit			**3,847,243**	**3,791,718**
Other income	31		32,195	38,311
Other expenses	31		(91,720)	(23,855)
Other profit, net	32		11,608	7,137
Finance income	5,7,33		127,588	245,700
Finance expenses	5,7,34		(600,446)	(775,729)
Equity method loss of associates and joint ventures, net	13		(55,780)	(4,332)
Profit before income taxes			**3,270,688**	**3,278,950**
Income tax expense	35		798,575	821,837
Profit for the year			**2,472,113**	**2,457,113**
Other comprehensive income (loss):				
Items that will never be reclassified subsequently to profit or loss:				
Remeasurements of the defined benefit plan, net of tax	23,27		(57,591)	(19,833)
Items that are or may be reclassified subsequently to profit or loss:	28			
Net change in the unrealized fair value of available-for-sale financial assets, net of tax			(4,169)	9,968
Foreign currency translation differences of foreign operations, net of tax			109	(110)
Share in other comprehensive income (loss) of associates, net of tax			34,232	(6,819)
Total other comprehensive loss, net of tax			**(27,419)**	**(16,794)**
Total comprehensive income for the year		₩	**2,444,694**	**2,440,319**

See accompanying notes to the consolidated financial statements.

(In millions of won, except earnings per share information)

	Note		2016	2015
Profit for the year attributable to:				
Owners of the Controlling Company		₩	2,464,813	2,458,573
Non-controlling interests			7,300	(1,460)
Profit for the year		₩	2,472,113	2,457,113
Total comprehensive income attributable to:				
Owners of the Controlling Company		₩	2,437,404	2,441,779
Non-controlling interests			7,290	(1,460)
Total comprehensive income for the year		₩	2,444,694	2,440,319
Earnings per share				
Basic earnings per share (in won)	38	₩	10,167	10,141

See accompanying notes to the consolidated financial statements.

KOREA HYDRO & NUCLEAR POWER CO., LTD. AND SUBSIDIARIES
Consolidated statements of Changes in Equity
For the year ended December 31, 2015

	Equity attributable to owners of the Company					
(In millions of won)	Shares capital	Retained earnings	Other components of equity	Subtotal	Non-controlling interests	Total equity
Balance at January 1, 2015	₩ 10,704,515	10,975,704	(69,886)	21,610,333	24,619	21,634,952
Total comprehensive income:						
Profit for the year	-	2,458,573	-	2,458,573	(1,460)	2,457,113
Items that will never be reclassified subsequently to profit or loss:						
Remeasurements of the defined benefit plan, net of tax	-	(19,833)	-	(19,833)	-	(19,833)
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	-	-	9,968	9,968	-	9,968
Foreign currency translation differences of foreign operations, net of tax	-	-	(110)	(110)	-	(110)
Share in other comprehensive income (loss) of associates, net of tax	-	-	(6,819)	(6,819)	-	(6,819)
Transactions with owners of the Controlling Company, recognized directly in equity:						
Dividends paid	-	(446,399)	-	(446,399)	-	(446,399)
Balance at December 31, 2015	₩ 10,704,515	12,968,045	(66,847)	23,605,713	23,159	23,628,872

See accompanying notes to the consolidated financial statements.

KOREA HYDRO & NUCLEAR POWER CO., LTD. AND SUBSIDIARIES
Consolidated statements of Changes in Equity, Continued
For the year ended December 31, 2016

		Equity attributable to owners of the Company				
(In millions of won)	Shares capital	Retained earnings	Other components of equity	Subtotal	Non-controlling interests	Total equity
Balance at January 1, 2016	₩ 10,704,515	12,968,045	(66,847)	23,605,713	23,159	23,628,872
Total comprehensive income:						
Profit for the year	-	2,464,813	-	2,464,813	7,300	2,472,113
Items that will never be reclassified subsequently to profit or loss :						
Remeasurements of the defined benefit plan, net of tax	-	(57,581)	-	(57,581)	(10)	(57,591)
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	-	-	(4,169)	(4,169)	-	(4,169)
Foreign currency translation differences of foreign operations, net of tax	-	-	109	109	-	109
Share in other comprehensive income (loss) of associates, net of tax	-	-	34,232	34,232	-	34,232
Transactions with owners of the Controlling Company, recognized directly in equity:						
Changes in consolidation scope	-	-	-	-	6,220	6,220
Dividends paid	-	(635,200)	-	(635,200)	-	(635,200)
Balance at December 31, 2016	₩ 10,704,515	14,740,077	(36,675)	25,407,917	36,669	25,444,586

See accompanying notes to the consolidated financial statements.

KOREA HYDRO & NUCLEAR POWER CO., LTD. AND SUBSIDIARIES
Consolidated statements of Cash flows
For the years ended December 31, 2016 and 2015

(In millions of won)		2016	2015
Cash flows from operating activities			
Profit for the year	₩	2,472,113	2,457,113
Adjustments for:			
Income tax expense		798,575	821,837
Depreciation of property, plant and equipment		2,019,875	1,990,970
Amortization of nuclear fuel		1,105,831	1,075,855
Amortization of intangible assets		12,765	11,611
Depreciation of idle assets		6,639	6,699
Retirement benefit expense		70,635	54,625
Interest expense		484,237	543,281
Loss on disposals of financial instruments assets		-	140
Impairment of available-for-sale financial assets		19	51
Loss on investments in associates and joint venture		55,780	4,332
Loss on disposals of property, plant and equipment		792	1,527
Loss on disposals of intangible assets		77	5
Provisions for greenhouse gas emission		9,580	8,817
Provisions for decommissioning costs		230,152	274,596
Provisions for litigation		64,613	1,498
Other provisions		44,041	62,394
Provisions for employee benefits		228,728	54,533
Loss on derivative transactions		13,150	11,242
Loss on repayment of financial liabilities		23,000	-
Loss on foreign currency translations		83,674	203,867
Gain on disposals of property, plant and equipment		(15,957)	(3,866)
Gain on valuation of inventories		(2)	(7)
Gain on disposals of inventories		(264)	(282)
Reversal of provisions for litigation		(893)	-
Reversal of allowance for bad debts		(21)	-
Gain from assets contributed		(1,706)	(2,028)
Interest income		(33,283)	(24,877)
Dividend income		(470)	-
Gain on unrealized changes in fair value of derivative instruments		(84,880)	(172,231)
Gain on derivative transactions		(7,993)	(46,359)
Gain on foreign currency translations		(1,393)	(2,674)
Others		311	93
	₩	5,105,612	4,875,649

See accompanying notes to the consolidated financial statements.

KOREA HYDRO & NUCLEAR POWER CO., LTD. AND SUBSIDIARIES
Consolidated statements of Cash flows, Continued
For the years ended December 31, 2016 and 2015

(In millions of won)		2016	2015
Changes in:			
Current trade accounts receivable	₩	(139,619)	(426,452)
Current other accounts receivable		3,731	5,803
Current accrued income		203,564	79,881
Current advanced payments		5,507	(4,116)
Current prepaid expenses		(24,909)	3,534
Other current non-financial assets		(6,900)	(774)
Inventories		(1,216,727)	(1,256,357)
Current trade accounts payable		7,854	68,842
Current other accounts payable		(226,453)	(37,002)
Current accrued expenses		(444,433)	(476,950)
Current leasehold deposits received		(59)	(62)
Current other deposits received		(625)	24
Current advance received		(7,518)	7,620
Current withholdings		9,247	5,641
Current deferred income		291	117
Non-current other accounts payable		(81,726)	130,953
Other current non-financial liabilities		244,212	8,009
Provisions for employee benefits		(184,644)	(81,704)
Provisions for power plant regional support program		(41,540)	(37,648)
Provisions for litigation		(218,332)	(1,145)
Provisions for decommissioning cost of nuclear plants		(1,741)	(623)
Provisions for disposal of low and intermediate-level radioactive waste		(71,999)	(40,699)
Non-current employee benefit obligation		49	(469)
Payment of retirement benefits		(17,760)	(9,431)
Retirement pension assets		(84,385)	(27,412)
		(2,294,915)	(2,090,420)
Cash generated from operating activities		5,282,810	5,242,342
Interest received		26,352	18,864
Interest paid		(344,069)	(359,325)
Dividend received		470	-
Income tax paid		(792,582)	(643,492)
Net cash provided by operating activities	₩	4,172,981	4,258,389

See accompanying notes to the consolidated financial statements.

KOREA HYDRO & NUCLEAR POWER CO., LTD. AND SUBSIDIARIES
Consolidated statements of Cash flows, Continued
For the years ended December 31, 2016 and 2015

(In millions of won)		2016	2015
Cash flows from investing activities			
Proceeds from disposal of short-term financial instruments	₩	945,214	4,357
Increase in short-term financial asset		(1,285,000)	-
Collection of short-term loans		15,482	15,958
Increase in short-term loans		(100,000)	(30,000)
Decrease in current guarantee deposits		62,938	78,433
Decrease in long-term financial assets		652,700	-
Acquisition of long-term financial assets		(214,121)	(49,400)
Increase in long-term loans		(9,477)	(9,768)
Acquisition of available-for-sale financial assets		(480,733)	(393)
Proceeds from disposal of available-for-sale financial assets		640	168
Payment of non-current guarantee deposits		(344,440)	(233,515)
Payment of non-current advanced payments		(111,451)	(173,616)
Acquisition of investments in subsidiaries		(98,504)	-
Acquisition of investments in associates		(71,856)	(15,084)
Proceeds from disposals of associates		39,220	-
Proceeds from disposal of property, plant and equipment		39,502	14,805
Acquisition of property, plant and equipment		(1,927,073)	(2,633,702)
Receipt of government subsidy		-	299
Proceeds from disposal of intangible assets		7	-
Acquisition of intangible assets		(18,539)	(13,618)
Net cash flow from changes in consolidation scope		2,206	-
Net cash used in investing activities	₩	(2,903,285)	(3,045,076)

See accompanying notes to the consolidated financial statements.

KOREA HYDRO & NUCLEAR POWER CO., LTD. AND SUBSIDIARIES
Consolidated statements of Cash flows, Continued
For the years ended December 31, 2016 and 2015

(In millions of won)		2016	2015
Cash flows from financing activities			
Proceeds from short-term borrowings		-	440,000
Repayment of short-term borrowings		-	(457,698)
Repayment of current portion of long-term borrowings		(19,357)	(18,388)
Repayment of current portion of long-term bonds		(570,000)	(967,103)
Repayment of bonds		(512,481)	-
Repayment of long-term borrowings		(5,200)	(6,200)
Proceeds from bonds issuance		-	628,598
Dividends paid		(635,200)	(446,399)
Settlement of derivative instruments		(5,157)	4,749
Net cash used in financing activities		(1,747,395)	(822,441)
Effect of exchange rate fluctuations on cash held	₩	(198)	103
Net increase (decrease) in cash and cash equivalents		(477,897)	390,975
Cash and cash equivalents at beginning of the year		564,703	173,728
Cash and cash equivalents at end of the year	₩	86,806	564,703

See accompanying notes to the consolidated financial statements.

1. Reporting Entity

(a) The controlling company

Korea Hydro & Nuclear Power Co., Ltd. ("KHNP" or the "Controlling Company") was incorporated on April 2, 2001 through the spin-off of the power generation division of Korea Electric Power Corporation ("KEPCO") in accordance with the *Act on Promotion of Restructuring the Electric Power Industry*. KHNP engages in the generation of electricity and development of electric power resources and sells all generated electricity to KEPCO through the Korea Power Exchange ("KPX"), in accordance with *Article 31 of the Electricity Business Law*.

On January 1, 2011, KEPCO, KHNP's parent company, through a split-merger, split its seven pumped-storage facilities that were managed under five separate generation plants (five separate subsidiaries of KEPCO) and merged them into KHNP. As a result, KHNP's assets and liabilities increased by ₩2,540,148 million and ₩1,200,432 million, respectively, and KHNP issued 16,132,838 of new shares.

As of December 31, 2016, KHNP owns and operates 25 nuclear generating units, 35 hydroelectric generating units, 16 pumped-storage facilities and 6 new renewable energy generating units. As of December 31, 2016, KHNP's generation capacity is 28,439MW.

As of December 31, 2016, KEPCO holds 100% of KHNP's outstanding shares.

(b) Consolidated subsidiaries

(i) Details of consolidated subsidiaries as of December 31, 2016 and 2015 are as follows:

Company	Key operating activities	Location	Ownership December 31, 2016	Ownership December 31, 2015
KHNP Canada Energy Ltd.	Uranium resources development	Canada	100.00%	100.00%
Gyeonggi Green Energy Co., Ltd.	Electricity and heat generation	Korea	62.01%	62.01%
Korea Imouraren Uranium Investment Corp.(*)	Uranium resources development	France	100.00%	40.00%
Korea Waterbury Uranium Limited Partnership(*)	Uranium resources development	Canada	70.00%	30.00%

(*)As described in Note 13, the Group reclassified these companies from associates to subsidiaries as the Group acquired additional shares during 2016. These are acquisitions of business under common control and the related assets acquired and liabilities assumed on the acquisition dates were measured at the carrying amounts recognized previously in the consolidated financial statements of the ultimate parent, KEPCO.

1. Reporting Entity, Continued

(b) Consolidated subsidiaries, continued

(ii) Summarized financial information of subsidiaries as of and for the year ended December 31, 2016 is as follows:

(In millions of won)

Company		Assets	Liabilities	Revenue(*)	Net income (loss)(*)
KHNP Canada Energy Ltd.	₩	54,374	46	-	(6,304)
Gyeonggi Green Energy Co., Ltd.		301,126	221,078	108,557	19,211
Korea Imouraren Uranium Investment Corp.		154,302	764	-	(68,417)
Korea Waterbury Uranium Limited Partnership		20,882	149	-	2,348

(*) Korea Imouraren Uranium Investment Corp. and Korea Waterbury Uranium Limited Partnership's revenue and profit or loss are for the year ended December 31, 2016.

(iii) Significant restrictions related to subsidiaries are as follows:

Company	Significant Restrictions in Detail
Gyeonggi Green Energy Co., Ltd.	Acquisition or disposal of assets more than ₩35 billion, change in the capacity of cogeneration units (except for the change due to performance improvement of equipment or maintenance) will require unanimous consent of all directors.

2. Basis of Preparation

(a) Statement of compliance

The consolidated financial statements of Korea Hydro & Nuclear Power Co., Ltd. and its subsidiaries (collectively referred to as "the Group") have been prepared in accordance with Korean International Financial Reporting Standards ("K-IFRS"), as prescribed in the *Act on External Audits of Corporations.*

The consolidated financial statements were authorized for issue by the Board of Directors on February 16, 2017, which will be submitted for approval to the shareholders' meeting to be held on March 31, 2017.

(b) Basis of measurement

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

(c) Functional and presentation currency

The financial statements of the parent and each subsidiary are prepared in functional currency of the respective operation. These consolidated financial statements are presented in Korean won, which is the Controlling Company's functional currency and the currency of the primary economic environment in which the Group operates.

(d) 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.

2. Basis of Preparation, Continued

(d) Use of estimates and judgments, continued

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) Wolsong unit 1 nuclear power plant of the Company commenced operations on November 21, 1982 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 42 and 43, the lawsuit related to the validity of the approval of NSSC is currently ongoing. The consolidated financial statements were prepared based on the Company's judgment that the approval of NSSC is valid and Wolsong Unit 1 nuclear power plant will be operating until 2022.

(ii) Useful lives of property, plant and equipment, estimation on provision for decommissioning costs

The Group 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 Group records the fair value of estimated decommissioning costs as a liability in the period in which the Group 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 Group 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.

(iii) Deferred tax

The Group 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 Group does not realize estimated future taxable income during the carry forward periods.

(iv) Valuations of financial instruments at fair values

When measuring the fair value of an asset or a liability, the Group uses inputs that are not based on observable market data. Information about the assumptions made in measuring fair values and sensitivity analysis on the fair value of financial instruments are included in Note 39. The management believes that methods and assumptions in measuring the fair value of an asset or a liability are appropriate.

(v) Defined benefit liabilities

The Group 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 uncertainness in estimations due to its long-term nature.

2. Basis of Preparation, Continued

(e) Changes in accounting policies

Except as described below, the accounting policies applied by the Group in its consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as of and for the year ended December 31, 2015.

The Group has adopted the following amendments to standards and new interpretation with a date of initial application of January 1, 2016.

- Amendments to K-IFRS 1001 'Presentation of Financial Statements'

It has been clarified that companies may delete, add or combine disclosure items based on materiality. Also, the presentation in the statement of other comprehensive income of items of OCI arising from joint ventures and associates accounted for using the equity method should follow K-IFRS 1001's approach of splitting items that may, or that will never, be reclassified to profit or loss.

In accordance with the transitional requirements fo amendments to K-IFRS 1001, the Group applied the amendments retrospectively.

Upon adoption of the amendments, there is no significant impact on the consolidated financial statement of the Group.

- Amendments to K-IFRS 1110 'Joint Arrangements' K-IFRS 1028 'Investments in Associates and Joint Ventures' K-IFRS 1112 'Disclosure of Interests in Other Entities'

Investment Entities: Applying the Consolidation Exception (Amendments to K-IFRS 1110 , K-IFRS 1112 and K-IFRS 1028) allows an intermediate parent held by an investment entity to be exempt from preparing consolidated financial statements. In addition, it has been clarified that an investment entity must use fair value accounting for 'an investment entity subsidiary that provides financial-related services'. The amendments to K-IFRS 1028 allows an exemption from applying the equity method for entities that are subsidiaries of an investment entity and hold interests in associates and joint ventures. K-IFRS 1028 is also amended to allow an entity that is not itself an investment entity, and that has an interest in an investment entity associate or joint venture, to retain the fair value measurement applied by the investment entity associate or joint venture to the interests in its subsidiaries. The amendments to K-IFRS 1112 made it clear that an investment entity that does not prepare a consolidated financial statement is also required to disclose information required by these amendments.

In accordance with the transitional requirements fo amendments to K-IFRS 1110,1112 and 1028, the Group applied the amendments retrospectively.

Upon adoption of the amendments, there is no significant impact on the consolidated financial statement of the Group.

3. Significant Accounting Policies

The significant accounting policies applied by the Group in preparation of these consolidated financial statements are included below. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, except for those as disclosed in note 2.(e).

(a) Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed income or loss as incurred, except if related to issue debt or equity securities are recognized in accordance with K-IFRS 1032, 'Financial Instruments: Presentation' and K-IFRS 1039, 'Financial Instruments: Recognition and Measurement'.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

(ii) Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in subsidiary that do not result in a loss of control are accounted for as equity transactions.

(iii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group 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. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(iv) Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

3. Significant Accounting Policies, Continued

(a) Basis of consolidation, continued

(v) Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and joint ventures.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method. They are recognized initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence or joint control ceases.

(vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(vii) Acquisitions from entities under common control

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 other capital adjustments.

(b) Revenue

Revenue from the sale of goods, rendering of services or use of the Group assets is measured at the fair value of the consideration received or receivable.

(i) Sale of goods

Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

(ii) 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.

3. Significant Accounting Policies, Continued

(b) Revenue, continued

(iii) Construction contracts

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

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

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

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

(c) Leases

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

(i) Finance leases

At the commencement of the lease term, the Group recognizes as finance assets and finance liabilities in its consolidated statements of financial position, the lower amount of the fair value of the leased property and the present value of the minimum lease payments, each determined at the inception of the lease. Any initial direct costs are added to the amount recognized as an asset.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

The depreciable amount of a leased asset is allocated to each accounting period during the period of expected use on a systematic basis consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life. The Group reviews on an annual basis to determine whether the leased asset may be impaired.

3. Significant Accounting Policies, Continued

(c) Leases, continued

(ii) Operating leases

Leases where the lessor retains a significant portion of the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognized in profit or loss on a straight-line basis over the period of the lease.

(d) Foreign currencies

Transactions in foreign currencies are translated to the respective functional currencies of Group 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.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognized in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(e) Borrowing costs

The Group 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. Financial assets and inventories that are manufactured or otherwise produced over a short period of time are not qualifying assets. Assets that are ready for their intended use or sale when acquired are not qualifying assets.

To the extent that the Group borrows funds specifically for the purpose of obtaining a qualifying asset, the Group determines the amount of borrowing costs eligible for capitalization as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. To the extent that the Group borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Group shall determine the amount of borrowing costs eligible for capitalization by applying a capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that the Group capitalizes during a period shall not exceed the amount of borrowing costs incurred during that period.

(f) Government grants

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

Government grants whose primary condition is that the Group 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 reduction to depreciation expense.

3. Significant Accounting Policies, Continued

(f) Government grants, continued

Government grants which are intended to compensate the Group for expenses incurred are recognized as other income (government grants) in profit or loss over the periods in which the Group recognizes the related costs as expenses. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in income or loss in the period in which they become receivable.

(g) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are employee benefits that are due to be settled within twelve months after the end of the period in which the employees render the related service. When an employee has rendered service to the Group during an accounting period, the Group recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service as profit or loss.

(ii) Other long-term employee benefits

Other long-term employee benefits include employee benefits that are settled beyond 12 months after the end of the period in which the employees render the related service, and are calculated at the present value of the amount of future benefit that employees have earned in return for their service in the current and prior periods, less the fair value of any related assets. Remeasurements are recognized in profit or loss in the period in which they arise.

(iii) Retirement benefits: Defined contribution plans

When an employee has rendered service to the Group during a period, the Group recognizes the contribution payable to a defined contribution plan in exchange for that service as an accrued expense, after deducting any contributions already paid. If the contributions already paid exceed the contribution due for service before the end of the reporting period, the Group recognizes that excess as an asset (prepaid expense) to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

(iv) Retirement benefits: Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation is performed annually by an independent actuary using the projected unit credit method. 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.

Remeasurements of net defined benefit liabilities, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments, net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

3. Significant Accounting Policies, Continued

(g) Employee benefits, continued

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss in curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(h) 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 income tax

Current income tax is the expected income 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 of future periods, and non-taxable or non-deductible items from the accounting profit.

(ii) Deferred income tax

The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period to recover or settle the carrying amount of its assets and liabilities.

The Group 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 Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The Group 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 income tax asset is reviewed at the end of each reporting period and is reduced 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 income 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 income tax liabilities and deferred income tax assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period to recover or settle the carrying amount of its assets and liabilities.

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

3. Significant Accounting Policies, Continued

(i) 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 any 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, when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent to initial recognition, an item of property, plant and equipment shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses.

Property, plant and equipment, except for land, are depreciated over estimated useful lives that appropriately reflect the pattern in which the asset's future economic benefits are expected to be consumed, either on a straight-line basis or on a Unit-of-production basis.

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

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized in profit or loss.

The estimated useful lives and depreciation methods of the Group's property, plant and equipment are as follows:

	Method	Useful lives (years)
Buildings	Straight-line	8 ~ 32
Structures	Straight-line	8 ~ 50
Machinery	Straight-line	6 ~ 32
Vehicles	Straight-line	4
Loaded nuclear fuel	Unit-of-production	-
Loaded heavy water	Straight-line	30
Asset retirement costs of nuclear power plants	Straight-line	30, 40, 60
Asset retirement costs of spent fuel	Unit-of-production	-
Finance lease assets	Straight-line	8 ~ 32
Others	Straight-line	4 ~ 9

The estimated residual value, useful lives and the depreciation method are reviewed at least at the end of each reporting period and, if expectations differ from previous estimates, the changes are accounted for as changes in accounting estimates.

3. Significant Accounting Policies, Continued

(j) Intangible assets

Intangible assets are measured initially at cost and, subsequently, are carried at cost less accumulated amortization and accumulated impairment losses.

Amortization of intangible assets except for goodwill is calculated on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The residual value of intangible assets is zero. However, as there are no foreseeable limits to the periods over which some of other intangible assets are expected to be available for use, this intangible asset is determined as having an indefinite useful life and not amortized.

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

	Method	Useful lives (years)
Development cost	Straight-line	5
Industrial rights	Straight-line	5, 10
Facility usage rights	Straight-line	20
Software	Straight-line	4
Others	Straight-line	5 ~ 50

Amortization periods and the amortization methods for intangible assets with finite useful lives are reviewed at the end of each reporting period. The useful lives of intangible assets that are not being amortized are reviewed at the end of each reporting period to determine whether events and circumstances continue to support indefinite useful life assessments for those assets. Changes are accounted for as changes in accounting estimates.

(i) Research and development

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized in profit or loss as incurred. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Other development expenditures are recognized in profit or loss as incurred.

(ii) Subsequent expenditures

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures, including expenditures on internally generated goodwill and brands, are recognized in profit or loss as incurred.

(k) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than assets arising from construction contracts, employee benefits, inventories, deferred tax assets and non-current assets held for sale, are reviewed at the end of the reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, irrespective of whether there is any indication of impairment, are tested for impairment annually by comparing their recoverable amount to their carrying amount.

3. Significant Accounting Policies, Continued

(k) Impairment of non-financial assets, continued

Management estimates the recoverable amount of an individual asset. If it is impossible to measure the individual recoverable amount of an asset, then management estimates the recoverable amount of cash-generating unit ("CGU"). For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount of an asset or CGU is the greater of its value-in-use and its fair value less costs to sell. The Group determined that individual operating entities are CGUs. The value-in-use is estimated by applying a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU for which estimated future cash flows have not been adjusted, to the estimated future cash flows expected to be generated by the asset or CGU.

An impairment loss is recognized in profit or loss if the carrying amount of an asset or a CGU exceeds its recoverable amount.

(l) Inventories

The cost of inventories is based on the weighted average principle, and includes expenditures for acquiring the inventories, conversion costs and other costs incurred in bringing them to their existing location and condition.

Inventories are measured at the lower of cost and net realizable value. 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 is recognized as a reduction in the amount of inventories recognized as a cost of goods sold in the period in which the reversal occurs.

(m) Provisions

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

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

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

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

A provision is used only for expenditures for which the provision was originally recognized.

3. Significant Accounting Policies, Continued

(m) Provisions, continued

(i) Provision for decommissioning costs of nuclear power plants

The Group records the present value of estimated decommissioning costs as a liability in the period in which the Group 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.

(ii) Provision for disposal of spent nuclear fuel

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

(iii) Provision for low and intermediate radioactive wastes

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

(iv) 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 Group recognizes the provision in relation to power plant regional support program at the estimated cash outflows as required by related laws and regulations.

(n) Non-derivative financial assets

The Group recognizes and measures non-derivative financial assets by the following four categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets. The Group recognizes financial assets in the consolidated statement of financial position when the Group 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.

(i) Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss if they are held for trading or designated as such upon initial recognition. Upon initial recognition, transaction costs are recognized in profit or loss when incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

(ii) Held-to-maturity financial assets

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

3. Significant Accounting Policies, Continued

(n) Non-derivative financial assets, continued

(iii) Loans and receivables

Loans and receivables are non-derivative 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 unless the effect of discounting is immaterial.

(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 financial assets or loans and receivables. Subsequent to initial recognition, they are measured at fair value, with changes in fair value, net of any tax effect, recorded in other comprehensive income in equity. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost.

(v) Derecognition of non-derivative financial assets

The Group derecognizes non-derivative financial assets when the contractual rights to the cash flows from the financial asset expire, or the Group 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 a transferred financial asset that is created or retained by the Group is recognized as a separate asset or liability.

If the Group retains substantially all the risks and rewards of ownership of the transferred financial assets, the Group continues to recognize the transferred financial assets and recognizes financial liabilities for the consideration received.

(vi) Offsetting a financial asset and a financial liability

Financial assets and financial liabilities are offset and the net amount is presented in the consolidated statement of financial position only when the Group currently has a legally enforceable right to offset the recognized amounts, and there is the intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

(o) Non-derivative financial liabilities

The Group classified non-derivative financial liabilities into financial liabilities at fair value through profit or loss or as other financial liabilities in accordance with the substance of the contractual arrangement and the definition of financial liabilities. The Group recognized financial liabilities in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

(i) Financial liabilities at fair value through profit or loss

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. Financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. Upon initial recognition, transaction costs are recognized in profit or loss when incurred.

3. Significant Accounting Policies, Continued

(o) Non-derivative financial liabilities, continued

(ii) Other financial liabilities

Non-derivative financial liabilities other than financial liabilities at fair value through profit or loss are classified as other financial liabilities. At the date of initial recognition, other financial liabilities are measured at fair value minus transaction costs that are directly attributable to the acquisition. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The Group derecognizes financial liabilities from the consolidated statement of financial position when it is extinguished (i.e. when, the Group's obligations are discharged, cancelled or they expires).

(p) Derivative financial instruments

Derivatives are initially recognized at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

(i) Hedge accounting

The Group holds forward exchange contracts, interest rate swaps, currency swaps and other derivative contracts to manage interest rate risk and foreign exchange risk. The Group designated derivatives as hedging instruments to hedge the risk of changes in the fair value of assets, liabilities or firm commitments (a fair value hedge) and foreign currency risk of highly probable forecasted transactions or firm commitments (a cash flow hedge).

On initial designation of the hedge, the Group formally 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, together with the methods that will be used to assess the effectiveness in offsetting changes in fair values or cash flows of the hedged item.

(ii) Other derivative financial instruments

Changes in the fair value of other derivative financial instrument not designated as a hedging instrument are recognized immediately in profit or loss.

3. Significant Accounting Policies, Continued

(q) Emission rights

The Group accounts for greenhouse gases emission right and the relevant liability as below pursuant to the Act on Allocation and Trading of Greenhouse Gas Emission which became effective in 2015.

(i) Greenhouse gases emission right

Greenhouse gases emission right consists of emission allowances which are allocated from the government free of charge or purchased from the market. The cost includes any directly attributable costs incurred during the normal course of business.

Emission rights held for the purpose of performing the obligation is classified as intangible asset and is initially measured at cost and after initial recognition, are carried at cost less accumulated impairment losses.

The Group derecognizes an emission right asset when the emission allowance is unusable, disposed or submitted to government in which the future economic benefits are no longer expected to be probable.

(ii) Emission liability

Emission liability is a present obligation of submitting emission rights to the government with regard to emission of greenhouse gas. Emission liability is recognized when it is probable that outflows of resources will be required to settle the obligation and the costs required to perform the obligation are reliably estimable. Emission liability is an amount of estimated obligations for emission rights to be submitted to the government for the performing period. The emission liability is measured based on the expected quantity of emission for the performing period in excess of emission allowance in possession and the unit price for such emission rights in the market at the end of the reporting period.

(r) Impairment of financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. However, losses expected as a result of future events, regardless of likelihood, are not recognized.

If there is objective evidence that the financial assets are impaired, impairment losses are measured and recognized.

3. Significant Accounting Policies, Continued

(r) Impairment of financial assets, continued

(i) Financial assets measured at amortized cost

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of its estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of the impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through profit or loss either directly or by adjusting an allowance account.

(ii) Financial assets carried at cost

If there is objective evidence that an impairment loss has occurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

(iii) Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized. Impairment losses recognized in profit or loss for an investment in an equity instrument classified as available-for-sale are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss shall be reversed, not to exceed the amount of the reversal recognized in profit or loss.

(s) Equity capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

(t) Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognized in profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in profit or loss on the date when the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, dividends on preference shares classified as liabilities, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognized on financial assets, and losses on hedging instruments that are recognized in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

3. Significant Accounting Policies, Continued

(u) Earnings per share

The Group presents basic earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Controlling Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

(v) 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 Group 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 Group 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.

(w) New standards and interpretations not yet adopted

The following new standards have been published for mandatory application for annual periods beginning after January 1, 2016.

(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 Group plans to adopt K-IFRS 1109 for the year beginning on January 1, 2018. K-IFRS 1109 will generally be applied retrospectively; however the Group 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 Group 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 Group holds and economic conditions at that time as well as accounting policy elections and judgment that it will make in the future.

The Group has not initiated any changes in internal control processes or accounting systems. The Group is currently performing a detailed assessment of the potential impact from the application of K-IFRS 1109 and plans to complete the assessment before its effective date. The Group plans to disclose the outcome of the assessment in 2017. Expected impacts on the consolidated financial statements are generally categorized as follows:

3. Significant Accounting Policies, Continued

(w) New standards and interpretations not yet adopted, continued

(i) K-IFRS 1109, 'Financial Instruments', continued

① 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 Group's profit or loss.

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 Group 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 December 31, 2016, the Group has loans and receivables amounting to ₩2,561,347 million, available-for-sale financial assets amounting to ₩779,298 million, and financial assets at fair value through profit or loss amounting to ₩265,318 million.

② 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.

The Group does not have any financial liability designated as at FVTPL as of December 31, 2016.

3. Significant Accounting Policies, Continued

(w) New standards and interpretations not yet adopted, continued

(i) K-IFRS 1109, 'Financial Instruments', continued

③ 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.

Classification		Loss allowances
Stage 1	Credit risk has not increased significantly since the initial recognition	12-month ECL: ECLs that resulted from possible default events within the 12 months after the reporting date
Stage 2	Credit risk has increase significantly since the intial recognition	Lifetime ECL: ECL that resulted from all possible default events over the expected life of a financial instrument
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 December 31, 2016, the Group has debt instruments in financial assets measured at amortized cost amounting to ₩2,564,533 million (loans and receivables) and has recognized loss allowances for ₩3,186 million.

④ 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 quality for hedge accounting under K-IFRS 1109, decreasing volatility in the Group's profits or loss.

As of December 31, 2016, the Group does not have assets, liabilities, firm commitments, or anticipated transactions for which hedge accounting is applied.

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

3. Significant Accounting Policies, Continued

(w) New standards and interpretations not yet adopted, continued

(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.

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 Group has not initiated any changes in internal control processes or accounting systems, and has not performed an assessment of the impact resulting from the application of K-IFRS 1115. The Group is currently performing a detailed assessment of the potential impact from the application of K-IFRS 1115 and plans to complete the assessment its effective date. The Group plans to disclose the outcome of the assessment in 2017.

4. Segment Information

The Group's segments are determined based on components of the Group that are engaged in revenue generating activities and for which discrete financial information is available that is regularly reported to the chief operating decision maker ("CODM") for the purpose of resource allocation and assessment of performance. The CODM uses both operating profit (loss) and net profit (loss) for the period as measures of segment results to assess segment performance and to allocate resources. Segment operating profit is used to report segment performance below because management believes it is determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the Group's consolidated financial statements. Segment operating profit (loss) is determined in the same manner as consolidated operating profit (loss) under K-IFRS. Segment assets and liabilities are equal to total assets and total liabilities under K-IFRS, respectively. Also, segment assets and liabilities are based on the separate financial statements of the entities instead of on consolidated basis. The Group's operating segments are "Electric power generation (nuclear and others)" and "Others". The "Electric power generation (nuclear and others)" segment revenue is primarily composed of sales of electric power and service revenue. The "Others" segment represents the business unit that manages the Group's foreign operations.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3.

(a) Information about operating segments related to segment results

(i) For the year ended December 31, 2016

(In millions of won)		**Electric power generation**	**Others**	**Reconciling items**	**Consolidated totals**
Revenue from external customers	₩	11,277,136	-	-	11,277,136
Intersegment revenue		-	-	-	-
Segment revenue		11,277,136	-	-	11,277,136
Segment operating profit (loss)		3,847,205	(46)	84	3,847,243
Other income (expenses), net					(59,525)
Other profit, net					11,608
Finance income					127,588
Finance expenses					(600,446)
Equity method loss of associates, net					(55,779)
Income taxes					(798,575)
Depreciation and amortization		3,138,471	-	-	3,138,471

4. Segment Information, Continued

(a) Information about operating segments related to segment results, continued

(ii) For the year ended December 31, 2015

(In millions of won)		**Electric power generation**	**Others**	**Reconciling items**	**Consolidated totals**
Revenue from external customers	₩	10,747,026	-	-	10,747,026
Intersegment revenue		-	-	-	-
Segment revenue		10,747,026	-	-	10,747,026
Segment operating profit (loss)		3,791,760	(42)	-	3,791,718
Other income (expenses), net					14,456
Other profit, net					7,137
Finance income					245,700
Finance expenses					(775,729)
Equity method loss of associates, net					(4,332)
Income taxes					(821,837)
Depreciation and amortization		3,078,436	-	-	3,078,436

(b) Information about operating segments related to segment assets and liabilities as of December 31, 2016 and 2015

(i) As of December 31, 2016

(In millions of won)		Electric power generation	Others	Reconciling items	Consolidated totals
Total segment assets (*)	₩	53,084,041	229,558	(291,122)	53,022,477
Investment in associates		61,468	-	-	61,468
Investment in joint ventures		-	-	20,753	20,753
Acquisition of non-current assets		1,945,612	-	-	1,945,612
Total segment liabilities		27,588,017	959	(11,085)	27,577,891

(ii) As of December 31, 2015

(In millions of won)		Electric power generation	Others	Reconciling items	Consolidated totals
Total segment assets (*)	₩	51,354,359	29,126	(130,698)	51,252,787
Investment in associates		106,738	14,588	-	121,326
Acquisition of non-current assets		2,647,320	-	-	2,647,320
Total segment liabilities		27,635,721	22	(11,828)	27,623,915

4. Segment Information, Continued

(b) Information about operating segments related to segment assets and liabilities as of December 31, 2016 and 2015, continued

(*) As segment assets and liabilities are determined based on separate financial statements, for subsidiaries which are in a different segment from that of its immediate parent company, their carrying amount in separate financial statements is eliminated upon consolidation which were ₩262,075 million and ₩76,725 million in 2016 and 2015, respectively. In addition, adjustments are made to adjust the amount of investment in associates and joint ventures from the amount reflected in segment assets to that determined using equity method in consolidated financial statements which were ₩16,472 million and ₩40,695 million in 2016 and 2015, respectively.

(c) Geographical information

The Group is headquartered in Korea, with substantially all of its assets located in Korea and substantially all of its revenue is generated domestically.

(d) Information about major customers

For the years ended December 31, 2016 and 2015, the Group recognized total revenue from the Group's largest customer KEPCO of ₩11,167,411 million and ₩10,664,668 million, respectively.

5. Categories of Financial Instruments

(a) Details of categories of financial instruments as of December 31, 2016 and 2015 are as follows:

(i) Financial assets

1) December 31, 2016

(In millions of won)		Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Total
Current financial assets:					
Cash and cash equivalents	₩	-	86,806	-	86,806
Current financial assets					
Short-term financial instruments		-	340,850	-	340,850
Loans		-	159,375	-	159,375
Derivative assets		39,054	-	-	39,054
		39,054	500,225	-	539,279
Trade accounts and other receivables		-	1,568,716	-	1,568,716
Sub-total		39,054	2,155,747	-	2,194,801
Non-current financial assets:					
Non-current financial assets					
Long-term financial instruments		-	214,121	-	214,121
Available-for-sale financial assets		-	-	779,298	779,298
Loans		-	123,960	-	123,960
Derivative assets		226,264	-	-	226,264
		226,264	338,081	779,298	1,343,643
Trade accounts and other receivables		-	67,518	-	67,518
Sub-total		226,264	405,599	779,298	1,411,161
	₩	265,318	2,561,346	779,298	3,605,962

5. Categories of Financial Instruments, Continued

(a) Details of categories of financial instruments as of December 31, 2016 and 2015 are as follows, continued:

(i) Financial assets, continued

2) December 31, 2015

(In millions of won)		Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Total
Current financial assets:					
Cash and cash equivalents	₩	-	564,703	-	564,703
Current financial assets					
Short-term financial instruments		-	1,008	-	1,008
Loans		-	66,734	-	66,734
		-	67,742	-	67,742
Trade accounts and other receivables		-	1,341,085	-	1,341,085
Sub-total		-	1,973,530	-	1,973,530
Non-current financial assets:					
Non-current financial assets					
Long-term financial instruments		-	652,700	-	652,700
Available-for-sale financial assets		-	-	205,900	205,900
Loans		-	68,666	-	68,666
Derivative assets		180,439	-	-	180,439
		180,439	721,366	205,900	1,107,705
Trade accounts and other receivables		-	67,446	-	67,446
Sub-total		180,439	788,812	205,900	1,175,151
	₩	180,439	2,762,342	205,900	3,148,681

5. Categories of Financial Instruments, Continued

(a) Details of categories of financial instruments as of December 31, 2016 and 2015 are as follows, continued:

(ii) Financial liabilities

1) December 31, 2016

(In millions of won)		Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortized cost	Total
Current financial liabilities:				
Current financial liabilities	₩			
Current portion of long-term borrowings		-	16,031	16,031
Current portion of long-term bonds		-	681,628	681,628
		-	697,659	697,659
Trade accounts and other payables		-	1,007,651	1,007,651
Sub-total		-	1,705,310	1,705,310
Non-current financial liabilities:				
Long-term borrowings		-	208,085	208,085
Bonds		-	7,835,721	7,835,721
		-	8,043,806	8,043,806
Trade accounts and other payables		-	2,940,340	2,940,340
Sub-total		-	10,984,146	10,984,146
	₩	-	12,689,456	12,689,456

5. Categories of Financial Instruments, Continued

(a) Details of categories of financial instruments as of December 31, 2016 and 2015 are as follows, continued:

(ii) Financial liabilities, continued

2) December 31, 2015

(In millions of won)		**Financial liabilities at fair value through profit or loss**	**Financial liabilities measured at amortized cost**	**Total**
Current financial liabilities:				
Current financial liabilities	₩			
Current portion of long-term borrowings		-	19,357	19,357
Current portion of long-term bonds		-	569,632	569,632
		-	588,989	588,989
Trade accounts and other payables		-	1,134,887	1,134,887
Sub-total		-	1,723,876	1,723,876
Non-current financial liabilities:				
Non-current financial liabilities				
Long-term borrowings		-	229,316	229,316
Bonds		-	8,896,722	8,896,722
		-	9,126,038	9,126,038
Trade accounts and other payables		-	2,947,883	2,947,883
Sub-total		-	12,073,921	12,073,921
	₩	-	13,797,797	13,797,797

5. Categories of Financial Instruments, Continued

(b) Gain (loss) by categories of financial instruments for the years ended December 31, 2016 and 2015 are as follows:

(In millions of won)

Categories	Description		December 31, 2016	December 31, 2015
Loans and receivables	Cash and cash equivalents-interest income	₩	10,558	8,302
	Financial instruments-interest income		18,126	10,375
	Loans-interest income		2,366	3,064
	Trade accounts and other receivables-interest income		2,233	3,136
	Gain on fluctuation of exchange rate in foreign currency, net		3,807	312
Financial assets at fair value through profit or loss	Gain on change in the unrealized fair value of derivative instruments, net		84,880	172,231
	Loss on transactions of derivative instruments, net		(5,157)	(2,105)
Available-for-sale financial assets	Net change in the unrealized fair value of available-for-sale financial assets before tax		(5,500)	13,149
	Impairment of available-for-sale financial assets		(19)	(51)
	Dividend income		470	-
	Loss on disposals of available-for-sale financial assets		-	(140)
Financial liabilities measured at fair value through profit or loss	Gain (loss) on transactions of derivative instruments, net		-	37,222
Financial liabilities at amortized cost	Loss on fluctuation of exchange rate in foreign currency, net		(87,610)	(215,140)
	Loss on repayment of financial liabilities		(23,000)	-
	Amortization of present value discount		(130,238)	(134,420)
	Other interest expense		(353,998)	(408,861)

6. Cash and Cash Equivalents

Cash and cash equivalents as of December 31, 2016 and 2015 are as follows:

(In millions of won)		December 31, 2016	December 31, 2015
Cash equivalents	₩	17,150	20,477
Deposits with banks and short-term instruments classified as cash equivalents		69,656	544,226
	₩	86,806	564,703

7. Financial Assets at Fair Value Through Profit or Loss

(a) Financial assets at fair value through profit or loss as of December 31, 2016 and 2015 are as follows:

		December 31, 2016		December 31, 2015	
(In millions of won)		Current	Non-current	Current	Non-current
Short-term financial instruments					
Derivative assets	₩	39,054	226,264	-	180,439

(b) Details of derivative financial instruments as of December 31, 2016 and 2015 are as follows:

		December 31, 2016		December 31, 2015	
(In millions of won)		Current	Non-current	Current	Non-current
Derivative assets					
Foreign currency forwards	₩	3,773	32,805	-	24,896
Foreign currency swaps		35,281	193,459	-	155,543
Sub-total		39,054	226,264	-	180,439

(c) Details of foreign currency forwards contracts as of December 31, 2016 are as follows:

(In millions of won, in thousands of USD, won/USD)

Counterparty	Period	Amount of contract: Pay	Amount of contract: Receive	Contractual foreign exchange rate
Hana Bank	2014.04.10~2021.07.12	KRW 55,120	USD 52,000	1,060.00
Hana Bank	2014.04.28~2021.07.12	KRW 50,784	USD 48,000	1,058.00
Bank of America	2014.04.29~2021.07.12	KRW 105,400	USD 100,000	1,054.00
Hana Bank	2014.05.09~2021.07.12	KRW 104,600	USD 100,000	1,046.00
JP Morgan	2016.12.09~2017.01.09	KRW 35,215	USD 30,219	1,165.31
Woori Bank	2016.12.08~2017.01.09	KRW 59,657	USD 51,411	1,160.40

7. Financial Assets at Fair Value Through Profit or Loss, Continued

(d) Details of foreign currency swap contracts as of December 31, 2016 are as follows:

(In millions of won, in thousands of USD, won/USD)

		Amount of contract		Interest rate of contract		Contractual foreign
Counterparty	Period	Pay	Receive	Pay	Receive	exchange rate
Citibank	2012.09.12~2022.09.19	KRW 112,930	USD 100,000	2.79%	3.00%	1,129.30
JP Morgan	2012.09.12~2022.09.19	KRW 112,930	USD 100,000	2.79%	3.00%	1,129.30
Bank of America	2012.09.12~2022.09.19	KRW 112,930	USD 100,000	2.79%	3.00%	1,129.30
Shinhan Bank	2016.12.21~2022.09.19	KRW 112,930	USD 100,000	2.79%	3.00%	1,129.30
HSBC	2012.11.01~2022.09.19	KRW 111,770	USD 100,000	2.89%	3.00%	1,117.70
Hana Bank	2012.10.26~2022.09.19	KRW 111,770	USD 100,000	2.87%	3.00%	1,117.70
SC	2012.10.26~2022.09.19	KRW 111,770	USD 100,000	2.89%	3.00%	1,117.70
Deutsche Bank	2012.12.28~2022.09.19	KRW 55,885	USD 50,000	2.79%	3.00%	1,117.70
DBS	2013.02.20~2018.02.20	KRW 108,140	USD 100,000	2.63%	Libor 3M+0.84%	1,081.40
DBS	2013.05.07~2018.02.20	KRW 108,140	USD 100,000	2.57%	Libor 3M+0.84%	1,081.40
DBS	2013.05.08~2018.02.20	KRW 108,140	USD 100,000	2.57%	Libor 3M+0.84%	1,081.40
HSBC	2013.10.30~2018.10.02	KRW 107,450	USD 100,000	3.41%	2.88%	1,074.50
SC	2013.10.30~2018.10.02	KRW 107,450	USD 100,000	3.44%	2.88%	1,074.50
JP Morgan	2013.10.30~2018.10.02	KRW 107,450	USD 100,000	3.48%	2.88%	1,074.50
Bank of America	2014.01.02~2018.10.02	KRW 107,450	USD 100,000	3.09%	2.88%	1,074.50
Citibank	2014.01.02~2018.10.02	KRW 107,450	USD 100,000	3.09%	2.88%	1,074.50
JP Morgan	2014.05.22~2017.05.22	KRW 102,670	USD 100,000	2.89%	Libor 3M+0.78%	1,026.70
Deutsche Bank	2014.05.22~2017.05.22	KRW 102,670	USD 100,000	2.89%	Libor 3M+0.78%	1,026.70
HSBC	2014.10.28~2019.10.28	KRW 105,260	USD 100,000	2.48%	2.38%	1,052.60
SC	2014.10.28~2019.10.28	KRW 105,260	USD 100,000	2.48%	2.38%	1,052.60
Korea Development Bank	2016.08.04~2019.10.28	KRW 105,260	USD 100,000	2.48%	2.38%	1,052.60
Nomura Financial Investment (Korea) Co., Ltd.	2015.06.15~2025.06.15	KRW 111,190	USD 100,000	2.60%	3.25%	1,111.90
Korea Development Bank	2015.06.15~2025.06.15	KRW 111,190	USD 100,000	2.62%	3.25%	1,111.90
Woori Bank	2015.06.15~2025.06.15	KRW 55,595	USD 50,000	2.62%	3.25%	1,111.90
Hana Bank	2015.06.15~2025.06.15	KRW 55,595	USD 50,000	2.62%	3.25%	1,111.90

The Group contracted derivative financial instruments for the purpose of hedging risk but classified them as derivative financial instruments held for trading, since those derivatives do not meet the applicable requirements of applying hedge accounting under K-IFRS 1039 *"Financial Instruments: Recognition and Measurement"*.

The currency swap agreements with Goldman Sachs and RBS were transferred to Shinhan Bank and Korea Development Bank, respectively.

7. Financial Assets at Fair Value Through Profit or Loss, Continued

(e) The gain (loss) on valuation and transaction of derivatives (not designated as a hedge) for the years ended December 31, 2016 and 2015 are as follows:

(In millions of won)		**Gain (loss) on transaction**		**Gain (loss) on transaction**	
		December 31, 2016	**December 31, 2015**	**December 31, 2016**	**December 31, 2015**
Currency forwards	₩	11,682	17,664	(2,334)	3,660
Currency swaps		73,198	154,567	(2,823)	31,457
	₩	84,880	172,231	(5,157)	35,117

8. Trade Accounts and Other Receivables

(a) Trade accounts and other receivables as of December 31, 2016 and 2015 are as follows:

(i) December 31, 2016

(In millions of won)		**Gross amount**	**Allowance for doubtful accounts**	**Amortization of present value discount**	**Carrying amount**
Current assets:					
Trade accounts receivable	₩	1,279,119	-	-	1,279,119
Other receivables		293,375	(3,185)	(593)	289,597
		1,572,494	(3,185)	(593)	1,568,716
Non-current assets:					
Other receivables		68,632	-	(1,114)	67,518
	₩	1,641,126	(3,185)	(1,707)	1,636,234

8. Trade Accounts and Other Receivables, Continued

(a) Trade accounts and other receivables as of December 31, 2016 and 2015 are as follows, continued:

(ii) December 31, 2015

(In millions of won)		Gross amount	Allowance for doubtful accounts	Amortization of present value discount	Carrying amount
Current assets:					
Trade accounts receivable	₩	1,134,283	-	-	1,134,283
Other receivables		210,648	(3,207)	(639)	206,802
		1,344,931	(3,207)	(639)	1,341,085
Non-current assets:					
Other receivables		69,206	-	(1,760)	67,446
	₩	1,414,137	(3,207)	(2,399)	1,408,531

(b) Other receivables as of December 31, 2016 and 2015 are as follows:

(i) December 31, 2016

(In millions of won)		Gross amount	Allowance for doubtful accounts	Amortization of present value discount	Carrying amount
Current assets:					
Other accounts receivable	₩	9,173	(3,185)	-	5,988
Accrued income		214,276	-	-	214,276
Guarantee deposits		68,336	-	(593)	67,743
Current other receivables		1,590	-	-	1,590
		293,375	(3,185)	(593)	289,597
Non-current assets:					
Guarantee deposits		68,632	-	(1,114)	67,518
	₩	362,007	(3,185)	(1,707)	357,115

8. Trade Accounts and Other Receivables, Continued

(b) Other receivables as of December 31, 2016 and 2015 are as follows, continued:

(ii) December 31, 2015

(In millions of won)		Gross amount	Allowance for doubtful accounts	Amortization of present value discount	Carrying amount
Current assets:					
Other accounts receivable	₩	12,601	(3,207)	-	9,394
Accrued income		124,151	-	-	124,151
Guarantee deposits		72,306	-	(639)	71,667
Current other receivables		1,590	-	-	1,590
		210,648	(3,207)	(639)	206,802
Non-current assets:					
Guarantee deposits		69,206	-	(1,760)	67,446
	₩	279,854	(3,207)	(2,399)	274,248

Trade accounts and other receivables classified as loans and receivables are measured at amortized cost. For electricity sales revenue, the average trade accounts receivable turnover is 2 business days from the date of the revenues generated.

Interest is charged on trade accounts receivable after 2 business days from invoice date based on interest rates of overdue open market loans.

(c) Aging analysis of the trade accounts receivable as of December 31, 2016 and 2015 are as follows:

(In millions of won)		December 31, 2016	December 31, 2015
Receivables (not overdue, not impaired)	₩	1,279,119	1,134,283
Receivables (overdue, not impaired)		-	-
Receivables (other)		-	-
		1,279,119	1,134,283
Less: allowance for doubtful accounts		-	-
Less: present value discount		-	-
	₩	1,279,119	1,134,283

8. Trade Accounts and Other Receivables, Continued

(d) Aging analysis of other receivables as of December 31, 2016 and 2015 are as follows:

(In millions of won)		December 31, 2016	December 31, 2015
Receivables (not overdue, not impaired)	₩	358,822	276,647
Receivables (overdue, not impaired)		-	-
Receivables (Other)		3,185	3,207
0~60 days		-	-
60~90 days		-	-
90~120 days		-	-
120~365 days		-	-
Over 365 days		3,185	3,207
		362,007	279,854
Less: allowance for doubtful accounts		(3,185)	(3,207)
Less: present value discount		(1,707)	(2,399)
	₩	357,115	274,248

(e) Changes in the allowance for doubtful accounts for the years ended December 31, 2016 and 2015 are as follows:

		December 31, 2016		December 31, 2015	
(In millions of won)		Trade accounts receivable	Other receivables	Trade accounts receivable	Other receivables
Beginning balance	₩	-	3,207	-	3,463
Bad debt expenses (Reversals)		-	14	-	-
Write-offs		-	(14)	-	(256)
Reversal of allowance for bad debts		-	(22)	-	-
Ending balance	₩	-	3,185	-	3,207

9. Available-For-Sale Financial Assets

(a) Changes in available-for-sale financial assets for the year ended December 31, 2016 and 2015 are as follows:

(i) December 31, 2016

(In millions of won)		January 1, 2016	Acquisition cost	Disposals	Gain on valuation	Impairment losses	Others (*)	December 31, 2016
Listed equity securities	₩	301	40,133	-	(428)	(19)	297	40,284
Unlisted equity securities		205,599	-	-	(2,126)	-	98,526	301,999
Sub total		205,900	40,133	-	(2,554)	(19)	98,823	342,283
Beneficiary securities		-	440,600	(640)	(2,945)	-	-	437,015
	₩	205,900	480,733	(640)	(5,499)	(19)	98,823	779,298
Non-current available-for-sale financial assets		205,900	480,733	(640)	(5,499)	(19)	98,823	779,298

(*) Includes increase as a result of acquisition of Korea Imouraren Uranium Investment Corp. (available-for-sale financial assets investment, Areva NC Expansion) and foreign currency translation.

(ii) December 31, 2015

(In millions of won)		January 1, 2015	Acquisition cost	Disposals	Loss on valuation	Impairment losses	Others	December 31, 2015
Listed equity securities	₩	381	-	-	69	(51)	(98)	301
Unlisted equity securities		192,434	393	(308)	13,080	-	-	205,599
		192,815	393	(308)	13,149	(51)	(98)	205,900
Non-current available-for-sale financial assets		192,815	393	(308)	13,149	(51)	(98)	205,900

9. Available-For-Sale Financial Assets, Continued

(b) Available-for-sale financial assets as of December 31, 2016 and 2015 are as follows:

(i) December 31, 2016

(In millions of won except share information and ownership)	Shares	Ownership	Acquisition cost	Carrying amount	Fair value
Listed securities:					
Fission Uranium Corp.	700,000	0.14%	325	401	401
Denison Mines Corp.	58,248,500	10.77%	36,799	36,481	36,481
Fission 3.0 Corp.	300,000	0.17%	36	17	17
Energy Fuel Inc.	1,711,814	2.59%	3,280	3,385	3,385
Unlisted securities:					
Korea Power Exchange (*1)	-	14.28%	18,263	32,910	32,910
SET Holding (*1)	1,100,220	2.50%	229,255	170,170	170,170
HeeMang Sunlight Power Co., Ltd. (*2)	78,600	8.33%	393	393	393
Areva NC Expansion (*3)	1,077,124	13.49%	98,526	98,526	98,526
Sub-total			386,877	342,283	342,283
Beneficiary securities: (*4)					
Investment-pool-integrated specialized investment fund of the private equity investment trust No.10	-	-	142,470	141,315	141,315
Pension-and-fund-integrated specialized investment fund of the private equity investment trust No.2	-	-	213,710	211,920	211,920
Pension-and-fund-integrated specialized investment fund in new growth engine industry of the private equity investment trust No.1	-	-	53,220	53,212	53,212
HanHwa-K master lease Professional investment type private equity investment organization	-	-	30,560	30,568	30,568
Sub-total			439,960	437,015	437,015
			826,837	779,298	779,298

(*1) The Group has estimated the fair value by using the discounted cash flow method and has recognized the difference between its fair value and book value as gain or loss on valuation of available-for-sale financial assets in other comprehensive income or loss during the year ended December 31, 2016.

(*2) These available-for-sale financial assets that do not have a quoted market price in an active market and their fair value cannot be reliably measured, therefore they are measured at cost.

9. Available-For-Sale Financial Assets, Continued

(b) Available-for-sale financial assets as of December 31, 2016 and 2015 are as follows, continued:

(i) December 31, 2016, continued:

(*3) The acquisition cost is the carrying amount recognized previously in the consolidated financial statements of the ultimate parent, KEPCO, as of the date of the business combination. The original acquisition cost of equity interest in Areva NC Expansion held by Korea Imouraren Uranium Investment Corp. in KEPCO's consolidated financial statements amounted to ₩288,443 million.

(*4) As of December 31, 2016, the Group invested in ₩437,015 million as beneficiary securities exclusively for payment of decommissioning cost of nuclear power plants. The Group has measured the fair value of the beneficiary securities based on its net asset value.

(ii) December 31, 2015

(In millions of won except share information and ownership)	Shares	Ownership		Acquisitions	Carrying amount	Fair value
Listed securities:						
Fission Uranium Corp.	300,000	0.08%	₩	128	208	208
Denison Mines Corp.	106,500	0.02%		144	63	63
Fission 3.0 Corp.	300,000	0.17%		36	30	30
Unlisted securities:						
Korea Power Exchange (*1)	-	14.28%		18,263	25,621	25,621
SET Holding (*1)	1,100,220	2.50%		229,255	179,585	179,585
HeeMang Sunlight Power Co., Ltd. (*2)	78,600	8.33%		393	393	393
			₩	248,219	205,900	205,900

(*1) The fair value of unquoted available-for-sale financial assets is calculated using the valuation results in which weighted average cost of capital of evaluated companies is used as the discount rate.

(*2) These available-for-sale financial assets that do not have a quoted market price in an active market and their fair value cannot be reliably measured, therefore they are measured at cost.

10. Other Financial Assets

(a) Other financial assets as of December 31, 2016 and 2015 are as follows:

(In millions of won)		December 31, 2016 Current	December 31, 2016 Non-current	December 31, 2015 Current	December 31, 2015 Non-current
Financial instruments	₩	340,850	214,121	1,008	652,700
Loans		159,375	123,960	66,734	68,666
	₩	500,225	338,081	67,742	721,366

10. Other Financial Assets, Continued

(b) Details of financial instruments as of December 31, 2016 and 2015 are as follows:

(In millions of won)		**December 31, 2016**		**December 31, 2015**	
		Current	**Non-current(*)**	**Current**	**Non-current**
Time deposit	₩	220,850	30,000	1,008	-
Others		120,000	184,121	-	652,700
	₩	340,850	214,121	1,008	652,700

(*) As of December 31, 2016 and 2015, the Group set aside ₩214,121 million and ₩652,700 million, respectively; for decommissioning costs for nuclear power plants. These funds are financial assets that cannot be used for general purposes with a restricted access period exceeding 12 months following December 31, 2016. Therefore, these have been categorized as non-current assets.

(c) Details of loans as of December 31, 2016 and 2015 are as follows:

(In millions of won)		**December 31, 2016**		**December 31, 2015**	
		Current	**Non-current**	**Current**	**Non-current**
Loans for tuition	₩	3,102	69,287	4,485	66,046
Loans for housing		1,035	6,322	1,281	7,905
Other loans		155,352	54,729	61,032	1,729
Less: present value discount		(114)	(6,378)	(64)	(7,014)
	₩	159,375	123,960	66,734	68,666

11. Inventories

Inventories as of December 31, 2016 and 2015 are as follows:

(In millions of won)		**December 31, 2016**	**December 31, 2015**
Product	₩	4,396	4,579
Raw materials		2,757,342	2,746,072
Supplies		849,178	645,799
Inventories-in-transit		141,717	114,720
	₩	3,752,633	3,511,170

12. Non-Financial Assets

Non-financial assets as of December 31, 2016 and 2015 are as follows:

(In millions of won)		December 31, 2016		December 31, 2015	
		Current	**Non-current**	**Current**	**Non-current**
Advanced payments	₩	8,128	1,243,105	13,636	1,131,654
Prepaid expenses		73,288	8,136	45,177	9,100
Others		32,921	-	21,488	-
	₩	114,337	1,251,241	80,301	1,140,754

13. Investments in Associates and Joint Ventures

(a) Investments in associates and joint ventures as of December 31, 2016 and 2015 are as follows:

			Ownership	
Company	**Location**	**Key operating activities**	**December 31, 2016**	**December 31, 2015**
<Associates>				
Korea Offshore Wind Power Co., Ltd. (*)	KOREA	Offshore wind resources development	12.50%	12.50%
Noeul Green Energy Co., Ltd.	KOREA	Electricity and heat generation	29.00%	20.00%
Busan Green Energy Co., Ltd.	KOREA	Electricity and heat generation	29.00%	29.00%
Korea Nuclear Partners Co., Ltd.	KOREA	Electric material agency	29.00%	29.00%
Solar School Plant Co., Ltd. (*)	KOREA	Photovoltaic power generation electricity resources development	8.38%	-
KEPCO Energy Solution Co., Ltd (*)	KOREA	Energy-efficient equipment investment services business	8.33%	-
<Joint ventures>				
Waterbury Lake Uranium Limited Partnership	CANADA	Uranium resources development	36.97%	-

(*) Korea Offshore Wind Power Co., Ltd., Solar School Plant Co., Ltd. and KEPCO Energy Solution Co., Ltd. are included in the scope of investments in associates as the Group can exercise significant influence according to the shareholders agreement.

13. Investments in Associates and Joint Ventures, Continued

(b) Changes in investments in associates and joint ventures for the years ended December 31, 2016 and 2015 are as follows:

(i) December 31, 2016

(In millions of won)

Company		January 1, 2016	Acquisition	Share of profit (loss)	Changes in equity	Disposals	Others	December 31, 2016
<Associates>								
Korea Imouraren Uranium Investment Corp.(*1)	₩	89,695	-	(56,295)	28,046	-	(61,446)	-
Kepco Canada Uranium Investment Limited Partnership(*2)		9,678	24,241	732	4,569	(39,220)	-	-
Korea Waterbury Uranium Limited Partnership(*1)		4,910	25	1,508	1,657	-	(8,100)	-
Korea Offshore Wind Power Co., Ltd.		658	4,500	(620)	(66)	-	-	4,472
Yeong Wol Energy Station Co., Ltd. (*3)		1,289	-	85	26	-	(1,400)	-
Noeul Green Energy Co., Ltd.		295	1,340	(417)	-	-	-	1,218
Busan Green Energy Co., Ltd.		14,512	-	(709)	-	-	-	13,803
Korea Nuclear Partners Co., Ltd.		289	-	(41)	-	-	-	248
Solar School Plant Co., Ltd.		-	16,750	2	-	-	-	16,752
KEPCO Energy Solution Co., Ltd.		-	25,000	(25)	-	-	-	24,975
Sub-total	₩	121,326	71,856	(55,780)	34,232	(39,220)	(70,946)	61,468
<Joint ventures>								
Waterbury Lake Uranium Limited Partnership. (*4)		-	-	-	-	-	20,753	20,753
	₩	121,326	71,856	(55,780)	34,232	(39,220)	(50,193)	82,221

(*1) As explained in Note 1, this company has been classified as a subsidiary during 2016 due to additional acquisition of shares.
(*2) KEPCO Canada Uranium Investment Limited Partnership was dissolved during the year ended December 31, 2016.
(*3) The Group reclassified investments in Yeongwol Energy Station Co., Ltd. to assets held-for-sale according to the shareholders' agreement.

13. Investments in Associates and Joint Ventures, Continued

(b) Changes in investments in associates and joint ventures for the years ended December 31, 2016 and 2015 are as follows, continued:

(i) December 31, 2016, continued

(*4) The acquisition cost is the carrying amount recognized previously in the consolidated financial statements of the ultimate parent, KEPCO, as of the date of business combination. The original acquisition cost of the equity interest in Waterbury Lake Uranium Limited Partnership held by Korea Waterbury Uranium Limited Partnership in KEPCO's consolidated financial statements amounted to ₩26,602 million.

(ii) December 31, 2015

(In millions of won)

Company		January 1, 2015	Acquisition	Share of profit (loss)	Changes in equity	December 31, 2015
Korea Imouraren Uranium Investment Corp.	₩	91,076	-	2,386	(3,767)	89,695
KEPCO Canada Uranium Investment Limited Partnership		17,669	9	(5,577)	(2,423)	9,678
Korea Waterbury Uranium Limited Partnership		5,534	21	(19)	(626)	4,910
Korea Offshore Wind Power Co., Ltd.		1,185	-	(527)	-	658
Yeong Wol Energy Station Co., Ltd.		1,740	-	(451)	-	1,289
Noeul Green Energy Co., Ltd.		189	200	(91)	(3)	295
Busan Green Energy Co., Ltd.		-	14,564	(52)	-	14,512
Korea Nuclear Partners Co., Ltd.		-	290	(1)	-	289
	₩	117,393	15,084	(4,332)	(6,819)	121,326

13. Investments in Associates and Joint Ventures, Continued

(c) The summary financial information of investments accounted for using the equity method as of and for the years ended December 31, 2016 and 2015 are as follows:

(i) December 31, 2016

(In millions of won) Company		Total assets	Total liabilities	Revenue	Net profit (loss)
<Associates>					
Korea Offshore Wind Power Co., Ltd.		37,826	2,048	-	(4,960)
Noeul Green Energy Co., Ltd.		115,062	110,866	203	(1,155)
Busan Green Energy Co., Ltd.		147,843	100,247	-	(2,444)
Korea Nuclear Partners Co., Ltd.		1,363	507	372	(140)
Solar School Plant Co., Ltd.		200,268	259	1	9
KEPCO Energy Solution Co., Ltd.		299,933	233	-	(300)
<Joint ventures>					
Waterbury Lake Uranium Limited Partnership		56,181	47	-	-

(ii) December 31, 2015

(In millions of won) Company		Total assets	Total liabilities	Revenue	Net profit (loss)
Korea Imouraren Uranium Investment Corp.	₩	224,499	263	-	5,964
Kepco Canada Uranium Investment Limited Partnership		38,816	104	-	(22,309)
Korea Waterbury Uranium Limited Partnership		18,088	812	-	(62)
Korea Offshore Wind Power Co., Ltd.		7,579	2,317	-	(4,213)
Yeong Wol Energy Station Co., Ltd.		179,852	166,953	12,068	1,831
Noeul Green Energy Co., Ltd.		1,517	44	-	(446)
Busan Green Energy Co., Ltd.		50,093	53	-	(180)
Korea Nuclear Partners Co., Ltd.		1,002	6	-	(4)

14. Property, Plant and Equipment

(a) Property, plant and equipment as of December 31, 2016 and 2015 are as follows:

(i) December 31, 2016

(In millions of won)		Acquisition cost	Government grants	Accumulated depreciation	Carrying amount
Land	₩	2,443,574	-	-	2,443,574
Buildings		7,359,515	(120)	(2,144,223)	5,215,172
Structures		4,445,615	(11,250)	(1,579,662)	2,854,703
Machineries		21,782,541	(17,056)	(7,468,645)	14,296,840
Ships		1,965	-	(1,462)	503
Vehicles		32,896	-	(28,028)	4,868
Fixtures and furniture		395,578	(324)	(278,156)	117,098
Tools		340,250	(279)	(288,031)	51,940
Construction-in-progress		11,538,394	-	-	11,538,394
Finance lease assets		908,456	-	(237,204)	671,252
Asset retirement costs		6,869,769	-	(2,906,423)	3,963,346
Loaded nuclear fuels		10,589,945	-	(8,246,512)	2,343,433
	₩	66,708,498	(29,029)	(23,178,346)	43,501,123

(ii) December 31, 2015

(In millions of won)		Acquisition cost	Government grants	Accumulated depreciation	Carrying amount
Land	₩	2,248,193	-	-	2,248,193
Buildings		5,898,303	(141)	(1,849,322)	4,048,840
Structures		4,238,972	(11,842)	(1,395,831)	2,831,299
Machineries		19,254,922	(19,042)	(6,237,136)	12,998,744
Ships		1,919	-	(1,306)	613
Vehicles		31,347	-	(24,051)	7,296
Fixtures and furniture		328,609	(476)	(257,289)	70,844
Tools		310,052	(445)	(263,247)	46,360
Construction-in-progress		13,605,175	-	-	13,605,175
Finance lease assets		803,926	-	(198,100)	605,826
Asset retirement costs		6,653,364	-	(2,633,106)	4,020,258
Loaded nuclear fuels		9,614,712	-	(7,394,867)	2,219,845
	₩	62,989,494	(31,946)	(20,254,255)	42,703,293

14. Property, Plant and Equipment, Continued

(b) Changes in property, plant and equipment for the years ended December 31, 2016 and 2015 are as follows:

(i) December 31, 2016

(In millions of won)		January 1, 2016	Acquisitions/ Capitalization	Disposals	Depreciation (*1)	Others (*2)	December 31, 2016
Land	₩	2,248,193	270	(20,903)	-	216,014	2,443,574
Buildings		4,048,981	-	(2,835)	(297,168)	1,466,314	5,215,292
(Government grants)		(141)	-	-	21	-	(120)
Structures		2,843,141	-	(2)	(189,865)	212,679	2,865,953
(Government grants)		(11,842)	-	-	592	-	(11,250)
Machineries		13,017,786	1,008	(376)	(1,236,742)	2,532,220	14,313,896
(Government grants)		(19,042)	-	-	2,056	(70)	(17,056)
Ships		613	-	-	(156)	46	503
Vehicles		7,296	335	(1)	(4,358)	1,596	4,868
Fixtures and furniture		71,320	48,073	(208)	(42,435)	40,672	117,422
(Government grants)		(476)	-	-	158	(6)	(324)
Tools		46,805	6,602	(12)	(26,495)	25,319	52,219
(Government grants)		(445)	-	-	200	(34)	(279)
Construction-in-progress		13,605,175	1,870,785	-	-	(3,937,566)	11,538,394
Finance lease assets		605,826	-	-	(29,734)	95,160	671,252
Asset retirement costs		4,020,258	-	-	(509,618)	452,706	3,963,346
Loaded nuclear fuels		2,219,845	-	-	(851,645)	975,233	2,343,433
	₩	42,703,293	1,927,073	(24,337)	(3,185,189)	2,080,283	43,501,123

(*1) Depreciation expenses are recorded in the cost of sales, selling and administrative expenses and other income and expenses.
(*2) Include transfer from raw materials to loaded nuclear fuels and increase in the costs related to provision for decommissioning cost.

14. Property, Plant and Equipment, Continued

(b) Changes in property, plant and equipment for the years ended December 31, 2016 and 2015 are as follows, continued:

(ii) December 31, 2015

(In millions of won)		January 1, 2015	Acquisitions/ Capitalization	Disposals	Depreciation (*1)	Others (*2)	December 31, 2015
Land	₩	2,216,200	5,737	(10,602)	-	36,858	2,248,193
Buildings		3,907,314	-	(1,363)	(284,683)	427,713	4,048,981
(Government grants)		(161)	-	-	20	-	(141)
Structures		2,909,841	-	-	(204,969)	138,269	2,843,141
(Government grants)		(12,434)	-	-	592	-	(11,842)
Machineries		11,969,823	133,700	(469)	(1,180,032)	2,094,764	13,017,786
(Government grants)		(21,088)	-	5	2,056	(15)	(19,042)
Ships		782	-	-	(169)	-	613
Vehicles		7,854	2,501	-	(4,027)	968	7,296
Fixtures and furniture		60,155	27,959	(31)	(30,700)	13,937	71,320
(Government grants)		(435)	-	-	146	(187)	(476)
Tools		44,861	4,810	(6)	(24,654)	21,794	46,805
(Government grants)		(645)	-	-	200	-	(445)
Construction-in-progress		13,583,734	2,458,995	-	-	(2,437,554)	13,605,175
Finance lease assets		604,837	-	-	(26,220)	27,209	605,826
Asset retirement costs		5,263,105	-	-	(543,159)	(699,688)	4,020,258
Loaded nuclear fuels		2,195,005	-	-	(817,204)	842,044	2,219,845
	₩	42,728,748	2,633,702	(12,466)	(3,112,803)	466,112	42,703,293

(*1) Depreciation expenses are recorded in the cost of sales, selling and administrative expenses and other income and expenses.
(*2) Include transfer from raw materials to loaded nuclear fuels and increase in the costs related to provision for decommissioning cost.

15. Government Grants

(a) Government grants as of December 31, 2016 and 2015 are as follows:

(In millions of won)		December 31, 2016	December 31, 2015
Property, plant and equipment			
Buildings	₩	120	141
Structures		11,250	11,842
Machineries		17,056	19,042
Fixtures and furniture		324	476
Tools		279	445
Sub-total		29,029	31,946
Intangible assets			
Computer software		281	341
Development costs		24	-
Sub-total		305	341
	₩	29,334	32,287

(b) Changes in government grants for the years ended December 31, 2016 and 2015 are as follows:

(i) December 31, 2016

(In millions of won)		January 1, 2016	Depreciation/ Amortization	Others	December 31, 2016
Property, plant and equipment					
Buildings	₩	141	(21)	-	120
Structures		11,842	(592)	-	11,250
Machineries		19,042	(2,056)	70	17,056
Fixtures and furniture		476	(158)	6	324
Tools		445	(200)	34	279
Sub-total		31,946	(3,027)	110	29,029
Intangible assets					
Computer software		341	(100)	40	281
Development costs		-	-	24	24
Sub-total		341	(100)	64	305
	₩	32,287	(3,127)	174	29,334

15. Government Grants, Continued

(b) Changes in government grants for the years ended December 31, 2016 and 2015 are as follows, continued:

(ii) December 31, 2015

(In millions of won)		January 1, 2015	Depreciation/ Amortization	Others	December 31, 2015
Property, plant and equipment					
Buildings	₩	161	(20)	-	141
Structures		12,434	(592)	-	11,842
Machineries		21,088	(2,056)	10	19,042
Fixtures and furniture		435	(146)	187	476
Tools		645	(200)	-	445
Sub-total		34,763	(3,014)	197	31,946
Intangible assets					
Computer software		337	(93)	97	341
Sub-total		337	(93)	97	341
	₩	35,100	(3,107)	294	32,287

16. Construction Contracts

(a) Changes in the balance of construction contracts for the year ended December 31, 2016 are as follows:

(In millions of won)		January 1, 2016	Increase in new orders and others	Recognition of contract revenue	December 31, 2016
Chameliya hydroelectric power plant construction	₩	268	1,375	556	1,087

(b) Construction income recognized in ongoing construction contracts as of December 31, 2016 and 2015 are as follows:

(i) December 31, 2016

(In millions of won)		Accumulative contracts income	Accumulative contracts cost	Accumulative net income
Chameliya hydroelectric power plant construction	₩	15,152	(13,297)	1,855

(ii) December 31, 2015

(In millions of won)		Accumulative contracts income	Accumulative contracts cost	Accumulative net income
Chameliya hydroelectric power plant construction	₩	14,596	(12,741)	1,855

(c) Contracts due from and due to customers as of December 31, 2016 and 2015 are as follows:

(In millions of won)		December 31, 2016	December 31, 2015
Chameliya hydroelectric power plant construction:			
Due to customers for contract work	₩	1,902	1,346

17. Intangible Assets

(a) Intangible assets as of December 31, 2016 and 2015 are as follows:

(i) December 31, 2016

(In millions of won)		Acquisition cost	Government grants	Accumulated amortization	Accumulated impairment losses	Carrying amount
Computer software	₩	59,062	(281)	(39,168)	-	19,613
Industrial rights		2,313	-	(1,124)	-	1,189
Development cost		125,715	(24)	(112,655)	-	13,036
Intangible assets under development		21,479	-	-	-	21,479
Land use rights		2,706	-	(312)	-	2,394
Others			-			
Loading and unloading facilities rights		28,571	-	(11,297)	-	17,274
Dam use rights		6,274	-	(1,322)	-	4,952
Memberships		1,158	-	-	(359)	799
Others (*)		15,868	-	(8,718)	-	7,150
	₩	263,146	(305)	(174,596)	(359)	87,886

(*) Include rights to use nuclear energy facility, rights to use hospitals for local residents in the nuclear plant district, rights to use advertisement billboard and others.

(ii) December 31, 2015

(In millions of won)		Acquisition cost	Government grants	Accumulated amortization	Accumulated impairment losses	Carrying amount
Computer software	₩	44,526	(341)	(32,640)	-	11,545
Industrial rights		2,155	-	(896)	-	1,259
Development cost		116,705	-	(106,375)	-	10,330
Intangible assets under development		21,063	-	-	-	21,063
Land use rights		118	-	(118)	-	-
Others						
Loading and unloading facilities rights		28,571	-	(9,407)	-	19,164
Dam use rights		6,274	-	(1,177)	-	5,097
Memberships		1,158	-	-	(359)	799
Others (*)		15,736	-	(8,163)	-	7,573
	₩	236,306	(341)	(158,776)	(359)	76,830

(*) Include rights to use nuclear energy facility, rights to use hospitals for local residents in the nuclear plant district, rights to use advertisement billboard and others.

17. Intangible Assets, Continued

(b) Changes in intangible assets for the years ended December 31, 2016 and 2015 are as follows:

(i) December 31, 2016

(In millions of won)		January 1, 2016	Acquisition/ Capitalization	Disposal	Amortization (*)	Others	December 31, 2016
Computer software	₩	11,886	11,375	-	(5,406)	2,039	19,894
(Government grants)		(341)	-	-	100	(40)	(281)
Industrial rights		1,259	-	-	(10)	(60)	1,189
Development cost		10,330	-	-	(4,817)	7,547	13,060
(Government grants)		-	-	-	-	(24)	(24)
Intangible assets under development		21,063	7,164	-	-	(6,748)	21,479
Land use rights		-	-	-	(194)	2,588	2,394
Others							
Loading and unloading facilities rights		19,164	-	-	(1,890)	-	17,274
Dam use rights		5,097	-	-	(145)	-	4,952
Memberships		799	-	-	-	-	799
Others		7,573	-	(84)	(449)	110	7,150
	₩	76,830	18,539	(84)	(12,811)	5,412	87,886

(*) Amortization expenses are recorded in cost of sales, selling and administrative expenses and other income and expenses.

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(ii) December 31, 2015

(In millions of won)		January 1, 2015	Acquisition/ Capitalization	Disposal	Amortization (*)	Others	December 31, 2015
Computer software	₩	10,885	5,358	-	(4,143)	(214)	11,886
(Government grants)		(337)	-	-	93	(97)	(341)
Industrial rights		1,478	-	-	(27)	(192)	1,259
Development cost		13,321	-	(5)	(5,092)	2,106	10,330
(Government grants)		-	-	-	-	-	-
Intangible assets under development		16,022	8,260	-	-	(3,219)	21,063
Land use rights		-	-	-	-	-	-
Others							
Loading and unloading facilities rights		21,055	-	-	(1,891)	-	19,164
Dam use rights		5,241	-	-	(144)	-	5,097
Memberships		799	-	-	-	-	799
Others		8,088	-	-	(454)	(61)	7,573
	₩	76,552	13,618	(5)	(11,658)	(1,677)	76,830

(*) Amortization expenses are recorded in cost of sales, selling and administrative expenses and other income and expenses.

18. Borrowing Costs

Borrowing costs capitalized for the years ended December 31, 2016 and 2015 are as follows:

(In millions of won)		December 31, 2016	December 31, 2015
Amount of capitalization:			
Construction-in-progress	₩	331,830	352,719
Intangible assets under development and others		28,441	26,588
	₩	360,271	379,307
Capitalization ratio		3.88%	3.92%

19. Financial Liabilities at Fair Value Through Profit or Loss

The Group has no financial liabilities at fair value through profit or loss as of December 31, 2016 and 2015.

20. Trade Accounts and Other Payables

Trade accounts and other payables as of December 31, 2016 and 2015 are as follows:

		December 31, 2016		December 31, 2015	
(In millions of won)		Current	Non-current	Current	Non-current
Trade accounts payable	₩	168,348	-	158,021	-
Other accounts payable (*)		434,325	2,940,340	591,844	2,947,883
Accrued expenses		401,325	-	380,685	-
Leasehold deposits received		1,245	-	1,304	-
Other deposits received		2,408	-	3,033	-
	₩	1,007,651	2,940,340	1,134,887	2,947,883

(*) As of December 31, 2016 and 2015, ₩2,878,053 million and ₩2,987,631 million, respectively, are accrued expenses related to spent fuel management charges and are to be paid out in installments over a 15-year period from 2014.

21. Borrowings and Bonds

(a) Borrowings as of December 31, 2016 and 2015 are as follows:

(In millions of won)		December 31, 2016	December 31, 2015
Current liabilities:			
Current portion of long-term borrowings	₩	16,031	19,357
Current portion of long-term bonds		681,700	570,000
Less: discount on bonds		(72)	(368)
Sub-total		697,659	588,989
Non-current liabilities:			
Long-term borrowings		208,085	229,316
Bonds		7,872,525	8,940,200
Less: discount on bonds		(36,804)	(43,478)
Sub-total		8,043,806	9,126,038
	₩	8,741,465	9,715,027

(b) The Group has no short-term borrowings as of December 31, 2016 and 2015.

21. Borrowings and Bonds, Continued

(c) Long-term borrowings as of December 31, 2016 and 2015 are as follows:

(i) December 31, 2016

(In millions of won)

Financial institution	Type	Maturity	Interest rate		December 31, 2016
Korea Resources Corporation	Resource development loan	2024.09.15	Treasury notes (3M)-2.25%	₩	1,397
		2025.03.15	Treasury notes (3M)-2.25%		4,660
		2025.12.15	Treasury notes (3M)-2.25%		1,629
Korea Resources Corporation	Resource development loan	-	Treasury notes (3M)-2.25%		4,445
Korea Development Bank	Facility loan	2028.06.24	4.60%		36,735
Samsung Life Insurance Co., Ltd.		2028.06.24	4.60%		16,851
Samsung Fire & Marine Insurance Co., Ltd.		2028.06.24	4.60%		29,489
KB Insurance Co., Ltd.		2028.06.24	4.60%		27,804
Hyundai Marine & Fire Insurance Co., Ltd.		2028.06.24	4.60%		25,276
Dongbu Insurance Co., Ltd.		2028.06.24	4.60%		16,851
Hana Bank		2028.06.24	4.60%		16,851
Samsung Life Insurance Co., Ltd.		2028.06.24	Corporate bonds+1.1%		16,851
Shinhan Bank		2028.06.24	Corporate bonds+1.1%		25,277
					224,116
Less: current portion					(16,031)
				₩	208,085

21. Borrowings and Bonds, Continued

(c) Long-term borrowings as of December 31, 2016 and 2015 are as follows, continued:

(ii) December 31, 2015

(In millions of won)

Financial institution	Type	Maturity	Interest rate		December 31, 2015
Korea Resources Corporation	Resource development loan	2024.09.15	Treasury notes (3M)-2.25%	₩	1,577
		2025.03.15	Treasury notes (3M)-2.25%		5,225
		2025.12.15	Treasury notes (3M)-2.25%		1,810
Industrial Bank of Korea	Power development loan	2016.05.29	Treasury notes (3M)-1.25%		4,000
Korea Resources Corporation	Resource development loan	-	Treasury notes (3M)-2.25%		4,445
Korea Development Bank	Facility loan	2028.06.24	4.60%		40,137
Samsung Life Insurance Co., Ltd.		2028.06.24	4.60%		18,412
Samsung Fire & Marine Insurance Co., Ltd.		2028.06.24	4.60%		32,221
KB Insurance Co., Ltd.		2028.06.24	4.60%		30,379
Hyundai Marine & Fire Insurance Co., Ltd.		2028.06.24	4.60%		27,617
Dongbu Insurance Co., Ltd.		2028.06.24	4.60%		18,411
Hana Bank		2028.06.24	4.60%		18,411
Samsung Life Insurance Co., Ltd.		2028.06.24	Corporate bonds+1.1%		18,411
Shinhan Bank		2028.06.24	Corporate bonds+1.1%		27,617
					248,673
Less: current portion					(19,357)
				₩	229,316

21. Borrowings and Bonds, Continued

(d) Bonds as of December 31, 2016 and 2015 are as follows:

(In millions of won)

	Issue	Maturity	Interest rate		December 31, 2016	December 31, 2015
Corporate bond #8	2009.05.04	2019.05.04	5.28%	₩	120,000	200,000
Corporate bond #9-1	2009.10.16	2024.10.16	5.72%		30,000	30,000
Corporate bond #9-2	2009.10.16	2029.10.16	5.74%		70,000	70,000
Corporate bond #11	2009.11.06	2029.11.06	5.84%		100,000	100,000
Corporate bond #14	2010.04.20	2020.04.20	5.10%		100,000	100,000
Corporate bond #15-2	2010.05.10	2017.05.10	5.11%		160,000	170,000
Corporate bond #17-1	2010.12.10	2020.12.10	4.60%		80,000	100,000
Corporate bond #17-2	2010.12.10	2040.12.10	5.06%		100,000	100,000
Corporate bond #24	2009.07.07	2019.07.07	5.39%		100,000	100,000
Corporate bond #26-1	2011.03.25	2021.03.25	4.66%		100,000	100,000
Corporate bond #26-2	2011.03.25	2031.03.25	4.89%		100,000	100,000
Corporate bond #27-1	2011.04.15	2016.04.15	-		-	100,000
Corporate bond #27-2	2011.04.15	2021.04.15	4.68%		100,000	100,000
Corporate bond #27-3	2011.04.15	2031.04.15	4.88%		100,000	100,000
Corporate bond #28	2011.07.01	2026.07.01	4.56%		100,000	100,000
Corporate bond #29-1	2011.12.08	2016.12.08	-		-	100,000
Corporate bond #29-2	2011.12.08	2021.12.08	4.04%		100,000	100,000
Corporate bond #29-3	2011.12.08	2031.12.08	4.26%		100,000	100,000
Corporate bond #30-1	2012.01.19	2017.01.19	3.84%		40,000	100,000
Corporate bond #30-2	2012.01.19	2022.01.19	4.04%		120,000	150,000
Corporate bond #30-3	2012.01.19	2032.01.19	4.24%		50,000	50,000
Corporate bond #31-1	2012.03.20	2017.03.20	4.01%		50,000	50,000
Corporate bond #31-2	2012.03.20	2022.03.20	4.15%		100,000	100,000
Corporate bond #31-3	2012.03.20	2032.03.20	4.32%		150,000	150,000
Corporate bond #32-1	2012.04.26	2017.04.26	3.80%		50,000	70,000
Corporate bond #32-2	2012.04.26	2022.04.26	3.97%		90,000	100,000
Corporate bond #32-3	2012.04.26	2032.04.26	4.14%		130,000	130,000
Corporate bond #33-1	2012.05.18	2022.05.18	3.82%		100,000	100,000
Corporate bond #33-2	2012.05.18	2032.05.18	4.01%		100,000	100,000
Corporate bond #34-1	2012.07.13	2022.07.13	3.54%		90,000	100,000
Corporate bond #34-2	2012.07.13	2032.07.13	3.71%		100,000	100,000
Corporate bond #35-1	2013.01.18	2018.01.18	2.98%		70,000	100,000
Corporate bond #35-2	2013.01.18	2023.01.18	3.15%		90,000	100,000
Corporate bond #35-3	2013.01.18	2033.01.18	3.32%		100,000	100,000
Corporate bond #36-1	2013.03.28	2018.03.28	2.78%		90,000	100,000
Corporate bond #36-2	2013.03.28	2023.03.28	2.98%		100,000	100,000
Corporate bond #36-3	2013.03.28	2033.03.28	3.19%		100,000	100,000
Corporate bond #37-1	2013.04.26	2018.04.26	2.77%		40,000	80,000
Corporate bond #37-2	2013.04.26	2023.04.26	2.93%		100,000	100,000
Corporate bond #37-3	2013.04.26	2033.04.26	3.12%		120,000	120,000

21. Borrowings and Bonds, Continued

(d) Bonds as of December 31, 2016 and 2015 are as follows, continued:

(In millions of won)	Issue	Maturity	Interest rate		December 31, 2016	December 31, 2015
Corporate bond #38-1	2013.07.19	2018.07.19	3.38%	₩	50,000	50,000
Corporate bond #38-2	2013.07.19	2023.07.19	3.62%		100,000	100,000
Corporate bond #38-3	2013.07.19	2033.07.19	3.88%		90,000	90,000
Corporate bond #39-1	2013.10.18	2016.10.18	-		-	210,000
Corporate bond #39-2	2013.10.18	2023.10.18	3.71%		90,000	90,000
Corporate bond #40-1	2013.11.22	2016.11.22	-		-	160,000
Corporate bond #40-2	2013.11.22	2023.11.22	3.92%		140,000	140,000
Corporate bond #41-1	2014.01.17	2017.01.17	3.12%		140,000	170,000
Corporate bond #41-2	2014.01.17	2024.01.17	3.86%		130,000	130,000
Corporate bond #42-1	2014.04.25	2019.04.25	3.30%		10,000	60,000
Corporate bond #42-2	2014.04.25	2024.04.25	3.68%		100,000	100,000
Corporate bond #42-3	2014.04.25	2034.04.25	3.89%		100,000	100,000
Corporate bond #43-1	2014.12.18	2019.12.18	2.44%		60,000	90,000
Corporate bond #43-2	2014.12.18	2024.12.18	2.80%		220,000	220,000
Corporate bond #43-3	2014.12.18	2034.12.18	3.07%		90,000	90,000
Corporate bond #44-1	2015.06.29	2020.06.29	2.31%		60,000	110,000
Corporate bond #44-2	2015.06.29	2025.06.29	2.70%		40,000	40,000
Corporate bond #44-3	2015.06.29	2035.06.29	2.94%		150,000	150,000
					5,110,000	6,170,000
Less: discount on bonds					(8,856)	(11,178)
Less: current portion					(439,951)	(569,632)
				₩	4,661,193	5,589,190

21. Borrowings and Bonds, Continued

(e) Foreign bonds as of December 31, 2016 and 2015 are as follows:

(In millions of won, in thousands of USD)

				December 31, 2016		December 31, 2015	
	Issue	Maturity	Interest rate	USD	Won equivalents	USD	Won equivalents
Global bond #3	2011.07.13	2021.07.13	4.75%	500,000	604,250	500,000	586,000
Global bond #4	2012.09.19	2022.09.19	3.00%	750,000	906,375	750,000	879,000
Global bond #5	2013.10.02	2018.10.02	2.88%	500,000	604,250	500,000	586,000
Global bond #6	2014.10.28	2019.10.28	2.38%	300,000	362,550	300,000	351,600
Global bond #7	2015.06.15	2025.06.15	3.25%	300,000	362,550	300,000	351,600
Foreign FRN 1	2013.02.20	2018.02.20	Libor 3M+0.84%	300,000	362,550	300,000	351,600
Foreign FRN 2	2014.05.22	2017.05.22	Libor 3M+0.78%	200,000	241,700	200,000	234,400
				$ 2,850,000	3,444,225	$ 2,850,000	₩ 3,340,200
Less: discount on bonds					(28,020)		(32,668)
Less: current portion					(241,677)		-
					₩ 3,174,528		₩ 3,307,532

22. Finance Lease Liabilities

(a) Lease contracts

The Group has entered into financing lease agreements for their power transmission connection facility. Per the agreement, the lease terms are from 8 to 32 years, no bargain purchase option exists at the end of the lease terms, and the legal ownership of the leased assets of carrying amounts of ₩671,252 million and ₩605,826 million as of December 31, 2016 and 2015, respectively, is retained by the lessor.

(b) As of December 31, 2016, the Group does not have finance lease liabilities.

(c) As of December 31, 2016, the Group does not have non-cancelable operating lease agreements for the use of assets.

23. Retirement Benefit Obligations

(a) Defined contribution plans

For the years ended December 31, 2016 and 2015, retirement benefit expenses of ₩34,275 million and ₩33,472 million, respectively were recognized in the consolidated statements of comprehensive income and represent contribution amounts paid to retirement benefit plans in accordance with a ratio defined in retirement benefit plans. For the years ended December 31, 2016 and 2015, the Group recognized cost of sales of ₩23,732 million and ₩23,287 million, respectively; selling and administrative expenses of ₩1,480 million and ₩1,384 million, respectively; and others of ₩9,063 million and ₩8,801 million, respectively. As of December 31, 2016, the Group recognized other accounts payable of ₩2,290 million, which was subsequently paid after December 31, 2016.

23. Retirement Benefit Obligations, Continued

(b) Defined benefit plans

(i) The principal assumptions as of December 31, 2016 and 2015 are as follows:

	December 31, 2016	December 31, 2015
Discount rate	2.35% ~ 2.57%	2.33% ~ 2.52%
Future salary and benefit levels	2.00% ~ 7.30%	2.00% ~ 7.30%

(ii) Details of the Group's expense (expected return on assets) relating to its retirement benefit obligations for the years ended December 31, 2016 and 2015 are as follows:

(In millions of won)		December 31, 2016	December 31, 2015
Current service cost	₩	74,695	58,193
Interest cost		12,533	11,345
Expected return on plan assets		(4,002)	(3,658)
Transfer to other accounts		(22,642)	(18,944)
	₩	60,584	46,936

The Group recognized these expenses as payments to employee benefits. For the years ended December 31, 2016 and 2015, the Group recognized cost of sales of ₩56,630 million and ₩43,739 million, respectively; selling and administrative expenses of ₩3,954 million and ₩3,197 million, respectively; and others of ₩22,642 million and ₩18,944 million, respectively.

(iii) The amounts recognized in the consolidated statements of financial position related to retirement benefit obligations as of December 31, 2016 and 2015 are as follows:

(In millions of won)		December 31, 2016	December 31, 2015
Present value of defined benefit obligations	₩	597,572	453,019
Fair value of plan assets		(235,900)	(148,404)
Retirement benefit obligations	₩	361,672	304,615

(iv) Changes in present value of retirement benefit obligations for the years ended December 31, 2016 and 2015 are as follows:

(In millions of won)		December 31, 2016	December 31, 2015
Beginning balance	₩	453,019	367,784
Current service cost		74,695	58,193
Interest cost		12,533	11,345
Remeasurement component		75,085	25,128
Actual payments		(17,760)	(9,431)
Ending balance	₩	597,572	453,019

23. Retirement Benefit Obligations, Continued

(b) Defined benefit plans, continued

(v) Changes in fair value of plan assets for the years ended December 31, 2016 and 2015 are as follows:

(In millions of won)		December 31, 2016	December 31, 2015
Beginning balance	₩	148,404	118,371
Expected return on plan assets		4,002	3,658
Remeasurement component		(891)	(1,037)
Contribution from the employer		92,200	32,164
Actual payments		(7,815)	(4,752)
Ending balance	₩	235,900	148,404

In addition, loss on accumulated remeasurement component amounted to ₩38,083 million and gain on accumulated remeasurement component amounted to ₩19,508 million and has been recognized as other comprehensive income for the years ended December 31, 2016 and 2015, respectively.

(vi) Types of plan assets and fair value of plan assets as of December 31, 2016 and 2015 are as follows:

(In millions of won)		December 31, 2016	December 31, 2015
Equity instruments	₩	80,568	6,885
Liability instruments		42,538	45,078
Bank deposits		27,050	17,789
Others		85,744	78,652
	₩	235,900	148,404

Actual return on plan assets for the years ended December 31, 2016 and 2015 are ₩3,111 million and ₩2,621 million, respectively.

(vii) Remeasurement component recognized in other comprehensive income for the years ended December 31, 2016 and 2015 are as follows:

(In millions of won)		December 31, 2016	December 31, 2015
Actuarial gain or loss arising from changes in demographic assumptions	₩	-	(1)
Actuarial gain or loss arising from changes in financial assumptions		3,492	(25,389)
Experience adjustments		(78,577)	262
Return on plan assets		(891)	(1,037)
	₩	(75,976)	(26,165)

23. Retirement Benefit Obligations, Continued

(c) The amounts recognized in the consolidated statements of financial position related to employee benefits obligations other than retirement benefit obligation as of December 31, 2016 and 2015 are as follows:

(In millions of won)		December 31, 2016	December 31, 2015
Other employee benefit obligation			
Long-term employee paid annual leave	₩	2,290	2,241
	₩	2,290	2,241

24. Provisions

(a) Provisions as of December 31, 2016 and 2015 are as follows:

		December 31, 2016		December 31, 2015	
(In millions of won)		Current	Non-current	Current	Non-current
Provisions for employee benefits	₩	120,196	-	76,112	-
Provisions for litigation		-	93,096	-	27,238
Provisions for decommissioning cost					
Nuclear plants		-	10,195,928	-	9,684,285
Spent fuel		-	1,374,225	-	1,375,184
Radioactive waste		-	1,375,548	-	1,403,434
Provisions for greenhouse gas emission		18,363	-	8,817	-
Others					
Provisions for power plant regional support program		152,851	-	129,654	-
Provisions related to tax		-	136	-	136
Provisions for renewable portfolio standard		130,202	-	145,273	-
	₩	421,612	13,038,933	359,856	12,490,277

24. Provisions, Continued

(b) Changes in provisions for the years ended December 31, 2016 and 2015 are as follows:

(i) December 31, 2016

(In millions of won)		January 1, 2016	Charged to profit and loss for the year	Payment	Reversal	Other	December 31, 2016
Provisions for employee benefits	₩	76,112	228,728	(184,644)	-	-	120,196
Provisions for litigation (*)		27,238	64,613	(218,332)	(893)	220,470	93,096
Provisions for decommissioning cost							
Nuclear plants		9,684,285	513,384	(1,741)	-	-	10,195,928
Spent fuel		1,375,184	469,982	(470,941)	-	-	1,374,225
Radioactive waste		1,403,434	43,846	(71,999)	-	267	1,375,548
Provisions for greenhouse gas emission		8,817	18,363	(35)	(8,782)	-	18,363
Others							
Provisions for power plant regional support program		129,654	50,252	(41,540)	-	14,485	152,851
Provisions related to tax		136	-	-	-	-	136
Provisions for renewable portfolio standard		145,273	270,975	(286,046)	-	-	130,202
	₩	12,850,133	1,660,143	(1,275,278)	(9,675)	235,222	13,460,545

(*) 'Others' primarily include the amount recognized as addition to construction-in-progress

24. Provisions, Continued

(a) Changes in provisions for the years ended December 31, 2016 and 2015 are as follows:

(ii) December 31, 2015

(In millions of won)		January 1, 2015	Charged to profit and loss for the year	Payment	Reversal	Other	December 31, 2015
Provisions for employee benefits	₩	103,283	54,533	(81,704)	-	-	76,112
Provisions for litigation		26,385	1,498	(1,145)	-	500	27,238
Provisions for decommissioning cost							
Nuclear plants		10,331,270	650,218	(623)	(1,296,580)	-	9,684,285
Spent fuel		1,298,749	568,190	(491,755)	-	-	1,375,184
Radioactive waste		1,512,662	51,167	(160,699)	-	304	1,403,434
Provisions for greenhouse gas emission		-	8,817	-	-	-	8,817
Others							
Provisions for power plant regional support program		120,093	37,568	(37,648)	-	9,641	129,654
Provisions related to tax		136	-	-	-	-	136
Provisions for renewable portfolio standard		115,394	195,137	(165,258)	-	-	145,273
	₩	13,507,972	1,567,128	(938,832)	(1,296,580)	10,445	12,850,133

25. Non-Financial Liabilities

Non-financial liabilities as of December 31, 2016 and 2015 are as follows:

(In millions of won)		December 31, 2016 Current	December 31, 2016 Non-current	December 31, 2015 Current	December 31, 2015 Non-current
Advance received	₩	102	-	916	-
Deferred income		545	-	254	-
Withholdings		43,837	-	34,590	-
Others		292,778	2,688	48,916	2,688
	₩	337,262	2,688	84,676	2,688

26. Share Capital

(a) Share capital as of December 31, 2016 and 2015 are as follows:

(In millions of won except par value and share information)		December 31, 2016	December 31, 2015
Number of shares authorized		500,000,000	500,000,000
Par value per share	₩	5,000	5,000
Number of shares issued		242,442,838	242,442,838
Issued capital	₩	1,212,214	1,212,214

(b) Changes in share capital for the years ended December 31, 2016 and 2015 are as follows:

(Share)	December 31, 2016	December 31, 2015
Number of issued shares	242,442,838	242,442,838

(c) Share premium as of December 31, 2016 and 2015 are as follows:

(In millions of won)		December 31, 2016	December 31, 2015
Paid-in capital in excess of par value	₩	9,492,301	9,492,301

27. Retained Earnings and Dividends

(a) Retained earnings as of December 31, 2016 and 2015 are as follows:

(In millions of won)		December 31, 2016	December 31, 2015
Legal reserve (*)	₩	606,107	606,107
Voluntary reserves		7,578,466	5,748,422
Unappropriated retained earnings		6,555,504	6,613,516
	₩	14,740,077	12,968,045

(*) The Korean Commercial Code requires the Controlling Company to appropriate a legal reserve in an amount equal to at least 10% of cash dividends for each accounting period until the reserve equals 50% of stated capital. The legal reserve may be used to reduce a deficit or may be transferred to common stock in connection with a free issue of shares.

(b) Details of voluntary reserves as of December 31, 2016 and 2015 are as follows:

(In millions of won)		December 31, 2016	December 31, 2015
Reserve for business rationalization (*1)	₩	370	370
Reserve for research and human development (*2)		212,291	212,291
Reserve for investment on social overhead capital		308,840	308,840
Reserve for business expansion		4,235,459	3,320,437
Others		2,821,506	1,906,484
	₩	7,578,466	5,748,422

(*1) The Group has appropriated the majority of its tax credits as a reserve for business rationalization in accordance with the *Restriction of Special Taxation Act*. These reserves was used to reduce a deficit or transferred to capital. However, these reserves have been changed to a voluntary reserve due to changes in the aforementioned Act since December, 2002.

(*2) Reserve for research and human development is appropriated by the Group for qualified tax credits to reduce corporate tax liabilities. Remaining reserves after appropriation are available for cash dividends.

(c) Changes in retained earnings for the years ended December 31, 2016 and 2015 are as follows:

(In millions of won)		December 31, 2016	December 31, 2015
Beginning balance	₩	12,968,045	10,975,704
Profit for the year-Controlling Company		2,464,813	2,458,573
Dividends paid		(635,200)	(446,399)
Remeasurements of the defined benefit plan, net of tax		(57,581)	(19,833)
Ending balance	₩	14,740,077	12,968,045

27. Retained Earnings and Dividends, Continued

(d) Statements of appropriation of retained earnings for the years ended December 31, 2016 and 2015 are as follows:

(In millions of won)		2016	2015
I. Unappropriated retained earnings			
Unappropriated retained earnings (undisposed accumulated deficit)	₩	4,165,561	4,185,399
Net income		2,454,810	2,465,244
Remeasurements of the defined benefit plan, net of tax		(57,566)	(19,838)
		6,562,805	6,630,805
II. Transfer from voluntary reserves			
Reserve for business expansion		-	-
		-	-
III. Total (I + II)		6,562,805	6,630,805
Dividends		(543,072)	(635,200)
Reserve for business expansion		(955,869)	(915,022)
Voluntary reserves		(955,869)	(915,022)
		(2,454,810)	(2,465,244)
IV. Unappropriated retained earnings (undisposed accumulated deficit) to be carried over to subsequent year	₩	4,107,995	4,165,561

These statements of appropriation of retained earnings were based on the separate financial statements of the Controlling Company.

27. Retained Earnings and Dividends, Continued

(e) Dividends paid for the years ended December 31, 2016 and 2015 are as follows:

(i) December 31, 2016.

(In millions of won, except share information and dividends for share)

	Number of issued shares	Treasury stocks	Number of dividend shares		Dividends for share	Dividends
Common stock	242,442,838	-	242,442,838	₩	2,620	635,200

(ii) December 31, 2015.

(In millions of won, except share information and dividends for share)

	Number of issued shares	Treasury stocks	Number of dividend shares		Dividends for share	Dividends
Common stock	242,442,838	-	242,442,838	₩	1,841	446,399

(f) Changes in remeasurements of the defined benefit plan for the years ended December 31, 2016 and 2015 are as follows:

(In millions of won)		December 31, 2016	December 31, 2015
At the beginning of the year	₩	19,508	39,341
Changes during the year		(75,964)	(26,165)
Tax effect		18,383	6,332
At the end of the year	₩	(38,073)	19,508

28. Other Components of Equity

(a) Other components of equity as of December 31, 2016 and 2015 are as follows:

(In millions of won)		December 31, 2016	December 31, 2015
Accumulated other comprehensive loss	₩	(36,426)	(66,598)
Other capital adjustments		(249)	(249)
	₩	(36,675)	(66,847)

(b) Changes in accumulated other comprehensive income for the years ended December 31, 2016 and 2015 are as follows:

(i) December 31, 2016

(In millions of won)		Net change in the unrealized fair value of available-for-sale financial assets	Foreign currency translation differences of foreign operations	Share in other comprehensive income (loss) of associates, net of tax	Total
Beginning balance	₩	(31,969)	(300)	(34,329)	(66,598)
Change during the year (*)		(5,499)	143	34,232	28,876
Tax effect		1,330	(34)	-	1,296
Ending balance	₩	(36,138)	(191)	(97)	(36,426)

(*) There was no reclassification to profit or loss during the year ended December 31, 2016.

28. Other Components of Equity, Continued

(b) Changes in accumulated other comprehensive income for the years ended December 31, 2016 and 2015 are as follows, continued:

(ii) December 31, 2015

(In millions of won)		Net change in the unrealized fair value of available-for-sale financial assets	Foreign currency translation differences of foreign operations	Share in other comprehensive income (loss) of associates, net of tax	Total
Beginning balance	₩	(41,937)	(190)	(27,510)	(69,637)
Change during the year (*)		13,149	(144)	(6,819)	6,186
Tax effect		(3,181)	34	-	(3,147)
Ending balance	₩	(31,969)	(300)	(34,329)	(66,598)

(*) There was no reclassification to profit or loss during the year ended December 31, 2015.

(c) Other capital adjustments as of December 31, 2016 and 2015 are as follows:

(In millions of won)		December 31, 2016	December 31, 2015
Changes in paid-in capital subsidiary	₩	(249)	(249)

29. Revenue

Revenue for the years ended December 31, 2016 and 2015 are as follows:

(In millions of won)		December 31, 2016		December 31, 2015	
		Domestic	Overseas	Domestic	Overseas
Sales of electric power					
Electric power generation (Nuclear)	₩	10,320,247	-	9,756,982	-
Electric power generation (Non-nuclear)		574,821	-	670,095	-
Sub-total		10,895,068	-	10,427,077	-
Service revenue		354,877	26,635	309,679	9,847
Construction contracts revenue		-	556	-	423
	₩	11,249,945	27,191	10,736,756	10,270

30. Selling and Administrative Expenses

(a) Selling and administrative expenses for the years ended December 31, 2016 and 2015 are as follows:

(In millions of won)		December 31, 2016	December 31, 2015
Salaries	₩	51,407	36,781
Retirement benefits		5,433	4,581
Other employee benefits		7,407	6,753
Insurance expenses		702	713
Depreciation of property, plant and equipment		24,770	9,188
Amortization of intangible assets		7,626	6,176
Commission		38,491	31,270
Advertisement		7,166	5,626
Training		111	103
Vehicles		130	147
Publication expenses		905	374
Business expenses		258	361
Rent		16,185	18,365
Communication		5,178	5,236
Taxes and dues		1,235	7,631
Supplies expenses		393	261
Utilities		838	10
Repairs		9,261	180
Ordinary development expenses		2,714	4,276
Travel expenses		1,809	1,368
Clothing expenses		14	102
Labor welfare fund contribution		1,913	2,180
Subscription		174	215
Others		17,017	29,718
	₩	201,137	171,615

30. Selling and Administrative Expenses, Continued

(b) Details of others of selling and administrative expenses for the years ended December 31, 2016 and 2015 are as follows:

(In millions of won)		December 31, 2016	December 31, 2015
Other wage	₩	11,113	25,650
Compliance costs		89	135
Award costs		239	221
Registration fees		461	477
Litigation costs		3,562	1,530
Meeting costs		1,553	1,705
	₩	17,017	29,718

31. Other Income and Expenses

(a) Details of other income for the years ended December 31, 2016 and 2015 are as follows:

(In millions of won)		December 31, 2016	December 31, 2015
Reversal of allowance for doubtful accounts	₩	22	-
Gain from assets contributed		1,706	2,028
Reparations		10,919	15,481
Rental income		5,024	5,143
Others		14,524	15,659
	₩	32,195	38,311

(b) Details of others of other income for the years ended December 31, 2016 and 2015 are as follows:

(In millions of won)		December 31, 2016	December 31, 2015
Grants of development of vocational skills	₩	3,436	3,778
Gain on settlement of the grants		3,866	3,694
Trustee training and technical support income		1,041	995
Contract deposit recovered from termination of contract		992	430
Reversal of provisions for litigation		893	-
Others		4,296	6,762
	₩	14,524	15,659

31. Other Income and Expenses, Continued

(c) Details of other expense for the years ended December 31, 2016 and 2015 are as follows:

(In millions of won)		December 31, 2016	December 31, 2015
Depreciation of idle assets	₩	6,639	6,699
Other bad debt expenses		14	-
Donations		80,745	12,401
Others		4,322	4,755
	₩	91,720	23,855

(d) Details of others of other expense for the years ended December 31, 2016 and 2015 are as follows:

(In millions of won)		December 31, 2016	December 31, 2015
Operating cost of the sports center	₩	2,706	2,912
Perform technical support costs		1,157	355
Loss on settlement of research and development grants		-	709
Maintenance expenses related to the idle assets		459	779
	₩	4,322	4,755

32. Other Profit (Loss), Net

(a) Details of other profit (loss), net for the years ended December 31, 2016 and 2015 are as follows:

(In millions of won)		December 31, 2016	December 31, 2015
Gain on disposals of property plant and equipment	₩	15,957	3,866
Gain on foreign currency translations (*)		549	590
Gain on foreign currency transactions (*)		11,306	11,287
Other profit		1,542	943
Loss on disposals of property plant and equipment		(792)	(1,527)
Loss on disposals of intangible assets		(77)	(5)
Loss on foreign currency translations (*)		(3,634)	(194)
Loss on foreign currency transactions (*)		(12,946)	(7,729)
Other loss		(297)	(94)
	₩	11,608	7,137

(*) Gain (loss) on foreign currency translations and foreign currency transactions arising from operating activities.

(b) Details of other profit for the years ended December 31, 2016 and 2015 are as follows:

(In millions of won)		December 31, 2016	December 31, 2015
Gain on valuation of inventories	₩	2	7
Gain on disposal of inventories		264	282
Gain on disposal of waste		1,257	654
Others		19	-
	₩	1,542	943

(c) Details of other loss for the years ended December 31, 2016 and 2015 are as follows:

(In millions of won)		December 31, 2016	December 31, 2015
Loss on inventory obsolescence	₩	(92)	(15)
Loss on disposal of inventories		(205)	(79)
	₩	(297)	(94)

33. Finance Income

(a) Finance income for the years ended December 31, 2016 and 2015 are as follows:

(In millions of won)		December 31, 2016	December 31, 2015
Interest income	₩	33,283	24,877
Dividend income		470	-
Gain on change in the unrealized value of derivative financial instruments		84,880	172,231
Gain on transactions of derivative financial instruments		7,993	46,359
Gain on foreign currency translations (*)		844	2,084
Gain on foreign currency transactions (*)		118	149
	₩	127,588	245,700

(*) Gain on foreign currency translations and foreign currency transactions arising from financing activities.

(b) Details of interest income included in finance income for the years ended December 31, 2016 and 2015 are as follows:

(In millions of won)		December 31, 2016	December 31, 2015
Cash and cash equivalents	₩	10,558	8,302
Financial instruments		18,126	10,375
Loans		2,366	3,064
Trade accounts and other receivables		2,233	3,136
	₩	33,283	24,877

34. Finance Expenses

(a) Finance expenses for the years ended December 31, 2016 and 2015 are as follows:

(In millions of won)		December 31, 2016	December 31, 2015
Interest expense	₩	484,237	543,281
Loss on disposals of financial instruments assets		-	140
Impairment of available-for-sale financial assets		19	51
Loss on transactions of derivative financial instruments		13,150	11,242
Loss on repayment of financial liabilities		23,000	-
Loss on foreign currency translations (*)		80,040	203,673
Loss on foreign currency transactions (*)		-	17,342
	₩	600,446	775,729

(*) Loss on foreign currency translations and foreign currency transactions arising from financing activities.

34. Finance Expenses, Continued

(b) Details of interest expenses included in finance expenses for the years ended December 31, 2016 and 2015 are as follows:

(In millions of won)		December 31, 2016	December 31, 2015
Short-term borrowings	₩	-	927
Long-term borrowings		9,773	11,084
Bonds		336,159	352,886
Other financial liabilities		474,591	532,490
		820,523	897,387
Less: capitalization of financial expenses		(336,286)	(354,106)
	₩	484,237	543,281

35. Income Tax Expense

(a) The components of income tax expense for the years ended December 31, 2016 and 2015 are as follows:

(In millions of won)		December 31, 2016	December 31, 2015
Current income tax expense:			
Current income tax	₩	933,647	870,704
Adjustment due to changes in estimates related to prior years		489	29,376
Income tax charged (credited) directly to equity		19,681	3,185
		953,817	903,265
Deferred income tax benefit:			
Changes in temporary differences		(155,242)	(81,428)
Tax loss carryforwards		-	-
Tax credit carryforwards		-	-
		(155,242)	(81,428)
Income tax expense	₩	798,575	821,837

35. Income Tax Expense, Continued

(b) A reconciliation between actual income tax expense and the computed income tax (benefit) used by applying the statutory rate of 24.2% to profit (loss) before income tax for the years ended December 31, 2016 and 2015 are as follows:

(In millions of won)		December 31, 2016	December 31, 2015
Profit before income tax	₩	3,270,688	3,278,950
Tax effect at the rate of 24.2%		791,507	793,506
Adjustments:			
Non-deductible expense		412	299
Tax credits and deduction		(2,992)	(3,736)
Others		9,159	2,392
		6,578	(1,045)
Adjustment for prior years		489	29,376
Income tax expense	₩	798,575	821,837
Effective tax rate		24.42%	25.06%

(c) Tax item recognized in other comprehensive income (loss) for the years ended December 31, 2016 and 2015 are as follows:

(In millions of won)		December 31, 2016	December 31, 2015
Deferred income tax			
Tax items in other comprehensive income			
Loss (gain) on valuation of available-for-sale securities	₩	1,330	(3,181)
Remeasurements of the defined benefit plan		18,385	6,332
Loss (gain) on foreign currency translation differences of foreign operations		(34)	34
	₩	19,681	3,185

35. Income Tax Expense, Continued

(d) Details of the deferred tax assets (liabilities) as of December 31, 2016 and 2015 are as follows:

(i) December 31, 2016

(In millions of won)		Beginning balance	Amounts recognized in profit (loss) for the year	Amounts recognized in cumulative other comprehensive income (loss)	Ending balance
Deferred income tax by temporary difference					
Long-term employee benefits	₩	99,970	9,230	18,385	127,585
Property, plant and equipment, net		(2,764,686)	(7,261)	-	(2,771,947)
Intangible assets		(487)	233	-	(254)
Subsidiaries and associates		-	(192)	-	(192)
Available-for-sale securities		10,207	-	1,330	11,537
Provision		3,118,597	134,424	-	3,253,021
Others		6,831	(873)	(34)	5,924
	₩	470,432	135,561	19,681	625,674

35. Income Tax Expense, Continued

(d) Details of the deferred tax assets (liabilities) as of December 31, 2016 and 2015 are as follows, continued:

(ii) December 31, 2015

(In millions of won)		Beginning balance	Amounts recognized in profit (loss) for the year	Amounts recognized in cumulative other comprehensive income	Ending balance
Deferred income tax by temporary difference					
Long-term employee benefits	₩	90,882	2,756	6,332	99,970
Property, plant and equipment, net		(2,989,065)	224,379	-	(2,764,686)
Intangible assets		(688)	201	-	(487)
Subsidiaries and associates		(82)	82	-	-
Financial assets at fair value through profit or loss		2,819	(2,819)	-	-
Available-for-sale securities		13,388	-	(3,181)	10,207
Provision		3,270,922	(152,325)	-	3,118,597
Others		828	5,969	34	6,831
	₩	389,004	78,243	3,185	470,432

36. Assets Held-For-Sale

Investments in associates that are classified as held for sale at the end of the reporting period are as follows.

(In millions of won)		December 31, 2016	December 31, 2015
Yeong Wol Energy Station Co., Ltd.	₩	1,400	-

The Group reclassified investments in Yeongwol Energy Station Co., Ltd. to assets held-for-sale according to the shareholders' agreement.

37. Expenses Classified by Nature

Expenses classified by nature for the years ended December 31, 2016 and 2015 are as follows:

(a) December 31, 2016

(In millions of won)		Selling and administrative expenses	Cost of sales	Total
Raw materials used	₩	-	584,549	584,549
Salaries		51,407	771,033	822,440
Retirement benefits		5,433	80,362	85,795
Other employee benefits		7,407	82,288	89,695
Insurance expenses		702	35,532	36,234
Depreciation of property, plant and equipment		24,770	1,995,105	2,019,875
Amortization of nuclear fuel		-	1,105,831	1,105,831
Amortization of intangible assets		7,626	5,139	12,765
Commission		38,491	169,914	208,405
Expense for provisions for decommissioning cost		-	230,152	230,152
Expense for other provisions		-	54,153	54,153
Advertisement		7,166	3,170	10,336
Training		111	1,356	1,467
Vehicles		130	525	655
Publication expenses		905	639	1,544
Business expenses		258	1,705	1,963
Rent		16,185	60,098	76,283
Communication		5,178	2,047	7,225
Freight expenses		-	162	162
Taxes and dues		1,235	281,215	282,450
Supplies expenses		393	4,862	5,255
Utilities		838	6,404	7,242
Repairs		9,261	1,016,981	1,026,242
Ordinary development expenses		2,714	436,562	439,276
Travel expenses		1,809	6,236	8,045
Clothing expenses		14	1,683	1,697
Research and analysis expenses		-	1,100	1,100
Labor welfare fund contribution		1,913	32,717	34,630
Subscription		174	7,223	7,397
Others		17,017	250,013	267,030
	₩	201,137	7,228,756	7,429,893

37. Expenses Classified by Nature, Continued

(b) December 31, 2015

(In millions of won)		Selling and administrative expenses	Cost of sales	Total
Raw materials used	₩	-	684,587	684,587
Salaries		36,781	540,345	577,126
Retirement benefits		4,581	67,026	71,607
Other employee benefits		6,753	74,718	81,471
Insurance expenses		713	35,350	36,063
Depreciation of property, plant and equipment		9,188	1,981,781	1,990,969
Amortization of nuclear fuel		-	1,075,855	1,075,855
Amortization of intangible assets		6,176	5,435	11,611
Commission		31,270	143,023	174,293
Expense for provisions for decommissioning cost		-	274,596	274,596
Expense for provisions for litigation		-	1,498	1,498
Expense for other provisions		-	71,211	71,211
Advertisement		5,626	2,831	8,457
Training		103	1,363	1,466
Vehicles		147	476	623
Publication expenses		374	464	838
Business expenses		361	1,566	1,927
Rent		18,365	65,441	83,806
Communication		5,236	2,396	7,632
Freight expenses		-	157	157
Taxes and dues		7,631	242,987	250,618
Supplies expenses		261	3,185	3,446
Utilities		10	5,284	5,294
Repairs		180	921,806	921,986
Ordinary development expenses		4,276	342,393	346,669
Travel expenses		1,368	3,761	5,129
Clothing expenses		102	987	1,089
Research and analysis expenses		-	726	726
Labor welfare fund contribution		2,180	44,145	46,325
Subscription		215	4,940	5,155
Others		29,718	183,360	213,078
	₩	171,615	6,783,693	6,955,308

38. Earnings per Share

(a) The basic earnings per share for the years ended December 31, 2016 and 2015 are as follow:

(In won)		December 31, 2016	December 31, 2015
Basic earnings per share	₩	10,167	10,141

(b) Controlling interest in profit for the year and weighted average number of common shares outstanding for the years ended December 31, 2016 and 2015 are as follows:

(In millions of won except share information)		December 31, 2016	December 31, 2015
Controlling interest in profit for the year	₩	2,464,813	2,458,573
Weighted average number of common stock		242,442,838	242,442,838

39. Risk Management

(a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue while maximizing the return to shareholder through the optimization of the debt and equity balance. The capital structure of the Group consists of net debt (offset by cash and bank balances) and equity. The Group's overall capital risk management strategy remains unchanged from that of the prior year.

Details of the Group`s capital risk management items as of December 31, 2016 and 2015 are as follows:

(In millions of won)		December 31, 2016	December 31, 2015
Total borrowings	₩	8,741,465	9,715,027
Cash and financial instruments		427,656	565,711
Net borrowings		8,313,809	9,149,316
Total shareholder`s equity	₩	25,444,586	23,628,872
Ratio of net borrowings to total shareholder's equity		32.67%	38.72%

(b) Financial risk management

The Group is exposed to various risks related to its financial instruments, such as, market risk (currency risk, interest rate risk, price risk), credit risk. The Group monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks.

The Group uses derivative financial instruments to certain hedge risk exposures. The Group's overall financial risk management strategy remains unchanged from the prior year.

39. Risk Management, Continued

(b) Financial risk management, continued

(i) Risk management policy

The Group's management is responsible for the construction and the supervision of the financial risk management system. The goal of financial risk management is to reduce and eliminate the financial risks to permitted levels by identifying sources of potential dangers to the Group's financial performance. The Group is equipped with policies and procedures to control financial risks at the entity level. The Group continuously audits the compliance with policies and procedures of risk management.

(ii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises primarily from the Group's loan, card assets and securities. In addition, credit risk exposure may exist within financial guarantees and unused line of credits.

① Credit risk management

The Group uses publicly available information and its own internal data related to trade accounts receivable, to rate its major customers and to measure the credit risk that a counter party will default on a contractual obligation. As the majority of the Group's trade accounts receivable are due from governmental entities (i.e. KEPCO and others), the Group does not have significant credit risk exposure. Regarding its debt securities, the Group continuously audits credit ratings issued by credit agencies, and the Group's working capital (i.e. cash) is deposits at a financial institution with a high credit rating.

② Impairment & allowance account

In accordance with Group policies, individual material financial assets are assessed on a regular basis, trade accounts receivables that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. For such assessment, the Group considers the amount of collaterals obtained (including the recoverability) for the individual financial assets and the expected recoverable amounts.

The Group maximum exposure to credit risk as of December 31, 2016 and 2015 are as follows:

(In millions of won)		**December 31, 2016**	**December 31, 2015**
Cash and cash equivalents	₩	86,806	564,703
Financial assets at fair value through profit or loss		265,318	180,439
Available-for-sale financial assets		779,298	205,900
Loans		283,335	135,400
Financial instruments		554,971	653,708
Trade accounts and other receivables		1,636,234	1,408,531

The Group has no financial assets and non-financial assets, acquired by the execution of the lien or held by credit enhancement needs.

39. Risk Management, Continued

(b) Financial risk management, continued

(iii) Market risk

Market risk is the risk that the Group's fair value of the financial instruments or future cashflows are effected by the changes in the market. Market risk consists of interest rate risk, currency risk and other price risk.

(iv) Sensitivity analysis

① Major Assets and Liabilities with Uncertainties in Underlying Assumptions

1) Defined benefit obligation

Changes in the Group's defined benefit obligation due to changes in underlying assumptions as of December 31, 2016 and 2015 are as follows:

(In millions of won)			December 31, 2016		December 31, 2015	
Assumption	**Accounts**		**1% increase**	**1% decrease**	**1% increase**	**1% decrease**
Future salary increases	Defined benefit obligation	₩	71,031	(60,972)	54,286	(46,536)
Discount rate	Defined benefit obligation		(63,725)	76,303	(48,645)	58,326

2) Provision for decommissioning cost

Details of underlying assumptions used to estimate provision for decommissioning cost as of December 31, 2016 and 2015 are as follows:

	December 31, 2016	December 31, 2015
Nuclear plants:		
Inflation rate	1.40%	1.40%
Discount rate	3.55%	3.55%
Spent fuel:		
Inflation rate	2.93%	2.93%
Discount rate	4.49%	4.49%

The following is a sensitivity analysis of provision for decommissioning cost assuming 0.1% increase or decrease movements in the underlying assumptions as of December 31, 2016 and 2015:

(In millions of won)		December 31, 2016		December 31, 2015	
		0.1% increase	**0.1% decrease**	**0.1% increase**	**0.1% decrease**
Discount rate:					
Nuclear plants	₩	(209,277)	215,139	(201,318)	206,720
Spent fuel		(52,353)	54,387	(52,390)	54,425
Inflation rate:					
Nuclear plants		240,115	(233,553)	220,720	(215,086)
Spent fuel		55,173	(53,182)	55,212	(53,219)

39. Risk Management, Continued

(b) Financial risk management, continued

(iv) Sensitivity analysis, continued

② Management Judgment Effected by Uncertainties in Underlying Assumptions

1) Foreign currency risk

The Group undertakes transactions denominated in foreign currencies; consequently, it is exposed to exchange rate fluctuations. The carrying amounts of the Group's, except for the Group's foreign subsidiary, foreign currency denominated monetary assets and monetary liabilities as of December 31, 2016 and 2015 are as follows:

a) December 31, 2016

(In millions of won)		USD	JPY	CAD	EUR	AED	Total
Assets:							
Cash and cash equivalents	₩	2,448	-	188	2,184	1,426	6,246
Shot-term financial instruments		-	-	690	-	-	690
Long-term financial instruments		-	-	40,284	98,526	-	138,810
Trade accounts and other receivables		68,553	-	91	174	-	68,818
Loans		-	-	-	53,417	-	53,417
Total foreign assets		71,001	-	41,253	154,301	1,426	267,981
Liabilities:							
Trade accounts and other payables		145,631	95	91	516	56	146,389
Bonds		3,444,225	-	-	-	-	3,444,225
Total foreign liabilities		3,589,856	95	91	516	56	3,590,614
Net exposure	₩	(3,518,855)	(95)	41,162	153,785	1,370	(3,322,633)

39. Risk Management, Continued

(b) Financial risk management, continued

(iv) Sensitivity analysis, continued

② Management Judgment Effected by Uncertainties in Underlying Assumptions, continued

1) Foreign currency risk, continued

b) December 31, 2015

(In millions of won)		USD	CAD	EUR	Total
Assets:					
Cash and cash equivalents	₩	16,761	24	-	16,785
Shot-term financial instruments		-	844	-	844
Trade accounts and other receivables		5,813	-	-	5,813
Loans		-	-	65	65
Total foreign assets		22,574	868	65	23,507
Liabilities:					
Trade accounts and other payables		120,294	747	24,461	145,502
Bonds		3,340,200	-	-	3,340,200
Total foreign liabilities		3,460,494	747	24,461	3,485,702
Net exposure	₩	(3,437,920)	121	(24,396)	(3,462,195)

Currency exchange rates as of December 31, 2016 and 2015 are as follows:

(In won)		December 31, 2016		December 31, 2015	
Currency		**Average exchange rate**	**Ending exchange rate**	**Average exchange rate**	**Ending exchange rate**
USD	₩	1,160.50	1,208.50	1,131.49	1,172.00
JPY		10.68	10.37	9.35	9.72
CAD		876.27	894.72	885.30	844.56
EUR		1,283.30	1,267.60	1,255.16	1,280.53
AED		315.95	329.02	308.06	319.09

A sensitivity analysis on the Group's profit for the year assuming 10% increase or decrease in currency exchange rates as of December 31, 2016 and 2015 are as follows:

39. Risk Management, Continued

(b) Financial risk management, continued

(iv) Sensitivity analysis, continued

② Management Judgment Effected by Uncertainties in Underlying Assumptions, continued

1) Foreign currency risk, continued

(In millions of won)		December 31, 2016		December 31, 2015	
		10% increase	**10% decrease**	**10% increase**	**10% decrease**
Increase (decrease) of profit for the year	₩	(332,263)	(332,263)	(346,220)	346,220
Increase (decrease) of shareholder`s equity		(332,263)	332,263	(346,220)	346,220

Sensitivity analysis above is conducted for monetary assets and liabilities denominated in foreign currencies other than functional currency as of December 31, 2016 and 2015.

39. Risk Management, Continued

(b) Financial risk management, continued

(iv) Sensitivity analysis, continued

② Management Judgment Effected by Uncertainties in Underlying Assumptions, continued

2) Interest rate risk

The Group is exposed to interest rate risk due to its borrowing with floating interest rates. An 1% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

The Group's long-term borrowings and bonds with floating interest rates as of December 31, 2016 and 2015 are as follows:

(In millions of won)		**December 31, 2016**	**December 31, 2015**
Long-term borrowings (including current portion)	₩	54,259	63,085
Bonds (including current portion)		604,250	586,000
	₩	658,509	649,085

A sensitivity analysis on the Group's long-term borrowings and bonds assuming 1% increase or decrease in interest rates as of December 31, 2016 and 2015 are as follows:

(In millions of won)		**December 31, 2016**		**December 31, 2015**	
		1% increase	**1% decrease**	**1% increase**	**1% decrease**
Increase (decrease) of profit for the year	₩	(6,585)	6,585	(6,491)	6,491
Increase (decrease) of shareholder`s equity		(6,585)	6,585	(6,491)	6,491

To manage its interest rate risks, the Group in addition to maintaining an appropriate mix of fixed and floating rate loans, has entered into certain interest rate swap agreements.

39. Risk Management, Continued

(b) Financial risk management, continued

(v) Liquidity risk

The Group has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

In addition, the Group has established credit lines on its trade finance and bank overdrafts, and through payment guarantees it has received, it maintains an adequate credit (borrowing) line. In addition, in case of major construction investment, the Group has the ability to use reserve cash or utilize long-term borrowings.

Details of remaining maturities of the Group's non-derivative financial liabilities based on agreement terms is as follows. The amount disclosed below represents the undiscounted cash flows the Group is obligated to pay in the future on the earliest repayment date:

① Remaining maturities of the Group's non-derivative financial liabilities are as follows:

1) December 31, 2016

(In millions of won)		Under 1 year	1~2 years	2~5 years	Over 5 years	Total
Borrowings and bonds (*)	₩	1,000,770	1,518,281	2,592,957	6,072,739	11,184,747
Trade accounts and other payables		1,018,078	261,208	853,962	2,775,915	4,909,163
	₩	2,018,848	1,779,489	3,446,919	8,848,654	16,093,910

(*) Includes estimated interest payment.

2) December 31, 2015

(In millions of won)		Under 1 year	1~2 years	2~5 years	Over 5 years	Total
Borrowings and bonds (*)	₩	932,472	1,119,943	3,133,205	7,291,293	12,476,913
Trade accounts and other payables		1,144,879	250,237	818,285	2,960,773	5,174,174
	₩	2,077,351	1,370,180	3,951,490	10,252,066	17,651,087

(*) Includes estimated interest payment.

As the Group manages its liquidity based on its net assets and net liability balances; the Group liquidity risk management analysis includes its non-derivative financial assets.

39. Risk Management, Continued

(b) Financial risk management, continued

(v) Liquidity risk, continued

② Details of the Group's expected holding period of its non-derivative financial assets as of December 31, 2016 and 2015 are as follows:

1) December 31, 2016

(In millions of won)		Under 1 year	1~5 years	Over 5 years	(*)	Total
Cash and cash equivalents	₩	86,806	-	-	-	86,806
Financial instruments		340,850	-	214,121	-	554,971
Available-for-sale financial assets		-	30,568	-	748,730	779,298
Loans		159,489	5,645	71,340	53,417	289,891
Trade accounts and other receivables		1,569,309	68,402	230	-	1,637,941
	₩	2,156,454	104,615	285,691	802,147	3,348,907

(*) Cannot reasonably estimate the maturity period.

2) December 31, 2015

(In millions of won)		Under 1 year	1~5 years	Over 5 years	(*)	Total
Cash and cash equivalents	₩	564,703	-	-	-	564,703
Financial instruments		1,008	-	652,700	-	653,708
Available-for-sale financial assets		-	-	-	205,900	205,900
Loans		66,799	18,822	56,859	-	142,480
Trade accounts and other receivables		1,341,724	69,206	-	-	1,410,930
	₩	1,974,234	88,028	709,559	205,900	2,977,721

(*) Cannot reasonably estimate the maturity period.

39. Risk Management, Continued

(b) Financial risk management, continued

(v) Liquidity risk, continued

③ As of December 31, 2016, the Group has no derivatives liabilities.

(c) Fair value estimate

The fair value of the Group's actively-traded financial instruments (i.e. Available-for-sale financial assets and others) is the based on the traded market-price as of the reporting period end. The fair value of the Group's financial assets is the amount which the asset could be exchanged for or the amount a liability could be settled for.

The fair values of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the Group uses that technique.

For trade accounts receivable and payable, the Group considers the carrying value, net of impairment, as fair value. While for disclosure purposes, the fair value of financial liabilities is estimated by discounting a financial instruments with similar contractual cashflows based on the effective interest method.

39. Risk Management, Continued

(c) Fair value estimate, continued

(i) Fair value and carrying amount

The fair value of financial assets and financial liabilities as of December 31, 2016 and 2015 are as follows:

(In millions of won)		December 31, 2016 Carrying amount	December 31, 2016 Fair value	December 31, 2015 Carrying amount	December 31, 2015 Fair value
Financial assets at fair value					
Available-for-sale financial assets	₩	779,298	779,298	205,900	205,900
Derivative financial instruments held for trading		265,318	265,318	180,439	180,439
		1,044,616	1,044,616	386,339	386,339
Financial assets at amortized cost					
Loans		283,335	283,335	135,400	135,400
Trade accounts and other receivables		1,636,234	1,636,234	1,408,531	1,408,531
Cash and cash equivalents		86,806	86,806	564,703	564,703
Financial instruments		554,971	554,971	653,708	653,708
		2,561,346	2,561,346	2,762,342	2,762,342
Financial liabilities at amortized cost					
Unsecured bonds		8,517,349	9,501,306	9,466,354	10,570,975
Borrowings		224,116	224,116	248,673	248,673
Trade accounts and other payables		3,947,991	3,947,991	4,082,770	4,082,770
	₩	12,689,456	13,673,413	13,797,797	14,902,418

(ii) Interest rates used in calculating fair values

Interest rates used to discount expected cash flows were determined by adding credit spreads to government bond yields at the end of the reporting period.

(iii) Fair value hierarchy

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, classified as Level 1, 2, or 3.

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities.
Level 2	Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly.
Level 3	Inputs that are not based on observable market data.

39. Risk Management, Continued

(c) Fair value estimate, continued

(iii) Fair value hierarchy, continued

① Fair values of financial instruments by hierarchy level as of December 31, 2016 and 2015 are as follows:

1) December 31, 2016

(In millions of won)		Level 1	Level 2	Level 3	Fair value
Financial assets at fair value:					
Available-for-sale financial assets	₩	40,285	437,015	301,606	778,906
Derivative assets		-	265,318	-	265,318

2) December 31, 2015

(In millions of won)		Level 1	Level 2	Level 3	Fair value
Financial assets at fair value:					
Available-for-sale financial assets	₩	301	-	205,206	205,507
Derivative assets		-	180,439	-	180,439

② Change in available-for-sale financial assets for the years ended December 31, 2016 and 2015 are as follows:

1) December 31, 2016

(In millions of won)		Beginning balance	Acquisition (Disposal)	Gain on valuation	Others	Ending balance
Available-for-sale financial assets	₩	205,900	480,093	(5,499)	98,804	779,298

2) December 31, 2015

(In millions of won)		Beginning balance	Acquisition (Disposal)	Loss on valuation	Others	Ending balance
Available-for-sale financial assets	₩	192,815	85	13,149	(149)	205,900

40. Related Party Transactions

(a) The nature of the relationship as of December 31, 2016 is as follows:

The nature of the relationship	Related party
Parent company	Korea Electric Power Corporation
Subsidiary company	KHNP Canada Energy Ltd. Gyeonggi Green Energy Co., Ltd. Korea Imouraren Uranium Investment Corp. Korea Waterbury Uranium Limited Partnership,
Associate company	Korea Offshore Wind Power Co., Ltd. Noeul Green Energy Co., Ltd. Busan Green Energy Co., Ltd. Korea Nuclear Partners Co., Ltd. Solar School Plant Co.,Ltd KEPCO Energy Solution Co., Ltd
Joint venture company	Waterbury Lake Uranium Limited Partnership
Other related company	Korea Midland Power Co., Ltd. Korea East-West Power Co., Ltd. Korea South-East Power Co., Ltd. Korea Western Power Co., Ltd. Korea Southern Power Co., Ltd. KEPCO Engineering & Construction Inc. KEPCO Plant Service & Engineering Co., Ltd. KEPCO Nuclear Fuel Co., Ltd. KEPCO Knowledge, Data & Network Co., Ltd. Korea Power Exchange YTN Co., Ltd. and others. Korea Development Bank HeeMang Sunlight Power Co., Ltd. Korea Gas Corporation Yeong Wol Energy Station Co., Ltd.

40. Related Party Transactions, Continued

(b) All transactions between KHNP and its consolidated subsidiaries are eliminated in the consolidation process. The transactions with related parties for the years ended December 31, 2016 and 2015 are as follows:

(In millions of won)		Sales and others		Purchase and others	
		December 31, 2016	**December 31, 2015**	**December 31, 2016**	**December 31, 2015**
Korea Electric Power Corporation	₩	11,446,625	10,830,794	1,263,992	1,210,816
Busan Green Energy Co., Ltd.		117	-	-	-
Noeul Green Energy Co., Ltd.		153	-	-	-
Korea Offshore Wind Power Co., Ltd.		357	366	-	-
Yeong Wol Energy Station Co., Ltd.		-	-	9,153	10,686
Korea South-East Power Co., Ltd.		54	55	-	-
Korea Midland Power Co., Ltd.		8	31	-	-
Korea Western Power Co., Ltd.		94	82	-	-
KEPCO Plant Service & Engineering Co., Ltd.		815	1,807	468,154	425,008
KEPCO Engineering & Construction Inc.		51	7,195	194,425	173,014
KEPCO Knowledge, Data & Network Co., Ltd.		-	6	45,235	34,600
KEPCO Nuclear Fuel Co., Ltd.		-	820	205,897	128,924
Korea Power Exchange		-	-	16,162	14,508
Korea Development Bank		-	-	1,795	1,949
YTN Co., Ltd.		-	-	150	110

(c) Receivables and payables arising from related party transactions as of December 31, 2016 and 2015 are as follows:

(In millions of won)		Trade accounts receivable and others (*)		Trade accounts payable and others (*)	
		December 31, 2016	**December 31, 2015**	**December 31, 2016**	**December 31, 2015**
Korea Electric Power Corporation	₩	1,473,262	1,249,492	57,145	47,613
Korea Imouraren Uranium Investment Corp.		-	65	-	-
Korea Offshore Wind Power Co., Ltd.		354	352	-	-
Korea Western Power Co., Ltd.		21	23	-	-
KEPCO Plant Service & Engineering Co., Ltd.		22	-	39,321	23,801
KEPCO Engineering & Construction Inc.		2	-	1,946	5,285
KEPCO Knowledge, Data & Network Co., Ltd.		-	-	1,621	1,820
KEPCO Nuclear Fuel Co., Ltd.		19,669	58,006	20,112	7,748
Korea Power Exchange		-	-	1,158	1,187
Korea Development Bank		-	-	28	40

(*) All outstanding balances with these related parties are priced on an arm's length basis and are received and payable under normal payment terms.

40. Related Party Transactions, Continued

(d) Others arising from related party transactions for the year ended December 31, 2016 are as follows:

(i) Loans and funding

(In millions of won)		Transaction		
		Borrowing	Repayment	Funding
Korea Offshore Wind Power Co., Ltd.	₩	-	-	4,500
Noeul Green Energy Co., Ltd.		-	-	1,340
Solar School Plant Co.,Ltd		-	-	16,750
KEPCO Energy Solution Co., Ltd		-	-	25,000
Loans		9,477	(9,450)	-
	₩	9,477	(9,450)	47,590

(ii) Borrowings

(In millions of won)	Type		December 31, 2015	Borrowing	Repayment	Others	December 31, 2016
Korea Development Bank	Facility loan	₩	40,137	-	(3,402)	-	36,735

(e) Employee benefits to key executives of the Controlling Company for the years ended December 31, 2016 and 2015 are as follows:

(In millions of won)		December 31, 2016	December 31, 2015
Salaries	₩	1,071	611
Retirement benefits		39	30
	₩	1,110	641

(f) Housing and tuition loans to employees as of December 31, 2016 and 2015 are as follows:

(In millions of won)		December 31, 2016	December 31, 2015
Short-term loans	₩	4,023	5,702
Long-term loans		69,384	67,338
	₩	73,407	73,040

40. Related Party Transactions, Continued

(g) The details of collateral provided to related parties as of December 31, 2016 are as follows:

(In millions of won)

Relationship	Related party	Financial Institutions		Credit limit	Contract year	Guaranteed asset (*)
Associate company	Noeul Green Energy Co., Ltd.	Hana Bank and others	₩	1,740	Up to 2033.12.31	Noeul Green Energy Co., Ltd. Shares
	Busan Green Energy Co., Ltd.	Shinhan Bank and others		14,564	Up to 2033.12.31	Busan Green Energy Co., Ltd. Shares
Other related company	Yeong Wol Energy Station Co., Ltd.	Meritz Fire & Marine Insurance Co., Ltd.		1,400	Up to 2028.12.31	Yeong Wol Energy Station Co., Ltd. Shares

(*) As of December 31, 2016, the entire shares of Yeong Wol Energy Station Co., Ltd. held by the Group were pledged as collateral to the financial institutions.

(h) The details of derivatives transactions with relate parties as of December 31, 2016 are as follows:

(In millions of won and thousands of U.S. dollars)

	Counterparty	Contract year	Contract amount		Contract interest rate per annum		Contract exchange rate
			Pay	Receive	Pay(%)	Receive(%)	
Currency Swap	Korea Development Bank	2015~2025	KRW 111,190	USD 100,000	2.62%	3.25%	₩ 1,111.90
	Korea Development Bank	2016~2019	KRW 105,260	USD 100,000	2.48%	2.38%	₩ 1,052.60

41. Non-Cash Transactions

Significant non-cash transactions for the years ended December 31, 2016 and 2015 are as follows:

(In millions of won)		December 31, 2016	December 31, 2015
Transfer of long-term borrowings and bonds to current portion	₩	697,660	588,989
Transfer of construction-in-progress to property, plant and equipment		3,937,566	2,437,554
Recognition of assets retirement costs		470,941	(699,673)
Transfer of spent fuel management charges to accrued expenses		283,675	491,755

42. Contingencies and Contracts

(a) Ongoing litigations as of December 31, 2016 and 2015 are as follows:

(In millions of won, except number of cases)	Number of cases			Claim amount	
	December 31, 2016	December 31, 2015		December 31, 2016	December 31, 2015
Ongoing litigations (*)	59	71	₩	327,772	260,616

(*) The details of ongoing litigations as of December 31, 2016 are as follows:

(In millions of won)

Court	Plaintiff	Defendant	Description	Claim amount	Progression of litigation
Seoul Central District Court	Individuals	Korea Hydro&Nuclear Power Co., Ltd.	Wage	96,338	Partially in favor of defendant at the 1st trial
Busan High Court	Individuals	Korea Hydro&Nuclear Power Co., Ltd.	Wage	7,315	Pending at the 2nd trial
Busan District Court	Individuals	Korea Hydro&Nuclear Power Co., Ltd.	Wage	460	Pending at the 1st trial
Daegu District Court	Individuals	Korea Hydro&Nuclear Power Co., Ltd.	Wage	225	Pending at the 1st trial
Seoul High Court	Hyundai Engineering & Construction Co., Ltd. and others	Korea Hydro&Nuclear Power Co., Ltd.	Increase in contract bill	204,564	Pending at the 2nd trial
Seoul High Court	S&TC	Korea Hydro&Nuclear Power Co., Ltd.	Cancellation of vendor's contract and others	2,391	Pending at the 2nd trial
Supreme Court	Individuals	Korea Hydro&Nuclear Power Co., Ltd.	Wage	6,802	Remanding after reversal at the 3rd trial
Seoul High Court and others	Hanjin Heavy Industries & Construction Co ltd and others	Korea Hydro&Nuclear Power Co., Ltd. and others	Contract deposits and others	9,677	Lawsuit pending

42. Contingencies and Contracts, Continued

(a) Ongoing litigations as of December 31, 2016 and 2015 are as follows, continued:

The Group is the defendant against a number of claims. Provisions have been made as appropriate (See Note 24). The timing and amount of the cash outflows depend on the outcomes of the court proceedings. The Group has reserved ₩93,096 million of provision for certain outstanding litigations. For all the other lawsuits, the Group does not believe that it has any present obligations and therefore, the Group has not recognized any provisions as of December 31, 2016.The following are further descriptions of the potentially significant claims pertaining to the Group.

A national litigation agency filed a lawsuit against NSSC regarding NSSC's approval to continue operation of Wolsong Unit 1 nuclear power plant and it is ongoing as of December 31, 2016.

① In December 2013, the Supreme Court of Korea ruled that regular bonuses also fall under the category of ordinary wages on the condition that those bonuses are paid regularly and uniformly. The Supreme Court ruled, that "employees shall not retroactively demand the difference in overtime pay as additional wages, in the event that the demand itself causes an unexpected increase in spending for their company, and thus lead the company to financial difficulty. In that case, the request is not acceptable, since it is unjust, and it is in breach of the principle of good faith."

Prior to the ruling of the Supreme Court, KHNP determined wages in accordance with budget instructions from the Ministry of Strategy and Finance, which excluded bonuses from ordinary wages and was with the consent of the Group's labor unions. Subsequently, the Group is involved in litigation as a defendant in a lawsuit by employees seeking retrospective compensation in the form of additional wages. As of December 31, 2016, the Group has set aside ₩90,336 million as a provision for any litigation that may arise in relation to the above lawsuit.

② Hyundai Engineering & Construction Co., Ltd.("Hyundai E&C"), SK Engineering & Construction Co., Ltd. and GS Engineering & Construction Co., Ltd. filed a lawsuit for increase in contract bill (formerly, amounted to ₩1,000 million) against KHNP in September 2013, in relation to the design changes on the plant construction of New Hanwool 1 & 2. Hyundai Engineering & Construction Co., Ltd. and two other companies increased the contract bill to ₩133,426 million in October 2014 and ₩204,040 million in November 2015, respectively, and submitted an application to demand extra contract payments due to the design changes. KHNP has paid ₩217,624 million of the claim amounts in full upon the first ruling in November 2016 and recognized the amount as addition to construction-in-progress accordingly. The Group has made an appeal against the first ruling and the lawsuit is currently ongoing. .

③ The Group has set aside ₩2,745 million as a provision for any litigation against S&TC claim based on the judgement of Seoul Central District Court.

④ The Group adopted amendments to remuneration regulations and bylaws regarding basic bonuses in the 2012. With respect to this, a lawsuit was filed in January 2015 by employees against the Group for what they claim to be unpaid bonuses, which is derived from different interpretations of the remuneration regulations and bylaws applied to three-month working period from September to December 2011.

42. Contingencies and Contracts, Continued

(a) Credit lines provided by financial institutions as of December 31, 2016 are as follows:

(In millions of won, in thousands of USD, in thousands of NPR)

Financial institution	Currency	Guarantee limit	Outstanding amount	Description
Nonghyup Bank	KRW	100,000	-	Commitments on bank-overdraft
Woori Bank	KRW	50,000	-	
Kookmin Bank	KRW	100,000	-	
Hana Bank	KRW	50,000	-	
The Daegu Bank	KRW	50,000	-	
Shinhan Bank	KRW	150,000	-	Limit amount available for CP
Hana Bank	KRW	150,000	-	
SMBC	USD	100,000	-	Trade finance
JP Morgan	USD	150,000	-	
BNP Paribas	USD	150,000	-	
Export-Import Bank of Korea	USD	150,000	-	
DBS	USD	100,000	-	
Societe Generale	USD	100,000	-	
Nonghyup Bank	USD	50,000	3,037	Certification of payment on L/C
HSBC	USD	40,000	-	Inclusive credit
Korea Development Bank and others	KRW	251,600	211,985	Loan limit
Kathmandu Bank and others	USD	2,081	2,081	Completion guarantees related to electricity generation business
	NPR	39,809	39,809	
Habib Bank	USD	2,206	2,206	
KEB HanaCard Co., Ltd.	KRW	4,800	757	Others
Nonghyup Bank	KRW	4,533	30	
Industrial Bank of Korea	KRW	2,990	1,027	
Woori Card Co., Ltd.	KRW	4,000	1,293	
Export-Import Bank of Korea	EUR	1,400	-	
Nonghyup Bank	KRW	50,000	-	
Woori Bank	KRW	20,000	-	

(c) The Group voluntarily suspended operations of the Gangneung hydroelectric generating plant, with a carrying amount of ₩94,886 million as of December 31, 2016, to improve the quality of water used in generating electricity. The expenses related to the suspension of operations of ₩459 million and depreciation on the utility plant amounting to ₩6,639 million are charged to other expenses for the year ended December 31, 2016.

42. Contingencies and Contracts, Continued

(d) Contractual amounts for power plants either completed or under construction-in-progress as of December 31, 2016 are as follows:

(In millions of won, in thousands of USD)

Account	Currency	Sae-oul # 3 & 4	Sae-oul # 5 & 6	Shin-Hanul # 1 & 2	Shin-Hanul # 3 & 4
Material expenses	KRW	2,218,055	788,372	2,979,264	-
	USD	704,384	2,510	97,672	-
Professional fees	KRW	419,013	168,470	396,707	58,571
	USD	13,076	4,298	10,396	-
Construction fees	KRW	1,436,290	247,937	1,697,793	9,183
Fuel expenses	KRW	64,355	-	13,137	-
	USD	239,988	-	122,518	-
Other	KRW	1,771,598	126,400	1,479,580	23,168
	KRW	5,909,311	1,331,179	6,566,481	90,922
	USD	957,448	6,808	230,586	-

(e) The Group has various purchase commitments for Uranium and the details of the major contracts as of December 31, 2016 are as follows:

	Contract Year	Quantity
Concentrate	2016 ~ 2030	34,719 Ton U3O8
Transformation	2016 ~ 2022	17,238 Ton U
Enrichment	2016 ~ 2029	34,879 Ton SWU
Fabrication	2016 ~ 2022	1,852 Ton U

(f) Details of collateral provided by the Group for long-term borrowings as of December 31, 2016 are as follows:

(In millions of won)

	Type	Loan amounts	Loan limit	Maximum amount guaranteed	Financial institution
Long-term borrowings (*)	Facility loan	211,985	251,600	327,080	Korea Development Bank and others

(*) As of December 31, 2016, the Group was provided with shares of Gyeonggi Green Energy Co., Ltd., one of its subsidiaries, as collateral related to the long-term borrowings above from shareholders of the subsidiary including the Controlling Company. Additionally, pledge for transfer of rights of long-term borrowings, pledge for insurance claims related long-term borrowings and other pledges were established.

43. Subsequent Events

(a) Ordinary wage lawsuit

As of December 31, 2016, a total of eight lawsuits filed at the Busan High Court and others against the Group in relation to the ordinary wages were ongoing. Two of these lawsuits filed to the Seoul Central District Court were ruled on February 3, 2017 with partial favor to the plaintiff. The Company believes the ruling did not have any significant impact on the provisions recorded at December 31, 2016.

(b) Result of Wolsong Unit 1 lawsuit

On February 7, 2017, regarding the lawsuit against NSSC by a group of plaintiffs as disclosed in note 2.(d).(i), the Seoul Administrative Court ruled to annul the the NSSC's permission for life extension of the operational period of Wolsong Unit 1 nuclear power plant. On February 14, 2017, NSSC appealed against the first judgment. The Group is continuing to operate Wolsong Unit 1 nuclear power plant based on the judgment of NSSC that the approval of NSSC is valid, and believes that Wolsong Unit 1 nuclear power plant will be operated until 2022. Meanwhile, the Joint Action for a Nuclear-free Society submitted a suspension of execution of permission to operate Wolsong Unit 1 nuclear power plant to the Seoul Administrative Court. On February 14, 2017, The Group joined in the lawsuit for a suspension of execution of permission to operate Wolsong Unit 1 nuclear power plant as a third party and a stakeholder.

Independent Auditors' Report

The Board of Directors and Shareholders
Korea Hydro & Nuclear Power Co., Ltd.:

We have audited the accompanying consolidated financial statements of Korea Hydro & Nuclear Power Co., Ltd. and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Korean Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2015 and 2014 and of its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Korean International Financial Reporting Standards.

KPMG Samjong Accounting Corp.

Seoul, Korea
March 9, 2016

This report is effective as of March 9, 2016, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

KOREA HYDRO & NUCLEAR POWER CO., LTD. AND SUBSIDIARIES
Consolidated Statements of Financial Position
As of December 31, 2015 and 2014

(In millions of won)	Note		December 31, 2015	December 31, 2014
Assets				
Cash and cash equivalents	5,6	₩	564,703	173,728
Current financial assets	5,7,10		67,742	42,279
Trade accounts and other receivables	5,8,16		1,341,085	852,823
Inventories	11		3,511,170	3,096,663
Current non-financial assets	12		80,301	74,681
Total current assets			5,565,001	4,240,174
Non-current financial assets	5,7,9,10		1,107,705	901,831
Non-current trade accounts and other receivables	5,8		67,446	61,648
Property, plant and equipment	14,15,18,22		42,703,293	42,728,748
Intangible assets	15,17,18		76,830	76,552
Investments in associates	13		121,326	117,393
Deferred income tax assets	35		470,432	389,004
Non-current non-financial assets	12		1,140,754	968,146
Total non-current assets			45,687,786	45,243,322
Total assets		₩	**51,252,787**	**49,483,496**

See accompanying notes to the consolidated financial statements.

KOREA HYDRO & NUCLEAR POWER CO., LTD. AND SUBSIDIARIES

Consolidated statements of Financial Position, Continued

As of December 31, 2015 and 2014

(In millions of won)	Note		December 31, 2015	December 31, 2014
Liabilities				
Trade accounts and other payables	5,20	₩	1,134,887	853,258
Current financial liabilities	5,7,19,21		588,989	1,006,796
Income tax payable			581,765	325,176
Current non-financial liabilities	25		84,676	69,993
Current provisions	24		359,856	338,770
Total current liabilities			2,750,173	2,593,993
Non-current trade accounts and other payables	5,20		2,947,883	2,921,929
Non-current financial liabilities	5,7,19,21		9,126,038	8,908,609
Non-current non-financial liabilities	25		2,688	2,688
Employee benefit obligation	23		306,856	252,123
Non-current provisions	24		12,490,277	13,169,202
Total non-current liabilities			24,873,742	25,254,551
Total liabilities		₩	**27,623,915**	**27,848,544**
Equity				
Share capital	26	₩	10,704,515	10,704,515
Retained earnings	27		12,968,045	10,975,704
Other components of equity	28		(66,847)	(69,886)
Equity attributable to owners of the Controlling Company			23,605,713	21,610,333
Non-controlling interests			23,159	24,619
Total equity		₩	**23,628,872**	**21,634,952**
Total liabilities and equity		₩	**51,252,787**	**49,483,496**

See accompanying notes to the consolidated financial statements.

KOREA HYDRO & NUCLEAR POWER CO., LTD. AND SUBSIDIARIES
Consolidated statements of Comprehensive Income
For the years ended December 31, 2015 and 2014

(In millions of won)

	Note		December 31, 2015	December 31, 2014
Revenue	4,16,29	₩	10,747,026	9,503,507
Cost of sales	36		6,783,693	6,851,755
Gross profit			**3,963,333**	**2,651,752**
Selling and administrative expenses	30,36		171,615	131,150
Operating profit			**3,791,718**	**2,520,602**
Other income	31		38,311	42,941
Other expenses	31		(23,855)	(25,300)
Other profit, net	32		7,137	12,341
Finance income	5,7,33		245,700	138,734
Finance expenses	5,7,34		(775,729)	(784,572)
Equity method loss of associates, net	13		(4,332)	(540)
Profit before income taxes			**3,278,950**	**1,904,206**
Income tax expense	35		821,837	463,658
Profit for the year			**2,457,113**	**1,440,548**
Other comprehensive income (loss):				
Items that will never be reclassified subsequently to profit or loss:				
Remeasurements of the defined benefit plan, net of tax	23,27		(19,833)	(30,472)
Items that are or may be reclassified subsequently to profit or loss:	28			
Net change in the unrealized fair value of available-for-sale financial assets, net of tax			9,968	(1,870)
Foreign currency translation differences of foreign operations, net of tax			(110)	(53)
Share in other comprehensive income (loss) of associates, net of tax			(6,819)	(10,272)
Total other comprehensive loss, net of tax			**(16,794)**	**(42,667)**
Total comprehensive income for the year		₩	**2,440,319**	**1,397,881**

See accompanying notes to the consolidated financial statements.

KOREA HYDRO & NUCLEAR POWER CO., LTD. AND SUBSIDIARIES
Consolidated statements of Comprehensive Income, Continued
For the years ended December 31, 2015 and 2014

(In millions of won, except earnings per share information)

	Note		December 31, 2015	December 31, 2014
Profit for the year attributable to:				
Owners of the Controlling Company		₩	2,458,573	1,442,342
Non-controlling interests			(1,460)	(1,794)
Profit for the year		₩	2,457,113	1,440,548
Total comprehensive income attributable to:				
Owners of the Controlling Company		₩	2,441,779	1,399,675
Non-controlling interests			(1,460)	(1,794)
Total comprehensive income for the year		₩	2,440,319	1,397,881
Earnings per share				
Basic earnings per share (in won)	37	₩	10,141	5,949

See accompanying notes to the consolidated financial statements.

KOREA HYDRO & NUCLEAR POWER CO., LTD. AND SUBSIDIARIES
Consolidated statements of Changes in Equity
For the year ended December 31, 2014

(In millions of won)		Equity attributable to owners of the Company					
		Shares capital	**Retained earnings**	**Other components of equity**	**Subtotal**	**Non-controlling interests**	**Total equity**
Balance at January 1, 2014	₩	10,704,515	9,563,834	(57,691)	20,210,658	26,413	20,237,071
Total comprehensive income:							
Profit for the year		-	1,442,342	-	1,442,342	(1,794)	1,440,548
Items that will never be reclassified subsequently to profit or loss:							
Remeasurements of the defined benefit plan, net of tax		-	(30,472)	-	(30,472)	-	(30,472)
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		-	-	(1,870)	(1,870)	-	(1,870)
Foreign currency translation differences of foreign operations, net of tax		-	-	(53)	(53)	-	(53)
Share in other comprehensive income (loss) of associates, net of tax		-	-	(10,272)	(10,272)	-	(10,272)
Balance at December 31, 2014	₩	10,704,515	10,975,704	(69,886)	21,610,333	24,619	21,634,952

See accompanying notes to the consolidated financial statements.

KOREA HYDRO & NUCLEAR POWER CO., LTD. AND SUBSIDIARIES
Consolidated statements of Changes in Equity, Continued
For the year ended December 31, 2015

(In millions of won)		Equity attributable to owners of the Company					
		Shares capital	Retained earnings	Other components of equity	Subtotal	Non-controlling interests	Total equity
Balance at January 1, 2015	₩	10,704,515	10,975,704	(69,886)	21,610,333	24,619	21,634,952
Total comprehensive income:							
Profit for the year		-	2,458,573	-	2,458,573	(1,460)	2,457,113
Items that will never be reclassified subsequently to profit or loss :							
Remeasurements of the defined benefit plan, net of tax		-	(19,833)	-	(19,833)	-	(19,833)
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		-	-	9,968	9,968	-	9,968
Foreign currency translation differences of foreign operations, net of tax		-	-	(110)	(110)	-	(110)
Share in other comprehensive income (loss) of associates, net of tax		-	-	(6,819)	(6,819)	-	(6,819)
Transactions with owners of the Controlling Company, recognized directly in equity:							
Dividends paid		-	(446,399)	-	(446,399)	-	(446,399)
Balance at December 31, 2015	₩	10,704,515	12,968,045	(66,847)	23,605,713	23,159	23,628,872

See accompanying notes to the consolidated financial statements.

KOREA HYDRO & NUCLEAR POWER CO., LTD. AND SUBSIDIARIES
Consolidated statements of Cash flows
For the years ended December 31, 2015 and 2014

(In millions of won)		**December 31, 2015**	**December 31, 2014**
Cash flows from operating activities			
Profit for the year	₩	2,457,113	1,440,548
Adjustments for:			
Income tax expense		821,837	463,658
Depreciation of property, plant and equipment		1,990,970	1,925,055
Amortization of nuclear fuel		1,075,855	973,777
Amortization of intangible assets		11,611	13,907
Depreciation of idle assets		6,699	6,658
Retirement benefit expense		54,625	42,729
Interest expense		543,281	593,783
Loss on disposals of financial instruments assets		140	-
Impairment of available-for-sale financial assets		51	-
Equity method loss of associates, net.		4,332	540
Loss on disposals of property, plant and equipment		1,527	4,763
Loss on disposals of intangible assets		5	-
Provisions for greenhouse gas emission		8,817	-
Provisions for decommissioning costs		274,596	529,518
Provisions for litigation		1,498	25,713
Other provisions		62,394	105,839
Provisions for employee benefits		54,533	59,123
Loss on derivative transactions		11,242	65,122
Loss on foreign currency translations		203,867	125,667
Gain on disposals of property, plant and equipment		(3,866)	(5,687)
Gain on valuation of inventories		(7)	(4)
Gain on disposals of inventories		(282)	(720)
Reversal of provisions for litigation		-	(400)
Gain from assets contributed		(2,028)	(199)
Income based on electric power industry funding		-	(18,888)
Interest income		(24,877)	(22,329)
Gain on change in the unrealized fair value of derivative instruments		(172,231)	(69,042)
Gain on derivative transactions		(46,359)	(1,539)
Gain on foreign currency translations		(2,674)	(2,296)
Others		93	59
	₩	4,875,649	4,814,807

See accompanying notes to the consolidated financial statements.

KOREA HYDRO & NUCLEAR POWER CO., LTD. AND SUBSIDIARIES
Consolidated statements of Cash flows, Continued
For the years ended December 31, 2015 and 2014

(In millions of won)		**December 31, 2015**	**December 31, 2014**
Changes in:			
Current trade accounts receivable	₩	(426,452)	(446,703)
Current other accounts receivable		5,803	30,859
Current accrued income		79,881	68,045
Current advanced payments		(4,116)	(9,520)
Current prepaid expenses		3,534	5,796
Other current non-financial assets		(774)	10,039
Inventories		(1,256,357)	(1,301,708)
Current trade accounts payable		68,842	(43,851)
Current other accounts payable		(37,002)	(228,463)
Current accrued expenses		(476,950)	(432,765)
Current leasehold deposits received		(62)	278
Current other deposits received		24	1,314
Current advance received		7,620	-
Current withholdings		5,641	7,591
Current deferred income		117	(265)
Non-current other accounts payable		130,953	(564)
Other current non-financial liabilities		8,009	20,712
Provisions for employee benefits		(81,704)	(90,924)
Provisions for power plant regional support program		(37,648)	(44,242)
Provisions for litigation		(1,145)	(1,053)
Provisions for decommissioning cost of nuclear plants		(623)	(338)
Provisions for disposal of low and intermediate-level radioactive waste		(40,699)	2,910
Non-current employee benefit obligation		(469)	(12,122)
Payment of retirement benefits		(9,431)	(8,084)
Retirement pension assets		(27,412)	(7,473)
		(2,090,420)	(2,480,531)
Cash generated from operating activities		5,242,342	3,774,824
Interest received		18,864	15,761
Interest paid		(359,325)	(367,199)
Income tax paid		(643,492)	(185,417)
Net cash provided by operating activities	₩	4,258,389	3,237,969

See accompanying notes to the consolidated financial statements.

KOREA HYDRO & NUCLEAR POWER CO., LTD. AND SUBSIDIARIES
Consolidated statements of Cash flows, Continued
For the years ended December 31, 2015 and 2014

(In millions of won)		**December 31, 2015**	**December 31, 2014**
Cash flows from investing activities			
Proceeds from disposal of short-term financial instruments	₩	4,357	5,144
Collection of short-term loans		15,958	14,744
Increase in short-term loans		(30,000)	(20,000)
Decrease in current guarantee deposits		78,433	64,228
Acquisition of long-term financial assets		(49,400)	(603,300)
Increase in long-term loans		(9,768)	(11,540)
Acquisition of available-for-sale financial assets		(393)	-
Proceeds from disposal of available-for-sale financial assets		168	-
Payment of non-current guarantee deposits		(233,515)	(151,350)
Payment of non-current advanced payments		(173,616)	(229,377)
Acquisition of investments in associates		(15,084)	(1,557)
Proceeds from disposal of property, plant and equipment		14,805	7,827
Acquisition of property, plant and equipment		(2,633,702)	(2,200,716)
Receipt of government subsidy		299	1,159
Acquisition of intangible assets		(13,618)	(12,321)
Net cash used in investing activities	₩	(3,045,076)	(3,137,059)

See accompanying notes to the consolidated financial statements.

(In millions of won)		December 31, 2015	December 31, 2014
Cash flows from financing activities			
Proceeds from short-term borrowings		440,000	573,775
Repayment of short-term borrowings		(457,698)	(573,775)
Repayment of current portion of long-term borrowings		(18,388)	(16,345)
Repayment of current portion of long-term bonds		(967,103)	(1,425,300)
Repayment of long-term borrowings		(6,200)	-
Proceeds from bonds issuance		628,598	1,476,053
Dividends paid		(446,399)	-
Settlement of derivative instruments		4,749	(263,990)
Net cash used in financing activities		(822,441)	(229,582)
Effect of exchange rate fluctuations on cash held	₩	103	245
Net increase (decrease) in cash and cash equivalents		390,975	(128,427)
Cash and cash equivalents at beginning of the year		173,728	302,155
Cash and cash equivalents at end of the year	₩	564,703	173,728

See accompanying notes to the consolidated financial statements.

1. Reporting entity

(a) The controlling company

Korea Hydro & Nuclear Power Co., Ltd. ("KHNP" or the "Controlling Company") was incorporated on April 2, 2001 through the spin-off of the power generation division of Korea Electric Power Corporation ("KEPCO") in accordance with the *Act on Promotion of Restructuring the Electric Power Industry*. KHNP engages in the generation of electricity and development of electric power resources and sells all generated electricity to KEPCO through the Korea Power Exchange ("KPX"), in accordance with *Article 31 of the Electricity Business Law*.

On January 1, 2011, KEPCO, KHNP's parent company, through a split-merger, split its seven pumped-storage facilities that were managed under five separate generation plants (five separate subsidiaries of KEPCO) and merged them into KHNP. As a result, KHNP's assets and liabilities increased by ₩2,540,148 million and ₩1,200,432 million, respectively, and KHNP issued 16,132,838 of new shares.

As of December 31, 2015, KHNP owns and operates 24 nuclear generating units, 35 hydroelectric generating units, 16 pumped-storage facilities and 6 new & renewable energy generating units. As of December 31, 2015, KHNP's generation capacity is 27,039MW.

As of December 31, 2015, KEPCO holds 100% of KHNP's outstanding shares.

(b) Consolidated subsidiaries

(i) Details of consolidated subsidiaries as of December 31, 2015 and 2014 are as follows:

			Ownership	
Company	**Key operating activities**	**Location**	**December 31, 2015**	**December 31, 2014**
KHNP Canada Energy Ltd.	Uranium resources development	Canada	100.00%	100.00%
Gyeonggi Green Energy Co., Ltd.	Electricity and heat generation	Korea	62.01%	62.01%

(ii) Summarized financial information of subsidiaries as of and for the year ended December 31, 2015 is as follows:

(In millions of won)

Company		**Assets**	**Liabilities**	**Revenue**	**Net loss**
KHNP Canada Energy Ltd.	₩	29,126	22	-	(123)
Gyeonggi Green Energy Co., Ltd.		310,469	249,608	104,674	(3,842)

1. Reporting entity, Continued

(b) Consolidated subsidiaries, continued

(iii) Significant restrictions related to subsidiaries are as follows:

Company	Significant Restrictions in Detail
Gyeonggi Green Energy Co., Ltd.	Acquisition or disposal of assets more than ₩35 billion, change in the capacity of cogeneration units (except for the change due to performance improvement of equipment or maintenance) will require unanimous consent of all directors.

2. Basis of Preparation

(a) Statement of compliance

The consolidated financial statements of Korea Hydro & Nuclear Power Co., Ltd. and its subsidiaries (collectively referred to as "the Group") have been prepared in accordance with Korean International Financial Reporting Standards ("K-IFRS"), as prescribed in the *Act on External Audits of Corporations.*

The consolidated financial statements were authorized for issue by the Board of Directors on February 17, 2016, which will be submitted for approval to the shareholders' meeting to be held on March 22, 2016.

(b) Basis of measurement

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

(c) Functional and presentation currency

The financial statements of the parent and each subsidiary are prepared in functional currency of the respective operation. These consolidated financial statements are presented in Korean won, which is the Controlling Company's functional currency and the currency of the primary economic environment in which the Group operates.

(d) 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.

2. Basis of Preparation, Continued

(d) Use of estimates and judgments, continued

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 Group 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 Group records the fair value of estimated decommissioning costs as a liability in the period in which the Group 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 Group 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 Group 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 Group does not realize estimated future taxable income during the carry forward periods.

(iii) Valuations of financial instruments at fair values

When measuring the fair value of an asset or a liability, the Group uses inputs that are not based on observable market data. Information about the assumptions made in measuring fair values and sensitivity analysis on the fair value of financial instruments are included in Note 38. The management believes that methods and assumptions in measuring the fair value of an asset or a liability are appropriate.

(iv) Defined employee liabilities

The Group 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 uncertainness in estimations due to its long-term nature.

2. Basis of Preparation, Continued

(e) Changes in accounting policies

Except as described below, the accounting policies applied by the Group in its consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as of and for the year ended December 31, 2014.

The Group has adopted the following amendments to standards and new interpretation with a date of initial application of January 1, 2015.

- Amendments to K-IFRS 1019 'Employee Benefits' – Employee contributions

Amendments to K-IFRS 1019 introduced a practical expedient to accounting for defined benefit plan, when employees or third parties pay contributions if certain criteria are met. According to the amendments, the entity is permitted to recognize those contributions as a reduction of the service cost in the period in which the related service is rendered, instead of forecast future contributions from employees or third parties and attribute them to periods or service as negative benefits.

In accordance with the transitional requirements fo amendments to K-IFRS 1019, the Group applied the amendments retrospectively.

Upon adoption of the amendments, there is no significant impact on the consolidated financial statement of the group.

3. Significant accounting policies

The significant accounting policies applied by the Group in preparation of these consolidated financial statements are included below. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, except for those as disclosed in note 2.(e).

(a) Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed income or loss as incurred, except if related to issue debt or equity securities are recognized in accordance with K-IFRS No.1032, 'Financial Instruments: Presentation' and K-IFRS No.1039, 'Financial Instruments: Recognition and Measurement'.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

(ii) Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in subsidiary that do not result in a loss of control are accounted for as equity transactions.

(iii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group 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. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(iv) Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

3. Significant accounting policies, Continued

(a) Basis of consolidation, continued

(v) Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and joint ventures.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method. They are recognized initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence or joint control ceases.

(vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(vii) Acquisitions from entities under common control

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 other capital adjustments.

(b) Revenue

Revenue from the sale of goods, rendering of services or use of the Group assets is measured at the fair value of the consideration received or receivable.

(i) Sale of goods

Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

(ii) 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.

3. Significant accounting policies, Continued

(b) Revenue, continued

(iii) Construction contracts

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

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

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

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

(c) Leases

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

(i) Finance leases

At the commencement of the lease term, the Group recognizes as finance assets and finance liabilities in its consolidated statements of financial position, the lower amount of the fair value of the leased property and the present value of the minimum lease payments, each determined at the inception of the lease. Any initial direct costs are added to the amount recognized as an asset.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

The depreciable amount of a leased asset is allocated to each accounting period during the period of expected use on a systematic basis consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life. The Group reviews to determine whether the leased asset may be impaired

3. Significant accounting policies, Continued

(c) Leases, continued

(ii) Operating leases

Leases where the lessor retains a significant portion of the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognized in profit or loss on a straight-line basis over the period of the lease.

(d) Foreign currencies

Transactions in foreign currencies are translated to the respective functional currencies of Group 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.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognized in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(e) Borrowing costs

The Group 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. Financial assets and inventories that are manufactured or otherwise produced over a short period of time are not qualifying assets. Assets that are ready for their intended use or sale when acquired are not qualifying assets.

To the extent that the Group borrows funds specifically for the purpose of obtaining a qualifying asset, the Group determines the amount of borrowing costs eligible for capitalization as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. To the extent that the Group borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Group shall determine the amount of borrowing costs eligible for capitalization by applying a capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that the Group capitalizes during a period shall not exceed the amount of borrowing costs incurred during that period.

(f) Government grants

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

Government grants whose primary condition is that the Group 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 reduction to depreciation expense.

3. Significant accounting policies, Continued

(f) Government grants, continued

Government grants which are intended to compensate the Group for expenses incurred are recognized as other income (government grants) in profit or loss over the periods in which the Group recognizes the related costs as expenses. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in income or loss in the period in which they become receivable.

(g) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are employee benefits that are due to be settled within twelve months after the end of the period in which the employees render the related service. When an employee has rendered service to the Group during an accounting period, the Group recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service as profit or loss.

(ii) Other long-term employee benefits

Other long-term employee benefits include employee benefits that are settled beyond 12 months after the end of the period in which the employees render the related service, and are calculated at the present value of the amount of future benefit that employees have earned in return for their service in the current and prior periods, less the fair value of any related assets. Remeasurements are recognized in profit or loss in the period in which they arise.

(iii) Retirement benefits: Defined contribution plans

When an employee has rendered service to the Group during a period, the Group recognizes the contribution payable to a defined contribution plan in exchange for that service as an accrued expense, after deducting any contributions already paid. If the contributions already paid exceed the contribution due for service before the end of the reporting period, the Group recognizes that excess as an asset (prepaid expense) to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

(iv) Retirement benefits: Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation is performed annually by an independent actuary using the projected unit credit method. 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.

Remeasurements of net defined benefit liabilities, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments, net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

3. Significant accounting policies, Continued

(g) Employee benefits, continued

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss in curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(h) 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 income tax

Current income tax is the expected income 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 of future periods, and non-taxable or non-deductible items from the accounting profit.

(ii) Deferred income tax

The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period to recover or settle the carrying amount of its assets and liabilities.

The Group 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 Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The Group 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 income tax asset is reviewed at the end of each reporting period and is reduced 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 income 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 income tax liabilities and deferred income tax assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period to recover or settle the carrying amount of its assets and liabilities.

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

3. Significant accounting policies, Continued

(i) 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 any 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, when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent to initial recognition, an item of property, plant and equipment shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses.

Property, plant and equipment, except for land, are depreciated over estimated useful lives that appropriately reflect the pattern in which the asset's future economic benefits are expected to be consumed, either on a straight-line basis or on a Unit-of-production basis.

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

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized in profit or loss.

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

	Method	Useful lives (years)
Buildings	Straight-line	8 ~ 32
Structures	Straight-line	8 ~ 50
Machinery	Straight-line	6 ~ 32
Vehicles	Straight-line	4
Loaded nuclear fuel	Unit-of-production	-
Loaded heavy water	Straight-line	30
Asset retirement costs of nuclear power plants	Straight-line	30, 40
Asset retirement costs of spent fuel	Unit-of-production	-
Finance lease assets	Straight-line	8 ~ 32
Others	Straight-line	4 ~ 9

The estimated residual value, useful lives and the depreciation method are reviewed at least at the end of each reporting period and, if expectations differ from previous estimates, the changes are accounted for as changes in accounting estimates.

3. Significant accounting policies, Continued

(j) Intangible assets

Intangible assets are measured initially at cost and, subsequently, are carried at cost less accumulated amortization and accumulated impairment losses.

Amortization of intangible assets except for goodwill is calculated on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The residual value of intangible assets is zero. However, as there are no foreseeable limits to the periods over which some of other intangible assets are expected to be available for use, this intangible asset is determined as having an indefinite useful life and not amortized.

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

	Method	Useful lives (years)
Development cost	Straight-line	5
Industrial rights	Straight-line	10
Facility usage rights	Straight-line	20
Software	Straight-line	4
Others	Straight-line	5 ~ 50

Amortization periods and the amortization methods for intangible assets with finite useful lives are reviewed at the end of each reporting period. The useful lives of intangible assets that are not being amortized are reviewed at the end of each reporting period to determine whether events and circumstances continue to support indefinite useful life assessments for those assets. Changes are accounted for as changes in accounting estimates.

(i) Research and development

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized in profit or loss as incurred. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Other development expenditures are recognized in profit or loss as incurred.

(ii) Subsequent expenditures

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures, including expenditures on internally generated goodwill and brands, are recognized in profit or loss as incurred.

(k) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than assets arising from construction contracts, employee benefits, inventories, deferred tax assets and non-current assets held for sale, are reviewed at the end of the reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, irrespective of whether there is any indication of impairment, are tested for impairment annually by comparing their recoverable amount to their carrying amount.

3. Significant accounting policies, Continued

(k) Impairment of non-financial assets, continued

Management estimates the recoverable amount of an individual asset. If it is impossible to measure the individual recoverable amount of an asset, then management estimates the recoverable amount of cash-generating unit ("CGU"). For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount of an asset or CGU is the greater of its value-in-use and its fair value less costs to sell. The Group determined that individual operating entities are CGUs. The value-in-use is estimated by applying a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU for which estimated future cash flows have not been adjusted, to the estimated future cash flows expected to be generated by the asset or CGU.

An impairment loss is recognized in profit or loss if the carrying amount of an asset or a CGU exceeds its recoverable amount.

(l) Inventories

The cost of inventories is based on the weighted average principle, and includes expenditures for acquiring the inventories, conversion costs and other costs incurred in bringing them to their existing location and condition.

Inventories are measured at the lower of cost and net realizable value. 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 is recognized as a reduction in the amount of inventories recognized as a cost of goods sold in the period in which the reversal occurs.

(m) Provisions

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

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

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

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

A provision is used only for expenditures for which the provision was originally recognized.

3. Significant accounting policies, Continued

(m) Provisions, continued

(i) Provision for decommissioning costs of nuclear power plants

The Group records the fair value of estimated decommissioning costs as a liability in the period in which the Group 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.

(ii) Provision for disposal of spent nuclear fuel

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

(iii) Provision for low and intermediate radioactive wastes

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

(iv) 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 Group recognizes the provision in relation to power plant regional support program.

(n) Non-derivative financial assets

The Group recognizes and measures non-derivative financial assets by the following four categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets. The Group recognizes financial assets in the consolidated statement of financial position when the Group 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.

(i) Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss if they are held for trading or designated as such upon initial recognition. Upon initial recognition, transaction costs are recognized in profit or loss when incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

(ii) Held-to-maturity financial assets

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

3. Significant accounting policies, Continued

(n) Non-derivative financial assets, continued

(iii) Loans and receivables

Loans and receivables are non-derivative 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 unless the effect of discounting is immaterial.

(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 financial assets or loans and receivables. Subsequent to initial recognition, they are measured at fair value, with changes in fair value, net of any tax effect, recorded in other comprehensive income in equity. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost.

(v) Derecognition of non-derivative financial assets

The Group derecognizes non-derivative financial assets when the contractual rights to the cash flows from the financial asset expire, or the Group 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 a transferred financial asset that is created or retained by the Group is recognized as a separate asset or liability.

If the Group retains substantially all the risks and rewards of ownership of the transferred financial assets, the Group continues to recognize the transferred financial assets and recognizes financial liabilities for the consideration received.

(vi) Offsetting a financial asset and a financial liability

Financial assets and financial liabilities are offset and the net amount is presented in the consolidated statement of financial position only when the Group currently has a legally enforceable right to offset the recognized amounts, and there is the intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

(o) Non-derivative financial liabilities

The Group classified non-derivative financial liabilities into financial liabilities at fair value through profit or loss or as other financial liabilities in accordance with the substance of the contractual arrangement and the definition of financial liabilities. The Group recognized financial liabilities in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

(i) Financial liabilities at fair value through profit or loss

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. Financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. Upon initial recognition, transaction costs are recognized in profit or loss when incurred.

3. Significant accounting policies, Continued

(o) Non-derivative financial liabilities, continued

(ii) Other financial liabilities

Non-derivative financial liabilities other than financial liabilities at fair value through profit or loss are classified as other financial liabilities. At the date of initial recognition, other financial liabilities are measured at fair value minus transaction costs that are directly attributable to the acquisition. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The Group derecognizes financial liabilities from the consolidated statement of financial position when it is extinguished (i.e. when, the Group's obligations are discharged, cancelled or they expires).

(p) Derivative financial instruments

Derivatives are initially recognized at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

(i) Hedge accounting

The Group holds forward exchange contracts, interest rate swaps, currency swaps and other derivative contracts to manage interest rate risk and foreign exchange risk. The Group designated derivatives as hedging instruments to hedge the risk of changes in the fair value of assets, liabilities or firm commitments (a fair value hedge) and foreign currency risk of highly probable forecasted transactions or firm commitments (a cash flow hedge).

On initial designation of the hedge, the Group formally 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, together with the methods that will be used to assess the effectiveness in offsetting changes in fair values or cash flows of the hedged item.

(ii) Other derivative financial instruments

Changes in the fair value of other derivative financial instrument not designated as a hedging instrument are recognized immediately in profit or loss.

3. Significant accounting policies, Continued

(q) Emission rights

The Group accounts for greenhouse gases emission right and the relevant liability as below pursuant to the Act on Allocation and Trading of Greenhouse Gas Emission which become effective in 2015.

(i) Greenhouse gases emission right

Greenhouse gases emission right consists of emission allowances which are allocated from the government free of charge or purchased from the market. The cost includes any directly attributable costs incurred during the normal course of business.

Emission rights held for the purpose of performing the obligation is classified as intangible asset and is initially measured at cost and after initial recognition, are carried at cost less accumulated impairment losses.

The Group derecognizes an emission right asset when the emission allowance is unusable, disposed or submitted to government in which the future economic benefits are no longer expected to be probable.

(ii) Emission liability

Emission liability is a present obligation of submitting emission rights to the government with regard to emission of greenhouse gas. Emission liability is recognized when it is probable that outflows of resources will be required to settle the obligation and the costs required to perform the obligation are reliably estimable. Emission liability is an amount of estimated obligations for emission rights to be submitted to the government for the performing period. The emission liability is measured based on the expected quantity of emission for the performing period in excess of emission allowance in possession and the unit price for such emission rights in the market at the end of the reporting period.

(r) Impairment of financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. However, losses expected as a result of future events, regardless of likelihood, are not recognized.

If financial assets have objective evidence that they are impaired, impairment losses are measured and recognized.

3. Significant accounting policies, Continued

(r) Impairment of financial assets, continued

(i) Financial assets measured at amortized cost

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of its estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of the impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through profit or loss either directly or by adjusting an allowance account.

(ii) Financial assets carried at cost

If there is objective evidence that an impairment loss has occurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

(iii) Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized. Impairment losses recognized in profit or loss for an investment in an equity instrument classified as available-for-sale are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognized in profit or loss.

(s) Equity capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

(t) Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognized in profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, dividends on preference shares classified as liabilities, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognized on financial assets, and losses on hedging instruments that are recognized in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

3. Significant accounting policies, Continued

(u) Earnings per share

The Group presents basic earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

(v) New standards and interpretations not yet adopted

The following new standards, interpretations and amendments to existing standards have been published and are mandatory for the Group for annual periods beginning after January 1, 2015, and the Group has not early adopted them.

(i) K-IFRS No. 1109, Financial Instruments

K-IFRS 1109, published in December 2015, replaces the existing guidance in K-IFRS No. 1039, *Financial Instruments: Recognition and Measurement*. K-IFRS 1109 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from K-IFRS No. 1039. K-IFRS 1109 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of K-IFRS 1109.

(ii) K-IFRS No. 1115, Revenue from Contracts with Customers

K-IFRS 1115, published in January 2016, establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including K-IFRS No. 1018, Revenue, K-IFRS No. 1011, Construction Contracts and K-IFRS No. 2113, Customer Loyalty Programmes. K-IFRS 1115 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of K-IFRS 1115.

4. Segment information

The Group's segments are determined based on components of the Group that are engaged in revenue generating activities and for which discrete financial information is available that is regularly reported to the chief operating decision maker ("CODM") for the purpose of resource allocation and assessment of performance. The CODM uses both operating profit (loss) and net profit (loss) for the period as measures of segment results to assess segment performance and to allocate resources. Segment operating profit is used to report segment performance below because management believes it is determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the Group's consolidated financial statements. Segment operating profit (loss) is determined in the same manner as consolidated operating profit (loss) under K-IFRS. Segment assets and liabilities are measured at total assets and total liabilities in accordance with K-IFRS. Also, segment assets and liabilities are based on the separate financial statements of the entities instead of on consolidated basis. The Group's operating segments are "Electric power generation (nuclear and others)" and "Others". The "Electric power generation (nuclear and others)" segment revenue is primarily composed of sales of electric power and service revenue. The "Others" segment represents the business unit that manages the Group's foreign operations.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3.

(a) Information about operating segments related to segment results

(i) For the year ended December 31, 2015

(In millions of won)		**Electric power generation**	**Others**	**Reconciling items**	**Consolidated totals**
Revenue from external customers	₩	10,747,026	-	-	10,747,026
Intersegment revenue		-	-	-	-
Segment revenue		10,747,026	-	-	10,747,026
Segment operating profit (loss)		3,791,760	(42)	-	3,791,718
Other income (expenses), net					14,456
Other profit, net					7,137
Finance income					245,700
Finance expenses					(775,729)
Equity method loss of associates, net					(4,332)
Profit before income taxes					3,278,950
Depreciation and amortization		3,078,436	-	-	3,078,436

4. Segment information, Continued

(a) Information about operating segments related to segment results, continued

(ii) For the year ended December 31, 2014

(In millions of won)		**Electric power generation**	**Others**	**Reconciling items**	**Consolidated totals**
Revenue from external customers	₩	9,503,507	-	-	9,503,507
Intersegment revenue		-	-	-	-
Segment revenue		9,503,507	-	-	9,503,507
Segment operating profit (loss)		2,520,671	(69)	-	2,520,602
Other income (expenses), net					17,641
Other profit, net					12,341
Finance income					138,734
Finance expenses					(784,572)
Equity method loss of associates, net					(540)
Profit before income taxes					1,904,206
Depreciation and amortization		2,912,739	-	-	2,912,739

(b) Information about operating segments related to segment assets and liabilities as of December 31, 2015 and 2014

(i) As of December 31, 2015

(In millions of won)		Electric power generation	Others	Reconciling items	Consolidated totals
Total segment assets (*)	₩	51,354,359	29,126	(130,698)	51,252,787
Investment in associates		106,738	14,588	-	121,326
Acquisition of non-current assets		2,647,320	-	-	2,647,320
Total segment liabilities		27,635,721	22	(11,828)	27,623,915

(ii) As of December 31, 2014

(In millions of won)		Electric power generation	Others	Reconciling items	Consolidated totals
Total segment assets (*)	₩	49,566,112	29,360	(111,976)	49,483,496
Investment in associates		94,190	23,203	-	117,393
Acquisition of non-current assets		2,213,274	-	(237)	2,213,037
Total segment liabilities		27,852,558	58	(4,072)	27,848,544

4. Segment information, Continued

(b) Information about operating segments related to segment assets and liabilities as of December 31, 2015 and 2014, continued

(*) As segment assets and liabilities are determined based on separate financial statements, for subsidiaries which are in a different segment from that of its immediate parent company, their carrying amount in separate financial statements is eliminated upon consolidation which were ₩76,725 million and ₩76,725 million in 2015 and 2014, respectively. In addition, adjustments are made to adjust the amount of investment in associates and joint ventures from the amount reflected in segment assets to that determined using equity method in consolidated financial statements which were ₩40,695 million and ₩29,544 million in 2015 and 2014, respectively.

(c) Geographical information

The Group is headquartered in Korea, with substantially all of its assets located in Korea and substantially all of its revenue is generated domestically.

(d) Information about major customers

For the years ended December 31, 2015 and 2014, the Group recognized total revenue from the Group's largest customer KEPCO of ₩10,664,668 million and ₩9,424,393 million, respectively.

5. Categories of financial instruments

(a) Details of categories of financial instruments as of December 31, 2015 and 2014 are as follows:

(i) Financial assets

1) December 31, 2015

(In millions of won)		**Financial assets at fair value through profit or loss**	**Loans and receivables**	**Available-for-sale financial assets**	**Total**
Current financial assets:					
Cash and cash equivalents	₩	-	564,703	-	564,703
Current financial assets					
Short-term financial instruments		-	1,008	-	1,008
Loans		-	66,734	-	66,734
		-	67,742	-	67,742
Trade accounts and other receivables		-	1,341,085	-	1,341,085
Sub-total		-	1,973,530	-	1,973,530
Non-current financial assets:					
Non-current financial assets					
Long-term financial instruments		-	652,700	-	652,700
Available-for-sale financial assets		-	-	205,900	205,900
Loans		-	68,666	-	68,666
Derivatives assets		180,439	-	-	180,439
		180,439	721,366	205,900	1,107,705
Trade accounts and other receivables		-	67,446	-	67,446
Sub-total		180,439	788,812	205,900	1,175,151
	₩	180,439	2,762,342	205,900	3,148,681

5. Categories of financial instruments, Continued

(a) Details of categories of financial instruments as of December 31, 2015 and 2014 are as follows, continued:

(i) Financial assets, continued

2) December 31, 2014

(In millions of won)		Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Total
Current financial assets:					
Cash and cash equivalents	₩	-	173,728	-	173,728
Current financial assets					
Short-term financial instruments		-	5,381	-	5,381
Loans		-	36,882	-	36,882
Derivatives assets		16	-	-	16
		16	42,263	-	42,279
Trade accounts and other receivables		-	852,823	-	852,823
Sub-total		16	1,068,814	-	1,068,830
Non-current financial assets:					
Non-current financial assets					
Available-for-sale financial assets		-	-	192,815	192,815
Long-term financial instruments		-	603,306	-	603,306
Loans		-	73,191	-	73,191
Derivatives assets		32,519	-	-	32,519
		32,519	676,497	192,815	901,831
Trade accounts and other receivables		-	61,648	-	61,648
Sub-total		32,519	738,145	192,815	963,479
	₩	32,535	1,806,959	192,815	2,032,309

5. Categories of financial instruments, Continued

(a) Details of categories of financial instruments as of December 31, 2015 and 2014 are as follows, continued:

(ii) Financial liabilities

1) December 31, 2015

(In millions of won)		**Financial liabilities at fair value through profit or loss**	**Financial liabilities measured at amortized cost**	**Total**
Current financial liabilities:				
Current financial liabilities	₩			
Current portion of long-term borrowings		-	19,357	19,357
Current portion of long-term bonds		-	569,632	569,632
		-	588,989	588,989
Trade accounts and other payables		-	1,134,887	1,134,887
Sub-total		-	1,723,876	1,723,876
Non-current financial liabilities:				
Long-term borrowings		-	229,316	229,316
Bonds		-	8,896,722	8,896,722
		-	9,126,038	9,126,038
Trade accounts and other payables		-	2,947,883	2,947,883
Sub-total		-	12,073,921	12,073,921
	₩	-	13,797,797	13,797,797

5. Categories of financial instruments, Continued

(a) Details of categories of financial instruments as of December 31, 2015 and 2014 are as follows, continued:

(ii) Financial liabilities, continued

2) December 31, 2014

(In millions of won)		**Financial liabilities at fair value through profit or loss**	**Financial liabilities measured at amortized cost**	**Total**
Current financial liabilities:				
Current financial liabilities	₩			
Current portion of long-term borrowings		-	18,388	18,388
Current portion of long-term bonds		-	958,024	958,024
Derivatives liabilities		30,384	-	30,384
		30,384	976,412	1,006,796
Trade accounts and other payables		-	853,258	853,258
Sub-total		30,384	1,829,670	1,860,054
Non-current financial liabilities:				
Non-current financial liabilities				
Long-term borrowings		-	254,873	254,873
Bonds		-	8,629,424	8,629,424
Derivatives liabilities		24,312	-	24,312
		24,312	8,884,297	8,908,609
Trade accounts and other payables		-	2,921,929	2,921,929
Sub-total		24,312	11,806,226	11,830,538
	₩	54,696	13,635,896	13,690,592

5. Categories of financial instruments, Continued

(b) Gain (loss) by categories of financial instruments for the years ended December 31, 2015 and 2014 are as follows:

(In millions of won)

Categories	Description		December 31, 2015	December 31, 2014
Loans and receivables	Cash and cash equivalents-interest income	₩	8,302	14,468
	Financial instruments-interest income		10,375	252
	Loans-interest income		3,064	4,045
	Trade accounts and other receivables-interest income		3,136	3,564
	Gain on fluctuation of exchange rate in foreign currency, net		312	1,152
Financial assets at fair value through profit or loss	Gain on change in the unrealized fair value of derivative instruments, net		172,231	32,535
	Loss on transactions of derivative instruments, net		(2,105)	(10,288)
Available-for-sale financial assets	Net change in the unrealized fair value of available-for-sale financial assets before tax		13,149	(2,467)
	Impairment of available-for-sale financial assets		(51)	-
	Loss on disposals of available-for-sale financial assets		(140)	-
Financial liabilities measured at fair value through profit or loss	Gain on change in the unrealized fair value of derivative instruments, net		-	36,507
	Gain (loss) on transactions of derivative instruments, net		37,222	(53,295)
Financial liabilities at amortized cost	Loss on fluctuation of exchange rate in foreign currency, net		(215,140)	(71,365)
	Amortization of present value discount		(134,420)	(138,366)
	Other interest expense		(408,861)	(455,417)

6. Cash and cash equivalents

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

(In millions of won)		December 31, 2015	December 31, 2014
Cash equivalents	₩	20,477	13,117
Deposits with banks and short-term instruments classified as cash equivalents		544,226	160,611
	₩	564,703	173,728

7. Financial assets at fair value through profit or loss

(a) Financial assets at fair value through profit or loss as of December 31, 2015 and 2014 are as follows:

		December 31, 2015		December 31, 2014	
(In millions of won)		Current	Non-current	Current	Non-current
Short-term financial instruments					
Derivatives assets	₩	-	180,439	16	32,519

(b) Details of derivative financial instruments as of December 31, 2015 and 2014 are as follows:

		December 31, 2015		December 31, 2014	
(In millions of won)		Current	Non-current	Current	Non-current
Derivatives assets					
Foreign currency forwards	₩	-	24,896	16	7,233
Foreign currency swaps		-	155,543	-	25,286
Sub-total		-	180,439	16	32,519
Derivatives liabilities					
Foreign currency swaps		-	-	30,384	24,312
Sub-total	₩	-	-	30,384	24,312

(c) Details of foreign currency forwards contracts as of December 31, 2015 are as follows:

(In millions of won, in thousands of USD, won/USD)

Counterparty	Period	Amount of contract: Pay	Amount of contract: Receive	Contractual foreign exchange rate
Hana Bank	2014.04.10~2021.07.12	KRW 55,120	USD 52,000	1,060.00
Hana Bank	2014.04.28~2021.07.12	KRW 50,784	USD 48,000	1,058.00
Bank of America	2014.04.29~2021.07.12	KRW 105,400	USD 100,000	1,054.00
Hana Bank	2014.05.09~2021.07.12	KRW 104,600	USD 100,000	1,046.00

7. Financial assets at fair value through profit or loss, Continued

(d) Details of foreign currency swap contracts as of December 31, 2015 are as follows:

(In millions of won, in thousands of USD, won/USD)

Counterparty	Period	Amount of contract		Interest rate of contract		Contractual foreign exchange rate
		Pay	Receive	Pay	Receive	
Citibank	2012.09.12~2022.09.19	KRW 112,930	USD 100,000	2.79%	3.00%	1,129.30
JP Morgan	2012.09.12~2022.09.19	KRW 112,930	USD 100,000	2.79%	3.00%	1,129.30
Bank of America	2012.09.12~2022.09.19	KRW 112,930	USD 100,000	2.79%	3.00%	1,129.30
Goldman Sachs	2012.09.12~2022.09.19	KRW 112,930	USD 100,000	2.79%	3.00%	1,129.30
HSBC	2012.11.01~2022.09.19	KRW 111,770	USD 100,000	2.89%	3.00%	1,117.70
Hana Bank	2012.10.26~2022.09.19	KRW 111,770	USD 100,000	2.87%	3.00%	1,117.70
SC	2012.10.26~2022.09.19	KRW 111,770	USD 100,000	2.89%	3.00%	1,117.70
Deutsche Bank	2012.12.28~2022.09.19	KRW 55,885	USD 50,000	2.79%	3.00%	1,117.70
DBS	2013.02.20~2018.02.20	KRW 108,140	USD 100,000	2.63%	Libor 3M+0.84%	1,081.40
DBS	2013.05.07~2018.02.20	KRW 108,140	USD 100,000	2.57%	Libor 3M+0.84%	1,081.40
DBS	2013.05.08~2018.02.20	KRW 108,140	USD 100,000	2.57%	Libor 3M+0.84%	1,081.40
HSBC	2013.10.30~2018.10.02	KRW 107,450	USD 100,000	3.41%	2.88%	1,074.50
SC	2013.10.30~2018.10.02	KRW 107,450	USD 100,000	3.44%	2.88%	1,074.50
JP Morgan	2013.10.30~2018.10.02	KRW 107,450	USD 100,000	3.48%	2.88%	1,074.50
Bank of America	2014.01.02~2018.10.02	KRW 107,450	USD 100,000	3.09%	2.88%	1,074.50
Citibank	2014.01.02~2018.10.02	KRW 107,450	USD 100,000	3.09%	2.88%	1,074.50
JP Morgan	2014.05.22~2017.05.22	KRW 102,670	USD 100,000	2.89%	Libor 3M+0.78%	1,026.70
Deutsche Bank	2014.05.22~2017.05.22	KRW 102,670	USD 100,000	2.89%	Libor 3M+0.78%	1,026.70
HSBC	2014.10.28~2019.10.28	KRW 105,260	USD 100,000	2.48%	2.38%	1,052.60
SC	2014.10.28~2019.10.28	KRW 105,260	USD 100,000	2.48%	2.38%	1,052.60
RBS	2014.10.28~2019.10.28	KRW 105,260	USD 100,000	2.48%	2.38%	1,052.60
Nomura Financial Investment (Korea) Co., Ltd.	2015.06.15~2025.06.15	KRW 111,190	USD 100,000	2.60%	3.25%	1,111.90
Korea Development Bank	2015.06.15~2025.06.15	KRW 111,190	USD 100,000	2.62%	3.25%	1,111.90
Woori Bank	2015.06.15~2025.06.15	KRW 55,595	USD 50,000	2.62%	3.25%	1,111.90
Hana Bank	2015.06.15~2025.06.15	KRW 55,595	USD 50,000	2.62%	3.25%	1,111.90

The Group contracted derivative financial instruments for the purpose of hedging risk but classified them as derivative financial instruments held for trading, since those derivatives do not meet the applicable requirements of applying hedge accounting under K-IFRS No.1039 *"Financial Instruments: Recognition and Measurement"*.

7. Financial assets at fair value through profit or loss, Continued

(e) The gain (loss) on valuation and transaction of derivatives (not designated as a hedge) for the years ended December 31, 2015 and 2014 are as follows:

(In millions of won)		**Gain (loss) on transaction**		**Gain (loss) on transaction**	
		December 31, 2015	**December 31, 2014**	**December 31, 2015**	**December 31, 2014**
Currency forwards	₩	17,664	7,248	3,660	(533)
Currency swaps		154,567	61,794	31,457	(63,050)
	₩	172,231	69,042	35,117	(63,583)

8. Trade accounts and other receivables

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

(i) December 31, 2015

(In millions of won)		**Gross amount**	**Allowance for doubtful accounts**	**Amortization of present value discount**	**Carrying amount**
Current assets:					
Trade accounts receivable	₩	1,134,283	-	-	1,134,283
Other receivables		210,648	(3,207)	(639)	206,802
		1,344,931	(3,207)	(639)	1,341,085
Non-current assets:					
Other receivables		69,206	-	(1,760)	67,446
	₩	1,414,137	(3,207)	(2,399)	1,408,531

8. Trade accounts and other receivables, Continued

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

(ii) December 31, 2014

(In millions of won)		Gross amount	Allowance for doubtful accounts	Amortization of present value discount	Carrying amount
Current assets:					
Trade accounts receivable	₩	708,889	-	-	708,889
Other receivables		148,476	(3,463)	(1,079)	143,934
		857,365	(3,463)	(1,079)	852,823
Non-current assets:					
Other receivables		63,851	-	(2,203)	61,648
	₩	921,216	(3,463)	(3,282)	914,471

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

(i) December 31, 2015

(In millions of won)		Gross amount	Allowance for doubtful accounts	Amortization of present value discount	Carrying amount
Current assets:					
Other accounts receivable	₩	12,601	(3,207)	-	9,394
Accrued income		124,151	-	-	124,151
Guarantee deposits		72,306	-	(639)	71,667
Current other receivables		1,590	-	-	1,590
		210,648	(3,207)	(639)	206,802
Non-current assets:					
Guarantee deposits		69,206	-	(1,760)	67,446
	₩	279,854	(3,207)	(2,399)	274,248

8. Trade accounts and other receivables, Continued

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

(ii) December 31, 2014

(In millions of won)		Gross amount	Allowance for doubtful accounts	Amortization of present value discount	Carrying amount
Current assets:					
Other accounts receivable	₩	18,616	(3,463)	-	15,153
Accrued income		42,023	-	-	42,023
Guarantee deposits		87,837	-	(1,079)	86,758
		148,476	(3,463)	(1,079)	143,934
Non-current assets:					
Guarantee deposits		63,851	-	(2,203)	61,648
	₩	212,327	(3,463)	(3,282)	205,582

Trade accounts and other receivables classified as loans and receivables are measured at amortized cost. For electricity sales revenue, the average trade accounts receivable turnover is 2 business days from the date of the revenues generated.

Interest is charged on trade accounts receivable after 2 business days from invoice date based on interest rates of overdue open market loans.

(c) Aging analysis of the trade accounts receivable as of December 31, 2015 and 2014 are as follows:

(In millions of won)		December 31, 2015	December 31, 2014
Receivables (not overdue, not impaired)	₩	1,134,283	708,889
Receivables (overdue, not impaired)		-	-
Receivables (other)		-	-
		1,134,283	708,889
Less: allowance for doubtful accounts		-	-
Less: present value discount		-	-
	₩	1,134,283	708,889

8. Trade accounts and other receivables, Continued

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

(In millions of won)		December 31, 2015	December 31, 2014
Receivables (not overdue, not impaired)	₩	276,647	208,864
Receivables (overdue, not impaired)		-	-
Receivables (Other)		3,207	3,463
0~60 days		-	-
60~90 days		-	-
90~120 days		-	-
120~365 days		-	-
Over 365 days		3,207	3,463
		279,854	212,327
Less: allowance for doubtful accounts		(3,207)	(3,463)
Less: present value discount		(2,399)	(3,282)
	₩	274,248	205,582

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

		December 31, 2015		December 31, 2014	
(In millions of won)		Trade accounts receivable	Other receivables	Trade accounts receivable	Other receivables
Beginning balance	₩	-	3,463	-	3,477
Bad debt expenses (Reversals)		-	-	-	(8)
Write-offs		-	(256)	-	(6)
Ending balance	₩	-	3,207	-	3,463

9. Available-for-sale financial assets

(a) Changes in Available-for-sale financial assets for the year ended December 31, 2015 and 2014 are as follows:

(i) December 31, 2015

(In millions of won)		January 1, 2015	Acquisitions	Disposals	Gain on Valuation	Impairment losses	Others	December 31, 2015
Listed equity securities	₩	381	-	-	69	(51)	(98)	301
Unlisted equity securities		192,434	393	(308)	13,080	-	-	205,599
		192,815	393	(308)	13,149	(51)	(98)	205,900
Non-current available-for-sale financial assets		192,815	393	(308)	13,149	(51)	(98)	205,900

(ii) December 31, 2014

(In millions of won)		January 1, 2014	Acquisitions	Disposals	Loss on Valuation	Impairment losses	Others	December 31, 2014
Listed equity securities	₩	454	51	-	(103)	-	(21)	381
Unlisted equity securities		194,798	-	-	(2,364)	-	-	192,434
		195,252	51	-	(2,467)	-	(21)	192,815
Non-current available-for-sale financial assets		195,252	51	-	(2,467)	-	(21)	192,815

(b) Available-for-sale financial assets as of December 31, 2015 and 2014 are as follows:

(i) December 31, 2015

(In millions of won except share information and ownership)	Shares	Ownership		Acquisitions	Carrying amount	Fair value
Listed securities:						
Fission Uranium Corp.	300,000	0.08%	₩	128	208	208
Denison Mines Corp.	106,500	0.02%		144	63	63
Fission 3.0 Corp.	300,000	0.17%		36	30	30
Unlisted securities:						
Korea Power Exchange (*1)	-	14.28%		18,263	25,621	25,621
SET Holding (*1)	1,100,220	2.50%		229,255	179,585	179,585
HeeMang Sunlight Power Co., Ltd. (*2)	78,600	8.33%		393	393	393
			₩	248,219	205,900	205,900

9. Available-for-sale financial assets, Continued

(b) Available-for-sale financial assets as of December 31, 2015 and 2014 are as follows, continued:

(i) December 31, 2015, continued

(*1) The fair value of unquoted available-for-sale financial assets is calculated using the valuation results in which weighted average cost of capital of evaluated companies is used as the discount rate.

(*2) These available-for-sale financial assets that do not have a quoted market price in an active market and their fair value cannot be reliably measured, therefore they are measured at cost.

(ii) December 31, 2014

(In millions of won except share information and ownership)	Shares	Ownership		Acquisitions	Carrying amount	Fair value
Listed securities:						
Fission Uranium Corp.	300,000	0.08%	₩	128	244	244
Denison Mines Corp.	106,500	0.02%		144	114	114
Fission 3.0 Corp.	300,000	0.19%		36	23	23
Unlisted securities:						
Korea Power Exchange (*1)	-	14.28%		18,263	24,293	24,293
SET Holding (*1)	1,100,220	2.50%		229,255	167,833	167,833
Hanwha Electric Power Venture Fund (*2)	700	2.80%		308	308	308
			₩	248,134	192,815	192,815

(*1) The fair value of unquoted available-for-sale financial assets is calculated using the valuation results in which weighted average cost of capital of evaluated companies is used as the discount rate.

(*2) These available-for-sale financial assets that do not have a quoted market price in an active market and their fair value cannot be reliably measured, therefore they are measured at cost.

10. Other financial assets

(a) Other financial assets as of December 31, 2015 and 2014 are as follows:

		December 31, 2015		December 31, 2014	
(In millions of won)		Current	Non-current	Current	Non-current
Financial instruments	₩	1,008	652,700	5,381	603,306
Loans		66,734	68,666	36,882	73,191
	₩	67,742	721,366	42,263	676,497

10. Other financial assets, Continued

(b) Details of financial instruments as of December 31, 2015 and 2014 are as follows:

		December 31, 2015		December 31, 2014	
(In millions of won)		**Current**	**Non-current**	**Current**	**Non-current**
Time deposit	₩	1,008	-	5,381	-
Others (*)		-	652,700	-	603,306
	₩	1,008	652,700	5,381	603,306

(*) As of December 31, 2015 and 2014, the Group set aside ₩652,700 million and 603,306 million, respectively; for decommissioning costs for nuclear power plants. These funds are financial assets that cannot be used for general purposes with a restricted access period exceeding 12 months following December 31, 2015. Therefore, these have been categorized as non-current assets.

(c) Details of loans as of December 31, 2015 and 2014 are as follows:

		December 31, 2015		December 31, 2014	
(In millions of won)		**Current**	**Non-current**	**Current**	**Non-current**
Loans for tuition	₩	4,485	66,046	4,485	64,346
Loans for housing		1,281	7,905	1,479	9,565
Other loans		61,032	1,729	31,032	7,764
Less: present value discount		(64)	(7,014)	(114)	(8,484)
	₩	66,734	68,666	36,882	73,191

11. Inventories

Inventories as of December 31, 2015 and 2014 are as follows:

(In millions of won)		**December 31, 2015**	**December 31, 2014**
Product	₩	4,579	4,666
Raw materials		2,746,072	2,510,690
Supplies		645,799	472,209
Inventories-in-transit		114,720	109,098
	₩	3,511,170	3,096,663

12. Non-financial assets

Non-financial assets as of December 31, 2015 and 2014 are as follows:

(In millions of won)		December 31, 2015		December 31, 2014	
		Current	Non-current	Current	Non-current
Advanced payments	₩	13,636	1,131,654	9,520	958,038
Prepaid expenses		45,177	9,100	44,446	10,108
Others		21,488	-	20,715	-
	₩	80,301	1,140,754	74,681	968,146

13. Investments in associates

(a) Investments in associates as of December 31, 2015 and 2014 are as follows:

Company	Location	Key operating activities	Ownership December 31, 2015	Ownership December 31, 2014
Korea Imouraren Uranium Investment Corp.	FRANCE	Uranium resources development	40.00%	40.00%
Kepco Canada Uranium Investment Limited Partnership	CANADA	Uranium resources development	25.00%	25.00%
Korea Waterbury Uranium Limited Partnership	CANADA	Uranium resources development	30.00%	30.00%
Korea Offshore Wind Power Co., Ltd. (*)	KOREA	Offshore wind resources development	12.50%	12.50%
Yeong Wol Energy Station Co., Ltd. (*)	KOREA	Photovoltaic power generation	10.00%	10.00%
Noeul Green Energy Co., Ltd.	KOREA	Electricity and heat generation	20.00%	20.00%
Busan Green Energy Co., Ltd.	KOREA	Electricity and heat generation	29.00%	-
Korea Nuclear Partners Co., Ltd.	KOREA	Electric material agency	29.00%	-

(*) Korea Offshore Wind Power Co., Ltd. and Yeong Wol Energy Station Co., Ltd. are included in the scope of investments in associates as the Group can exercise significant influence according to the shareholders agreement.

13. Investments in associates, Continued

(b) Changes in investments in associates for the years ended December 31, 2015 and 2014 are as follows:

(i) December 31, 2015

(In millions of won)

Company		January 1, 2015	Acquisition	Share of profit (loss)	Changes in equity	December 31, 2015
Korea Imouraren Uranium Investment Corp.	₩	91,076	-	2,386	(3,767)	89,695
Kepco Canada Uranium Investment Limited Partnership		17,669	9	(5,577)	(2,423)	9,678
Korea Waterbury Uranium Limited Partnership		5,534	21	(19)	(626)	4,910
Korea Offshore Wind Power Co., Ltd.		1,185	-	(527)	-	658
Yeong Wol Energy Station Co., Ltd.		1,740	-	(451)	-	1,289
Noeul Green Energy Co., Ltd.		189	200	(91)	(3)	295
Busan Green Energy Co., Ltd.		-	14,564	(52)	-	14,512
Korea Nuclear Partners Co., Ltd.		-	290	(1)	-	289
	₩	117,393	15,084	(4,332)	(6,819)	121,326

13. Investments in associates, Continued

(b) Changes in investments in associates for the years ended December 31, 2015 and 2014 are as follows, continued:

(ii) December 31, 2014

(In millions of won)

Company		January 1, 2014	Acquisition	Share of profit (loss)	Changes in equity	December 31, 2014
Korea Imouraren Uranium Investment Corp.	₩	99,256	-	(19)	(8,161)	91,076
Kepco Canada Uranium Investment Limited Partnership		20,467	12	(1,060)	(1,750)	17,669
Korea Waterbury Uranium Limited Partnership		5,936	20	(77)	(345)	5,534
Korea Offshore Wind Power Co., Ltd.		307	1,325	(428)	(19)	1,185
Yeong Wol Energy Station Co., Ltd.		682	-	1,055	3	1,740
Noeul Green Energy Co., Ltd.		-	200	(11)	-	189
	₩	126,648	1,557	(540)	(10,272)	117,393

13. Investments in associates, Continued

(c) The summary financial information of investments accounted for using the equity method as of and for the years ended December 31, 2015 and 2014 are as follows:

(i) December 31, 2015

(In millions of won)

Company		Total assets	Total liabilities	Revenue	Net profit (loss)
Korea Imouraren Uranium Investment Corp.	₩	224,499	263	-	5,964
Kepco Canada Uranium Investment Limited Partnership		38,816	104	-	(22,309)
Korea Waterbury Uranium Limited Partnership		18,088	812	-	(62)
Korea Offshore Wind Power Co., Ltd.		7,579	2,317	-	(4,213)
Yeong Wol Energy Station Co., Ltd.		179,852	166,953	12,068	1,831
Noeul Green Energy Co., Ltd.		1,517	44	-	(446)
Busan Green Energy Co., Ltd.		50,093	53	-	(180)
Korea Nuclear Partners Co., Ltd.		1,002	6	-	(4)

(ii) December 31, 2014

(In millions of won)

Company		Total assets	Total liabilities	Revenue	Net profit (loss)
Korea Imouraren Uranium Investment Corp.	₩	227,897	207	-	(48)
Kepco Canada Uranium Investment Limited Partnership		70,791	114	-	(4,242)
Korea Waterbury Uranium Limited Partnership		19,501	147	-	(252)
Korea Offshore Wind Power Co., Ltd.		11,762	2,287	-	(3,424)
Yeong Wol Energy Station Co., Ltd.		146,917	129,511	14,393	4,981
Noeul Green Energy Co., Ltd.		1,045	101	-	(56)

14. Property, plant and equipment

(a) Property, plant and equipment as of December 31, 2015 and 2014 are as follows:

(i) December 31, 2015

(In millions of won)		Acquisition cost	Government grants	Accumulated depreciation	Carrying amount
Land	₩	2,248,193	-	-	2,248,193
Buildings		5,898,303	(141)	(1,849,322)	4,048,840
Structures		4,238,972	(11,842)	(1,395,831)	2,831,299
Machineries		19,254,922	(19,042)	(6,237,136)	12,998,744
Ships		1,919	-	(1,306)	613
Vehicles		31,347	-	(24,051)	7,296
Fixtures and furniture		328,609	(476)	(257,289)	70,844
Tools		310,052	(445)	(263,247)	46,360
Construction-in-progress		13,605,175	-	-	13,605,175
Finance lease assets		803,926	-	(198,100)	605,826
Asset retirement costs		6,653,364	-	(2,633,106)	4,020,258
Loaded nuclear fuels		9,614,712	-	(7,394,867)	2,219,845
	₩	62,989,494	(31,946)	(20,254,255)	42,703,293

(ii) December 31, 2014

(In millions of won)		Acquisition cost	Government grants	Accumulated depreciation	Carrying amount
Land	₩	2,216,200	-	-	2,216,200
Buildings		5,472,151	(161)	(1,564,837)	3,907,153
Structures		4,100,703	(12,434)	(1,190,862)	2,897,407
Machineries		17,028,487	(21,088)	(5,058,664)	11,948,735
Ships		2,005	-	(1,223)	782
Vehicles		28,034	-	(20,180)	7,854
Fixtures and furniture		293,102	(435)	(232,947)	59,720
Tools		287,013	(645)	(242,152)	44,216
Construction-in-progress		13,583,734	-	-	13,583,734
Finance lease assets		776,717	-	(171,880)	604,837
Asset retirement costs		7,617,338	-	(2,354,233)	5,263,105
Loaded nuclear fuels		8,772,667	-	(6,577,662)	2,195,005
	₩	60,178,151	(34,763)	(17,414,640)	42,728,748

14. Property, plant and equipment, Continued

(b) Changes in property, plant and equipment for the years ended December 31, 2015 and 2014 are as follows:

(i) December 31, 2015

(In millions of won)	**January 1, 2015**	**Acquisitions/ Capitalization**	**Disposals**	**Depreciation (*1)**	**Others (*2)**	**December 31, 2015**
Land	₩ 2,216,200	5,737	(10,602)	-	36,858	2,248,193
Buildings	3,907,314	-	(1,363)	(284,683)	427,713	4,048,981
(Government grants)	(161)	-	-	20	-	(141)
Structures	2,909,841	-	-	(204,969)	138,269	2,843,141
(Government grants)	(12,434)	-	-	592	-	(11,842)
Machineries	11,969,823	133,700	(469)	(1,180,032)	2,094,764	13,017,786
(Government grants)	(21,088)	-	5	2,056	(15)	(19,042)
Ships	782	-	-	(169)	-	613
Vehicles	7,854	2,501	-	(4,027)	968	7,296
Fixtures and furniture	60,155	27,959	(31)	(30,700)	13,937	71,320
(Government grants)	(435)	-	-	146	(187)	(476)
Tools	44,861	4,810	(6)	(24,654)	21,794	46,805
(Government grants)	(645)	-	-	200	-	(445)
Construction-in-progress	13,583,734	2,458,995	-	-	(2,437,554)	13,605,175
Finance lease assets	604,837	-	-	(26,220)	27,209	605,826
Asset retirement costs	5,263,105	-	-	(543,159)	(699,688)	4,020,258
Loaded nuclear fuels	2,195,005	-	-	(817,204)	842,044	2,219,845
	₩ 42,728,748	2,633,702	(12,466)	(3,112,803)	466,112	42,703,293

(*1) Depreciation expenses are recorded in the cost of sales, selling and administrative expenses and other income and expenses.
(*2) Include transfer from raw materials to loaded nuclear fuels and increase in the costs related to provision for decommissioning cost.

14. Property, plant and equipment, Continued

(b) Changes in property, plant and equipment for the years ended December 31, 2015 and 2014 are as follows, continued:

(ii) December 31, 2014

(In millions of won)		January 1, 2014	Acquisitions/ Capitalization	Disposals	Depreciation (*1)	Others (*2)	December 31, 2014
Land	₩	2,178,674	2,405	(1,083)	-	36,204	2,216,200
Buildings		4,124,041	5	(5,496)	(273,114)	61,878	3,907,314
(Government grants)		(181)	-	-	20	-	(161)
Structures		3,113,297	570	(295)	(207,874)	4,143	2,909,841
(Government grants)		(13,026)	-	-	592	-	(12,434)
Machineries		12,438,839	4,043	(11)	(1,072,480)	599,432	11,969,823
(Government grants)		(23,144)	-	-	2,056	-	(21,088)
Ships		946	-	-	(169)	5	782
Vehicles		6,441	629	-	(3,013)	3,797	7,854
Fixtures and furniture		56,594	26,107	(9)	(29,600)	7,063	60,155
(Government grants)		(40)	-	-	109	(504)	(435)
Tools		50,919	6,460	(9)	(23,443)	10,934	44,861
(Government grants)		(308)	-	-	132	(469)	(645)
Construction-in-progress		11,742,528	2,160,497	-	-	(319,291)	13,583,734
Finance lease assets		620,849	-	-	(26,051)	10,039	604,837
Asset retirement costs		5,545,536	-	-	(564,827)	282,396	5,263,105
Loaded nuclear fuels		1,984,331	-	-	(718,801)	929,475	2,195,005
	₩	41,826,296	2,200,716	(6,903)	(2,916,463)	1,625,102	42,728,748

(*1) Depreciation expenses are recorded in the cost of sales, selling and administrative expenses and other income and expenses.
(*2) Include transfer from raw materials to loaded nuclear fuels and increase in the costs related to provision for decommissioning cost.

15. Government grants

(a) Government grants as of December 31, 2015 and 2014 are as follows:

(In millions of won)		December 31, 2015	December 31, 2014
Property, plant and equipment			
Buildings	₩	141	161
Structures		11,842	12,434
Machineries		19,042	21,088
Fixtures and furniture		476	435
Tools		445	645
Sub-total		31,946	34,763
Intangible assets			
Computer software		341	337
Sub-total		341	337
	₩	32,287	35,100

(b) Changes in government grants for the years ended December 31, 2015 and 2014 are as follows:

(i) December 31, 2015

(In millions of won)		January 1, 2015	Depreciation/ Amortization	Others	December 31, 2015
Property, plant and equipment					
Buildings	₩	161	(20)	-	141
Structures		12,434	(592)	-	11,842
Machineries		21,088	(2,056)	10	19,042
Fixtures and furniture		435	(146)	187	476
Tools		645	(200)	-	445
Sub-total		34,763	(3,014)	197	31,946
Intangible assets					
Computer software		337	(93)	97	341
Sub-total		337	(93)	97	341
	₩	35,100	(3,107)	294	32,287

15. Government grants, Continued

(b) Changes in government grants for the years ended December 31, 2015 and 2014 are as follows, continued:

(ii) December 31, 2014

(In millions of won)		January 1, 2014	Depreciation/ Amortization	Others	December 31, 2014
Property, plant and equipment					
Buildings	₩	181	(20)	-	161
Structures		13,026	(592)	-	12,434
Machineries		23,144	(2,056)	-	21,088
Fixtures and furniture		40	(109)	504	435
Tools		308	(132)	469	645
Sub-total		36,699	(2,909)	973	34,763
Intangible assets					
Computer software		208	(57)	186	337
Development cost		168	(168)	-	-
Sub-total		376	(225)	186	337
	₩	37,075	(3,134)	1,159	35,100

16. Construction contracts

(a) Changes in the balance of construction contracts for the year ended December 31, 2015 are as follows:

(In millions of won)		January 1, 2015	Increase in new orders and others	Decrease in changes of scales	Recognition of contract revenue	December 31, 2015
Chameliya hydroelectric power plant construction	₩	691	-	-	423	268

(b) Construction income recognized in ongoing construction contracts as of December 31, 2015 and 2014 are as follows:

(i) December 31, 2015

(In millions of won)		Accumulative contracts income	Accumulative contracts cost	Accumulative net income
Chameliya hydroelectric power plant construction	₩	14,596	(12,741)	1,855

(ii) December 31, 2014

(In millions of won)		Accumulative contracts income	Accumulative contracts cost	Accumulative net income
Chameliya hydroelectric power plant construction	₩	14,173	(12,318)	1,855

(c) Contracts due from and due to customers as of December 31, 2015 and 2014 are as follows:

(In millions of won)		December 31, 2015	December 31, 2014
Chameliya hydroelectric power plant construction:			
Due to customers for contract work	₩	1,346	923

17. Intangible assets

(a) Intangible assets as of December 31, 2015 and 2014 are as follows:

(i) December 31, 2015

(In millions of won)		Acquisition cost	Government grants	Accumulated amortization	Accumulated impairment losses	Carrying amount
Computer software	₩	44,526	(341)	(32,640)	-	11,545
Industrial rights		2,155	-	(896)	-	1,259
Development cost		116,705	-	(106,375)	-	10,330
Intangible assets under development		21,063	-	-	-	21,063
Land use rights		118	-	(118)	-	-
Others						
Loading and unloading facilities rights		28,571	-	(9,407)	-	19,164
Dam use rights		6,274	-	(1,177)	-	5,097
Memberships		1,158	-	-	(359)	799
Others (*)		15,736	-	(8,163)	-	7,573
	₩	236,306	(341)	(158,776)	(359)	76,830

(*) Include rights to use nuclear energy facility, rights to use hospitals for local residents in the nuclear plant district, rights to use advertisement signboard and others.

(ii) December 31, 2014

(In millions of won)		Acquisition cost	Government grants	Accumulated amortization	Accumulated impairment losses	Carrying amount
Computer software	₩	38,675	(337)	(27,790)	-	10,548
Industrial rights		2,155	-	(677)	-	1,478
Development cost		114,038	-	(100,717)	-	13,321
Intangible assets under development		16,022	-	-	-	16,022
Land use rights		118	-	(118)	-	-
Others						
Loading and unloading facilities rights		28,570	-	(7,515)	-	21,055
Dam use rights		6,274	-	(1,033)	-	5,241
Memberships		1,158	-	-	(359)	799
Others (*)		15,700	-	(7,612)	-	8,088
	₩	222,710	(337)	(145,462)	(359)	76,552

(*) Include rights to use nuclear energy facility, rights to use hospitals for local residents in the nuclear plant district, rights to use advertisement signboard and others.

17. Intangible assets, Continued

(b) Changes in intangible assets for the years ended December 31, 2015 and 2014 are as follows:

(i) December 31, 2015

(In millions of won)		January 1, 2015	Acquisition/ Capitalization	Disposal	Amortization (*)	Others	December 31, 2015
Computer software	₩	10,885	5,358	-	(4,143)	(214)	11,886
(Government grants)		(337)	-	-	93	(97)	(341)
Industrial rights		1,478	-	-	(27)	(192)	1,259
Development cost		13,321	-	(5)	(5,092)	2,106	10,330
(Government grants)		-	-	-	-	-	-
Intangible assets under development		16,022	8,260	-	-	(3,219)	21,063
Land use rights		-	-	-	-	-	-
Others							
Loading and unloading facilities rights		21,055	-	-	(1,891)	-	19,164
Dam use rights		5,241	-	-	(144)	-	5,097
Memberships		799	-	-	-	-	799
Others		8,088	-	-	(454)	(61)	7,573
	₩	76,552	13,618	(5)	(11,658)	(1,677)	76,830

(*) Amortization expenses are recorded in cost of sales, selling and administrative expenses and other income and expenses.

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(ii) December 31, 2014

(In millions of won)		January 1, 2014	Acquisition/ Capitalization	Disposal	Amortization (*)	Others	December 31, 2014
Computer software	₩	10,000	3,696	-	(4,659)	1,848	10,885
(Government grants)		(208)	-	-	57	(186)	(337)
Industrial rights		1,698	-	-	(220)	-	1,478
Development cost		17,360	-	-	(6,718)	2,679	13,321
(Government grants)		(168)	-	-	168	-	-
Intangible assets under development		10,764	8,625	-	-	(3,367)	16,022
Land use rights		-	-	-	-	-	-
Others							
Loading and unloading facilities rights		22,946	-	-	(1,891)	-	21,055
Dam use rights		5,385	-	-	(144)	-	5,241
Memberships		799	-	-	-	-	799
Others		8,428	-	-	(547)	207	8,088
	₩	77,004	12,321	-	(13,954)	1,181	76,552

(*) Amortization expenses are recorded in cost of sales, selling and administrative expenses and other income and expenses.

18. Borrowing costs

Borrowing costs for the years ended December 31, 2015 and 2014 are as follows:

(In millions of won)		December 31, 2015	December 31, 2014
Amount of capitalization:			
Construction-in-progress	₩	352,719	358,915
Intangible assets under development and others		26,588	24,047
	₩	379,307	382,962
Capitalization ratio		3.92%	4.09%

19. Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss as of December 31, 2015 and 2014 are as follows:

		December 31, 2015		December 31, 2014	
(In millions of won)		Current	Non-current	Current	Non-current
Derivative financial instruments	₩	-	-	30,384	24,312

20. Trade accounts and other payables

Trade accounts and other payables as of December 31, 2015 and 2014 are as follows:

		December 31, 2015		December 31, 2014	
(In millions of won)		Current	Non-current	Current	Non-current
Trade accounts payable	₩	158,021	-	89,409	-
Other accounts payable (*)		591,844	2,947,883	390,546	2,921,929
Accrued expenses		380,685	-	368,927	-
Leasehold deposits received		1,304	-	1,366	-
Other deposits received		3,033	-	3,010	-
	₩	1,134,887	2,947,883	853,258	2,921,929

(*) As of December 31, 2015 and 2014, ₩2,987,631 million and ₩3,083,028 million, respectively, are accrued expenses related to spent fuel management charges and are to be paid out in installments over a 15-year period from 2014.

21. Borrowings and bonds

(a) Borrowings as of December 31, 2015 and 2014 are as follows:

(In millions of won)		December 31, 2015	December 31, 2014
Current liabilities:			
Current portion of long-term borrowings	₩	19,357	18,388
Current portion of long-term bonds		570,000	959,600
Less: discount on bonds		(368)	(1,576)
Sub-total		588,989	976,412
Non-current liabilities:			
Long-term borrowings		229,316	254,873
Bonds		8,940,200	8,672,960
Less: discount on bonds		(43,478)	(43,536)
Sub-total		9,126,038	8,884,297
	₩	9,715,027	9,860,709

(b) The Group has no short-term borrowings as of December 31, 2015 and 2014.

21. Borrowings and bonds, Continued

(c) Long-term borrowings as of December 31, 2015 and 2014 are as follows:

(i) December 31, 2015

(In millions of won)

Financial institution	Type	Maturity	Interest rate		December 31, 2015
Korea Resources Corporation	Resource development loan	2024.09.15	Treasury notes (3M)-2.25%	₩	1,577
		2025.03.15	Treasury notes (3M)-2.25%		5,225
		2025.12.15	Treasury notes (3M)-2.25%		1,810
Industrial Bank of Korea	Power development loan	2016.05.29	Treasury notes (3M)-1.25%		4,000
Korea Resources Corporation	Resource development loan	-	Treasury notes (3M)-2.25%		4,445
Korea Development Bank	Facility loan	2028.06.24	4.60%		40,137
Samsung Life Insurance Co., Ltd.		2028.06.24	4.60%		18,412
Samsung Fire & Marine Insurance Co., Ltd.		2028.06.24	4.60%		32,221
KB Insurance Co., Ltd.		2028.06.24	4.60%		30,379
Hyundai Marine & Fire Insurance Co., Ltd.		2028.06.24	4.60%		27,617
Dongbu Insurance Co., Ltd.		2028.06.24	4.60%		18,411
Hana Bank		2028.06.24	4.60%		18,411
Samsung Life Insurance Co., Ltd.		2028.06.24	Corporate bonds+1.1%		18,411
Shinhan Bank		2028.06.24	Corporate bonds+1.1%		27,617
					248,673
Less: current portion					(19,357)
				₩	229,316

21. Borrowings and bonds, Continued

(c) Long-term borrowings as of December 31, 2015 and 2014 are as follows, continued:

(ii) December 31, 2014

(In millions of won)

Financial institution	Type	Maturity	Interest rate		December 31, 2014
Korea Resources Corporation	Resource development loan	2024.09.15	Treasury notes (3M)-2.25%	₩	1,757
		2025.03.15	Treasury notes (3M)-2.25%		5,649
		2025.12.15	Treasury notes (3M)-2.25%		1,810
Industrial Bank of Korea	Power development loan	2016.05.29	Treasury notes (3M)-1.25%		8,000
Korea Resources Corporation	Resource development loan	-	Treasury notes (3M)-2.25%		4,445
Korea Development Bank	Facility loan	2028.06.24	4.60%		43,600
Samsung Life Insurance Co., Ltd.		2028.06.24	4.60%		20,000
Samsung Fire & Marine Insurance Co., Ltd.		2028.06.24	4.60%		35,000
KB Insurance Co., Ltd.		2028.06.24	4.60%		33,000
Hyundai Marine & Fire Insurance Co., Ltd.		2028.06.24	4.60%		30,000
Dongbu Insurance Co., Ltd.		2028.06.24	4.60%		20,000
Hana Bank		2028.06.24	4.60%		20,000
Samsung Life Insurance Co., Ltd.		2028.06.24	Corporate bonds+1.1%		20,000
Shinhan Bank		2028.06.24	Corporate bonds+1.1%		30,000
					273,261
Less: current portion					(18,388)
				₩	254,873

21. Borrowings and bonds, Continued

(d) Bonds as of December 31, 2015 and 2014 are as follows:

(In millions of won)

	Issue	Maturity	Interest rate		December 31, 2015	December 31, 2014
Corporate bond #8	2009.05.04	2019.05.04	5.28%	₩	200,000	200,000
Corporate bond #9-1	2009.10.16	2024.10.16	5.72%		30,000	30,000
Corporate bond #9-2	2009.10.16	2029.10.16	5.74%		70,000	70,000
Corporate bond #11	2009.11.06	2029.11.06	5.84%		100,000	100,000
Corporate bond #13	2010.03.26	2015.03.26	-		-	200,000
Corporate bond #14	2010.04.20	2020.04.20	5.10%		100,000	100,000
Corporate bond #15-1	2010.05.10	2015.05.10	-		-	90,000
Corporate bond #15-2	2010.05.10	2017.05.10	5.11%		170,000	170,000
Corporate bond #17-1	2010.12.10	2020.12.10	4.60%		100,000	100,000
Corporate bond #17-2	2010.12.10	2040.12.10	5.06%		100,000	100,000
Corporate bond #24	2009.07.07	2019.07.07	5.39%		100,000	100,000
Corporate bond #25	2010.02.18	2015.02.18	-		-	120,000
Corporate bond #26-1	2011.03.25	2021.03.25	4.66%		100,000	100,000
Corporate bond #26-2	2011.03.25	2031.03.25	4.89%		100,000	100,000
Corporate bond #27-1	2011.04.15	2016.04.15	4.32%		100,000	100,000
Corporate bond #27-2	2011.04.15	2021.04.15	4.68%		100,000	100,000
Corporate bond #27-3	2011.04.15	2031.04.15	4.88%		100,000	100,000
Corporate bond #28	2011.07.01	2026.07.01	4.56%		100,000	100,000
Corporate bond #29-1	2011.12.08	2016.12.08	3.85%		100,000	100,000
Corporate bond #29-2	2011.12.08	2021.12.08	4.04%		100,000	100,000
Corporate bond #29-3	2011.12.08	2031.12.08	4.26%		100,000	100,000
Corporate bond #30-1	2012.01.19	2017.01.19	3.84%		100,000	100,000
Corporate bond #30-2	2012.01.19	2022.01.19	4.04%		150,000	150,000
Corporate bond #30-3	2012.01.19	2032.01.19	4.24%		50,000	50,000
Corporate bond #31-1	2012.03.20	2017.03.20	4.01%		50,000	50,000
Corporate bond #31-2	2012.03.20	2022.03.20	4.15%		100,000	100,000
Corporate bond #31-3	2012.03.20	2032.03.20	4.32%		150,000	150,000
Corporate bond #32-1	2012.04.26	2017.04.26	3.80%		70,000	70,000
Corporate bond #32-2	2012.04.26	2022.04.26	3.97%		100,000	100,000
Corporate bond #32-3	2012.04.26	2032.04.26	4.14%		130,000	130,000
Corporate bond #33-1	2012.05.18	2022.05.18	3.82%		100,000	100,000
Corporate bond #33-2	2012.05.18	2032.05.18	4.01%		100,000	100,000
Corporate bond #34-1	2012.07.13	2022.07.13	3.54%		100,000	100,000
Corporate bond #34-2	2012.07.13	2032.07.13	3.71%		100,000	100,000
Corporate bond #35-1	2013.01.18	2018.01.18	2.98%		100,000	100,000
Corporate bond #35-2	2013.01.18	2023.01.18	3.15%		100,000	100,000
Corporate bond #35-3	2013.01.18	2033.01.18	3.32%		100,000	100,000
Corporate bond #36-1	2013.03.28	2018.03.28	2.78%		100,000	100,000
Corporate bond #36-2	2013.03.28	2023.03.28	2.98%		100,000	100,000
Corporate bond #36-3	2013.03.28	2033.03.28	3.19%		100,000	100,000
Corporate bond #37-1	2013.04.26	2018.04.26	2.77%		80,000	80,000
Corporate bond #37-2	2013.04.26	2023.04.26	2.93%		100,000	100,000
Corporate bond #37-3	2013.04.26	2033.04.26	3.12%		120,000	120,000

21. Borrowings and bonds, Continued

(d) Bonds as of December 31, 2015 and 2014 are as follows, continued:

(In millions of won)	Issue	Maturity	Interest rate		December 31, 2015	December 31, 2014
Corporate bond #38-1	2013.07.19	2018.07.19	3.38%	₩	50,000	50,000
Corporate bond #38-2	2013.07.19	2023.07.19	3.62%		100,000	100,000
Corporate bond #38-3	2013.07.19	2033.07.19	3.88%		90,000	90,000
Corporate bond #39-1	2013.10.18	2016.10.18	3.11%		210,000	210,000
Corporate bond #39-2	2013.10.18	2023.10.18	3.71%		90,000	90,000
Corporate bond #40-1	2013.11.22	2016.11.22	3.21%		160,000	160,000
Corporate bond #40-2	2013.11.22	2023.11.22	3.92%		140,000	140,000
Corporate bond #41-1	2014.01.17	2017.01.17	3.12%		170,000	170,000
Corporate bond #41-2	2014.01.17	2024.01.17	3.86%		130,000	130,000
Corporate bond #42-1	2014.04.25	2019.04.25	3.30%		60,000	60,000
Corporate bond #42-2	2014.04.25	2024.04.25	3.68%		100,000	100,000
Corporate bond #42-3	2014.04.25	2034.04.25	3.89%		100,000	100,000
Corporate bond #43-1	2014.12.18	2019.12.18	2.44%		90,000	90,000
Corporate bond #43-2	2014.12.18	2024.12.18	2.80%		220,000	220,000
Corporate bond #43-3	2014.12.18	2034.12.18	3.07%		90,000	90,000
Corporate bond #44-1	2015.06.29	2020.06.29	2.31%		110,000	-
Corporate bond #44-2	2015.06.29	2025.06.29	2.70%		40,000	-
Corporate bond #44-3	2015.06.29	2035.06.29	2.94%		150,000	-
					6,170,000	6,280,000
Less: discount on bonds					(11,178)	(12,196)
Less: current portion					(569,632)	(409,929)
				₩	5,589,190	5,857,875

21. Borrowings and bonds, Continued

(e) Foreign bonds as of December 31, 2015 and 2014 are as follows:

(In millions of won, in thousands of USD)

	Issue	Maturity	Interest rate	December 31, 2015 USD	December 31, 2015 Won equivalents	December 31, 2014 USD	December 31, 2014 Won equivalents
Global bond #2	2010.09.16	2015.09.16	-	$ -	₩ -	$ 500,000	₩ 549,600
Global bond #3	2011.07.13	2021.07.13	4.75%	500,000	586,000	500,000	549,600
Global bond #4	2012.09.19	2022.09.19	3.00%	750,000	879,000	750,000	824,400
Global bond #5	2013.10.02	2018.10.02	2.88%	500,000	586,000	500,000	549,600
Global bond #6	2014.10.28	2019.10.28	2.38%	300,000	351,600	300,000	329,760
Global bond #7	2015.06.15	2025.06.15	3.25%	300,000	351,600	-	-
Foreign FRN 1	2013.02.20	2018.02.20	Libor 3M+0.84%	300,000	351,600	300,000	329,760
Foreign FRN 2	2014.05.22	2017.05.22	Libor 3M+0.78%	200,000	234,400	200,000	219,840
				$ 2,850,000	₩ 3,340,200	$ 3,050,000	₩ 3,352,560
Less: discount on bonds					(32,668)		(32,916)
Less: current portion					-		(548,095)
					₩ 3,307,532		₩ 2,771,549

22. Finance lease liabilities

(a) Lease contracts

The Group has entered into financing lease agreements for their power transmission connection facility. Per the agreement, the lease terms are from 8 to 32 years, no bargain purchase option exists at the end of the lease terms, and the legal ownership of the leased assets of carrying amounts of ₩605,826 million and ₩604,837 million as of December 31, 2015 and 2014, respectively is retained by the lessor.

(b) As of December 31, 2015, the Group does not have finance lease liabilities.

(c) As of December 31, 2015, the Group does not have non-cancelable operating lease agreements for the use of assets.

23. Retirement benefit obligations

(a) Defined contribution plans

For the years ended December 31, 2015 and 2014, retirement benefit expenses of ₩33,472 million and ₩33,056 million, respectively; were recognized in the consolidated statements of comprehensive income represent contribution amounts paid to retirement benefit plans in accordance with a ratio defined in retirement benefit plans. For the years ended December 31, 2015 and 2014, the Group recognized cost of sales of ₩23,287 million and ₩23,777 million, respectively; selling and administrative expenses of ₩1,384 million and ₩1,228 million, respectively; and others of ₩8,801 million and ₩8,051 million, respectively. As of December 31, 2015, the Group recognized other accounts payable of ₩1,892 million, which was subsequently paid after December 31, 2015.

23. Retirement benefit obligations, Continued

(b) Defined benefit plans

(i) The principal assumptions as of December 31, 2015 and 2014 are as follows:

	December 31, 2015	December 31, 2014
Discount rate	2.33% ~ 2.52%	2.72% ~ 3.02%
Future salary and benefit levels	2.00% ~ 7.30%	3.30% ~ 7.30%

(ii) Details of the Group's expense (expected return on assets) relating to its retirement benefit obligations for the years ended December 31, 2015 and 2014 are as follows:

(In millions of won)		December 31, 2015	December 31, 2014
Current service cost	₩	58,193	44,597
Interest cost		11,345	11,732
Expected return on plan assets		(3,658)	(4,269)
Transfer to other accounts		(18,944)	(15,294)
	₩	46,936	36,766

The Group recognized these expenses as payments to employee benefits. For the years ended December 31, 2015 and 2014, the Group recognized cost of sales of ₩43,739 million and ₩34,482 million, respectively; selling and administrative expenses of ₩3,197 million and ₩2,284 million, respectively; and others of ₩18,944 million and ₩15,294 million, respectively.

(iii) The amounts recognized in the consolidated statements of financial position related to retirement benefit obligations as of December 31, 2015 and 2014 are as follows:

(In millions of won)		December 31, 2015	December 31, 2014
Present value of defined benefit obligations	₩	453,019	367,784
Fair value of plan assets		(148,404)	(118,371)
Retirement benefit obligations	₩	304,615	249,413

(iv) Changes in present value of retirement benefit obligations for the years ended December 31, 2015 and 2014 are as follows:

(In millions of won)		December 31, 2015	December 31, 2014
Beginning balance	₩	367,784	280,658
Current service cost		58,193	44,597
Interest cost		11,345	11,732
Remeasurement component		25,128	38,881
Actual payments		(9,431)	(8,084)
Ending balance	₩	453,019	367,784

23. Retirement benefit obligations, Continued

(b) Defined benefit plans, continued

(v) Changes in fair value of plan assets for the years ended December 31, 2015 and 2014 are as follows:

(In millions of won)		December 31, 2015	December 31, 2014
Beginning balance	₩	118,371	107,949
Expected return on plan assets		3,658	4,269
Remeasurement component		(1,037)	(1,320)
Contribution from the employer		32,164	11,021
Actual payments		(4,752)	(3,548)
Ending balance	₩	148,404	118,371

In addition, gain or loss on accumulated remeasurement component amounted to ₩19,508 million and ₩39,341 million and has been recognized as other comprehensive income for the years ended December 31, 2015 and 2014, respectively.

(vi) Types of plan assets and fair value of plan assets as of December 31, 2015 and 2014 are as follows:

(In millions of won)		December 31, 2015	December 31, 2014
Equity instruments	₩	6,885	33,739
Liability instruments		45,078	46,533
Bank deposits		17,789	24,549
Others		78,652	13,550
	₩	148,404	118,371

Actual return on plan assets for the years ended December 31, 2015 and 2014 are ₩2,621 million and ₩2,949 million, respectively.

(vii) Remeasurement component recognized in other comprehensive income for the years ended December 31, 2015 and 2014 are as follows:

(In millions of won)		December 31, 2015	December 31, 2014
Actuarial gain or loss arising from changes in demographic assumptions	₩	(1)	-
Actuarial gain or loss arising from changes in financial assumptions		(25,389)	(36,914)
Experience adjustments		262	(1,967)
Return on plan assets		(1,037)	(1,320)
	₩	(26,165)	(40,201)

23. Retirement benefit obligations, Continued

(c) The amounts recognized in the consolidated statements of financial position related to employee benefits obligations other than retirement benefit obligation as of December 31, 2015 and 2014 are as follows:

(In millions of won)		December 31, 2015	December 31, 2014
Other employee benefit obligation			
Long-term employee paid annual leave	₩	2,241	2,710
	₩	2,241	2,710

24. Provisions

(a) Provisions as of December 31, 2015 and 2014 are as follows:

		December 31, 2015		December 31, 2014	
(In millions of won)		Current	Non-current	Current	Non-current
Provisions for employee benefits	₩	76,112	-	103,283	-
Provisions for litigation		-	27,238	-	26,385
Provisions for decommissioning cost					
Nuclear plants		-	9,684,285	-	10,331,270
Spent fuel		-	1,375,184	-	1,298,749
Radioactive waste		-	1,403,434	-	1,512,662
Provisions for greenhouse gas emission		8,817	-	-	-
Others					
Provisions for power plant regional support program		129,654	-	120,093	-
Provisions related to tax		-	136	-	136
Provisions for renewable portfolio standard		145,273	-	115,394	-
	₩	359,856	12,490,277	338,770	13,169,202

24. Provisions, Continued

(b) Changes in provisions for the years ended December 31, 2015 and 2014 are as follows:

(i) December 31, 2015

(In millions of won)		January 1, 2015	Charged to profit and loss for the year	Payment	Reversal	Other	December 31, 2015
Provisions for employee benefits	₩	103,283	54,533	(81,704)	-	-	76,112
Provisions for litigation		26,385	1,498	(1,145)	-	500	27,238
Provisions for decommissioning cost							
Nuclear plants		10,331,270	650,218	(623)	(1,296,580)	-	9,684,285
Spent fuel		1,298,749	568,190	(491,755)	-	-	1,375,184
Radioactive waste		1,512,662	51,167	(160,699)	-	304	1,403,434
Provisions for greenhouse gas emission		-	8,817	-	-	-	8,817
Others							
Provisions for power plant regional support program		120,093	37,568	(37,648)	-	9,641	129,654
Provisions related to tax		136	-	-	-	-	136
Provisions for renewable portfolio standard		115,394	195,137	(165,258)	-	-	145,273
	₩	13,507,972	1,567,128	(938,832)	(1,296,580)	10,445	12,850,133

(ii) December 31, 2014

(In millions of won)		January 1, 2014	Charged to profit and loss for the year	Payment	Reversal	Other	December 31, 2014
Provisions for employee benefits	₩	135,084	59,123	(90,924)	-	-	103,283
Provisions for litigation		2,125	25,713	(1,053)	(400)	-	26,385
Provisions for decommissioning cost							
Nuclear plants		9,887,621	443,987	(338)	-	-	10,331,270
Spent fuel		1,211,440	465,006	(377,697)	-	-	1,298,749
Radioactive waste		1,162,510	346,908	(10)	-	3,254	1,512,662
Others							
Provisions for power plant regional support program		112,498	39,943	(44,242)	-	11,894	120,093
Provisions related to tax		136	-	-	-	-	136
Provisions for renewable portfolio standard		48,786	164,501	(97,893)	-	-	115,394
	₩	12,560,200	1,545,181	(612,157)	(400)	15,148	13,507,972

25. Non-financial liabilities

Non-financial liabilities as of December 31, 2015 and 2014 are as follows:

		December 31, 2015		December 31, 2014	
(In millions of won)		Current	Non-current	Current	Non-current
Advance received		916	-	-	-
Deferred income	₩	254	-	137	-
Withholdings		34,590	-	28,949	-
Others		48,916	2,688	40,907	2,688
	₩	84,676	2,688	69,993	2,688

26. Share capital

(a) Share capital as of December 31, 2015 and 2014 are as follows:

(In millions of won except par value and share information)

		December 31, 2015	December 31, 2014
Number of shares authorized		500,000,000	500,000,000
Par value per share	₩	5,000	5,000
Number of shares issued		242,442,838	242,442,838
Issued capital	₩	1,212,214	1,212,214

(b) Changes in share capital for the years ended December 31, 2015 and 2014 are as follows:

(Share)	December 31, 2015	December 31, 2014
Number of issued shares	242,442,838	242,442,838

(c) Share premium as of December 31, 2015 and 2014 are as follows:

(In millions of won)		December 31, 2015	December 31, 2014
Paid-in capital in excess of par value	₩	9,492,301	9,492,301

27. Retained earnings and dividends

(a) Retained earnings as of December 31, 2015 and 2014 are as follows:

(In millions of won)		December 31, 2015	December 31, 2014
Legal reserve (*)	₩	606,107	606,107
Voluntary reserves		5,748,422	4,748,761
Unappropriated retained earnings		6,613,516	5,620,836
	₩	12,968,045	10,975,704

(*) The Korean Commercial Code requires the Controlling Company to appropriate a legal reserve in an amount equal to at least 10% of cash dividends for each accounting period until the reserve equals 50% of stated capital. The legal reserve may be used to reduce a deficit or may be transferred to common stock in connection with a free issue of shares.

(b) Details of voluntary reserves as of December 31, 2015 and 2014 are as follows:

(In millions of won)		December 31, 2015	December 31, 2014
Reserve for business rationalization (*1)	₩	370	370
Reserve for research and human development (*2)		212,291	212,291
Reserve for investment on social overhead capital		308,840	308,840
Reserve for business expansion		3,320,437	2,820,606
Others		1,906,484	1,406,654
	₩	5,748,422	4,748,761

(*1) The Group has appropriated the majority of its tax credits as a reserve for business rationalization in accordance with the *Restriction of Special Taxation Act*. These reserves was used to reduce a deficit or transferred to capital. However, these reserves have been changed to a voluntary reserve due to changes in the aforementioned Act since December, 2002.

(*2) Reserve for research and human development is appropriated by the Group for qualified tax credits to reduce corporate tax liabilities. Remaining reserves after appropriation are available for cash dividends.

(c) Changes in retained earnings for the years ended December 31, 2015 and 2014 are as follows:

(In millions of won)		December 31, 2015	December 31, 2014
Beginning balance	₩	10,975,704	9,563,834
Profit for the year-Controlling Company		2,458,573	1,442,342
Dividends paid		(446,399)	-
Remeasurements of the defined benefit plan, net of tax		(19,833)	(30,472)
Ending balance	₩	12,968,045	10,975,704

27. Retained earnings and dividends, Continued

(d) Statements of appropriation of retained earnings for the years ended December 31, 2015 and 2014 are as follows:

(In millions of won)		2015	2014
I. Unappropriated retained earnings			
Unappropriated retained earnings (undisposed accumulated deficit)	₩	4,185,399	4,215,871
Net income		2,465,244	1,446,060
Remeasurements of the defined benefit plan, net of tax		(19,838)	(30,472)
		6,630,805	5,631,459
II. Transfer from voluntary reserves			
Reserve for business expansion		-	-
		-	-
III. Total (I + II)		6,630,805	5,631,459
Dividends		(635,200)	(446,398)
Reserve for business expansion		(915,022)	(499,831)
Voluntary reserves		(915,022)	(499,831)
		(2,465,244)	(1,446,060)
IV. Unappropriated retained earnings (undisposed accumulated deficit) to be carried over to subsequent year	₩	4,165,561	4,185,399

These statements of appropriation of retained earnings were based on the separate financial statements of the Controlling Company.

(e) Dividends paid for the years ended December 31, 2015 and 2014 are as follows:

(i) December 31, 2015.

(In millions of won, except share information and dividends for share)

	Number of issued shares	Treasury stocks	Number of dividend shares		Dividends for share	Dividends
Common stock	242,442,838	-	242,442,838	₩	1,841	446,399

(ii) There were no dividends paid in 2014.

27. Retained earnings and dividends, Continued

(f) Changes in remeasurements of the defined benefit plan for the years ended December 31, 2015 and 2014 are as follows:

(In millions of won)		December 31, 2015	December 31, 2014
At the beginning of the year	₩	39,341	69,813
Changes during the year		(26,165)	(40,201)
Tax effect		6,332	9,729
At the end of the year	₩	19,508	39,341

28. Other components of equity

(a) Other components of equity as of December 31, 2015 and 2014 are as follows:

(In millions of won)		December 31, 2015	December 31, 2014
Accumulated other comprehensive loss	₩	(66,598)	(69,637)
Other capital adjustments		(249)	(249)
	₩	(66,847)	(69,886)

(b) Changes in accumulated other comprehensive income for the years ended December 31, 2015 and 2014 are as follows:

(i) December 31, 2015

(In millions of won)		Net change in the unrealized fair value of available-for-sale financial assets	Foreign currency translation differences of foreign operations	Share in other comprehensive income (loss) of associates, net of tax	Total
Beginning balance	₩	(41,937)	(190)	(27,510)	(69,637)
Change during the year (*)		13,149	(144)	(6,819)	6,186
Tax effect		(3,181)	34	-	(3,147)
Ending balance	₩	(31,969)	(300)	(34,329)	(66,598)

(*) There was no reclassification to profit or loss during the year ended December 31, 2015.

28. Other components of equity, continued

(b) Changes in accumulated other comprehensive income for the years ended December 31, 2015 and 2014 are as follows, continued:

(ii) December 31, 2014

(In millions of won)		Net change in the unrealized fair value of available-for-sale financial assets	Foreign currency translation differences of foreign operations	Share in other comprehensive income (loss) of associates, net of tax	Total
Beginning balance	₩	(40,067)	(137)	(17,238)	(57,442)
Change during the year (*)		(2,467)	(69)	(10,272)	(12,808)
Tax effect		597	16	-	613
Ending balance	₩	(41,937)	(190)	(27,510)	(69,637)

(*) There was no reclassification to profit or loss during the year ended December 31, 2014.

(c) Other capital adjustments as of December 31, 2015 and 2014 are as follows:

(In millions of won)		December 31, 2015	December 31, 2014
Changes in paid-in capital subsidiary	₩	(249)	(249)

29. Revenue

Revenue for the years ended December 31, 2015 and 2014 are as follows:

(In millions of won)		December 31, 2015		December 31, 2014	
		Domestic	Overseas	Domestic	Overseas
Sales of electric power					
Electric power generation (Nuclear)	₩	9,756,982	-	8,185,770	-
Electric power generation (Non-nuclear)		670,095	-	1,125,595	-
Sub-total		10,427,077	-	9,311,365	-
Service revenue		309,679	9,847	183,490	8,052
Construction contracts revenue		-	423	-	600
	₩	10,736,756	10,270	9,494,855	8,652

30. Selling and administrative expenses

(a) Selling and administrative expenses for the years ended December 31, 2015 and 2014 are as follows:

(In millions of won)		December 31, 2015	December 31, 2014
Salaries	₩	36,781	30,632
Retirement benefits		4,581	3,512
Other employee benefits		6,753	4,842
Insurance expenses		713	873
Depreciation of property, plant and equipment		9,188	8,376
Amortization of intangible assets		6,176	6,365
Commission		31,270	27,180
Advertisement		5,626	5,156
Training		103	976
Vehicles		147	162
Publication expenses		374	330
Business expenses		361	340
Rent		18,365	14,474
Communication		5,236	4,769
Taxes and dues		7,631	4,157
Supplies expenses		261	513
Utilities		10	9
Repairs		180	370
Ordinary development expenses		4,276	3,908
Travel expenses		1,368	949
Clothing expenses		102	983
Research and analysis expenses		-	5
Labor welfare fund contribution		2,180	-
Subscription		215	153
Others		29,718	12,116
	₩	171,615	131,150

30. Selling and administrative expenses, Continued

(b) Details of others of selling and administrative expenses for the years ended December 31, 2015 and 2014 are as follows:

(In millions of won)		December 31, 2015	December 31, 2014
Other wage	₩	25,650	9,200
Compliance costs		135	228
Award costs		221	239
Registration fees		477	505
Litigation costs		1,530	847
Meeting costs		1,705	1,097
	₩	29,718	12,116

31. Other income and expenses

(a) Details of other income for the years ended December 31, 2015 and 2014 are as follows:

(In millions of won)		December 31, 2015	December 31, 2014
Reversal of allowance for doubtful accounts	₩	-	14
Gain from assets contributed		2,028	199
Reparations		15,481	5,923
Income based on electric power industry funding		-	18,888
Rental income		5,143	5,077
Others		15,659	12,840
	₩	38,311	42,941

(b) Details of others of other income for the years ended December 31, 2015 and 2014 are as follows:

(In millions of won)		December 31, 2015	December 31, 2014
Tax refund	₩	10	1,801
Grants of development of vocational skills		3,778	2,330
Gain on settlement of the grants		3,694	4,003
Receipt of maintenance expenses for rental facility		210	201
Trustee training and technical support income		995	586
Contract deposit recovered from termination of contract		430	2,235
Insurance proceeds received		219	521
Others		6,323	1,163
	₩	15,659	12,840

31. Other income and expenses, Continued

(c) Details of other expense for the years ended December 31, 2015 and 2014 are as follows:

(In millions of won)		**December 31, 2015**	**December 31, 2014**
Depreciation of idle assets	₩	6,699	6,658
Other bad debt expenses		-	6
Donations		12,401	13,763
Others		4,755	4,873
	₩	23,855	25,300

(d) Details of others of other expense for the years ended December 31, 2015 and 2014 are as follows:

(In millions of won)		**December 31, 2015**	**December 31, 2014**
Operating cost of the sports center	₩	2,912	1,928
Perform technical support costs		188	1,960
Additional payment of taxes and dues		167	-
Loss on settlement of research and development grants		709	-
Maintenance expenses related to the idle assets		779	985
	₩	4,755	4,873

32. Other profit (loss), net

(a) Details of other profit (loss), net for the years ended December 31, 2015 and 2014 are as follows:

(In millions of won)		December 31, 2015	December 31, 2014
Gain on disposals of property plant and equipment	₩	3,866	5,687
Gain on foreign currency translations (*)		590	727
Gain on foreign currency transactions (*)		11,287	14,356
Other profit		943	1,854
Loss on disposals of property plant and equipment		(1,527)	(4,763)
Loss on disposals of intangible assets		(5)	-
Loss on foreign currency translations (*)		(194)	(5)
Loss on foreign currency transactions (*)		(7,729)	(5,448)
Other loss		(94)	(67)
	₩	7,137	12,341

(*) Gain (loss) on foreign currency translations and foreign currency transactions arising from operating activities.

(b) Details of other profit for the years ended December 31, 2015 and 2014 are as follows:

(In millions of won)		December 31, 2015	December 31, 2014
Gain on valuation of inventories	₩	7	4
Gain on disposal of inventories		282	720
Gain on disposal of waste		654	1,130
	₩	943	1,854

(c) Details of other loss for the years ended December 31, 2015 and 2014 are as follows:

(In millions of won)		December 31, 2015	December 31, 2014
Loss on inventory obsolescence	₩	(15)	(61)
Loss on disposal of inventories		(79)	(6)
	₩	(94)	(67)

33. Finance income

(a) Finance income for the years ended December 31, 2015 and 2014 are as follows:

(In millions of won)		December 31, 2015	December 31, 2014
Interest income	₩	24,877	22,329
Gain on change in the unrealized value of derivative financial instruments		172,231	69,042
Gain on transactions of derivative financial instruments		46,359	1,539
Gain on foreign currency translations (*)		2,084	1,569
Gain on foreign currency transactions (*)		149	44,255
	₩	245,700	138,734

(*) Gain on foreign currency translations and foreign currency transactions arising from financial activities.

(b) Details of interest income included in finance income for the years ended December 31, 2015 and 2014 are as follows:

(In millions of won)		December 31, 2015	December 31, 2014
Cash and cash equivalents	₩	8,302	14,468
Financial instruments		10,375	252
Loans		3,064	4,045
Trade accounts and other receivables		3,136	3,564
	₩	24,877	22,329

34. Finance expenses

(a) Finance expenses for the years ended December 31, 2015 and 2014 are as follows:

(In millions of won)		December 31, 2015	December 31, 2014
Interest expense	₩	543,281	593,783
Loss on disposals of financial instruments assets		140	-
Impairment of available-for-sale financial assets		51	-
Loss on transactions of derivative financial instruments		11,242	65,122
Loss on foreign currency translations (*)		203,673	125,662
Loss on foreign currency transactions (*)		17,342	5
	₩	775,729	784,572

(*) Loss on foreign currency translations and foreign currency transactions arising from financial activities.

34. Finance expenses, Continued

(b) Details of interest expenses included in finance expenses for the years ended December 31, 2015 and 2014 are as follows:

(In millions of won)		December 31, 2015	December 31, 2014
Short-term borrowings	₩	927	1,490
Long-term borrowings		11,084	12,019
Bonds		352,886	365,803
Other financial liabilities		532,490	582,353
		897,387	961,665
Less: capitalization of financial expenses		(354,106)	(367,882)
	₩	543,281	593,783

35. Income tax expense

(a) The components of income tax expense for the years ended December 31, 2015 and 2014 are as follows:

(In millions of won)		December 31, 2015	December 31, 2014
Current income tax expense:			
Current income tax	₩	870,704	616,121
Adjustment due to changes in estimates related to prior years		29,376	5,838
Income tax charged (credited) directly to equity		3,185	10,342
		903,265	632,301
Deferred income tax benefit:			
Changes in temporary differences		(81,428)	(183,617)
Tax loss carryforwards		-	10,705
Tax credit carryforwards		-	4,269
		(81,428)	(168,643)
Income tax expense (benefit)	₩	821,837	463,658

35. Income tax expense, Continued

(b) A reconciliation between actual income tax expense and the computed income tax(benefit) used by applying the statutory rate of 24.2% to profit (loss) before income tax for the years ended December 31, 2015 and 2014 are as follows:

(In millions of won)		**December 31, 2015**	**December 31, 2014**
Profit before income tax	₩	3,278,950	1,904,206
Tax effect at the rate of 24.2%		793,506	460,818
Adjustments:			
Non-taxable income		-	(136)
Non-deductible expense		299	382
Tax credits and deduction		(3,736)	(7,798)
Others		2,392	4,554
		(1,045)	(2,998)
Adjustment for prior years		29,376	5,838
Income tax expense	₩	821,837	463,658
Effective tax rate		25.06%	24.35%

(c) Tax item recognized in other comprehensive income (loss) for the years ended December 31, 2015 and 2014 are as follows:

(In millions of won)		**December 31, 2015**	**December 31, 2014**
Deferred income tax			
Tax items in other comprehensive income			
Gain (loss) on valuation of available-for-sale securities	₩	(3,181)	597
Remeasurements of the defined benefit plan		6,332	9,729
Gain on foreign currency translation differences of foreign operations		34	16
	₩	3,185	10,342

35. Income tax expense, Continued

(d) Details of the deferred tax assets (liabilities) as of December 31, 2015 and 2014 are as follows:

(i) December 31, 2015

(In millions of won)

		Beginning balance	Amounts recognized in profit (loss) for the year	Amounts recognized in cumulative other comprehensive income (loss)	Ending balance
Deferred income tax by temporary difference					
Long-term employee benefits	₩	90,882	2,756	6,332	99,970
Property, plant and equipment, net		(2,989,065)	224,379	-	(2,764,686)
Intangible assets		(688)	201	-	(487)
Subsidiaries, associates		(82)	82	-	-
Financial assets at fair value through profit or loss		2,819	(2,819)	-	-
Available-for-sale securities		13,388	-	(3,181)	10,207
Provision		3,270,922	(152,325)	-	3,118,597
Others		828	5,969	34	6,831
	₩	389,004	78,243	3,185	470,432

35. Income tax expense, Continued

(d) Details of the deferred tax assets (liabilities) as of December 31, 2015 and 2014 are as follows, continued:

(ii) December 31, 2014

(In millions of won)		Beginning balance	Amounts recognized in profit (loss) for the year	Amounts recognized in cumulative other comprehensive income	Ending balance
Deferred income tax by temporary difference					
Long-term employee benefits	₩	84,903	(3,750)	9,729	90,882
Property, plant and equipment, net		(2,955,998)	(33,067)	-	(2,989,065)
Intangible assets		(621)	(67)	-	(688)
Subsidiaries, associates		-	(82)	-	(82)
Financial assets at fair value through profit or loss		82,273	(79,454)	-	2,819
Available-for-sale securities		12,791	-	597	13,388
Provision		3,007,496	263,426	-	3,270,922
Others		(25,457)	26,269	16	828
Sub-total		205,387	173,275	10,342	389,004
Deferred income tax on unused tax losses and tax credit					
Tax losses		10,705	(10,705)	-	-
Tax credits		4,269	(4,269)	-	-
Sub-total		14,974	(14,974)	-	-
	₩	220,361	158,301	10,342	389,004

36. Expenses classified by nature

Expenses classified by nature for the years ended December 31, 2015 and 2014 are as follows:

(a) December 31, 2015

(In millions of won)		Selling and administrative expenses	Cost of sales	Total
Raw materials used	₩	-	684,587	684,587
Salaries		36,781	540,345	577,126
Retirement benefits		4,581	67,026	71,607
Other employee benefits		6,753	74,718	81,471
Insurance expenses		713	35,350	36,063
Depreciation of property, plant and equipment		9,188	1,981,781	1,990,969
Amortization of nuclear fuel		-	1,075,855	1,075,855
Amortization of intangible assets		6,176	5,435	11,611
Commission		31,270	143,023	174,293
Expense for provisions for decommissioning cost		-	274,596	274,596
Expense for provisions for litigation		-	1,498	1,498
Expense for other provisions		-	71,211	71,211
Advertisement		5,626	2,831	8,457
Training		103	1,363	1,466
Vehicles		147	476	623
Publication expenses		374	464	838
Business expenses		361	1,566	1,927
Rent		18,365	65,441	83,806
Communication		5,236	2,396	7,632
Freight expenses		-	157	157
Taxes and dues		7,631	242,987	250,618
Supplies expenses		261	3,185	3,446
Utilities		10	5,284	5,294
Repairs		180	921,806	921,986
Ordinary development expenses		4,276	342,393	346,669
Travel expenses		1,368	3,761	5,129
Clothing expenses		102	987	1,089
Research and analysis expenses		-	726	726
Labor welfare fund contribution		2,180	44,145	46,325
Subscription		215	4,940	5,155
Others		29,718	183,360	213,078
	₩	171,615	6,783,693	6,955,308

36. Expenses classified by nature, Continued

(b) December 31, 2014

(In millions of won)		Selling and administrative expenses	Cost of sales	Total
Raw materials used	₩	-	1,031,280	1,031,280
Salaries		30,632	507,769	538,401
Retirement benefits		3,512	58,259	61,771
Other employee benefits		4,842	72,245	77,087
Insurance expenses		873	19,591	20,464
Depreciation of property, plant and equipment		8,376	1,916,679	1,925,055
Amortization of nuclear fuel		-	973,777	973,777
Amortization of intangible assets		6,365	7,542	13,907
Commission		27,180	128,306	155,486
Expense for provisions for decommissioning cost		-	529,518	529,518
Expense for other provisions		-	131,552	131,552
Advertisement		5,156	2,296	7,452
Training		976	481	1,457
Vehicles		162	502	664
Publication expenses		330	368	698
Business expenses		340	1,327	1,667
Rent		14,474	44,917	59,391
Communication		4,769	1,448	6,217
Freight expenses		-	125	125
Taxes and dues		4,157	144,817	148,974
Supplies expenses		513	1,658	2,171
Utilities		9	4,940	4,949
Repairs		370	817,374	817,744
Ordinary development expenses		3,908	308,551	312,459
Travel expenses		949	2,616	3,565
Clothing expenses		983	1,577	2,560
Research and analysis expenses		5	586	591
Subscription		153	4,644	4,797
Others		12,116	137,010	149,126
	₩	131,150	6,851,755	6,982,905

37. Earnings per share

(a) The basic earnings per share for the years ended December 31, 2015 and 2014 are as follow:

(In won)		December 31, 2015	December 31, 2014
Basic earnings per share	₩	10,141	5,949

(b) Controlling interest in profit for the year and weighted average number of common shares outstanding for the years ended December 31, 2015 and 2014 are as follows:

(In millions of won except share information)		December 31, 2015	December 31, 2014
Controlling interest in profit for the year	₩	2,458,573	1,442,342
Weighted average number of common stock		242,442,838	242,442,838

38. Risk management

(a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue while maximizing the return to shareholder through the optimization of the debt and equity balance. The capital structure of the Group consists of net debt (offset by cash and bank balances) and equity. The Group's overall capital risk management strategy remains unchanged from that of the prior year.

Details of the Group`s capital risk management items as of December 31, 2015 and 2014 are as follows:

(In millions of won)		December 31, 2015	December 31, 2014
Total borrowings	₩	9,715,027	9,860,709
Cash and financial instruments		565,711	179,109
Net borrowings		9,149,316	9,681,600
Total shareholder`s equity	₩	23,628,872	21,634,952
Ratio of net borrowings to total shareholder's equity		38.72%	44.75%

(b) Financial risk management

The Group is exposed to various risks related to its financial instruments, such as, market risk (currency risk, interest rate risk, price risk), credit risk. The Group monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks.

The Group uses derivative financial instruments to certain hedge risk exposures. The Group's overall financial risk management strategy remains unchanged from the prior year.

38. Risk management, Continued

(b) Financial risk management, continued

(i) Risk management policy

The Group's management is responsible for the construction and the supervision of the financial risk management system. The goal of financial risk management is to reduce and eliminate the financial risks to permitted levels by identifying sources of potential dangers to the Group's financial performance. The Group is equipped with policies and procedures to control financial risks at the entity level. The Group continuously audits the compliance with policies and procedures of risk management.

(ii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises primarily from the Group's loan, card assets and securities. In addition, credit risk exposure may exist within financial guarantees and unused line of credits.

① Credit risk management

The Group uses publicly available information and its own internal data related to trade accounts receivable, to rate its major customers and to measure the credit risk that a counter party will default on a contractual obligation. As the majority of the Group's trade accounts receivable are due from a governmental entities (i.e. KEPCO and others), the Group does not have significant credit risk exposure. Regarding its debt securities, the Group continuously audits credit ratings issued by credit agencies, and the Group's working capital (i.e. cash) is deposits at a financial institution with a high credit rating.

② Impairment & allowance account

In accordance with Group policies, individual material financial assets are assessed on a regular basis, trade accounts receivables that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. If objective evidence of impairment for a portfolio of receivables has occurred but no loss has been realized, based on the Group's past experience of collecting payments as well as observable changes in national or local economic conditions that correlate with default on receivables, an allowance account is recognized.

The Group maximum exposure to credit risk as of December 31, 2015 and 2014 are as follows:

(In millions of won)		**December 31, 2015**	**December 31, 2014**
Cash and cash equivalents	₩	564,703	173,728
Financial assets at fair value through profit or loss		180,439	32,535
Available-for-sale financial assets		205,900	192,815
Loans		135,400	110,073
Financial instruments		653,708	608,687
Trade accounts and other receivables		1,408,531	914,471

The Group has no financial assets and non-financial assets, acquired by the execution of the lien or hold by credit enhancement needs.

38. Risk management, Continued

(b) Financial risk management, continued

(iii) Market risk

Market risk is the risk that the Group's fair value of the financial instruments or future cashflows are effected by the changes in the market. Market risk consists of interest rate risk, currency risk and other price risk.

(iv) Sensitivity analysis

① Major Assets and Liabilities with Uncertanties in Underlying Assumptions

1) Defined benefit obligation

Changes in the Group's defined benefit obligation due to changes in underlying assumptions as of December 31, 2015 and 2014 are as follows:

(In millions of won)			December 31, 2015		December 31, 2014	
Assumption	**Accounts**		**1% increase**	**1% decrease**	**1% increase**	**1% decrease**
Future salary increases	Defined benefit obligation	₩	54,286	(46,536)	43,266	(37,163)
Discount rate	Defined benefit obligation		(48,645)	58,326	(38,722)	46,242

2) Provision for decommissioning cost

Details of underlying assumptions used to estimate provision for decommissioning cost as of December 31, 2015 and 2014 are as follows:

	December 31, 2015	**December 31, 2014**
Nuclear plants:		
Inflation rate	1.40%	2.93%
Discount rate	3.55%	4.49%
Spent fuel:		
Inflation rate	2.93%	2.93%
Discount rate	4.49%	4.49%

The following is a sensitivity analysis of provision for decommissioning cost assuming 0.1% increase or decrease movements in the underlying assumptions as of December 31, 2015 and 2014 are as follows:

(In millions of won)		December 31, 2015		December 31, 2014	
		0.1% increase	**0.1% decrease**	**0.1% increase**	**0.1% decrease**
Discount rate:					
Nuclear plants	₩	(201,318)	206,720	(221,795)	227,773
Spent fuel		(52,390)	54,425	(49,483)	51,404
Inflation rate:					
Nuclear plants		220,720	(215,086)	251,588	(244,964)
Spent fuel		55,212	(53,219)	52,147	(50,267)

38. Risk management, Continued

(b) Financial risk management, continued

(iv) Sensitivity analysis, continued

② Management Judgment Effected by Uncertainties in Underlying Assumptions

1) Foreign currency risk

The Group undertakes transactions denominated in foreign currencies; consequently, it is exposed to exchange rate fluctuations. The carrying amounts of the Group's, except for the Group's foreign subsidiary, foreign currency denominated monetary assets and monetary liabilities as of December 31, 2015 and 2014 are as follows:

a) December 31, 2015

(In millions of won)		USD	CAD	EUR	Total
Assets:					
Cash and cash equivalents	₩	16,761	24	-	16,785
Shot-term financial instruments		-	844	-	844
Trade accounts and other receivables		5,813	-	-	5,813
Loans		-	-	65	65
Total foreign assets		22,574	868	65	23,507
Liabilities:					
Trade accounts and other payables		120,294	747	24,461	145,502
Bonds		3,340,200	-	-	3,340,200
Total foreign liabilities		3,460,494	747	24,461	3,485,702
Net exposure	₩	(3,437,920)	121	(24,396)	(3,462,195)

38. Risk management, Continued

(b) Financial risk management, continued

(iv) Sensitivity analysis, continued

② Management Judgment Effected by Uncertainties in Underlying Assumptions, continued

1) Foreign currency risk, continued

b) December 31, 2014

(In millions of won)		USD	CAD	EUR	Total
Assets:					
Cash and cash equivalents	₩	14,487	55	-	14,542
Shot-term financial instruments		-	998	-	998
Trade accounts and other receivables		39,489	-	-	39,489
Loans		-	-	68	68
Total foreign assets		53,976	1,053	68	55,097
Liabilities:					
Trade accounts and other payables		50,060	289	-	50,349
Bonds		3,352,560	-	-	3,352,560
Total foreign liabilities		3,402,620	289	-	3,402,909
Net exposure	₩	(3,348,644)	764	68	(3,347,812)

Currency exchange rates as of December 31, 2015 and 2014 are as follows:

(In won)		December 31, 2015		December 31, 2014	
Currency		Average exchange rate	Ending exchange rate	Average exchange rate	Ending exchange rate
USD	₩	1,131.49	1,172.00	1,053.22	1,099.20
CAD		885.30	844.56	953.53	946.53
EUR		1,255.16	1,280.53	1,398.82	1,336.52

A sensitivity analysis on the Group's profit for the year assuming 10% increase or decrease in currency exchange rates as of December 31, 2015 and 2014 are as follows:

(In millions of won)		December 31, 2015		December 31, 2014	
		10% increase	10% decrease	10% increase	10% decrease
Increase (decrease) of profit for the year	₩	(346,220)	346,220	(334,781)	334,781
Increase (decrease) of shareholder`s equity		(346,220)	346,220	(334,781)	334,781

Sensitivity analysis above is conducted for monetary assets and liabilities denominated in foreign currencies other than functional currency as of December 31, 2015 and 2014.

38. Risk management, Continued

(b) Financial risk management, continued

(iv) Sensitivity analysis, continued

② Management Judgment Effected by Uncertainties in Underlying Assumptions, continued

2) Interest rate risk

The Group is exposed to interest rate risk due to its borrowing with floating interest rates. An 1% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

The Group's long-term borrowings and bonds with floating interest rates as of December 31, 2015 and 2014 are as follows:

(In millions of won)		**December 31, 2015**	**December 31, 2014**
Long-term borrowings (including current portion)	₩	63,085	71,661
Bonds (including current portion)		586,000	549,600
	₩	649,085	621,261

A sensitivity analysis on the Group's long-term borrowings and bonds assuming 1% increase or decrease in interest rates as of December 31, 2015 and 2014 are as follows:

(In millions of won)		**December 31, 2015**		**December 31, 2014**	
		1% increase	**1% decrease**	**1% increase**	**1% decrease**
Increase (decrease) of profit for the year	₩	(6,491)	6,491	(6,213)	6,213
Increase (decrease) of shareholder`s equity		(6,491)	6,491	(6,213)	6,213

To manage its interest rate risks, the Group in addition to maintaining an appropriate mix of fixed and floating rate loans, it has entered into certain interest rate swap agreements.

38. Risk management, Continued

(b) Financial risk management, continued

(v) Liquidity risk

The Group has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

In addition, the Group has established credit lines on its trade finance and bank overdrafts, and through payment guarantees it has received, it maintains an adequate credit (borrowing) line. In addition, in case of major construction investment, the Group has the ability to use reserve cash or utilize long-term borrowings.

Details of remaining maturities of the Group's non-derivative financial liabilities based on agreement terms is as follows. The amount disclosed below represents the undiscounted cash flows the Group is obligated to pay in the future on the earliest repayment date:

① Remaining maturities of the Group's non-derivative financial liabilities are as follows:

1) December 31, 2015

(In millions of won)		**Under 1 year**	**1~2 years**	**2~5 years**	**Over 5 years**	**Total**
Borrowings and bonds (*)	₩	932,472	1,119,943	3,133,205	7,291,293	12,476,913
Trade accounts and other payables		1,144,879	250,237	818,285	2,960,773	5,174,174
	₩	2,077,351	1,370,180	3,951,490	10,252,066	17,651,087

(*) Includes estimated interest payment.

2) December 31, 2014

(In millions of won)		**Under 1 year**	**1~2 years**	**2~5 years**	**Over 5 years**	**Total**
Borrowings and bonds (*)	₩	1,324,057	908,190	3,608,722	6,871,098	12,712,067
Trade accounts and other payables		862,860	239,810	784,041	3,114,301	5,001,012
	₩	2,186,917	1,148,000	4,392,763	9,985,399	17,713,079

(*) Includes estimated interest payment.

As the Group manages its liquidity based on its net assets and net liability balances; the Group liquidity risk management analysis includes its non-derivative financial assets.

38. Risk management, Continued

(b) Financial risk management, continued

(v) Liquidity risk, continued

② Details of the Group's expected holding period of its non-derivative financial assets as of December 31, 2015 and 2014 are as follows:

1) December 31, 2015

(In millions of won)		Under 1 year	1~5 years	Over 5 years	(*)	Total
Cash and cash equivalents	₩	564,703	-	-	-	564,703
Financial instruments		1,008	-	652,700	-	653,708
Available-for-sale financial assets		-	-	-	205,900	205,900
Loans		66,799	18,822	56,859	-	142,480
Trade accounts and other receivables		1,341,724	69,206	-	-	1,410,930
	₩	1,974,234	88,028	709,559	205,900	2,977,721

(*) Cannot reasonably estimate the remaining period.

2) December 31, 2014

(In millions of won)		Under 1 year	1~5 years	Over 5 years	(*)	Total
Cash and cash equivalents	₩	173,728	-	-	-	173,728
Financial instruments		5,381	-	603,306	-	608,687
Available-for-sale financial assets		-	-	-	192,815	192,815
Loans		36,996	21,519	60,156	-	118,671
Trade accounts and other receivables		853,902	63,851	-	-	917,753
	₩	1,070,007	85,370	663,462	192,815	2,011,654

(*) Cannot reasonably estimate the remaining period.

38. Risk management, Continued

(b) Financial risk management, continued

(v) Liquidity risk, continued

③ The Group's derivatives liabilities by residual contractual maturity as of December 31, 2015 and 2014 are classified as follows:

1) December 31, 2015

(In millions of won)		**Under 1 year**	**1~2 years**	**2~5 years**	**Over 5 years**	**Total**
Gross settlements (held for trading)	₩	-	-	-	-	-

2) December 31, 2014

(In millions of won)		**Under 1 year**	**1~2 years**	**2~5 years**	**Over 5 years**	**Total**
Gross settlements (held for trading)	₩	34,949	-	-	11,301	46,250

(c) Fair value estimate

The fair value of the Group's actively-traded financial instruments (i.e. Available-for-sale financial assets and others) is the based on the traded market-price as of the reporting period end. The fair value of the Group's financial assets is the amount which the asset could be exchanged for or the amount a liability could be settled for.

The fair values of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the Group uses that technique.

For trade accounts receivable and payable, the Group considers the carrying value, net of impairment, as fair value. While for disclosure purposes, the fair value of financial liabilities is estimated by discounting a financial instruments with similar contractual cashflows based on the effective interest method.

38. Risk management, Continued

(c) Fair value estimate, continued

(i) Fair value and carrying amount

The fair value of financial assets and financial liabilities as of December 31, 2015 and 2014 are as follows:

		December 31, 2015		December 31, 2014	
(In millions of won)		**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Financial assets at fair value					
Available-for-sale financial assets	₩	205,900	205,900	192,815	192,815
Derivative financial instruments held for trading		180,439	180,439	32,535	32,535
		386,339	386,339	225,350	225,350
Financial assets at amortized cost					
Loans		135,400	135,400	110,073	110,073
Trade accounts and other receivables		1,408,531	1,408,531	914,471	914,471
Cash and cash equivalents		564,703	564,703	173,728	173,728
Financial instruments		653,708	653,708	608,687	608,687
		2,762,342	2,762,342	1,806,959	1,806,959
Financial liabilities at fair value					
Derivative financial instruments held for trading		-	-	54,696	54,696
Financial liabilities at amortized cost					
Unsecured bonds		9,466,354	10,570,975	9,587,448	10,591,148
Borrowings		248,673	248,673	273,261	273,261
Trade accounts and other payables		4,082,770	4,082,770	3,775,187	3,775,187
	₩	13,797,797	14,902,418	13,635,896	14,639,596

(ii) Interest rates used in calculating fair values

Interest rates used to discount expected cash flows were determined by adding credit spreads to government bond yields at the end of the reporting period.

(iii) Fair value hierarchy

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, classified as Level 1, 2, or 3.

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities.
Level 2	Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly.
Level 3	Inputs that are not based on observable market data.

38. Risk management, Continued

(c) Fair value estimate, continued

(iii) Fair value hierarchy, continued

① Fair values of financial instruments by hierarchy level as of December 31, 2015 and 2014 are as follows:

1) December 31, 2015

(In millions of won)		Level 1	Level 2	Level 3	Fair value
Financial assets at fair value:					
Available-for-sale financial assets	₩	301	-	205,206	205,507
Derivatives assets		-	180,439	-	180,439

2) December 31, 2014

(In millions of won)		Level 1	Level 2	Level 3	Fair value
Financial assets at fair value:					
Available-for-sale financial assets	₩	381	-	192,126	192,507
Derivatives assets		-	32,535	-	32,535
Financial liabilities at fair value:					
Derivatives liabilities		-	54,696	-	54,696

② Change in available-for-sale financial assets for the years ended December 31, 2015 and 2014 are as follows:

1) December 31, 2015

(In millions of won)		Beginning balance	Acquisition (Disposal)	Gain on valuation	Others	Ending balance
Available-for-sale financial assets	₩	192,815	85	13,149	(149)	205,900

2) December 31, 2014

(In millions of won)		Beginning balance	Acquisition (Disposal)	Loss on valuation	Others	Ending balance
Available-for-sale financial assets	₩	195,252	-	(2,467)	30	192,815

39. Related party transactions

(a) The nature of the relationship as of December 31, 2015 is as follows:

The nature of the relationship	Related party
Parent company	Korea Electric Power Corporation
Subsidiary company	KHNP Canada Energy Ltd.
	Gyeonggi Green Energy Co., Ltd.
Associate company	Korea Imouraren Uranium Investment Corp.
	Kepco Canada Uranium Investment Limited Partnership
	Korea Waterbury Uranium Limited Partnership
	Korea Offshore Wind Power Co., Ltd.
	Yeong Wol Energy Station Co., Ltd.
	Noeul Green Energy Co., Ltd.
	Busan Green Energy Co., Ltd.
	Korea Nuclear Partners Co., Ltd.
Other related company	Korea Midland Power Co., Ltd.
	Korea East-West Power Co., Ltd.
	Korea South-East Power Co., Ltd.
	Korea Western Power Co., Ltd.
	Korea Southern Power Co., Ltd.
	KEPCO Engineering & Construction Inc.
	KEPCO Plant Service & Engineering Co., Ltd.
	KEPCO Nuclear Fuel Co., Ltd.
	KEPCO Knowledge, Data & Network Co., Ltd.
	Korea Power Exchange
	YTN Co., Ltd. and others.
	Korea Development Bank
	HeeMang Sunlight Power Co., Ltd.

39. Related party transactions, Continued

(b) All transactions between KHNP and its consolidated subsidiaries are eliminated in the consolidation process. The transactions with related parties for the years ended December 31, 2015 and 2014 are as follows:

(In millions of won)		Sales and others		Purchase and others	
		December 31, 2015	**December 31, 2014**	**December 31, 2015**	**December 31, 2014**
Korea Electric Power Corporation	₩	10,830,794	9,525,420	1,210,816	1,143,908
Korea Offshore Wind Power Co., Ltd.		366	407	-	-
Yeong Wol Energy Station Co., Ltd.		-	-	10,686	8,640
Korea South-East Power Co., Ltd.		55	55	-	4
Korea Midland Power Co., Ltd.		31	94	-	-
Korea Western Power Co., Ltd.		82	81	-	-
Korea Southern Power Co., Ltd		-	-	-	8
KEPCO Plant Service & Engineering Co., Ltd.		1,807	2,423	425,008	372,002
KEPCO Engineering & Construction Inc.		7,195	805	173,014	194,754
KEPCO Knowledge, Data & Network Co., Ltd.		6	11	34,600	25,319
KEPCO Nuclear Fuel Co., Ltd.		820	742	128,924	200,073
Korea Power Exchange		-	-	14,508	14,098
YTN Co., Ltd.		-	-	110	40

(c) Receivables and payables arising from related party transactions as of December 31, 2015 and 2014 are as follows:

(In millions of won)		Trade accounts receivable and others (*)		Trade accounts payable and others (*)	
		December 31, 2015	**December 31, 2014**	**December 31, 2015**	**December 31, 2014**
Korea Electric Power Corporation	₩	1,249,492	753,391	47,613	73,081
Korea Imouraren Uranium Investment Corp.		65	68	-	-
Korea Offshore Wind Power Co., Ltd.		352	388	-	-
Korea South-East Power Co., Ltd.		-	38	-	-
Korea Midland Power Co., Ltd.		-	22	-	-
Korea Western Power Co., Ltd.		23	22	-	-
KEPCO Plant Service & Engineering Co., Ltd.		-	-	23,801	10,855
KEPCO Engineering & Construction Inc.		-	-	5,285	689
KEPCO Knowledge, Data & Network Co., Ltd.		-	-	1,820	757
KEPCO Nuclear Fuel Co., Ltd.		58,006	55,225	7,748	33,550
Korea Power Exchange		-	-	1,187	1,091

(*) All outstanding balances with these related parties are priced on an arm's length basis and are received and payable under normal payment terms.

39. Related party transactions, Continued

(d) Others arising from related party transactions for the year ended December 31, 2015 are as follows:

(In millions of won)		Transaction		
		Borrowing	**Repayment**	**Funding**
Korea Imouraren Uranium Investment Corp.	₩	19,837	(19,837)	-
Kepco Canada Uranium Investment Limited Partnership		-	-	9
Korea Waterbury Uranium Limited Partnership		-	-	21
Noeul Green Energy Co., Ltd.		-	-	200
Busan Green Energy Co., Ltd.		-	-	14,564
Korea Nuclear Partners Co., Ltd.		-	-	290
HeeMang Sunlight Power Co., Ltd.		-	-	393
Loans		9,768	(9,926)	-
	₩	29,605	(29,763)	15,477

(e) Employee benefits to key executives of the Controlling Company for the years ended December 31, 2015 and 2014 are as follows:

(In millions of won)		**December 31, 2015**	**December 31, 2014**
Salaries	₩	611	567
Retirement benefits		30	32
	₩	641	599

(f) Housing and tuition loans to employees as of December 31, 2015 and 2014 are as follows:

(In millions of won)		**December 31, 2015**	**December 31, 2014**
Short-term loans	₩	5,702	5,850
Long-term loans		67,338	66,314
	₩	73,040	72,164

39. Related party transactions, Continued

(g) The details of collateral provided to related parties as of December 31, 2015 are as follows:

(In millions of won)

Relationship	Related party	Financial Institutions		Credit limit	Contract year	Guaranteed asset (*)
Associate company	Yeong Wol Energy Station Co., Ltd.	Meritz Fire & Marine Insurance Co., Ltd. and others	₩	1,400	Up to 2028.12.31	Yeong Wol Energy Station Co., Ltd. Shares

(*) As of December 31, 2015, the entire shares of Yeong Wol Energy Station Co., Ltd. held by the Group were wholly pledged as collateral to the financial institutions.

(h) The details of derivatives transactions with relate parties as of December 31, 2015 are as follows:

(In millions of won and thousands of U.S. dollars)

	Counterparty	Contract year	Contract amount		Contract interest rate per annum			Contract exchange rate
			Pay	Receive	Pay(%)	Receive(%)		
Currency Swap	Korea Development Bank	2015~2025	KRW 111,190	USD 100,000	2.62%	3.25%	₩	1,111.90

40. Non-cash transactions

Significant non-cash transactions for the years ended December 31, 2015 and 2014 are as follows:

(In millions of won)		December 31, 2015	December 31, 2014
Transfer of long-term borrowings and bonds to current portion	₩	588,989	952,367
Transfer of construction-in-progress to property, plant and equipment		2,437,554	319,291
Recognition of assets retirement costs		(699,673)	282,396
Transfer of spent fuel management charges to accrued expenses		491,755	377,697

41. Contingencies and contracts

(a) Ongoing litigations as of December 31, 2015 and 2014 are as follows:

(In millions of won, except number of cases)	Number of cases			Claim amount	
	December 31, 2015	December 31, 2014		December 31, 2015	December 31, 2014
Ongoing litigations (*)	71	70	₩	260,616	183,435

(*) The details of ongoing litigations as of December 31, 2015 are as follows:

(In millions of won)

Court	Plaintiff	Defendant	Description	Claim amount	Progression of litigation
Supreme Court	Korea Nuclear Technology Co., Ltd	Korea Hydro&Nuclear Power Co., Ltd.	Indemnification for damage	1,000	Pending at the 3rd trial
Seoul Central District Court	Individuals	Korea Hydro&Nuclear Power Co., Ltd.	Wage	16,058	Pending at the 1st trial
Busan High Court	Individuals	Korea Hydro&Nuclear Power Co., Ltd.	Wage	6,602	Pending at the 2nd trial
Seoul High Court	Hyundai Heavy Industries Co., Ltd.	Korea Hydro&Nuclear Power Co., Ltd.	Cancellation of vendor's contract	3,532	Pending at the 2nd trial
Seoul Central District Court	S&TC	Korea Hydro&Nuclear Power Co., Ltd.	Cancellation of vendor's contract and others	9,614	Pending at the 1st trial
Seoul Central District Court	Hyundai Engineering & Construction Co., Ltd. and others	Korea Hydro&Nuclear Power Co., Ltd.	Increase in contract bill	204,040	Pending at the 1st trial
Seoul High Court	Individuals	Korea Hydro&Nuclear Power Co., Ltd.	Wage	11,838	Pending at the 2nd trial
Seoul High Court and others	TaeYoung Engineering & Construction and others	Korea Hydro&Nuclear Power Co., Ltd. and others	Contract deposits and others	7,932	Lawsuit pending

41. Contingencies and contracts, Continued

(a) Ongoing litigations as of December 31, 2015 and 2014 are as follows, continued:

The Group is the defendant against a number of claims. Provisions have been made as appropriate (See Note 24). The timing and amount of the cash outflows depend on the outcomes of the court proceedings. The Group has reserved ₩27,238 million of provision for certain outstanding litigations. For all the other lawsuits, the Group does not believe that it has any present obligations and therefore, the Group has not recognized any provisions as of December 31, 2015.The following are further descriptions of the potentially significant claims pertaining to the Group.

① Korea Nuclear Technology Co., Ltd. was qualified to supply KHNP, Passive Autocatalytic Recombiners(PAR) which had been developed under a cooperative research and development agreement and designated as items to be developed over a period of three years through a negotiated contract. Korea Nuclear Technology Co., Ltd. filed a lawsuit for damages and compensation against KHNP relating to claims of contracting with another company through open bid.

The lower court ruled against the plaintiff based on the principle of freedom of contract and principle of competitive bid preference in October 2013. The plaintiff has filed an appeal as of December 31, 2015.

At this time, management believes the Group does not have a present obligation for this matter and has not recognized any provision as of December 31, 2015 since the Group does not have any legal obligation to have a contract with the plaintiff which is supported by the decision of the lower court.

② In December 2013, the Supreme Court of Korea ruled that regular bonuses also fall under the category of ordinary wages on the condition that those bonuses are paid regularly and uniformly. The Supreme Court ruled, that "employees shall not retroactively demand the difference in overtime pay as additional wages, in the event that the demand itself causes an unexpected increase in spending for their company, and thus lead the company to financial difficulty. In that case, the request is not acceptable, since it is unjust, and it is in breach of the principle of good faith."

Prior to the ruling of the Supreme Court, KHNP determined wages in accordance with budget instructions from the Ministry of Strategy and Finance, which excluded bonuses from ordinary wages and was with the consent of the Group's labor unions. Subsequently, the Group is involved in litigation as a defendant in a lawsuit by employees seeking retrospective compensation in the form of additional wages. As of December 31, 2015, the Group has set aside ₩25,764 million as a provision for any litigation that may arise in relation to the above lawsuit.

③ For S&TC, Hyundai Heavy Industries Co., Ltd. and Korean Micro claims, the Group has not recognized any provisions as management believes the Group does not have any present obligations for these matters.

④ Hyundai Engineering & Construction Co., Ltd.("Hyundai E&C"), SK Engineering & Construction Co., Ltd. and GS Engineering & Construction Co., Ltd. filed a law suit for increase of contract bill (initially with a claim amount of ₩1,000 million, which was subsequently increased to ₩133,426 million at October 2014, and ₩204,040 million at November 2015) against KHNP in September 2013, in connection with the design changes on the plant construction of New Hanwool 1 & 2. Hyundai E&C and two other companies submitted an application of why they demand extra contract payments due to the design change, and they are seeking such payment from KHNP. The Group has not recognized any provisions as management believes the Group does not have any present obligations for these matters.

⑤ The Group adopted amendments to remuneration regulations and bylaws regarding basic bonuses in the year 2012. With respect to this, a lawsuit was filed in January 2015 by employees against the Group for what they claim to be unpaid bonuses, which is derived from different interpretations of the remuneration regulations and bylaws applied to three-month working period from September to December 2011.

41. Contingencies and contracts, Continued

(b) Credit lines provided by financial institutions as of December 31, 2015 are as follows:

(In millions of won, in thousands of USD, in thousands of NPR)

Financial institution	Currency	Guarantee limit	Outstanding amount	Description
Nonghyup Bank	KRW	100,000	-	Commitments on bank-overdraft
Industrial Bank of Korea	KRW	50,000	-	
Kookmin Bank	KRW	100,000	-	
Hana Bank	KRW	50,000	-	
Woori Bank	KRW	50,000	-	
Shinhan Bank	KRW	150,000	-	Limit amount available for CP
Hana Bank	KRW	150,000	-	
SMBC	USD	100,000	-	Trade finance
JP Morgan	USD	150,000	-	
BNP Paribas	USD	200,000	-	
Export-Import Bank of Korea	USD	150,000	-	
DBS	USD	100,000	-	
Societe Generale	USD	100,000	-	
Industrial Bank of Korea	USD	50,000	3,395	Certification of payment on L/C
Hana Bank	USD	86,975	24,329	
Export-Import Bank of Korea	USD	250	250	Certification of bidding
HSBC	USD	40,000	-	Inclusive credit
Industrial Bank of Korea	KRW	20,000	4,000	Loan limit
Korea Development Bank and others	KRW	251,600	231,616	
Kathmandu Bank and others	USD	2,089	2,089	Completion guarantees related to electricity generation business
	NPR	68,941	68,941	
Laxmi Bank and others	USD	2,970	2,970	
KEB HanaCard Co., Ltd.	KRW	4,800	828	Others
Nonghyup Bank	KRW	4,538	9	
Industrial Bank of Korea	KRW	2,240	770	
Woori Card Co., Ltd.	KRW	4,000	1,168	

(c) The Group voluntarily suspended operations of the Gangneung hydroelectric generating plant, carrying amount of ₩101,371 million, to improve the quality of water used in generating electricity. The expenses related to the suspension of operations of ₩779 million and depreciation on the utility plant amounting to ₩6,699 million are charged to other expenses for the year ended December 31, 2015.

41. Contingencies and contracts, Continued

(d) Contractual amounts power plants either completed or under construction-in-progress as of December 31, 2015 are as follows:

(In millions of won, in thousands of USD)

Account	Currency	Shin-Kori # 3 & 4	Shin-Kori # 5 & 6	Shin-Hanul # 1 & 2	Shin-Hanul # 3 & 4
Material expenses	KRW	2,204,083	489,132	2,761,067	-
	USD	696,504	898	44,753	-
Professional fees	KRW	407,045	120,679	360,883	7,094
	USD	12,979	1,969	9,339	-
Construction fees	KRW	1,372,086	37,425	1,297,945	1,421
Fuel expenses	KRW	64,355	-	-	-
	USD	239,988	-	111,024	-
Other	KRW	1,526,605	75,625	790,761	14,651
	KRW	5,574,174	722,861	5,210,656	23,166
	USD	949,471	2,867	165,116	-

(e) The Group has various purchase commitments for Uranium and the details of the major contracts as of December 31, 2015 are as follows:

	Contract Year	Quantity
Concentrate	2015 ~ 2030	34,719 Ton U3O8
Transformation	2015 ~ 2022	17,238 Ton U
Enrichment	2015 ~ 2029	34,879 Ton SWU
Fabrication	2015 ~ 2022	1,852 Ton U

(f) The details of collateral provided by the Group for long-term borrowings as of December 31, 2015 are as follows:

(In millions of won)

	Type	Loan amounts	Loan limit	Maximum amount guaranteed	Financial institution
Long-term borrowings (*)	Facility loan	231,616	251,600	327,080	Korea Development Bank and others

(*) As of December 31, 2015, the Group was provided with shares of Gyeonggi Green Energy Co., Ltd., one of its subsidiaries, as collateral related to the long-term borrowings above from shareholders of the subsidiary including the Controlling Company. Additionally, pledge for transfer of rights of long-term borrowings, pledge for insurance claims related long-term borrowings and other pledges were established.

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