

Korea Western Power Co., Ltd. and its subsidiaries

Consolidated financial statements
for the years ended December 31, 2020 and 2019
with the independent auditor's report

Korea Western Power Co., Ltd.
and its subsidiaries

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Independent auditor's report

The Shareholder and Board of Directors Korea Western Power Co., Ltd.

Opinion

We have audited the consolidated financial statements of Korea Western Power Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the consolidated statements of comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Rules for Accounting Affairs of Public Corporations and Quasi-governmental Institutions of the Republic of Korea.

Basis for opinion

We conducted our audits in accordance with Korean Auditing Standards ("KGAAS"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the ethical requirements of the Republic of Korea that are relevant to our audits of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with the ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of matter

We draw attention to Note 2 to the consolidated financial statements, which describes that the Group has prepared the consolidated financial statements in accordance with the Rules for Accounting Affairs of Public Corporations and Quasi-governmental Institutions. Pursuant to its Article 2-5, the Group applies Korean International Financial Reporting Standards ("KIFRS") where specific accounting treatments are not prescribed by the Rules for Accounting Affairs of Public Corporations and Quasi-governmental Institutions. There are no accounts of which accounting treatment is materially different compared to KIFRS in order for the Group to be in full compliance with the Rules for Accounting Affairs of Public Corporations and Quasi-governmental Institutions. Our opinion is not modified in respect of this matter.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Rules for Accounting Affairs of Public Corporations and Quasi-governmental Institutions, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with KGAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with KGAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

Ernst & Young Han Young

March 10, 2021

This audit report is effective as of March 10, 2021, the independent auditor's report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the independent auditor's report date to the time this report is used. Such events and circumstances could significantly affect the accompanying consolidated financial statements and may result in modification to this audit report.

**Korea Western Power Co., Ltd.
and its subsidiaries**

Consolidated financial statements
for the years ended December 31, 2020 and 2019

“The accompanying consolidated financial statements, including all footnotes and disclosures, have been prepared by, and are the responsibility of, the Group.”

Kim, Byeong Sook
Chief Executive Officer
Korea Western Power Co., Ltd.

KOREA WESTERN POWER CO., LTD. AND ITS SUBSIDIARIES
Consolidated Statements of Financial Position
As of December 31, 2020 and 2019

<i>In millions of won</i>	<u>Notes</u>	<u>2020</u>	<u>2019</u>
Assets			
Cash and cash equivalents	6,7,39	₩ 68,092	61,301
Current financial assets	6,7,11,12,39	205,395	54,487
Trade and other receivables, net	6,8,39,40	514,720	559,154
Inventories, net	13	193,288	252,592
Current non-financial assets	14	42,398	55,433
Current tax assets		1,153	20,627
Assets held for sale	41	1	481
Total current assets		<u>1,025,047</u>	<u>1,004,075</u>
Non-current financial assets	6,9,10,11,12,39,40	252,731	273,523
Non-current trade and other receivables, net	6,8,39	8,900	6,949
Property, plant and equipment, net	17,19,43	8,641,265	8,831,685
Intangible assets, net	18	44,265	43,620
Investments in associates and joint ventures	16	338,748	299,197
Deferred tax assets	36	1,445	604
Non-current non-financial assets	14	20,249	22,835
Total non-current assets		<u>9,307,603</u>	<u>9,478,413</u>
Total assets		<u>₩ 10,332,650</u>	<u>10,482,488</u>

(Continued)

KOREA WESTERN POWER CO., LTD. AND ITS SUBSIDIARIES
Consolidated Statements of Financial Position, Continued
As of December 31, 2020 and 2019

<i>In millions of won</i>	<u>Notes</u>	<u>2020</u>	<u>2019</u>
Liabilities			
Trade and other payables	6,19,20,39,40	₩ 376,984	395,305
Current financial liabilities	6,11,21,22,39	560,179	830,499
Current tax liabilities		509	74
Current non-financial liabilities	25	33,484	16,389
Current provisions	24	58,356	56,920
Total current liabilities		<u>1,029,512</u>	<u>1,299,187</u>
Non-current trade and other payables	6,19,20,39	560,813	680,727
Non-current financial liabilities	6,11,21,22,39	4,677,186	4,303,887
Non-current non-financial liabilities	25	2,646	643
Employee benefits obligations, net	23,27,39	97,073	99,311
Deferred tax liabilities	36	234,411	254,395
Non-current provisions	24	-	6,216
Total non-current liabilities		<u>5,572,129</u>	<u>5,345,179</u>
Total liabilities		<u>6,601,641</u>	<u>6,644,366</u>
Equity			
Contributed capital	26	1,272,898	1,272,898
Retained earnings	27,28	2,437,432	2,528,042
Other components of equity	9,11,29	20,610	37,092
Equity attributable to owners of the parent		<u>3,730,940</u>	<u>3,838,032</u>
Non-controlling interests		<u>69</u>	<u>90</u>
Total equity		<u>3,731,009</u>	<u>3,838,122</u>
Total liabilities and equity		<u>₩ 10,332,650</u>	<u>10,482,488</u>

The accompanying notes are an integral part of the consolidated financial statements.

KOREA WESTERN POWER CO., LTD. AND ITS SUBSIDIARIES
Consolidated Statements of Comprehensive Loss
For the years ended December 31, 2020 and 2019

In millions of won, except earnings per share information

	Notes	2020	2019
Sales	5,30,39	₩ 3,628,985	4,468,579
Cost of sales	37,39	(3,594,533)	(4,297,985)
Gross profit		<u>34,452</u>	<u>170,594</u>
Selling and administrative expenses	31,37	(94,013)	(95,893)
Operating income (loss)		<u>(59,561)</u>	<u>74,701</u>
Other non-operating income	32	6,739	5,062
Other non-operating expenses	32	(16,718)	(8,044)
Other income (loss), net	33	29,161	(3,514)
Finance income	6,11,34	109,127	96,549
Finance expenses	6,11,35	(192,097)	(249,743)
Gain (loss) from associates and joint ventures, net	16	<u>22,481</u>	<u>(29,810)</u>
Loss before income tax		<u>(100,868)</u>	<u>(114,799)</u>
Income tax benefits	36	14,930	68,182
Loss for the year		<u>(85,938)</u>	<u>(46,617)</u>
Other comprehensive loss, net of tax:			
Items that will never be reclassified to profit or loss	23,27,29		
Remeasurements of defined benefit plan, net of tax		973	2,920
Share of other comprehensive loss of associates and joint ventures, net of tax		(5,646)	(297)
Valuation loss on non-current financial assets at fair value through other comprehensive income, net of tax		(12,785)	(26,052)
Items that are or may be reclassified to profit or loss	11,29		
Net changes in the unrealized fair value of derivatives using cash flow hedge accounting, net of tax		5,565	3,141
Gain on translation of foreign operations, net of tax		307	1,570
Share of other comprehensive income (loss) of associates and joint ventures, net of tax		<u>(9,589)</u>	<u>3,867</u>
Total other comprehensive loss, net of tax		<u>(21,175)</u>	<u>(14,851)</u>
Total comprehensive loss for the year		<u>₩ (107,113)</u>	<u>(61,468)</u>
Loss attributable to:			
Owners of the parent		₩ (85,937)	(46,730)
Non-controlling interests		<u>(1)</u>	<u>113</u>
		<u>₩ (85,938)</u>	<u>(46,617)</u>
Total comprehensive loss attributable to:			
Owners of the parent		₩ (107,092)	(55,512)
Non-controlling interests		<u>(21)</u>	<u>(5,956)</u>
		<u>₩ (107,113)</u>	<u>(61,468)</u>
Losses per share			
Basic and diluted losses per share (in won)	38	₩ <u>(2,578)</u>	<u>(1,402)</u>

The accompanying notes are an integral part of the consolidated financial statements.

KOREA WESTERN POWER CO., LTD. AND ITS SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the year ended December 31, 2019

In millions of won

	Equity attributable to owners of the parent				Non-controlling interests	Total equity
	Contributed capital	Retained earnings	Other components of equity	Subtotal		
Balance as of January 1, 2019	₩ 1,272,898	2,572,149	48,497	3,893,544	6,248	3,899,792
Total comprehensive loss for the year:						
Loss for the year	-	(46,730)	-	(46,730)	112	(46,618)
Valuation loss on non-current financial assets at fair value through other comprehensive income, net of tax	-	-	(20,354)	(20,354)	(5,698)	(26,052)
Net changes in the unrealized fair value of derivatives using cash flow hedge accounting, net of tax	-	-	3,141	3,141	-	3,141
Remeasurements of defined benefit plan, net of tax	-	2,920	-	2,920	-	2,920
Share of other comprehensive income (loss) of associates and joint ventures, net of tax	-	(297)	3,867	3,570	-	3,570
Gain (loss) on translation of foreign operations, net of tax	-	-	1,941	1,941	(371)	1,570
Transaction with owners recognized directly in equity:						
Changes in consolidation scope	-	-	-	-	(301)	(301)
Capital increase	-	-	-	-	100	100
Balance as of December 31, 2019	₩ <u>1,272,898</u>	<u>2,528,042</u>	<u>37,092</u>	<u>3,838,032</u>	<u>90</u>	<u>3,838,122</u>

(Continued)

KOREA WESTERN POWER CO., LTD. AND ITS SUBSIDIARIES
Consolidated Statements of Changes in Equity, Continued
For the year ended December 31, 2020

In millions of won

	Equity attributable to owners of the parent				Non-controlling interests	Total equity
	Contributed capital	Retained earnings	Other components of equity	Subtotal		
Balance as of January 1, 2020	₩ 1,272,898	2,528,042	37,092	3,838,032	90	3,838,122
Total comprehensive loss for the year:						
Loss for the year	-	(85,937)	-	(85,937)	(1)	(85,938)
Valuation loss on non-current financial assets at fair value through other comprehensive income, net of tax	-	-	(12,785)	(12,785)	-	(12,785)
Net changes in the unrealized fair value of derivatives using cash flow hedge accounting, net of tax	-	-	5,565	5,565	-	5,565
Remeasurements of defined benefit plan, net of tax	-	973	-	973	-	973
Share of other comprehensive loss of associates and joint ventures, net of tax	-	(5,646)	(9,589)	(15,235)	-	(15,235)
Gain (loss) on translation of foreign operations, net of tax	-	-	327	327	(20)	307
Balance as of December 31, 2020	₩ <u>1,272,898</u>	<u>2,437,432</u>	<u>20,610</u>	<u>3,730,940</u>	<u>69</u>	<u>3,731,009</u>

The accompanying notes are an integral part of the consolidated financial statements.

KOREA WESTERN POWER CO., LTD. AND ITS SUBSIDIARIES
Consolidated Statements of Cash Flows
For the years ended December 31, 2020 and 2019

In millions of won

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Loss for the year	₩ (85,938)	(46,617)
Adjustments for:		
Income tax benefits	(14,930)	(68,182)
Depreciation	821,204	829,336
Amortization of intangible assets	5,029	5,621
Loss on disposal of property, plant and equipment	10,095	7,050
Impairment loss on property, plant and equipment	8,300	6,345
Retirement benefit expenses	24,739	33,529
Interest expenses	134,402	148,019
Other bad debt expenses (reversal)	(5)	87
Interest income	(2,128)	(6,677)
Gain on disposal of property, plant and equipment	(219)	(288)
Gain on disposal of intangible assets, net	(1,556)	-
Share of loss (profit) of associates and joint ventures, net	(22,481)	29,811
Dividend income	(3,154)	(14,052)
Gain on valuation of short-term financial instruments	(17)	-
Loss (gain) on derivative instruments, net	26,435	(52,386)
Loss (gain) on foreign currency translations, net	(73,385)	51,119
Loss (gain) on foreign currency transactions, net	(809)	20,761
Provisions for others	81,465	86,353
Reversal of provisions for others	(4,527)	(40,661)
Gain on exemption of debts	-	(345)
Gain on disposals of non-current assets held for sale	(3)	(36)
Others	(1,317)	(36)
	<u>987,138</u>	<u>1,035,368</u>
Changes in operating assets and liabilities:		
Trade receivables	50,855	(46,451)
Non-current trade receivables	-	(1,933)
Other receivables	(5,671)	81,852
Non-current other receivables	-	1
Inventories	59,246	153,853
Current non-financial assets	11,304	16,289
Non-current non-financial assets	(374)	(372)
Trade payables	(13,591)	(126,019)
Other payables	13,223	(3,417)
Non-current other payables	(261)	444
Current non-financial liabilities	(7,857)	11,268
Non-current non-financial liabilities	1,823	323
Current provisions	(56,087)	(25,267)
Non-current provisions	-	(21)
Payments of retirement benefits	(17,362)	(9,491)
Increase in plan assets	(9,379)	(3,812)
	<u>25,869</u>	<u>47,247</u>
Cash generated from operating activities		
Dividends received	10,207	16,601
Interest received	2,021	6,532
Interest paid	(136,368)	(149,299)
Income tax refunded	16,054	10,588
	<u>16,054</u>	<u>10,588</u>
Net cash provided by operating activities	<u>₩ 818,983</u>	<u>920,420</u>

(Continued)

KOREA WESTERN POWER CO., LTD. AND ITS SUBSIDIARIES
Consolidated Statements of Cash Flows, Continued
For the years ended December 31, 2020 and 2019

In millions of won

	<u>2020</u>	<u>2019</u>
Cash flows from investing activities		
Collection of loans	₩ 2,148	3,177
Increase in loans	(2,101)	(26,026)
Increase in financial assets at fair value through profit and loss	(510,815)	(360,000)
Decrease in financial assets at fair value through profit and loss	360,000	360,000
Decrease in guarantee deposits	1,305	540
Increase in guarantee deposits	(3,346)	(2,298)
Increase in non-current financial instruments	(7,412)	-
Cash flow due to loss of control of subsidiary	-	(589)
Acquisition of investments in associates and joint ventures	(39,377)	(5,992)
Proceeds from disposals of property, plant and equipment	499	2,919
Acquisition of property, plant and equipment	(655,012)	(828,020)
Disposals of intangible assets	10,827	344
Acquisition of intangible assets	(7,138)	(22,227)
Government grants received	1,435	1,342
Decrease in other investments	-	(12,326)
Disposals of non-current assets held for sale	453	783
Net cash used in investing activities	<u>(848,534)</u>	<u>(888,373)</u>
Cash flows from financing activities		
Proceeds from borrowings	1,238,971	879,524
Repayment of borrowings	(1,438,482)	(717,184)
Proceeds from debentures	947,569	571,186
Repayment of debentures	(630,000)	(746,106)
Repayment of lease liabilities	(88,516)	(67,993)
Settlement of derivative instruments	7,423	42,359
Net cash inflow from intercompany equity transactions	-	100
Net cash provided by (used in) financing activities	<u>36,965</u>	<u>(38,114)</u>
Net increase (decrease) in cash and cash equivalents	7,414	(6,067)
Translation effect of financial statements of foreign operations	(244)	403
Effects of exchange rate fluctuations on cash held	(379)	(61)
Net increase (decrease) in cash and cash equivalents	6,791	(5,725)
Cash and cash equivalents at the beginning of the year	61,301	67,026
Cash and cash equivalents at the end of the year	<u>₩ 68,092</u>	<u>61,301</u>

The accompanying notes are an integral part of the consolidated financial statements.

KOREA WESTERN POWER CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2020 and 2019

1. Reporting Entity

In accordance with a restructuring plan dated January 21, 1999 for the electricity industry in the Republic of Korea, announced by the Ministry of Commerce, Industry and Energy and the Act on Promotion of Restructuring the Electric Power Industry published on December 23, 2000, Korea Western Power Co., Ltd. ("KOWEPO" or the "Company") was incorporated on April 2, 2001 through a spin-off of the power generation division of Korea Electric Power Corporation ("KEPCO"). KOWEPO and its subsidiaries (collectively referred to as the "Group" hereinafter) engage in the generation of electricity and development of electric power resources.

As of December 31, 2020, KOWEPO owns and operates three power plants with a total capacity of 11,366MW.

KOWEPO's head office is located in Taean-gun, Chungcheongnam-do, Korea. Issued capital of KOWEPO as of December 31, 2020 amounts to ₩166,646 million, and KOWEPO's sole shareholder is KEPCO (100%).

In accordance with Korea International Financial Reporting Standards ("KIFRS") 1110 *Consolidated Financial Statements*, the Group's consolidated financial statements include the financial results of KOWEPO, which is the parent company, and 7 other subsidiaries ("consolidated entities") and 22 other investees which are accounted for as equity method investments.

2. Basis of Preparation

(1) Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with the Rules for Accounting Affairs of Public Corporations and Quasi-governmental Institutions pursuant to the Act on the Management of Public Institutions and the Decree on Accounting for Public Corporations and Quasi-governmental Institutions. The Rules for Accounting Affairs of Public Corporations and Quasi-governmental Institutions mandates application of Korean International Financial Reporting Standards ("KIFRS") as enacted by the Act on External Audit of Stock Companies where specific accounting treatments are not prescribed by the Rules for Accounting Affairs of Public Corporations and Quasi-governmental Institutions. There are no accounts of which accounting treatment is different compared to KIFRS in order for the Group to be in full compliance with the Rules for Accounting Affairs of Public Corporations and Quasi-governmental Institutions.

The consolidated financial statements are approved by the board of directors on March 10, 2021 and will be finally approved at a shareholder's meeting on March 24, 2021.

(2) Basis of measurement

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

- ✓ Derivative financial instruments are measured at fair value
- ✓ Non-current financial assets at fair value through other comprehensive income are measured at fair value
- ✓ Financial assets at fair value through profit or loss are measured at fair value
- ✓ Liabilities for defined benefit plans are recognized at the net of the total present value of defined benefit obligations less the fair value of plan assets

(3) Functional and presentation currency

These consolidated financial statements are presented in Korean won, which is the KOWEPO's functional currency and the currency of the primary economic environment in which the Group operates.

KOREA WESTERN POWER CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2020 and 2019

2. Basis of Preparation, Continued

(4) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with KIFRS 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.

1) The judgment of management

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

- ✓ Note 15 : Scope of consolidation - whether the Group has de facto control over an investee

2) The uncertainty of assumptions and estimates

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

- ✓ Note 23 : Measurement of defined benefit obligations - key actuarial assumptions
- ✓ Note 24 and 44 : Recognition and measurement of provisions and contingencies - key assumptions about the likelihood and magnitude of an outflow of resources
- ✓ Note 39 : Non-current financial assets at fair value through other comprehensive income are measured at fair value – significant unobservable input

3) Measurement of fair values

A number of 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 CFO.

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 KIFRS, including the level in the fair value hierarchy in which such valuations 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 within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- ✓ Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

KOREA WESTERN POWER CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2020 and 2019

2. Basis of Preparation, Continued

(4) Use of estimates and judgments, Continued

If the inputs used to measure the fair value of an asset or a liability are 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.

Further information about the assumptions made in measuring fair values is included in the following note:

- ✓ Note 39 : Risk management

3. Changes in accounting policies

(1) New and amended standards adopted by the Group

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of January 1, 2020.

1) Amendments to KIFRS 1001 *Presentation of Financial Statements* and KIFRS 1008 *Accounting policies, changes in accounting estimates and errors* – Definition of Material

The amendments provide a new definition of material that states, “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

2) Amendments to KIFRS 1103 *Business Combination* – Definition of a Business

The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs and the definition of output excludes the returns in the form of lower costs and other economic benefits. If substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets, an entity may elect to apply an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The amendments do not have a significant impact on the consolidated financial statements.

3) Amendments to KIFRS 1109 *Financial Instruments*, KIFRS 1039 *Financial Instruments: Recognition and Measurement* and KIFRS 1107 *Financial Instruments: Disclosure* – Interest Rate Benchmark Reform

The amendments provide a relief in relation to the application of hedge accounting while uncertainties arising from interest rate benchmark reform exist. The relief assumes that the interest rate benchmark on which the hedged items and the hedging instruments are based on is not altered as a result of interest rate benchmark reform when determining whether the expected cash flows are highly probable, whether an economic relationship between the hedged item and the hedging instrument exists, and when assessing the hedging relationship is highly effective. The amendments do not have a significant impact on the consolidated financial statements.

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3. Changes in accounting policies, Continued

(1) New and amended standards adopted by the Group, Continued

4) The Conceptual Framework for Financial Reporting (2018)

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the KASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no material impact on the consolidated financial statements of the Group.

(2) New standards and interpretations not yet adopted by the Group

The following new accounting standards and interpretations have been issued but not yet effective and have not been early adopted by the Group for the year ended December 31, 2020.

1) Amendments to KIFRS 1116 *Leases* – Practical expedient for COVID-19 - Related Rent Exemption, Concessions, Suspension

As a practical expedient, a lessee may elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification, and the amounts recognized in profit or loss as a result of applying this exemption should be disclosed. The amendments are applied for annual periods beginning on or after June 1, 2020, and earlier application is permitted. The amendments are not expected to have a significant impact on the consolidated financial statements.

2) Amendments to KIFRS 1109 *Financial Instruments*, KIFRS 1039 *Financial Instruments: Recognition and Measurement*, KIFRS 1107 *Financial Instruments: Disclosure*, KIFRS 1104 *Insurance Contracts* and KIFRS 1116 *Leases* – Interest Rate Benchmark Reform

In relation to the interest rate benchmark reform, the amendments provide exceptions which allow an entity to adjust using the effective interest rate rather than book value when interest rate benchmark of financial instruments at amortized costs is replaced, and apply hedge accounting without discontinuance although the interest rate benchmark is replaced in hedging relationship. The amendments are applied for annual periods beginning on or after January 1, 2021, and earlier application is permitted. The amendments are not expected to have a significant impact on the consolidated financial statements.

3) Amendments to KIFRS 1103 *Business Combination* – Reference to the Conceptual Framework

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments also add an exception for the recognition of liabilities and contingent liabilities within the scope of KIFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets*, and KIFRS 2121 *Levies*. The amendments also clarify that contingent assets should not be recognized at the acquisition date. The amendments are applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The amendments are not expected to have a significant impact on the consolidated financial statements.

KOREA WESTERN POWER CO., LTD. AND ITS SUBSIDIARIES
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3. Changes in accounting policies, Continued

(2) New standards and interpretations not yet adopted by the Group, Continued

4) Amendments to KIFRS 1016 *Property, Plant and Equipment* - Proceeds before intended use

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while the entity is preparing the asset for its intended use. Instead, the entity will recognize the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendments are applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Group is in review for the impact of these amendments on the consolidated financial statements.

5) Amendments to KIFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets* - Onerous Contracts : Cost of Fulfilling a Contract

The amendments clarify that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts when assessing whether the contract is onerous. The amendments are applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The amendments are not expected to have a significant impact on the consolidated financial statements.

6) Annual improvements to KIFRS 2018-2020

Annual improvements to KIFRS 2018-2020 are applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Group does not expect these amendments to have a significant impact on the consolidated financial statements.

- KIFRS 1101 *First time Adoption of Korean International Financial Reporting Standards* – Subsidiaries that are first-time adopters
- KIFRS 1109 *Financial Instruments* – Fees related to the 10% test for derecognition of financial liabilities
- KIFRS 1116 *Leases* – Lease incentives
- KIFRS 1041 *Agriculture* – Measuring fair value

7) Amendments to KIFRS 1001 *Presentation of Financial Statements* - Classification of Liabilities as Current or Non-current

The amendments clarify that liabilities are classified as either current or non-current, depending on the substantive rights that exist at the end of the reporting period. Classification is unaffected by the likelihood that an entity will exercise right to defer settlement of the liability or the expectations of management. Also, the settlement of liability include the transfer of the entity's own equity instruments, however, it would be excluded if an option to settle them by the entity's own equity instruments if compound financial instruments is met the definition of equity instruments and recognized separately from the liability. The amendments are applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Group is reviewing the impact of these amendments on the consolidated financial statements.

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4. Significant Accounting Policies

The significant accounting policies applied by the Group in preparation of its 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 those as described in Note 3.

(1) Consolidation

1) Business combinations

Business combinations are accounted for by applying the acquisition method, except for combinations of business entities or businesses that are under the same control.

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 as incurred, except if related to the issue of debt or equity securities. The costs to issue debt or equity securities are recognized in accordance with KIFRS 1032, *Financial Instruments: Presentation* and KIFRS 1109, *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 payable is measured at fair value at the acquisition date. 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.

2) Non-controlling interests

NCI 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 a subsidiary that do not result in a loss of control are accounted for as equity transactions.

3) 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 on which control commences until the date on which control ceases.

4) Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI 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.

KOREA WESTERN POWER CO., LTD. AND ITS SUBSIDIARIES
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4. Significant Accounting Policies, Continued

(1) Consolidation, Continued

5) 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 OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

6) 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.

7) Business combination under common control

For business combinations arising from transfers of interests in the entities that are under common control, the assets and liabilities acquired are recognized at the carrying amounts recognized previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are presented in the same components within the Group's equity except that any contributed capital of the acquired entities is recognized as part of share premium.

(2) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

(3) Inventories

The cost of inventories is based on the moving average principle, and includes expenditures for acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

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

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4. Significant Accounting Policies, Continued

(4) Non-derivative financial assets

1) Recognition and Initial measurement

Trade receivable and issued debentures are initially recognized at the time of issue. Other financial assets or financial liabilities are recognized at the time of the Group became a contracting party.

Except for trade receivable that not including significant financing components, financial assets or financial liabilities are measured at fair value at the time of first recognition. Financial assets in case of not financial asset or financial liability at fair value through profit or loss, the transaction costs directly related to the issue are add or subtract to fair value. Trade receivable that not including significant financing components is measured at transaction price.

2) Classification and subsequent measurement

Financial assets are measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL) when initially applied.

Financial assets are not reclassified unless change a business model. If the Group changes a business model, all financial assets are reclassified at the time of first reporting period.

Financial assets are measured at amortized cost when they aren't measured at fair value through profit or loss (FVTPL) and they meet both of the following conditions:

- It holds financial assets under a business model that is intended to receive contractual cash flows.
- Under the terms of the contract, there is a cash flow consisting solely payments of principal and interest on the principal amount outstanding on a particular day.

Financial liabilities are measured at fair value through other comprehensive income (FVOCI) when they aren't measured at fair value through profit or loss (FVTPL) and they meet both of the following conditions:

- It holds financial assets under a business model that is achieved through both receipt of contractual cash flows and sale of financial assets.
- Under the terms of the contract, there is a cash flow consisting solely payments of principal and interest on the principal amount outstanding on a particular day.

At the date of initial recognition of an equity instrument that is not a trading instrument, the Group may make an irrevocable choice to subsequent changes in the fair value of that investment in other comprehensive income. This choice is made by each financial instruments.

As described above, amortized cost and all of the financial instruments not measured at fair value through other comprehensive income (FVOCI) including all derivatives, are measured at fair value through profit or loss (FVTPL). The Group measure a financial asset meet the measurement requirements at amortized cost or fair value through other comprehensive income (FVOCI) initially at fair value through profit or loss (FVTPL), if the accounting mismatch is eliminated or significantly reduced. However, such choice could be irrevocable.

The Group evaluates the objectives of business model at the portfolio level of financial assets and also considers the following information.

- Stated accounting policies and objective about portfolio and the actual management of these policies. These include acquisition of interest income, interest rate level, duration of debt, whether the duration of financial liabilities that are used to fund financial assets match with the duration of the financial assets, expected cash outflows from sale of assets and management's strategy that focuses on realization.
- Evaluation of performance of financial assets, how to report evaluation contents.
- The risk that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed

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4. Significant Accounting Policies, Continued

(4) Non-derivative financial assets, Continued

2) Classification and subsequent measurement, Continued

- Compensation to management (e.g. based on the fair value of the assets being managed or on the basis of the contractual cash flows being received)
- Expectation of frequency to selling financial assets in the past, amount, time, reason, future selling activities. For this purpose, transfers of financial assets to third parties in transactions that do not meet the derecognizing requirements are not considered for sale.

A portfolio of financial assets that meets the definition of trading or whose performance is valued at fair value through profit or loss is measured at fair value through profit or loss.

Financial assets: An assessment of whether contractual cash flows are solely principal and interest

The principal is defined as the fair value at the initial recognition of the financial assets. Interest is comprised in time value of money, value for the credit risk associated with principal and another cost of basic rental risk and margin.

When assessing whether contractual cash flows consist solely of payments for principal and interest, the group take into account conditions of contract. If the financial assets includes contractual terms that change the timing or amount of cash flows in the contract, it is necessary to determine whether the cash flows that may occur during the period of the financial assets consist solely of principal payments.

The Group consider the followings:

- Conditions that change the amount or timing of cash flows
- Provision to adjust contractual nominal interest rate, including variable interest rate characteristics
- Characteristics of repayment and maturity extension.
- Terms that limit the Group's claim to cash flows arising from a particular asset

The amount of the interim repayment represents the interest on the principal and remnant money, and if it includes reasonable additional compensation for the early liquidation of the contract, early repayment characteristics are consistent with the conditions under which principal and interest that paid on a particular day.

Also about financial assets that acquired significantly discounted or additional premium, amount of interim repayments is substantially consisted of principal and interest, and this characteristics fair value at initial recognition is minor, the Group determined that these conditions are satisfied.

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4. Significant Accounting Policies, Continued

(4) Non-derivative financial assets, Continued

2) Classification and subsequent measurement, Continued

Financial assets at fair value through profit or loss (FVTPL)	These assets are subsequently measured at fair value. Net gain or loss, including interest and dividend income, is recognized in profit or loss. Please refer to Note 4. (5) for derivatives designated as hedging instruments.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. Amortization is reduced by Impairment loss. Interest income, foreign currency translation gains and losses and Impairment are recognized in profit or loss. The gain or loss on disposal is also recognized in profit or loss.
Financial liabilities at fair value through other comprehensive income (FVOCI)	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign currency translation gains and losses are recognized in profit or loss. Other profit or loss is recognized in other comprehensive income. The gain or loss accumulated in other comprehensive income is reclassified to profit or loss as disposal.
Equity instruments at fair value through other comprehensive income (FVOCI)	These assets are subsequently measured at fair value. Dividends are recognized in profit or loss if the dividends do not clearly represent collection of investment costs. Other profit or loss is recognized in other comprehensive income and is never reclassified to profit or loss.

3) Derecognition of 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.

4) 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.

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4. Significant Accounting Policies, Continued

(5) Derivative financial instruments, including hedge accounting

The Group holds derivative financial instruments to hedge foreign exchange and interest rate exposures. An embedded derivative, if a host contract is not a financial asset and meets specified conditions, is accounted for separately from the host.

Derivatives are measured at fair value at initial recognition. It is measured at fair value after initial recognition and the change is generally recognised as a profit or loss.

The Group designates specific derivatives as hedging instruments to hedge the variability of cash flows associated with highly probable future forecast transactions arising from changes in exchange rates and interest rates.

At the inception of the hedge, the Group documents the purpose and strategy of risk management to perform the hedge. The Group documents the economic relationship between the hedged item and the hedging instrument, including whether changes in the cash flows of the hedged item and the hedging instrument are expected to be offset by each other.

Cash flow hedge

When derivatives are designated as cash flow hedging instruments, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income, net of tax, and presented in the hedging reserve in equity. The effective portion of changes in the fair value of the derivatives which recognized in other comprehensive income is limited to cumulated changes in fair value of hedged item from inception of the hedge determined based on the present value. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

The Group designates only changes in the fair value of the spot element of future exchange transactions as a hedging instrument in cash flow hedge relationship. The change in the fair value of the forward element ('forward point') of future exchange transaction is accounted for separately as cost of hedging and recognized in cost of hedging of equity.

If a hedged forecast transaction subsequently results in the recognition of a non-financial asset such as inventories, the Group removes that amount from the cash flow hedge reserve and includes it directly in the initial cost of the assets upon the recognition.

For other forecast transaction, the cumulated cash flow hedge reserves and costs of hedging are reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively.

If the hedging transaction is a transaction which recognizes non-financial items, in case the hedging accounting is discontinued, cumulated hedging reserves and cost of hedging are left in equity items until that amount is included in the cost of non-financial items when they are initially recognized. For other cash flow hedging transaction not covered in this case, cash flow hedge reserves and cost of hedging are reclassified to profit or loss as a reclassification adjustment in the periods during which the hedged expected future cash flows affect profit or loss.

If the forecasted transaction is no longer expected to occur, then the balance in other comprehensive income is recognized immediately in profit or loss.

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4. Significant Accounting Policies, Continued

(6) Impairment of financial assets

1) Financial assets and contract assets

The Group recognizes loss allowance for expected credit losses on the following assets.

- Amortized cost of a financial asset

The Group measures loss allowance for expected credit losses, except for the following financial assets measured at the expected credit loss of 12 months.

- Debt securities whose credit is determined to be at low risk at the end of the reporting period

- Other debt securities and bank deposits that do not have a significant increase in credit risk (i.e. default risk arising over the expected life of the financial asset)

The Group has chosen to measure the loss allowance at an amount equal to lifetime expected credit losses for the trade receivables, contract assets and lease receivables that contain a significant financing component.

When determining whether the credit risk of a financial asset has significantly increased since the initial recognition and when estimating expected credit losses, the Group considers information that can be used and reasonably supported, without undue cost or effort.

The Group considers a default on the financial asset if:

- If the debtor does not engage in any activity with the Group and is not likely to fully fulfill the credit obligations to the Group

Overall period expected credit losses are expected credit losses resulting from all default events that may occur during the expected life of the financial instrument.

12-month expected credit losses are part of lifetime expected credit losses that represent expected credit losses from a default event on a financial instrument within 12 months of the reporting period's end (or for a shorter period of time if the expected life of the instrument is less than 12 months).

The longest period to consider when measuring expected credit losses is the longest term for which the Group is exposed to credit risk.

2) Measurement of expected credit loss

Expected credit loss is a probability weighted estimate of credit loss. Credit loss is measured as the present value of all cash deficiency (i.e. the difference between all contract cash flows that are expected to be paid and all contract cash flows that are expected to be received). Expected credit losses are discounted at the effective interest rate of the financial asset.

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4. Significant Accounting Policies, Continued

(6) Impairment of financial assets, Continued

3) Credit-impaired financial assets

At the end of each reporting period, the Group assesses the financial assets measured at amortized cost and other comprehensive income - whether the creditworthiness of the debt securities measured at fair value has been impaired. If there is more than one event that adversely affects the estimated future cash flows of a financial asset, the financial asset is impaired.

The evidence that the credit of a financial asset is impaired includes the following observable information:

- Significant financial difficulties of issuer or borrower
- Breach of contract, such as default or delinquency
- Inevitable mitigation of initial borrowing conditions for economic or contractual reasons related to the borrower's financial difficulties
- Possibility of bankruptcy of borrowers or other possibility of financial restructuring
- Due to financial difficulties, the active market for the financial assets is extinguished

4) Presentation of provision for credit loss on statement of financial position

The allowance for losses on financial assets measured at amortized cost is deducted from the carrying amount of the asset.

For debt measured at fair value through other comprehensive income, the allowance for losses is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

5) Write-off

If an entity does not reasonably expect to recover all or part of the contractual cash flows of a financial asset, the asset is derecognized. For individual customers, on the basis of their past experience with the recovery of similar assets, the Group removes the carrying amount if the financial asset is determined to be impaired, evaluates whether there is a reasonable expectation for the recovery of the entity's customers, and evaluates the timing and amount separately. The Group has no expectation that the proceeds will be recovered significantly. However, any financial assets that are derecognized may be subject to recovery activities in accordance with the Group's procedures for recovering the amount due.

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4. Significant Accounting Policies, Continued

(7) Property, plant and equipment

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

Subsequent 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.

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

Property, plant and equipment, except for land, are depreciated on a straight-line basis over estimated useful lives that appropriately reflect the pattern in which the asset's future economic benefits are expected to be consumed. 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 assets are as follows:

	<u>Useful lives (years)</u>
Buildings	8 ~ 30
Structures	8 ~ 30
Machinery	6 ~ 24
Vehicles	4
Right-of-use assets	2~ 30
Other property, plant and equipment ("the other PP&E")	4

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting date and adjusted, if appropriate. The change is accounted for as a change in an accounting estimate.

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4. Significant Accounting Policies, Continued

(8) 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 club memberships are expected to be available for use, this intangible asset is determined as having indefinite useful lives and not amortized.

	<u>Useful lives (years)</u>
Computer software	5
Development costs	5
Leasehold rights	8~10
Others	5~20

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.

1) Research and development

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is 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.

2) Subsequent expenditures

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditures on internally generated goodwill and brands, are recognized in profit or loss as incurred.

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4. Significant Accounting Policies, Continued

(9) 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. The Group immediately recognizes other borrowing costs as an expense. 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.

(10) 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 purchases, constructs or otherwise acquires 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.

Government grants which are intended to compensate the Group for expenses incurred shall be recognized as other income in profit or loss over the periods in which the Group recognizes the related costs as expenses.

(11) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than assets arising from 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.

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4. Significant Accounting Policies, Continued

(11) Impairment of non-financial assets, Continued

The Group estimates the recoverable amount of an individual asset, if it is impossible to measure the individual recoverable amount of an asset, then the Group estimates the recoverable amount of cash-generating unit ("CGU"). A CGU is the smallest identifiable 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 value in use is estimated by applying a pre-tax discount rate that reflect 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 if the carrying amount of an asset or a CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

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

(12) Leases

1) Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

2) Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

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4. Significant Accounting Policies, Continued

(12) Leases, Continued

3) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment. It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

(13) Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. In order to be classified as held for sale, the asset (or disposal group) must be available for immediate sale in its present condition and its sale must be highly probable. The assets or disposal group that are classified as non-current assets held for sale are measured at the lower of their carrying amount and fair value less cost to sell.

A non-current asset that is classified as held for sale or part of a disposal group classified as held for sale is not depreciated (or amortized).

(14) Non-derivative financial liabilities

The Group classifies non-derivative financial liabilities into financial liabilities at fair value through profit or loss or other financial liabilities in accordance with the substance of the contractual arrangement and the definitions of financial liabilities. The Group recognizes financial liabilities in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the financial liability.

1) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading or designated as such upon initial recognition. Subsequent to initial recognition, 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 that are directly attributable to the acquisition are recognized in profit or loss as incurred.

2) 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.

3) Elimination of financial liabilities

The Group derecognizes a financial liability from the consolidated statement of financial position when it is extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires). If the contractual terms of the financial liability have changed and the cash flows have changed substantially, the Group will derecognise the existing liability and recognise the new financial liability at fair value on the basis of the new contract.

On derecognition of a financial liability, the difference between the carrying amount and the consideration paid (including transferred non-cash assets or liabilities assumed) is recognised in profit or loss.

KOREA WESTERN POWER CO., LTD. AND ITS SUBSIDIARIES
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4. Significant Accounting Policies, Continued

(15) Employee benefits

1) Short-term employee benefits

Short-term employee benefits are employee benefits that are due to be settled within 12 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.

2) 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.

3) Retirement benefits: defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of plan assets is deducted. The calculation is performed annually by an independent actuary using the projected unit credit method.

The discount rate is the yield at the reporting date on corporate bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The Group recognizes all actuarial gains and losses arising from actuarial assumption changes and experiential adjustments in other comprehensive income when incurred.

When the fair value of plan assets exceeds the present value of the defined benefit obligation, the Group recognizes an asset, to the extent of the total of cumulative unrecognized past service cost and the present value of any economic benefits available in the form of refunds from the plan or reduction in the future contributions to the plan.

Past service costs which are the change in the present value of the defined benefits obligation for employee service in prior periods, resulting in the current period from the introduction of, or change to post-employment benefits, is recognized as an expense on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are already vested immediately following the introduction of, or changes to, a defined benefit plan, the Group recognizes the past service cost immediately.

KOREA WESTERN POWER CO., LTD. AND ITS SUBSIDIARIES
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4. Significant Accounting Policies, Continued

(16) 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.

(17) Foreign currencies

1) Foreign currency transactions

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.

2) Foreign operations

If the presentation currency of the Group is different from a foreign operation's functional currency, the financial statements of the foreign operation are translated into the presentation currency using the following methods:

The assets and liabilities of foreign operations, whose functional currency is not the currency of a hyperinflationary economy, are translated to presentation currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated to functional currency at exchange rates at the dates of the transactions. Foreign currency differences are recognized in other comprehensive income.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation is treated as assets and liabilities of the foreign operation. Thus they are expressed in the functional currency of the foreign operation and translated at the closing rate.

When a foreign operation is disposed of, the relevant amount in the translation is transferred to profit or loss as part of the profit or loss on disposal. On the partial disposal of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest. In any other partial disposal of a foreign operation, the relevant proportion is reclassified to profit or loss.

KOREA WESTERN POWER CO., LTD. AND ITS SUBSIDIARIES
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4. Significant Accounting Policies, Continued

(17) Foreign currencies, Continued

3) Translation of net investments on foreign operations

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income in the translation reserve.

(18) 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.

Preferred shares are classified as equity if they are not required to be redeemed or redeemed only at the Group's decision and the payment of dividends is determined on the discretion of the Group. Dividend is recognized when it is approved at the shareholders' meeting. Preferred shares that are eligible for collection of determined or determinable amount on or after a specified date or preferred shares to be mandatorily redeemed are classified as liabilities. Related dividends are recognized in profit or loss at the point in time of occurrence as interest expenses.

When the Group repurchases its contributed capital, the amount of the consideration paid is recognized as a deduction from equity and classified as treasury shares. The profits or losses from the purchase, disposal, reissue, or retirement of treasury shares are not recognized as current profit or loss. If the Group acquires and retains treasury shares, the consideration paid or received is directly recognized in equity.

(19) Revenue from contracts with customers

The Group recognizes revenue by applying 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, and Step 5: Recognize revenue when the entity satisfied a performance obligation)

1) Identification of performance obligations in the contract

The Group aims to develop and operate electric power resources, power generation, transmission, conversion, distribution, and related operations.

On the other hand, the power supply is identified as a single performance obligation as a series of distinct goods or services. In addition to the power supply, the Group also performs transmission and distribution revenue, power generation by-products, EPC businesses, and O&M through contracts with customers and identifies performance obligations that are distinct from each contract. The separation of performance obligations has no significant impact on the Group's revenue.

2) Variable consideration

The Group is conducting progressive pricing of electricity rates and discounting of electricity rates for policy purposes, which may change the price received from customers. The Group estimates the variable consideration using an expected value method that it expects to better predict the consideration to be entitled to, and recognizes revenue by including variable consideration in the transaction price only to those amounts that are highly probable of not reversing a significant portion of the cumulative revenue recognised when the uncertainty associated with the variable consideration is resolved. The variable consideration policy has no significant impact on the Group's revenue.

KOREA WESTERN POWER CO., LTD. AND ITS SUBSIDIARIES
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4. Significant Accounting Policies, Continued

(19) Revenue from contracts with customers, Continued

3) Performance obligations satisfied over time

The Group provides customers with services such as EPC business and O&M over time. The Group recognizes revenue based on the progress made on a reasonable basis.

The Group may recognize revenue on a percentage-of-completion basis when the Group meets one of following criteria:

- the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs
 - the entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced;
- or
- the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

The impact of recognition of revenue over time on progress on a percentage-of-completion basis on the Group's profit or loss is not significant.

4) Allocation of transaction price to performance obligations

The Group allocates the transaction price to a number of performance obligations identified in a single contract on a relative stand-alone selling price basis, and this allocation has no significant impact on the Group's revenue.

5) Revenue recognition when performance obligations are satisfied

The Group recognizes revenue when it satisfies the performance obligation by transferring the promised goods and services to the customer. This recognition timing has no significant impact on the Group's revenue.

(20) Finance income and finance costs

The Group's finance income and finance costs consist of:

- Interest income
- Interest expenses
- Dividend income
- Net gain or loss on financial assets measured at fair value through profit or loss
- Foreign exchange gains and losses on financial assets and financial liabilities
- Impairment losses (or reversals of impairment losses) arising from investments in debt instruments measured at amortized cost or fair value through other comprehensive income
- Hedge ineffectiveness recognized in profit or loss
- Reclassified net gain or loss previously recognized in other comprehensive income under cash-flow hedging accounting for interest risk and foreign exchange risk on borrowings

Interest income or interest expense was recognized using the effective interest rate method. Dividend incomes are recognized when the Group is entitled to the dividend.

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4. Significant Accounting Policies, Continued

(20) Finance income and finance costs, Continued

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortized cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(21) 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.

1) Current tax

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

Current tax asset and current tax liability are offset only when the following conditions are met:

- The Group legally holds an enforceable right to offset the recognized amount, and
- Has an intention to settle in a net amount or settle the liability while realizing the asset.

2) Deferred tax

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

When future taxable income that tax deficit, tax deduction, and deductible temporary differences can be used is probable, within this scope, deferred tax assets are recognized for unused tax deficit and tax credit carry-forwards, and deductible temporary differences. The future taxable income is determined by the reversal of the temporary difference to be added. If the temporary difference to be added is not sufficient to fully recognize the deferred tax asset, the reversal of current temporary differences and the business plan of the subsidiaries of the Group are considered.

KOREA WESTERN POWER CO., LTD. AND ITS SUBSIDIARIES
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4. Significant Accounting Policies, Continued

(21) Income taxes, Continued

2) Deferred tax, Continued

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. Deferred tax assets or deferred tax liabilities on investment properties measured at fair value, unless any contrary evidence exists, are measured using the assumption that the carrying amount of the property will be recovered entirely through sale.

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

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

(22) Earnings per share

KOWEPO presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of KOWEPO by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

KOREA WESTERN POWER CO., LTD. AND ITS SUBSIDIARIES
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4. Significant Accounting Policies, Continued

(23) Greenhouse gas emission rights and obligations

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

1) Emissions rights

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

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

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

2) Emissions obligations

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

5. Operating segment

The Group did not disclose separate business segment information because the reporting segment in accordance with KIFRS 1108 'Operating Segments' corresponds to a single segment. Sales attributable to KEPCO, the major customer, is ₩3,559,515 million and ₩4,350,187 million for the years ended December 31, 2020 and 2019, respectively.

KOREA WESTERN POWER CO., LTD. AND ITS SUBSIDIARIES
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6. Classification of Financial Instruments

(1) Classification of financial assets as of December 31, 2020 and 2019 are as follows:

(i) As of December 31, 2020

In millions of won

	Financial assets at fair value through profit or loss	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Derivative assets (applying hedge accounting)	Total
Current financial assets:					
Cash and cash equivalents	₩ -	68,092	-	-	68,092
Current financial assets					
Short-term loans	-	4,563	-	-	4,563
Short-term financial instruments	150,832	50,000	-	-	200,832
Trade and other receivables	-	514,720	-	-	514,720
	<u>150,832</u>	<u>637,375</u>	<u>-</u>	<u>-</u>	<u>788,207</u>
Non-current financial assets:					
Non-current financial assets					
Non-current financial assets at fair value through other comprehensive income	-	-	176,090	-	176,090
Non-current financial assets at fair value through profit or loss	7,412	-	-	-	7,412
Long-term loans	-	33,150	-	-	33,150
Derivative assets	-	-	-	36,079	36,079
Non-current trade and other receivables	-	8,900	-	-	8,900
	<u>7,412</u>	<u>42,050</u>	<u>176,090</u>	<u>36,079</u>	<u>261,631</u>
₩	<u><u>158,244</u></u>	<u><u>679,425</u></u>	<u><u>176,090</u></u>	<u><u>36,079</u></u>	<u><u>1,049,838</u></u>

KOREA WESTERN POWER CO., LTD. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2020 and 2019

6. Classification of Financial Instruments, Continued

(1) Classification of financial assets as of December 31, 2020 and 2019 are as follows, Continued:

(ii) As of December 31, 2019

In millions of won

	Financial assets at fair value through profit or loss	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Derivative assets (applying hedge accounting)	Total
Current financial assets:					
Cash and cash equivalents	₩ -	61,301	-	-	61,301
Current financial assets					
Short-term loans	-	4,472	-	-	4,472
Short-term financial instruments	-	50,000	-	-	50,000
Derivative assets	15	-	-	-	15
Trade and other receivables	-	559,154	-	-	559,154
	<u>15</u>	<u>674,927</u>	<u>-</u>	<u>-</u>	<u>674,942</u>
Non-current financial assets:					
Non-current financial assets					
Non-current financial assets at fair value through other comprehensive income					
	-	-	192,957	-	192,957
Long-term loans	-	34,728	-	-	34,728
Derivative assets	-	-	-	45,838	45,838
Non-current trade and other receivables	-	6,949	-	-	6,949
	<u>-</u>	<u>41,677</u>	<u>192,957</u>	<u>45,838</u>	<u>280,472</u>
₩	<u>15</u>	<u>716,604</u>	<u>192,957</u>	<u>45,838</u>	<u>955,414</u>

KOREA WESTERN POWER CO., LTD. AND ITS SUBSIDIARIES
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For the years ended December 31, 2020 and 2019

6. Classification of Financial Instruments, Continued

(2) Classification of financial liabilities as of December 31, 2020 and 2019 are as follows:

(i) As of December 31, 2020

In millions of won

	Financial liabilities at fair value through profit or loss	Financial liabilities at amortized cost	Derivative liabilities (applying hedge accounting)	Total
Current financial liabilities:				
Trade and other payables	₩ -	376,984	-	376,984
Current financial liabilities				
Borrowings	-	348	-	348
Debentures	-	559,795	-	559,795
Derivative liabilities	36	-	-	36
	<u>36</u>	<u>937,127</u>	<u>-</u>	<u>937,163</u>
Non-current financial liabilities:				
Non-current trade and other payables	-	560,813	-	560,813
Non-current financial liabilities	-	-	-	-
Borrowings	-	504	-	504
Debentures	-	4,659,308	-	4,659,308
Derivative liabilities	-	-	17,374	17,374
	<u>-</u>	<u>5,220,625</u>	<u>17,374</u>	<u>5,237,999</u>
₩	<u>36</u>	<u>6,157,752</u>	<u>17,374</u>	<u>6,175,162</u>

(ii) As of December 31, 2019

In millions of won

	Financial liabilities at fair value through profit or loss	Financial liabilities at amortized cost	Derivative liabilities (applying hedge accounting)	Total
Current financial liabilities:				
Trade and other payables	₩ -	395,305	-	395,305
Current financial liabilities				
Borrowings	-	200,348	-	200,348
Debentures	-	629,839	-	629,839
Derivative liabilities	312	-	-	312
	<u>312</u>	<u>1,225,492</u>	<u>-</u>	<u>1,225,804</u>
Non-current financial liabilities:				
Non-current trade and other payables	-	680,727	-	680,727
Non-current financial liabilities				
Borrowings	-	852	-	852
Debentures	-	4,302,678	-	4,302,678
Derivative liabilities	-	-	357	357
	<u>-</u>	<u>4,984,257</u>	<u>357</u>	<u>4,984,614</u>
₩	<u>312</u>	<u>6,209,749</u>	<u>357</u>	<u>6,210,418</u>

KOREA WESTERN POWER CO., LTD. AND ITS SUBSIDIARIES
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6. Classification of Financial Instruments, Continued

(3) Classification of comprehensive income (loss) by financial instruments for the years ended December 31, 2020 and 2019 are as follows:

In millions of won

Type	Description	2020	2019
Financial assets at amortized cost	Interest income	₩ 2,128	6,842
	Loss on foreign currency transactions and translations, net	(1,338)	(690)
Financial assets at fair value through other comprehensive income	Loss on valuation of derivative instruments, net (equity, before tax)	(16,866)	(33,045)
	Dividend income	3,154	14,052
Financial assets at fair value through profit or loss	Gain on valuation, net	17	-
	Loss on valuation of derivative instruments, net	(36)	(297)
	Gain (loss) on transactions of derivative instruments, net	333	(397)
Fair value hedge derivative assets	Gain (loss) on change in the unrealized fair value of derivative instruments, net	(34,118)	22,652
	Gain on valuation of derivative instruments, net (equity, before tax)	7,342	4,144
	Gain on transaction of derivative instruments, net	7,387	30,428
Financial liabilities at amortized cost	Gain (loss) on foreign currency transactions and translations, net	74,722	(50,400)
	Interest expense of borrowings and debentures	(118,813)	(130,480)
	Interest expense of lease liabilities	(15,588)	(17,001)
	Other interest expense	(1)	(537)

7. Cash and Cash Equivalents and Short-term financial instruments

(1) Cash and cash equivalents as of December 31, 2020 and 2019 are as follows:

In millions of won

	2020	2019
Cash	₩ 4	1
Other demand deposits	67,838	57,493
Short-term financial instruments classified as cash equivalents	250	3,807
	₩ 68,092	61,301

(2) Short-term financial instruments restricted in use as of December 31, 2020 and 2019 are as follows:

In millions of won

	2020	2019
Deposits (*)	₩ 50,000	50,000

(*) Restriction on withdrawal related to 'win-win growth program' for small and medium enterprises.

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8. Trade and Other Receivables

(1) Trade and other receivables as of December 31, 2020 and 2019 are as follows:

(i) As of December 31, 2020

<i>In millions of won</i>	<u>Gross amount</u>	<u>Present value discount</u>	<u>Book value</u>
Current assets:			
Trade receivables	₩ 389,586	-	389,586
Other receivables	125,258	(124)	125,134
	<u>514,844</u>	<u>(124)</u>	<u>514,720</u>
Non-current assets:			
Trade receivables	1,933	-	1,933
Other receivables	7,201	(234)	6,967
	<u>9,134</u>	<u>(234)</u>	<u>8,900</u>
₩	<u>523,978</u>	<u>(358)</u>	<u>523,620</u>

(ii) As of December 31, 2019

<i>In millions of won</i>	<u>Gross amount</u>	<u>Present value discount</u>	<u>Book value</u>
Current assets:			
Trade receivables	₩ 439,904	-	439,904
Other receivables	119,380	(130)	119,250
	<u>559,284</u>	<u>(130)</u>	<u>559,154</u>
Non-current assets:			
Trade receivables	1,933	-	1,933
Other receivables	5,210	(194)	5,016
	<u>7,143</u>	<u>(194)</u>	<u>6,949</u>
₩	<u>566,427</u>	<u>(324)</u>	<u>566,103</u>

(*) There are no trade and other receivables which are overdue or impaired at the end of the reporting period.

(2) Details of other receivables as of December 31, 2020 and 2019 are as follows:

(i) As of December 31, 2020

<i>In millions of won</i>	<u>Gross amount</u>	<u>Present value discount</u>	<u>Book value</u>
Current assets:			
Non-trade receivables	₩ 34,857	-	34,857
Accrued income	84,645	-	84,645
Guarantee deposits	5,755	(123)	5,632
	<u>125,257</u>	<u>(123)</u>	<u>125,134</u>
Non-current assets:			
Guarantee deposits	7,201	(234)	6,967
	<u>7,201</u>	<u>(234)</u>	<u>6,967</u>
₩	<u>132,458</u>	<u>(357)</u>	<u>132,101</u>

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8. Trade and Other Receivables, Continued

(2) Details of other receivables as of December 31, 2020 and 2019 are as follows, Continued:

(ii) As of December 31, 2019

<i>In millions of won</i>	<u>Gross amount</u>	<u>Present value discount</u>	<u>Book value</u>
Current assets:			
Non-trade receivables	₩ 22,878	-	22,878
Accrued income	90,797	-	90,797
Guarantee deposits	5,705	(130)	5,575
	<u>119,380</u>	<u>(130)</u>	<u>119,250</u>
Non-current assets:			
Guarantee deposits	5,210	(194)	5,016
	<u>5,210</u>	<u>(194)</u>	<u>5,016</u>
	<u>₩ 124,590</u>	<u>(324)</u>	<u>124,266</u>

9. Financial Assets at Fair Value through Other Comprehensive Income

(1) Financial assets at fair value through other comprehensive income as of December 31, 2020 and 2019 are as follows:

<i>In millions of won</i>			<u>2020</u>		<u>2019</u>
			<u>Shares</u>	<u>Ownership</u>	<u>Acquisition cost</u>
Equity securities listed:					
PT Bayan Resources TBK (*1)	133,333,340	4.00%	₩ 80,533	159,702	176,172
Equity securities unlisted:					
Korea Power Exchange (*2)	1,826,275	7.14%	9,131	15,961	16,357
KEPCO UHDE	103,230	2.40%	516	14	14
HeeMang Sunlight Power Co., Ltd.	78,600	8.33%	393	393	393
3i Powergen Inc. (*3)	-	15.00%	1,482	-	-
KEPCO Bylong Australia Pty., Ltd. (*4)	3,537,032	2.00%	6,135	-	-
Fire Guarantee (*5)	40	-	20	20	20
			<u>₩ 98,210</u>	<u>176,090</u>	<u>192,956</u>

(*1) The Group has estimated the fair value by using the quoted market prices in active markets.

(*2) 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 financial assets at fair value through other comprehensive income in other comprehensive income or loss during the year ended December 31, 2020.

(*3) As a result of discontinued operations, the difference between the carrying amount and the recoverable amount is recognized as an impairment loss.

(*4) Financial assets at fair value through other comprehensive income held by KOWEPO Bylong Pty., Ltd. which is subsidiary of the Group.

(*5) Financial assets at fair value through other comprehensive income held by KOWEPO Service Co., Ltd. Which is subsidiary of the Group.

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9. Financial Assets at Fair Value through Other Comprehensive Income, Continued

(2) Changes in financial assets at fair value through other comprehensive income for the years ended December 31, 2020 and 2019 are as follows:

(i) For the year ended December 31, 2020

In millions of won

		<u>Beginning balance</u>	<u>Valuation</u>	<u>Ending Balance</u>
Equity securities listed	₩	176,172	(16,470)	159,702
Equity securities unlisted		<u>16,785</u>	<u>(397)</u>	<u>16,388</u>
	₩	<u>192,957</u>	<u>(16,867)</u>	<u>176,090</u>

(ii) For the year ended December 31, 2019

In millions of won

		<u>Beginning balance</u>	<u>Valuation</u>	<u>Acquisition</u>	<u>Others</u>	<u>Ending Balance</u>
Equity securities listed	₩	203,520	(27,348)	-	-	176,172
Equity securities unlisted		<u>21,812</u>	<u>(5,697)</u>	20	650	<u>16,785</u>
	₩	<u>225,332</u>	<u>(33,045)</u>	<u>20</u>	<u>650</u>	<u>192,957</u>

10. Non-current Financial Assets at Fair Value through Profit or Loss

(1) Details of non-current financial assets at fair value through profit or loss as of December 31, 2020 and 2019 are as follows:

In millions of won

			<u>2020</u>		<u>2019</u>
		<u>Ownership</u>	<u>Acquisition cost</u>	<u>Book value</u>	<u>Book value</u>
Equity securities unlisted:					
Nexpo Solar and others (*1)		20.00%	₩ 7,412	7,412	-

(*1) These financial assets are held by Haenaneum Energy Fund, a subsidiary of the Group, which consist of Nexpo Solar and 58 others.

(2) Changes in the book value of non-current financial assets at fair value through profit or loss for the year ended December 31, 2020 are as follows:

(i) For the year ended December 31, 2020

In millions of won

		<u>Beginning balance</u>	<u>Acquisition</u>	<u>Valuation</u>	<u>Ending Balance</u>
Equity securities unlisted	₩	-	7,412	-	7,412

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11. Derivatives

(1) Derivatives as of December 31, 2020 and 2019 are as follows:

In millions of won

		2020		2019	
		Current	Non-current	Current	Non-current
Derivative assets:					
Currency forward	₩	-	-	15	-
Currency swap		-	36,079	-	45,838
	₩	-	36,079	15	45,838
Derivative liabilities:					
Currency forward	₩	36	-	312	-
Currency swap		-	17,374	-	357
	₩	36	17,374	312	357

(2) Currency swap contracts as of December 31, 2020 are as follows:

In millions of won, and thousands of USD and CHF

Type	Counterparty	Period	Contract amounts		Contract interest rate		Contract exchange rate (in won)
			Pay (KRW)	Receive	Pay (%)	Receive (%)	
Cash flow hedge	Korea Development Bank	2018~2023	320,880	USD 300,000	2.028	3.750	1,069.60
	BNP Paribas	2019~2024	111,841	CHF 100,000	1.778	0.125	1,118.41
	Kookmin Bank	2019~2024	111,841	CHF 100,000	1.778	0.125	1,118.41
	Korea Development Bank	2019~2022	117,340	USD 100,000	1.060	2.375	1,173.40
	KEB Hana Bank	2019~2022	117,340	USD 100,000	1.060	2.375	1,173.40
	Kookmin Bank	2019~2022	117,340	USD 100,000	1.060	2.375	1,173.40

(3) Currency swap forward as of December 31, 2020 are as follows:

In millions of won and thousands of USD

Type	Counterparty	Contract Date	Maturity Date	Contract amounts		Contract exchange rate (in won)
				Receive (KRW)	Purchase (USD)	
Trading purpose	MUFG Bank, Ltd., Seoul Branch	2020.12.29	2021.01.12	4,380	4,000	1,095.05
	BNP Paribas	2020.12.30	2021.01.19	4,351	4,000	1,087.80

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11. Derivatives, Continued

(4) The gain (loss) on valuation and transaction of derivatives for the years ended December 31, 2020 and 2019 are as follows:

(i) For the year ended December 31, 2020

In millions of won

Type	Profit or loss effect of valuation loss	Profit or loss effect of transaction gain	Other comprehensive income (before tax)
Currency forward	₩ (36)	332	-
Currency swap	(34,118)	7,387	7,342
	₩ (34,154)	7,719	7,342

(ii) For the year ended December 31, 2019

In millions of won

Type	Profit or loss effect of valuation gain (loss)	Profit or loss effect of transaction gain (loss)	Other comprehensive income (before tax)
Currency forward	₩ (297)	(397)	-
Currency swap	22,652	30,428	4,144
	₩ 22,355	30,031	4,144

(*) The gain on valuation of derivative instruments using cash flow hedge accounting recognized as accumulated other comprehensive income is ₩ 11,841 million, net of tax as of December 31, 2020.

12. Other Financial Assets

(1) Other financial assets as of December 31, 2020 and 2019 are as follows:

In millions of won

	2020		2019	
	Current	Non-current	Current	Non-current
Loans	₩ 4,563	33,150	4,472	34,728
Short-term financial instruments	200,832	-	50,000	-
Derivative assets	-	36,079	15	45,838
Non-current financial assets at fair value through other comprehensive income	-	176,090	-	192,957
Non-current financial assets at fair value through profit or loss	-	7,412	-	-
	₩ 205,395	252,731	54,487	273,523

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12. Other Financial Assets, Continued

(2) Details of loans as of December 31, 2020 and 2019 are as follows:

(i) As of December 31, 2020

In millions of won

	Face value	Present value discount	Foreign exchange adjustment	Book value
Short-term loans				
Loans for tuition	₩ 4,671	(108)	-	4,563
	4,671	(108)	-	4,563
Long-term loans				
Loans for tuition	14,957	(1,621)	-	13,336
Others	21,703	-	(1,889)	19,814
	36,660	(1,621)	(1,889)	33,150
₩	41,331	(1,729)	(1,889)	37,713

(ii) As of December 31, 2019

In millions of won

	Face value	Present value discount	Foreign exchange adjustment	Book value
Short-term loans				
Loans for tuition	₩ 4,580	(108)	-	4,472
	4,580	(108)	-	4,472
Long-term loans				
Loans for tuition	15,011	(1,574)	-	13,437
Others	21,897	-	(606)	21,291
	36,908	(1,574)	(606)	34,728
₩	41,488	(1,682)	(606)	39,200

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13. Inventories

Inventories as of December 31, 2020 and 2019 are as follows:

<i>In millions of won</i>	<u>2020</u>	<u>2019</u>
Raw materials	₩ 62,587	110,406
Supplies	70,088	68,566
Inventories in transit	60,222	73,044
Others	391	576
	<u>₩ 193,288</u>	<u>252,592</u>

(*) There is no valuation allowance for loss on inventory valuation as of December 31, 2020 and 2019.

14. Non-financial Assets

Non-financial assets as of December 31, 2020 and 2019 are as follows:

<i>In millions of won</i>	<u>2020</u>		<u>2019</u>	
	<u>Current</u>	<u>Non-current</u>	<u>Current</u>	<u>Non-current</u>
Advance payments	₩ 1,566	-	2,764	19
Prepaid expenses	12,987	1,776	11,519	1,698
Others	27,845	18,473	41,150	21,118
	<u>₩ 42,398</u>	<u>20,249</u>	<u>55,433</u>	<u>22,835</u>

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15. Investments in Subsidiaries

(1) Information related to the consolidated subsidiaries as of December 31, 2020 and 2019 are as follows:

Company	Key operating activities	Location	Percentage of ownership or voting right	
			2020	2019
KOWEPO Australia Pty., Ltd.	Overseas resources development	Australia	100.00%	100.00%
KOWEPO International Corporation	Managing power plant	Philippines	99.99%	99.99%
PT KOWEPO Sumsel Operation and Maintenance Services	Managing power plant	Indonesia	95.00%	95.00%
KOWEPO Bylong Pty., Ltd. (*1)	Overseas resources development	Australia	100.00%	100.00%
KOWEPO Lao International	Managing power plant	Laos	100.00%	100.00%
KOWEPO Service Co., Ltd.	Managing facility	Republic of Korea	100.00%	100.00%
Haenaneum Energy Fund	Sunlight generation, ESS	Republic of Korea	99.64%	99.64%

(*1) The ownership interest in KOWEPO Bylong Pty., Ltd. is the percentage of common contributed capital excluding preferred contributed capital which has no voting rights.

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15. Investments in Subsidiaries, Continued

(2) Summary of financial information of consolidated subsidiaries as of and for the years ended December 31, 2020 and 2019 are as follows:

(i) As of and for the year ended December 31, 2020

In millions of won

Company	Assets	Liabilities	Sales	Net profit or loss
KOWEPO Australia Pty., Ltd.	₩ 44,270	2,909	14,327	1,663
KOWEPO International Corporation	-	10	-	-
PT KOWEPO Sumsel Operation and Maintenance Services	108	241	-	(15)
KOWEPO Bylong Pty., Ltd.	6	64	-	-
KOWEPO Lao International	8,982	392	8,466	4,706
KOWEPO Service Co., Ltd.	6,045	4,849	29,559	726
Haenaneum Energy Fund	28,219	132	128	(13)

(ii) As of and for year ended December 31, 2019

In millions of won

Company	Assets	Liabilities	Sales	Net profit or loss
KOWEPO Australia Pty., Ltd.	₩ 44,182	5,772	15,514	2,761
KOWEPO International Corporation	-	10	-	(2)
PT KOWEPO Sumsel Operation and Maintenance Services	135	262	-	(1,104)
KOWEPO Bylong Pty., Ltd.	4	40	-	(12)
KOWEPO Lao International	5,430	575	4,308	1,584
KOWEPO Service Co., Ltd.	4,228	3,302	23,982	389
Haenaneum Energy Fund	28,101	1	-	1

(3) There is no change in the scope of the consolidated entities for the year ended December 31, 2020.

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16. Investments in Associates and Joint Ventures

(1) Investments in associates and joint ventures as of December 31, 2020 and 2019 are as follows:

(i) As of December 31, 2020

In millions of won

Company	Major operation	Location	Percentage of ownership	Acquisition cost	Book value
Associates					
Pioneer Gas Power., Ltd.	Energy supply	India	38.50%	₩ 49,831	-
Eurasia Energy Holdings	Energy supply	Russia	40.00%	461	-
Xe-Pian Xe-Namnoy Power Co., Ltd.	Energy supply	Laos	25.00%	87,426	64,570
PT. Mutiara Jawa	Energy supply	Indonesia	29.00%	2,978	1,780
Korea Offshore Wind Power Co., Ltd. (*1)	Energy supply	Republic of Korea	12.50%	26,600	20,930
Daegu Solar Power Plant Co., Ltd.	Energy supply	Republic of Korea	29.00%	1,230	2,066
Dongducheon Dream Power Co., Ltd.	Energy supply	Republic of Korea	34.01%	148,105	80,637
Solar Power Plants Happy City Co., Ltd.	Energy supply	Republic of Korea	28.00%	194	210
Shin Pyeongtaek Power Co., Ltd.	Energy supply	Republic of Korea	40.00%	72,000	69,591
Kepeco Solar Co., Ltd. (formerly, Solar School Plant Co., Ltd.) (*1)	Energy supply	Republic of Korea	8.33%	16,650	17,262
KEPCO Energy Solution Co., Ltd. (*1)	Energy supply	Republic of Korea	8.33%	25,000	25,808
Seoroseoro Sunny Power Plant Co., Ltd. (*1)(*2)	Energy supply	Republic of Korea	19.46%	230	230
Anjwa Smart Farm & Solar City Co., Ltd. (*1)(*2)	Energy supply	Republic of Korea	19.50%	5,510	5,510
Muan Solra Park Co., Ltd (*1)(*2)	Energy supply	Republic of Korea	19.00%	4,180	4,180
Yudang Solra Co., Ltd. (*2)	Energy supply	Republic of Korea	20.00%	360	360
				<u>440,755</u>	<u>293,134</u>
Joint ventures					
Rabigh O&M Co., Ltd. (*3)	O&M	Saudi Arabia	40.00%	70	3,813
KIAMCO KOWEPO Bannerton Hold Co Pty., Ltd. (*3)	Energy supply	Australia	12.37%	4,095	4,129
Haemodum Solar Energy Co., Ltd(*3)	Energy supply	Republic of Korea	49.00%	2,940	3,065
Samyang Solar Power Plant Co., Ltd (*2)(*3)	Energy supply	Republic of Korea	49.00%	5,245	5,535
NH-Amundi Global Infra Private Fund No. 21 (*2)(*3)	Energy supply	Republic of Korea	29.53%	20,952	22,242
Cheongna Energy CO.,LTD. (*2)(*3)(*4)	Energy supply	Republic of Korea	50.10%	49,344	4,940
Hapcheon Floating Photovoltaic Plant INC. (*2)(*3)	Energy supply	Republic of Korea	19.47%	1,890	1,890
				<u>84,536</u>	<u>45,614</u>
				<u>₩ 525,291</u>	<u>338,748</u>

(*1) It is accounted for as an associate as the Group can exercise significant influence according to the shareholders agreement despite the Group's ownership interest is less than 20%.

(*2) The Group newly acquired the shares during the year ended December 31, 2020.

(*3) The Group accounts for its investments as investments in joint ventures since the strategic financial and operating policy decisions relating to the activities of the joint ventures require unanimous consent of the investors.

(*4) The Group reclassified the investments from associates to joint ventures due to acquisition of additional shares during the year ended December 31, 2020.

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16. Investments in Associates and Joint Ventures, Continued

(1) Investments in associates and joint ventures as of December 31, 2020 and 2019 are as follows, Continued:

(ii) As of December 31, 2019

In millions of won

<u>Company</u>	<u>Major operation</u>	<u>Location</u>	<u>Percentage of ownership</u>		<u>Acquisition cost</u>	<u>Book value</u>
Associates						
Cheongna Energy Co., Ltd. (*4)	Energy supply	Republic of Korea	43.90%	₩	48,353	1,411
Pioneer Gas Power., Ltd.	Energy supply	India	38.50%		49,831	-
Eurasia Energy Holdings	Energy supply	Russia	40.00%		461	-
Xe-Pian Xe-Namnoy Power Co., Ltd.	Energy supply	Laos	25.00%		87,426	72,935
PT. Mutiara Jawa	Energy supply	Indonesia	29.00%		2,978	1,438
Korea Offshore Wind Power Co., Ltd. (*1)	Energy supply	Republic of Korea	12.50%		26,600	21,180
Daegu Solar Power Plant Co., Ltd.	Energy supply	Republic of Korea	29.00%		1,230	2,059
Dongducheon Dream Power Co., Ltd.	Energy supply	Republic of Korea	34.01%		148,105	76,547
Solar Power Plants Happy City Co., Ltd.	Energy supply	Republic of Korea	28.00%		194	215
Shin Pyeongtaek Power Co., Ltd.	Energy supply	Republic of Korea	40.00%		72,000	66,956
Kepeco Solar Co., Ltd. (formerly, Solar School Plant Co., Ltd.) (*1)	Energy supply	Republic of Korea	8.33%		16,650	17,105
KEPCO Energy Solution Co., Ltd. (*1)	Energy supply	Republic of Korea	8.33%		25,000	25,508
					<u>478,828</u>	<u>285,354</u>
Joint ventures						
Rabigh O&M Co., Ltd. (*3)	O&M	Saudi Arabia	40.00%		70	6,879
KIAMCO KOWEPO Bannerton Hold Co Pty., Ltd. (*3)	Energy supply	Australia	12.37%		4,095	4,024
Haemodum Solar Energy Co., LTD(*3)	Energy supply	Republic of Korea	49.00%		2,940	2,940
					<u>7,105</u>	<u>13,843</u>
				₩	<u>485,933</u>	<u>299,197</u>

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16. Investments in Associates and Joint Ventures, Continued

(2) Changes in investments in associates and joint ventures for the years ended December 31, 2020 and 2019 are as follows:

(i) For the year ended December 31, 2020

In millions of won

Company	Beginning balance	Acquisitions	Dividends received	Share of profit (loss)	Other comprehensive income (loss)	Retained earnings	Other changes	Ending balance
Associates								
Cheongna Energy Co., Ltd. (*3)	₩ 1,411	991	-	2,517	-	-	(4,919)	-
Pioneer Gas Power., Ltd. (*1)	-	-	-	-	-	-	-	-
Eurasia Energy Holdings(*2)	-	-	-	-	-	-	-	-
Xe-Pian Xe-Namnoy Power Co., Ltd	72,935	-	-	(2,896)	(5,469)	-	-	64,570
PT. Mutiara Jawa	1,438	-	-	459	(117)	-	-	1,780
Korea Offshore Wind Power Co., Ltd.	21,180	-	-	(250)	-	-	-	20,930
Daegu Solar Power Plant Co., Ltd.	2,059	-	(325)	332	-	-	-	2,066
Dongducheon Dream Power Co., Ltd.	76,547	-	-	4,095	-	(5)	-	80,637
Solar Power Plants Happy City Co., Ltd.	215	-	-	(5)	-	-	-	210
Shin Pyeongtaek Power Co., Ltd.	66,956	-	-	11,877	(3,604)	(5,638)	-	69,591
Kepeco Solar Co., Ltd. (formerly, Solar School Plant Co., Ltd.)	17,105	-	-	157	-	-	-	17,262
KEPCO Energy Solution Co., Ltd.	25,508	-	-	303	-	(3)	-	25,808
Seoroseoro Sunny Power Plant Co., Ltd.	-	230	-	-	-	-	-	230
Anjwa Smart Farm & Solar City Co., Ltd.	-	5,510	-	-	-	-	-	5,510
Muan Solra Park Co., Ltd	-	4,180	-	-	-	-	-	4,180
Yudang Solra Co., Ltd.	-	360	-	-	-	-	-	360
	<u>285,354</u>	<u>11,271</u>	<u>(325)</u>	<u>16,589</u>	<u>(9,190)</u>	<u>(5,646)</u>	<u>(4,919)</u>	<u>293,134</u>
Joint ventures								
Rabigh O&M Co., Ltd.	6,879	-	(5,340)	2,787	(513)	-	-	3,813
KIAMCO KOWEPO Bannerton Hold Co Pty Ltd.	4,024	-	-	(24)	129	-	-	4,129
Haemodum Solar Energy Co., Ltd	2,940	-	-	140	(15)	-	-	3,065
Samyang Solar Power Plant Co., Ltd	-	5,245	-	290	-	-	-	5,535
NH-Amundi Global Infra Private Fund No. 21	-	20,952	(1,388)	2,678	-	-	-	22,242
Cheongna Energy CO.,LTD. (*3)	-	-	-	21	-	-	4,919	4,940
Hapcheon Floating Photovoltaic Plant INC	-	1,890	-	-	-	-	-	1,890
	<u>13,843</u>	<u>28,087</u>	<u>(6,728)</u>	<u>5,892</u>	<u>(399)</u>	<u>-</u>	<u>4,919</u>	<u>45,614</u>
	<u>₩ 299,197</u>	<u>39,358</u>	<u>(7,053)</u>	<u>22,481</u>	<u>(9,589)</u>	<u>(5,646)</u>	<u>-</u>	<u>338,748</u>

(*1) The investment has been reduced to zero, which resulted in discontinuation of the equity method. The accumulated unrecognized loss is ₩15,938 million as of December 31, 2020.

(*2) The investment has been reduced to zero, which resulted in discontinuation of the equity method. The accumulated unrecognized loss is ₩175 million as of December 31, 2020.

(*3) The Group additionally acquired the shares of the investee during the year ended December 31, 2020 and reclassified it to investments in joint ventures as the strategic financial and operating policy decisions relating to the activities of the investee require unanimous consent of the investors.

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16. Investments in Associates and Joint Ventures, Continued

(2) Changes in investments in associates and joint ventures for the years ended December 31, 2020 and 2019 are as follows, Continued:

(ii) For the year ended December 31, 2019

In millions of won

Company	Beginning balance	Acquisitions	Dividends received	Share of profit (loss)	Other comprehensive income	Retained earnings	Ending balance
Associates							
Cheongna Energy Co., Ltd.	₩ 3,465	-	-	(2,054)	-	-	1,411
Pioneer Gas Power., Ltd.(*1)	20,395	-	-	(20,784)	389	-	-
Eurasia Energy Holdings(*2)	-	-	-	-	-	-	-
Xe-Pian Xe-Namnoy Power Co., Ltd	77,165	3,052	-	(10,210)	2,928	-	72,935
PT. Mutiara Jawa	365	-	-	1,031	42	-	1,438
Korea Offshore Wind Power Co., Ltd.	22,476	-	-	(1,296)	-	-	21,180
Daegu Solar Power Plant Co., Ltd.	2,002	-	(327)	384	-	-	2,059
Dongducheon Dream Power Co., Ltd.	76,386	-	-	441	-	(280)	76,547
Solar Power Plants Happy City Co.,Ltd.	202	-	-	13	-	-	215
Shin Pyeongtaek Power Co., Ltd.	67,600	-	-	(827)	198	(15)	66,956
Solar School Plant Co., Ltd.	16,893	-	-	213	-	(1)	17,105
KEPCO Energy Solution Co., Ltd.	25,271	-	-	238	-	(1)	25,508
	<u>312,220</u>	<u>3,052</u>	<u>(327)</u>	<u>(32,851)</u>	<u>3,557</u>	<u>(297)</u>	<u>285,354</u>
Joint ventures							
Rabigh O&M Co., Ltd.	5,834	-	(2,222)	3,070	197	-	6,879
KIAMCO KOWEPO Bannerton Hold Co Pty Ltd.	3,940	-	-	(29)	113	-	4,024
Haemodum Solar Energy Co., Ltd	-	2,940	-	-	-	-	2,940
	<u>9,774</u>	<u>2,940</u>	<u>(2,222)</u>	<u>3,041</u>	<u>310</u>	<u>-</u>	<u>13,843</u>
₩	<u>321,994</u>	<u>5,992</u>	<u>(2,549)</u>	<u>(29,810)</u>	<u>3,867</u>	<u>(297)</u>	<u>299,197</u>

(*1) The investment has been reduced to zero, which resulted in discontinuation of the equity method. The accumulated unrecognized loss is ₩114 million as of December 31, 2019.

(*2) The investment has been reduced to zero, which resulted in discontinuation of the equity method. The accumulated unrecognized loss is ₩186 million as of December 31, 2019.

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16. Investments in Associates and Joint Ventures, Continued

(3) The tables below provide a reconciliation of the summarized financial information presented to the carrying amount of its interest in the associates and joint ventures.

(i) As of December 31, 2020

<i>In millions of won</i>		Net assets at the end of the year	Group's share in %	Group's share in KRW	Differences in investments	Intergroup transactions	Unrealized losses	Others	Book amount
Associates									
Pioneer Gas Power., Ltd.	₩	(99,446)	38.50%	(38,284)	22,278	-	15,938	68	-
Eurasia Energy Holdings		(436)	40.00%	(175)	-	-	175	-	-
Xe-Pian Xe-Namnoy Power Co., Ltd		262,657	25.00%	65,664	305	(1,110)	-	(289)	64,570
PT. Mutiara Jawa		6,138	29.00%	1,780	-	-	-	-	1,780
Korea Offshore Wind Power Co., Ltd.		167,368	12.50%	20,921	9	-	-	-	20,930
Daegu Solar Power Plant Co., Ltd.		7,126	29.00%	2,066	-	-	-	-	2,066
Dongducheon Dream Power Co., Ltd.		278,715	34.01%	94,791	1,757	(3,329)	-	(12,582)	80,637
Solar Power Plants Happy City Co., Ltd.		744	28.00%	208	-	-	-	2	210
Shin Pyeongtaek Power Co., Ltd.		206,281	40.00%	82,512	3,559	(16,480)	-	-	69,591
Kepeco Solar Co., Ltd. (formerly, Solar School Plant Co., Ltd.)		207,344	8.33%	17,262	-	-	-	-	17,262
KEPCO Energy Solution Co., Ltd.		309,690	8.33%	25,808	-	-	-	-	25,808
Seoroseoro Sunny Power Plant Co., Ltd.		1,142	19.46%	222	8	-	-	-	230
Anjwa Smart Farm & Solar City Co., Ltd.		24,174	19.50%	4,714	796	-	-	-	5,510
Muan Solra Park Co., Ltd		20,374	19.00%	3,871	309	-	-	-	4,180
Yudang Solra Co., Ltd		2,484	20.00%	497	-	-	-	(137)	360
Joint ventures									
Rabigh O&M Co., Ltd.		9,533	40.00%	3,813	-	-	-	-	3,813
KIAMCO KOWEPO Bannerton Hold Co Pty Ltd.		33,312	12.37%	4,121	8	-	-	-	4,129
Haemodum Solar Energy Co., Ltd		6,255	49.00%	3,065	-	-	-	-	3,065
Samyang Solar Power Plant Co., Ltd		11,297	49.00%	5,535	-	-	-	-	5,535
NH-Amundi Global Infra Private Fund No. 21		73,534	29.53%	21,715	-	-	-	527	22,242
Cheongna Energy CO.,LTD.		5,742	50.10%	2,877	3,137	(1,074)	-	-	4,940
Hapcheon Floating Photovoltaic Plant INC.		9,708	19.47%	1,890	-	-	-	-	1,890

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16. Investments in Associates and Joint Ventures, Continued

(4) Summary of financial information of investments in associates and joint venture as of and for the years ended December 31, 2020 and 2019 are as follows:

(i) As of and for year ended December 31, 2020

In millions of won

Company	Assets	Liabilities	Sales	Net profit or loss
Associates				
Pioneer Gas Power., Ltd.	₩ 260,344	359,790	-	(44,568)
Eurasia Energy Holdings	556	993	-	-
Xe-Pian Xe-Namnoy Power Co., Ltd.	1,138,994	876,336	140,069	(11,318)
PT. Mutiara Jawa	23,061	16,923	7,946	2,523
Korea Offshore Wind Power Co., Ltd.	354,646	187,277	26,838	400
Daegu Solar Power Plant Co., Ltd.	13,843	6,718	3,343	1,149
Dongducheon Dream Power Co., Ltd.	1,374,640	1,095,926	524,890	10,982
Solar Power Plants Happy City Co., Ltd.	2,001	1,258	387	(11)
Shin Pyeongtaek Power Co., Ltd.	1,020,650	814,369	520,468	32,002
Kepeco Solar Co., Ltd. (formerly, Solar School Plant Co., Ltd.) (*1)	230,290	22,946	3,933	1,887
KEPCO Energy Solution Co., Ltd.	313,791	4,101	5,585	3,685
Seoroseoro Sunny Power Plant Co., Ltd. (*1)(*2)	1,144	1	-	(27)
Anjwa Smart Farm & Solar City Co., Ltd.	295,570	271,396	1,900	(1,684)
Muan Solra Park Co., Ltd (*1)(*2)	245,431	225,057	14,359	(966)
Yudang Solra Co., Ltd. (*2)	23,360	20,876	1,611	686
Joint ventures				
Rabigh O&M Co., Ltd.	28,666	19,133	26,268	7,318
KIAMCO KOWEPO Bannerton Hold Co Pty., Ltd.	33,930	618	-	(191)
Haemodum Solar Energy Co., Ltd.	19,041	12,786	1,188	286
Samyang Solar Power Plant Co., Ltd	55,346	44,049	2,769	592
NH-Amundi Global Infra Private Fund No. 21	73,573	39	1,770	8,989
Cheongna Energy CO.,LTD.	341,478	335,736	78,387	5,995
Hapcheon Floating Photovoltaic Plant INC.	9,708	-	-	-

KOREA WESTERN POWER CO., LTD. AND ITS SUBSIDIARIES
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16. Investments in Associates and Joint Ventures, Continued

(4) Summary of financial information of investments in associates and joint venture as of and for the years ended December 31, 2020 and 2019 are as follows, Continued:

(ii) As of and for the year ended December 31, 2019

In millions of won

Company	Assets	Liabilities	Sales	Net profit or loss
Associates				
Cheongna Energy Co., Ltd.	₩ 383,034	383,288	68,626	(2,567)
Pioneer Gas Power., Ltd.	309,059	367,399	-	(54,501)
Eurasia Energy Holdings	592	1,056	-	-
Xe-Pian Xe-Namnoy Power Co., Ltd.	1,194,125	898,023	6,731	(40,437)
PT. Mutiara Jawa	26,109	21,150	11,196	3,396
Korea Offshore Wind Power Co., Ltd.	284,495	115,127	-	(10,368)
Daegu Solar Power Plant Co., Ltd.	15,486	8,385	3,639	1,442
Dongducheon Dream Power Co., Ltd.	1,474,224	1,206,478	689,414	2,849
Solar Power Plants Happy City Co., Ltd.	2,483	1,722	454	47
Shin Pyeongtaek Power Co., Ltd.	981,387	807,107	119,162	11,847
Solar School Plant Co., Ltd.	208,730	3,269	1,962	2,553
KEPCO Energy Solution Co., Ltd.	308,237	2,142	2,843	2,855
Joint ventures				
Rabigh O&M Co., Ltd.	36,121	18,923	23,777	7,203
KIAMCO KOWEPO Bannerton Hold Co Pty., Ltd.	32,883	425	-	(232)
Haemodum Solar Energy Co., Ltd.	7,237	1,237	-	-

KOREA WESTERN POWER CO., LTD. AND ITS SUBSIDIARIES
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For the years ended December 31, 2020 and 2019

17. Property, Plant and Equipment

(1) Property, plant and equipment as of December 31, 2020 and 2019 are as follows:

(i) As of December 31, 2020

In millions of won

	<u>Acquisition cost</u>	<u>Government grants</u>	<u>Accumulated depreciation</u>	<u>Accumulated impairment loss</u>	<u>Book value</u>
Land	₩ 699,423	-	-	-	699,423
Buildings	1,555,920	(9,325)	(595,507)	(504)	950,584
Structures	1,358,235	(4,673)	(586,832)	(2,936)	763,794
Machinery	9,090,884	(55,758)	(4,294,130)	(57,855)	4,683,141
Vehicles	11,966	(29)	(8,841)	-	3,096
Equipment	133,657	-	(105,295)	(6)	28,356
Tools	35,838	(7)	(31,664)	-	4,167
Construction-in-progress	668,740	(12,577)	-	-	656,163
Right-of-use assets	1,154,333	(24)	(301,768)	-	852,541
	<u>₩ 14,708,996</u>	<u>(82,393)</u>	<u>(5,924,037)</u>	<u>(61,301)</u>	<u>8,641,265</u>

(ii) As of December 31, 2019

In millions of won

	<u>Acquisition cost</u>	<u>Government grants</u>	<u>Accumulated depreciation</u>	<u>Accumulated impairment loss</u>	<u>Book value</u>
Land	₩ 699,302	-	-	-	699,302
Buildings	1,540,330	(9,764)	(531,246)	(443)	998,877
Structures	1,346,898	(4,898)	(538,622)	(59)	803,319
Machinery	8,684,008	(60,043)	(3,708,674)	(52,524)	4,862,767
Vehicles	10,619	(9)	(8,246)	-	2,364
Equipment	125,510	(46)	(94,987)	(6)	30,471
Tools	34,594	(47)	(28,606)	-	5,941
Construction-in-progress	492,412	(11,015)	-	-	481,397
Right-of-use assets	1,146,213	(25)	(198,941)	-	947,247
	<u>₩ 14,079,886</u>	<u>(85,847)</u>	<u>(5,109,322)</u>	<u>(53,032)</u>	<u>8,831,685</u>

KOREA WESTERN POWER CO., LTD. AND ITS SUBSIDIARIES
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For the years ended December 31, 2020 and 2019

17. Property, Plant and Equipment, Continued

(2) Changes in property, plant and equipment for the years ended December 31, 2020 and 2019 are as follows:

(i) For the year ended December 31, 2020

In millions of won

	Beginning balance	Acquisition/ Capital expenditure	Disposal	Depreciation (*1)	Impairment loss(*2)	Others (*3)	Ending balance
Land	₩ 699,302	-	(61)	-	-	182	699,423
Buildings	1,008,641	6	(24)	(64,301)	(61)	15,648	959,909
(Government grants)	(9,764)	-	-	439	-	-	(9,325)
Structures	808,216	-	-	(48,209)	(2,877)	11,337	768,467
(Government grants)	(4,898)	-	-	225	-	-	(4,673)
Machinery	4,922,810	91,344	(10,285)	(592,213)	(5,362)	332,605	4,738,899
(Government grants)	(60,042)	-	157	4,127	-	-	(55,758)
Vehicles	2,373	282	-	(1,157)	-	1,627	3,125
(Government grants)	(9)	-	-	10	-	(30)	(29)
Equipment	30,517	74	(5)	(14,690)	-	12,460	28,356
(Government grants)	(46)	-	-	46	-	-	-
Tools	5,988	200	-	(3,247)	-	1,233	4,174
(Government grants)	(47)	-	-	40	-	-	(7)
Construction-in-progress	492,412	555,135	-	-	-	(378,807)	668,740
(Government grants)	(11,015)	(1,592)	-	-	-	30	(12,577)
Right-of-use assets	947,272	3,753	-	(102,820)	-	4,360	852,565
(Government grants)	(25)	-	-	1	-	-	(24)
	₩ <u>8,831,685</u>	<u>649,202</u>	<u>(10,218)</u>	<u>(821,749)</u>	<u>(8,300)</u>	<u>645</u>	<u>8,641,265</u>

(*1) ₩545 million of depreciation expenses are recognized as construction-in-progress.

(*2) Impairment loss of ₩8,300 million on crude oil facilities were recognized due to the replacement of fuel for Pyeongtaek Power Generation Headquarters.

(*3) Others in the amount of ₩645 million consist of ₩1,729 million transferred from retirement benefits expense and depreciation on property, plant and equipment to construction-in-progress, ₩4,752 million of capitalized interest expense, ₩6,038 million transferred to intangible assets, ₩22 million transferred from intangible assets to equipment, ₩1 million transferred to assets held for sale and ₩181 million of translation effect of financial statements of foreign operations. The weighted average capitalization rates for the year ended December 31, 2020 is 2.30%.

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17. Property, Plant and Equipment, Continued

(2) Changes in property, plant and equipment for the years ended December 31, 2020 and 2019 are as follows, Continued:

(ii) For the year ended December 31, 2019

In millions of won

	Beginning balance	Acquisition/ Capital expenditure	Effect of change in accounting policy	Disposal	Depreciation (*1)	Impairment loss(*2)	Others (*3)	Ending balance
Land	₩ 639,601	-	-	-	-	-	59,701	699,302
Buildings	1,058,617	292	-	(94)	(66,880)	-	16,706	1,008,641
(Government grants)	(9,911)	(292)	-	-	439	-	-	(9,764)
Structures	851,831	2	-	(3)	(47,544)	-	3,931	808,217
(Government grants)	(5,123)	-	-	-	225	-	-	(4,898)
Machinery	5,120,287	107,670	-	(7,809)	(596,446)	(6,345)	305,452	4,922,809
(Government grants)	(63,675)	(1,050)	-	564	4,119	-	-	(60,042)
Vehicles	1,526	119	-	(1)	(776)	-	1,505	2,373
(Government grants)	(16)	-	-	-	7	-	-	(9)
Equipment	32,757	109	-	(35)	(16,876)	-	14,562	30,517
(Government grants)	(148)	-	-	-	102	-	-	(46)
Tools	7,787	48	-	-	(3,423)	-	1,576	5,988
(Government grants)	(111)	-	-	-	64	-	-	(47)
Construction-in-progress	160,322	727,252	-	-	-	-	(395,162)	492,412
(Government grants)	(11,015)	-	-	-	-	-	-	(11,015)
Finance lease assets	230,175	-	(230,175)	-	-	-	-	-
(Government grants)	(26)	-	26	-	-	-	-	-
Right-of-use assets	-	4,605	1,046,078	(1,946)	(102,565)	-	1,100	947,272
(Government grants)	-	-	(26)	-	1	-	-	(25)
	₩ 8,012,878	838,755	815,903	(9,324)	(829,553)	(6,345)	9,371	8,831,685

(*1) ₩217 million of depreciation expenses are recognized as construction-in-progress.

(*2) Impairment loss of amount to ₩2,809 million and ₩3,536 were recognized due to Pyeongtaek 1 Complex Unused Asset setting.

(*3) Others in the amount of ₩9,371 million consist of ₩1,317 million transferred from retirement benefits expense and depreciation on property, plant and equipment to construction-in-progress, ₩2,596 million of capitalized interest expense, ₩5,268 million transferred to inventory, ₩5,566 million transferred to intangible assets, ₩357 million of loss due to cancellation of investment in construction in progress, ₩215 million of translation effect of financial statements of foreign operations and ₩6,089 million of provision for litigations. The weighted average capitalization rates for the year ended December 31, 2019 is 2.37%.

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18. Intangible Assets

(1) Intangible assets as of December 31, 2020 and 2019 are as follows:

(i) As of December 31, 2020

In millions of won

	<u>Acquisition cost</u>	<u>Government grants</u>	<u>Accumulated amortization</u>	<u>Accumulated impairment loss</u>	<u>Book value</u>
Computer software	₩ 46,448	(4)	(36,281)	-	10,163
Mining rights	13,294	-	(6,917)	-	6,377
Development costs	3,791	-	(3,337)	-	454
Leasehold rights	6,218	-	(1,848)	-	4,370
Others	105,054	-	(81,922)	(231)	22,901
	<u>₩ 174,805</u>	<u>(4)</u>	<u>(130,305)</u>	<u>(231)</u>	<u>44,265</u>

(ii) As of December 31, 2019

In millions of won

	<u>Acquisition cost</u>	<u>Government grants</u>	<u>Accumulated amortization</u>	<u>Accumulated impairment loss</u>	<u>Book value</u>
Computer software	₩ 42,469	(30)	(32,841)	-	9,598
Mining rights	12,878	-	(6,142)	-	6,736
Development costs	3,791	-	(3,067)	-	724
Leasehold rights	4,365	-	(1,294)	-	3,071
Others	105,426	-	(81,704)	(231)	23,491
	<u>₩ 168,929</u>	<u>(30)</u>	<u>(125,048)</u>	<u>(231)</u>	<u>43,620</u>

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18. Intangible Assets, Continued

(2) Changes in intangible assets for the years ended December 31, 2020 and 2019 are as follows:

(i) For the year ended December 31, 2020

In millions of won

		<u>Beginning balance</u>	<u>Acquisition/ Capital expenditure</u>	<u>Disposals</u>	<u>Amortization (*1)</u>	<u>Others(*2)</u>	<u>Ending balance</u>
Computer software	₩	9,628	21	-	(3,468)	3,986	10,167
(Government grants)		(30)	-	-	26	-	(4)
Mining rights		6,736	-	-	(635)	276	6,377
Development costs		724	-	-	(270)	-	454
Leasehold rights		3,071	-	-	(554)	1,853	4,370
Others		23,491	7,117	(9,271)	(215)	1,779	22,901
	₩	<u>43,620</u>	<u>7,138</u>	<u>(9,271)</u>	<u>(5,116)</u>	<u>7,894</u>	<u>44,265</u>

(*1) ₩86 million of amortization expenses are recognized as construction-in-progress.

(*2) Others in the amount of ₩7,894 million consist of ₩6,038 million transferred from construction-in-progress, ₩284 million resulting from translation of financial statements of foreign operations, ₩1,593 million transferred from Greenhouse gas emission rights and ₩22 million transferred from equipment.

(ii) For the year ended December 31, 2019

In millions of won

		<u>Beginning balance</u>	<u>Acquisition/ Capital expenditure</u>	<u>Disposals</u>	<u>Amortization</u>	<u>Others(*1)</u>	<u>Ending balance</u>
Computer software	₩	7,613	447	-	(2,617)	4,185	9,628
(Government grants)		(55)	-	-	25	-	(30)
Mining rights		6,365	2,145	-	(2,023)	249	6,736
Development costs		517	-	-	(313)	520	724
Leasehold rights		3,028	-	-	(464)	507	3,071
Others		1,913	19,635	(344)	(230)	2,517	23,491
	₩	<u>19,381</u>	<u>22,227</u>	<u>(344)</u>	<u>(5,622)</u>	<u>7,978</u>	<u>43,620</u>

(*1) Others in the amount of ₩7,978 million consist of ₩5,566 million transferred from construction-in-progress, ₩257 million resulting from translation of financial statements of foreign operations, and ₩2,155 million transferred from Greenhouse gas emission rights.

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19. Lease

(1) Major lease contracts

In order to provide stable supply of bituminous coal, the Group has entered into a consecutive vessel charter agreement as a lease (see Note 44 (4)). On the other hand, the Group does not have the option to obtain ownership of the related vessels or the option to purchase it at a price that is expected to be sufficiently lower than fair value at the end of the agreement.

(2) Right-of-use assets as of December 31, 2020 and 2019 are as follows:

(i) As of December 31, 2020

In millions of won

	<u>Acquisition cost</u>	<u>Government grants</u>	<u>Accumulated depreciation</u>	<u>Book value</u>
Land	6,593	-	(678)	5,915
Buildings	₩ 1,736	-	(590)	1,146
Structures	163,856	(24)	(70,600)	93,232
Machinery	186,679	-	(56,254)	130,425
Vessels	794,812	-	(173,411)	621,401
Vehicles	657	-	(235)	422
	<u>₩ 1,154,333</u>	<u>(24)</u>	<u>(301,768)</u>	<u>852,541</u>

(ii) As of December 31, 2019

In millions of won

	<u>Acquisition cost</u>	<u>Government grants</u>	<u>Accumulated depreciation</u>	<u>Book value</u>
Land	4,283	-	(324)	3,959
Buildings	₩ 1,484	-	(390)	1,094
Structures	159,807	(25)	(63,581)	96,201
Machinery	185,489	-	(47,807)	137,682
Vessels	794,813	-	(86,706)	708,107
Vehicles	338	-	(134)	204
	<u>₩ 1,146,214</u>	<u>(25)</u>	<u>(198,942)</u>	<u>947,247</u>

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19. Lease, Continued

(3) Changes in right-of-use assets for the years ended December 31, 2020 and 2019 are as follows:

(i) For the year ended December 31, 2020

In millions of won

	<u>Beginning balance</u>	<u>Acquisition</u>	<u>Transfer</u>	<u>Depreciation</u>	<u>Other changes</u>	<u>Ending balance</u>
Land	₩ 3,959	2,310	-	(354)	-	5,915
Buildings	1,094	252	-	(200)	-	1,146
Structures	96,226	-	4,049	(7,019)	-	93,256
(Government grants)	(25)	-	-	1	-	(24)
Machinery	137,682	872	293	(8,440)	18	130,425
Vessels	708,107	-	-	(86,706)	-	621,401
Vehicles	204	319	-	(101)	-	422
₩	<u>947,247</u>	<u>3,753</u>	<u>4,342</u>	<u>(102,819)</u>	<u>18</u>	<u>852,541</u>

(ii) For the year ended December 31, 2019

In millions of won

	<u>Beginning balance</u>	<u>Effect of change in accounting principle</u>	<u>Acquisition</u>	<u>Transfer</u>	<u>Depreciation</u>	<u>Disposals</u>	<u>Ending balance</u>
Land	₩ -	1,035	3,248	-	(324)	-	3,959
Buildings	-	337	919	-	(162)	-	1,094
Structures	-	102,896	295	-	(6,965)	-	96,226
(Government grants)	-	(26)	-	-	1	-	(25)
Machinery	-	146,803	-	1,100	(8,275)	(1,946)	137,682
Vessels	-	794,813	-	-	(86,706)	-	708,107
Vehicles	-	194	144	-	(134)	-	204
₩	<u>-</u>	<u>1,046,052</u>	<u>4,606</u>	<u>1,100</u>	<u>(102,565)</u>	<u>(1,946)</u>	<u>947,247</u>

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19. Lease, Continued

(4) Details of lease liabilities of December 31, 2020 and 2019 are as follows:

(i) As of December 31, 2020

In millions of won

	<u>Minimum lease payments (MLP)</u>	<u>Present value of MLP</u>
Less than 1 year	₩ 97,724	96,733
1~5years	315,591	296,789
More than 5 years	318,109	263,992
	<u>₩ 731,424</u>	<u>657,514</u>

(ii) As of December 31, 2019

In millions of won

	<u>Minimum lease payments (MLP)</u>	<u>Present value of MLP</u>
Less than 1 year	₩ 101,754	100,860
1~5years	352,837	332,293
More than 5 years	419,743	347,991
	<u>₩ 874,334</u>	<u>781,144</u>

(5) Current portion and non-current portion of lease liabilities are as follows:

In millions of won

	<u>2020</u>	<u>2019</u>
Current lease liabilities	₩ 96,733	100,860
Non-current lease liabilities	560,781	680,284
	<u>₩ 657,514</u>	<u>781,144</u>

(6) Changes in lease liabilities for the years ended December 31, 2020 and 2019 are as follows:

In millions of won

	<u>2020</u>	<u>2019</u>
Beginning balance	₩ 781,144	-
Effect of changes in accounting principle	-	815,903
Acquisition	3,753	4,606
Interest expense	15,588	17,001
Payments	(104,104)	(84,994)
Other changes	(38,867)	28,628
Ending balance	<u>₩ 657,514</u>	<u>781,144</u>

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19. Lease, Continued

(7) Details of leases, such as short-term lease and leases for which the underlying asset is of low value, recognized not as lease liabilities but as expenses for the years ended December 31, 2020 and 2019 are as follows:

<i>In millions of won</i>	2020	2019
Short-term leases	₩ 21,175	7,753
Leases of low-value assets	209	153

20. Trade and Other Payables

Trade and other payables as of December 31, 2020 and 2019 are as follows:

<i>In millions of won</i>	2020		2019	
	Current	Non-current	Current	Non-current
Trade payables	₩ 172,761	-	187,396	-
Other payables	68,017	31	70,749	443
Accrued expenses	39,394	-	36,245	-
Other deposits	79	-	55	-
Lease liabilities	96,733	560,782	100,860	680,284
	₩ 376,984	560,813	395,305	680,727

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21. Borrowings and Debentures

(1) Details of borrowings and debentures as of December 31, 2020 and 2019 are as follows:

In millions of won

	<u>2020</u>	<u>2019</u>
Current Liabilities:		
Short-term borrowings	₩ -	200,000
Current portion of long-term borrowings	348	348
Current portion of long-term debentures	560,000	630,000
Less: discount on debentures	(205)	(161)
	<u>560,143</u>	<u>830,187</u>
Non-current Liabilities:		
Long-term borrowings	504	852
Debentures	4,669,666	4,313,784
Less: discount on debentures	(10,358)	(11,106)
	<u>4,659,812</u>	<u>4,303,530</u>
	<u>₩ 5,219,955</u>	<u>5,133,717</u>

(2) Short-term borrowings as of December 31, 2020 and 2019 are as follows:

In millions of won

<u>Type</u>	<u>Lender</u>	<u>Annual interest rate</u>		<u>Maturity date</u>	<u>2020</u>	<u>2019</u>
Short-term borrowings in domestic currency	Mirae Asset Daewoo	1.73%	Fixed rate	2020.01.23	₩ -	150,000
	NH Nonghyup Bank	2.17%	Fixed rate	2020.01.02	-	50,000
					<u>₩ -</u>	<u>200,000</u>

(3) Long-term borrowings as of December 31, 2020 and 2019 are as follows:

In millions of won

<u>Lender</u>	<u>Description</u>	<u>Annual interest rate</u>		<u>Maturity date</u>	<u>2020</u>	<u>2019</u>
Korea Energy Agency	Development funds	Floating rate	3yr KTB rate - 2.25%	2023.03.15	₩ 674	973
				2023.06.15	28	39
				2024.06.15	26	33
				2024.09.15	78	99
				2025.06.15	5	6
				2025.12.15	41	50
				<u>852</u>	<u>1,200</u>	
	Less: current portion				<u>(348)</u>	<u>(348)</u>
					<u>₩ 504</u>	<u>852</u>

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21. Borrowings and Debentures, Continued

(4) Local debentures as of December 31, 2020 and 2019 are as follows:

In millions of won

Type	Issue date	Maturity	Annual interest rate		2020	2019
Corporate bond #16-3	2011-11-18	2021-11-18	Fixed rate	4.15% ₩	80,000	80,000
Corporate bond #17-1	2012-10-22	2022-10-22	Fixed rate	3.22%	100,000	100,000
Corporate bond #17-2	2012-10-22	2027-10-22	Fixed rate	3.26%	100,000	100,000
Corporate bond #18-1	2013-05-07	2023-05-07	Fixed rate	2.93%	120,000	120,000
Corporate bond #18-2	2013-05-07	2028-05-07	Fixed rate	3.03%	80,000	80,000
Corporate bond #19-2	2013-06-14	2023-06-14	Fixed rate	3.38%	100,000	100,000
Corporate bond #20-2	2013-09-12	2020-09-12	Fixed rate	3.62%	-	100,000
Corporate bond #21	2013-10-22	2023-10-22	Fixed rate	3.67%	110,000	110,000
Corporate bond #22	2013-10-31	2023-10-31	Fixed rate	3.61%	90,000	90,000
Corporate bond #23-2	2014-10-23	2024-10-23	Fixed rate	2.82%	120,000	120,000
Corporate bond #24-2	2014-11-20	2024-11-20	Fixed rate	2.81%	110,000	110,000
Corporate bond #26-1	2015-03-05	2020-03-05	Fixed rate	2.14%	-	110,000
Corporate bond #26-2	2015-03-05	2025-03-05	Fixed rate	2.43%	90,000	90,000
Corporate bond #27-1	2015-05-08	2020-05-08	Fixed rate	2.33%	-	120,000
Corporate bond #27-2	2015-05-08	2025-05-08	Fixed rate	2.70%	80,000	80,000
Corporate bond #28	2015-07-17	2020-07-17	Fixed rate	2.27%	-	80,000
Corporate bond #29	2015-09-21	2020-09-21	Fixed rate	2.00%	-	120,000
Corporate bond #30-1	2016-01-28	2021-01-28	Fixed rate	1.88%	90,000	90,000
Corporate bond #30-2	2016-01-28	2026-01-28	Fixed rate	2.10%	110,000	110,000
Corporate bond #31	2016-07-05	2021-07-05	Fixed rate	1.36%	100,000	100,000
Corporate bond #32-1	2016-09-09	2021-09-09	Fixed rate	1.45%	90,000	90,000
Corporate bond #32-2	2016-09-09	2026-09-09	Fixed rate	1.61%	110,000	110,000
Corporate bond #33-1	2017-02-22	2022-02-22	Fixed rate	2.04%	70,000	70,000
Corporate bond #33-2	2017-02-22	2027-02-22	Fixed rate	2.34%	130,000	130,000
Corporate bond #34	2017-03-27	2020-03-27	Fixed rate	1.85%	-	100,000
Corporate bond #35-1	2017-05-22	2022-05-22	Fixed rate	2.07%	50,000	50,000
Corporate bond #35-2	2017-05-22	2027-05-22	Fixed rate	2.46%	40,000	40,000
Corporate bond #35-3	2017-05-22	2032-05-22	Fixed rate	2.59%	110,000	110,000
Corporate bond #36-1	2017-06-23	2022-06-23	Fixed rate	2.08%	40,000	40,000
Corporate bond #36-2	2017-06-23	2027-06-23	Fixed rate	2.35%	70,000	70,000
Corporate bond #36-3	2017-06-23	2037-06-23	Fixed rate	2.47%	90,000	90,000
Corporate bond #37-1	2017-07-21	2022-07-21	Fixed rate	2.09%	40,000	40,000
Corporate bond #37-2	2017-07-21	2027-07-21	Fixed rate	2.36%	50,000	50,000
Corporate bond #37-3	2017-07-21	2037-07-21	Fixed rate	2.47%	110,000	110,000
Corporate bond #38-1	2017-09-05	2027-09-05	Fixed rate	2.44%	50,000	50,000
Corporate bond #38-2	2017-09-05	2037-09-05	Fixed rate	2.51%	100,000	100,000
Corporate bond #39-1	2017-09-28	2022-09-28	Fixed rate	2.20%	30,000	30,000
Corporate bond #39-2	2017-09-28	2047-09-28	Fixed rate	2.46%	120,000	120,000
Corporate bond #40-1	2018-04-20	2021-04-20	Fixed rate	2.34%	70,000	70,000
Corporate bond #40-2	2018-04-20	2038-04-20	Fixed rate	2.81%	60,000	60,000
Corporate bond #40-3	2018-04-20	2048-04-20	Fixed rate	2.81%	70,000	70,000
Corporate bond #41-1	2018-09-14	2021-09-14	Fixed rate	1.97%	80,000	80,000
Corporate bond #41-2	2018-09-14	2038-09-14	Fixed rate	2.27%	100,000	100,000
Corporate bond #41-3	2018-09-14	2048-09-14	Fixed rate	2.25%	90,000	90,000
Corporate bond #42-1	2018-11-01	2021-11-01	Fixed rate	1.95%	50,000	50,000

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21. Borrowings and Debentures, Continued

(4) Local debentures as of December 31, 2020 and 2019 are as follows, Continued

In millions of won

Type	Issue date	Maturity date	Annual interest rate	2020	2019
Corporate bond #42-2	2018-11-01	2038-11-01	Fixed rate 2.25%	60,000	60,000
Corporate bond #42-3	2018-11-01	2048-11-01	Fixed rate 2.20%	20,000	20,000
Corporate bond #43-1	2020-05-28	2025-05-28	Fixed rate 1.40%	60,000	-
Corporate bond #43-2	2020-05-28	2040-05-28	Fixed rate 1.59%	100,000	-
Corporate bond #43-3	2020-05-28	2050-05-28	Fixed rate 1.62%	90,000	-
Corporate bond #44-1	2020-06-23	2025-06-23	Fixed rate 1.42%	90,000	-
Corporate bond #44-2	2020-06-23	2040-06-23	Fixed rate 1.69%	60,000	-
Corporate bond #45-1	2020-08-27	2025-08-27	Fixed rate 1.28%	70,000	-
Corporate bond #45-2	2020-08-27	2040-08-27	Fixed rate 1.68%	80,000	-
Corporate bond #45-3	2020-08-27	2050-08-27	Fixed rate 1.68%	80,000	-
Corporate bond #46-1	2020-11-05	2022-11-05	Fixed rate 1.00%	60,000	-
Corporate bond #46-2	2020-11-05	2025-11-05	Fixed rate 1.42%	10,000	-
Corporate bond #46-3	2020-11-05	2050-11-05	Fixed rate 1.76%	80,000	-
Corporate bond #47-1	2020-12-22	2025-12-22	Fixed rate 1.51%	40,000	-
Corporate bond #47-2	2020-12-22	2030-12-22	Fixed rate 1.82%	50,000	-
Corporate bond #47-3	2020-12-22	2050-12-22	Fixed rate 1.88%	80,000	-
				4,330,000	4,010,000
Less: discount on debentures				(6,990)	(5,886)
Less: current portion				(559,795)	(629,839)
				₩ 3,763,215	3,374,275

(5) Foreign debentures as of December 31, 2020 and 2019 are as follows:

In millions of won, In thousands of USD, CHF

Type	Issue date	Maturity date	Annual interest rate	Foreign Currency	2020	2019
Euro bond #4	2018.06.07	2023.06.07	Fixed rate 3.750%	USD 300,000 ₩	326,400	347,340
Swiss franc bond #2	2019.02.27	2024.02.27	Fixed rate 0.125%	CHF 200,000	246,866	239,104
Euro bond #5	2019.07.22	2022.07.22	Fixed rate 2.375%	USD 300,000	326,400	347,340
					899,666	933,784
Less: discount on debentures					(3,573)	(5,382)
Less: current portion					-	-
					₩ 896,093	928,402

(6) Repayment schedule of borrowings and debentures as December 31, 2020 are as follows:

In millions of won

	Less than 1 year	1 - 2 years	2 - 5 years	More than 5 years	Total
Long-term borrowings	₩ 348	348	156	-	852
Debentures	560,000	716,400	1,663,266	2,290,000	5,229,666
	₩ 560,348	716,748	1,663,422	2,290,000	5,230,518

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21. Borrowings and Debentures, Continued

(7) Changes in borrowings and debentures for the years ended December 31, 2020 and 2019 are as follows:

(i) For the year ended December 31, 2020

In millions of won

	<u>Beginning balance</u>	<u>Cash flows</u>	<u>Foreign exchange rates fluctuation</u>	<u>Others</u>	<u>Ending balance</u>
Borrowings	₩ 201,200	(199,511)	(837)	-	852
Debentures	4,932,516	317,569	(34,118)	3,136	5,219,103
	<u>₩ 5,133,716</u>	<u>118,058</u>	<u>(34,955)</u>	<u>3,136</u>	<u>5,219,955</u>

(ii) For the year ended December 31, 2019

In millions of won

	<u>Beginning balance</u>	<u>Cash flows</u>	<u>Foreign exchange rates fluctuation</u>	<u>Others</u>	<u>Ending balance</u>
Borrowings	₩ 41,548	162,340	(2,688)	-	201,200
Debentures	5,058,243	(174,920)	46,083	3,110	4,932,516
	<u>₩ 5,099,791</u>	<u>(12,580)</u>	<u>43,395</u>	<u>3,110</u>	<u>5,133,716</u>

22. Other Financial Liabilities

Other financial liabilities as of December 31, 2020 and 2019 are as follows:

In millions of won

		<u>2020</u>		<u>2019</u>	
		<u>Current</u>	<u>Non-current</u>	<u>Current</u>	<u>Non-current</u>
Derivative liabilities	₩	36	17,374	312	357

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23. Employment Benefits

(1) The principal assumptions used on actuarial valuation as of December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Discount rate	2.11~2.40%	2.04%
Future salary increase rate	3.22 ~ 5.82%	3.22 ~ 5.82%
Weighted average duration	11~12.9 years	10.99~12.7 years

(2) Details of the expense relating to the defined benefit plans for the years ended December 31, 2020 and 2019 are as follows:

In millions of won

		<u>2020</u>	<u>2019</u>
Current service cost	₩	17,571	16,424
Interest cost		2,878	2,861
Expected return on plan assets		(797)	(809)
Past service cost		-	9,915
	₩	<u>19,652</u>	<u>28,391</u>

(3) Net defined benefit liabilities as of December 31, 2020 and 2019 are as follows:

In millions of won

		<u>2020</u>	<u>2019</u>
Present value of defined benefit obligation from funded plans	₩	145,708	137,864
Fair value of plan assets		(48,871)	(38,821)
Net liabilities incurred from defined benefit plans	₩	<u>96,837</u>	<u>99,043</u>

(4) Changes in the present value of defined benefit obligations for the years ended December 31, 2020 and 2019 are as follows:

In millions of won

		<u>2020</u>	<u>2019</u>
Beginning balance	₩	137,864	116,250
Current service cost		17,571	16,424
Past service cost		-	9,915
Interest cost		2,879	2,861
Remeasurement		(1,356)	(4,032)
Benefits paid		(11,250)	(3,554)
Ending balance	₩	<u>145,708</u>	<u>137,864</u>

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23. Employment Benefits, Continued

(5) Changes in the fair value of plan assets for the years ended December 31, 2020 and 2019 are as follows:

<i>In millions of won</i>		<u>2020</u>	<u>2019</u>
Beginning balance	₩	38,821	34,380
Interest income		797	809
Remeasurement		(55)	(179)
Contributions by the employers		9,463	3,811
Benefits paid		(155)	-
Ending balance	₩	<u>48,871</u>	<u>38,821</u>

In addition, loss on accumulated remeasurement amounting to ₩26,028 million and ₩27,001 million has been recognized as other comprehensive loss for the years ended December 31, 2020 and 2019, respectively.

(6) Details of fair value of plan assets as of December 31, 2020 and 2019 are as follows:

<i>In millions of won</i>		<u>2020</u>	<u>2019</u>
Bank deposit	₩	12,284	4,247
Others		36,587	34,574
	₩	<u>48,871</u>	<u>38,821</u>

For the years ended December 31, 2020 and 2019, actual returns on plan assets amounted ₩742 million and ₩630 million, respectively.

(7) Details of other long-term employee benefit liabilities as of December 31, 2020 and 2019 are as follows:

<i>In millions of won</i>		<u>2020</u>	<u>2019</u>
Unpaid long-service leave	₩	236	268

(8) Remeasurement recognized in other comprehensive income (loss) for the years ended December 31, 2020 and 2019 are as follows:

<i>In millions of won</i>		<u>2020</u>	<u>2019</u>
Actuarial losses due to changes in demographic assumptions	₩	-	10,864
Actuarial loss from changes in financial assumptions		1,321	2,565
Experience adjustments		35	(9,398)
Expected return on plan assets		(55)	(179)
	₩	<u>1,301</u>	<u>3,852</u>

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24. Provisions

(1) Provisions as of December 31, 2020 and 2019 are as follows:

<i>In millions of won</i>	2020		2019	
	Current	Non-current	Current	Non-current
Provision for employment benefits	₩ 33,988	-	33,274	-
Provision for RPS (*1)	9,126	-	-	-
Provision for financial guarantees (*2)	5,537	-	-	6,216
Provision for greenhouse gas emission (*3)	-	-	-	-
Provision for litigation	9,705	-	23,646	-
	₩ <u>58,356</u>	<u>-</u>	<u>56,920</u>	<u>6,216</u>

(*1) As the Group is obligated to produce and supply certain amount of energies from renewable energy sources in accordance with the *Act on the Promotion of the Development and Use of New and Renewable Sources of Energy*, the Group has recognized provision for renewable portfolio standard (RPS).

(*2) The Group guarantees the borrowings of KEPCO Bylong Australia Pty., Ltd. to the Export-Import Bank of Korea in order to acquire the equity instruments owned by KEPCO in accordance with government's adjustment plan for functions of public institutions and strengthen long-term and stable supply of power generation fuels.

(*3) As the Group has a present obligation which is expected to be fulfilled by submitting emission rights to the government with regard to emission of greenhouse gas in accordance with the *Act on the Allocation and Trading of Greenhouse Gas Emission Permits*, the Group has recognized provision for greenhouse gas.

(2) Changes in provisions for the years ended December 31, 2020 and 2019 are as follows:

(i) For the year ended December 31, 2020

<i>In millions of won</i>	Beginning balance	Increase	Utilization	Reversal	Other changes	Ending balance
Provision for employment benefits	₩ 33,274	41,984	(41,270)	-	-	33,988
Provision for RPS	-	13,653	-	(4,527)	-	9,126
Provision for financial guarantees	6,216	-	-	-	(679)	5,537
Provision for greenhouse gas	-	24,953	-	-	(24,953)	-
Provision for litigation	23,647	875	(14,817)	-	-	9,705
	₩ <u>63,137</u>	<u>81,465</u>	<u>(56,087)</u>	<u>(4,527)</u>	<u>(25,632)</u>	<u>58,356</u>

(ii) For the year ended December 31, 2019

<i>In millions of won</i>	Beginning balance	Increase	Utilization	Reversal	Other changes	Ending balance
Provision for employment benefits	₩ 32,759	46,562	(25,267)	(20,780)	-	33,274
Provision for RPS	-	19,756	-	(19,756)	-	-
Provision for financial guarantees	84	6,154	(22)	-	-	6,216
Provision for greenhouse gas	-	5,348	(5,223)	(125)	-	-
Provision for litigation	-	8,533	-	-	15,113	23,646
	₩ <u>32,843</u>	<u>86,353</u>	<u>(30,512)</u>	<u>(40,661)</u>	<u>15,113</u>	<u>63,136</u>

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25. Non-financial Liabilities

Non-financial liabilities as of December 31, 2020 and 2019 are as follows:

In millions of won

	2020		2019	
	Current	Non-current	Current	Non-current
Unearned revenue	₩ -	-	10,000	-
Deferred revenue	269	-	263	-
Withholdings	5,699	-	3,534	-
Others	27,516	2,646	2,592	643
	₩ 33,484	2,646	16,389	643

26. Contributed capital

(1) Details of issued capital as of December 31, 2020 and 2019 are as follows:

In millions of won, except par value and number of shares

Type	Number of shares authorized	Number of shares issued	Par value	2020	2019
Common Stock	100,000,000	33,329,119	₩ 5,000	166,646	166,646

(2) Changes in number of outstanding capital stock for the years ended December 31, 2020 and 2019 are as follows:

<i>Number of shares</i>	2020	2019
Beginning balance	33,329,119	33,329,119
Changes	-	-
Ending balance	33,329,119	33,329,119

(3) Details of share premium as of December 31, 2020 and 2019 are as follows:

In millions of won

	2020	2019
Paid-in capital in excess of par value	₩ 1,106,252	1,106,252

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27. Retained Earnings and Dividends Paid

(1) Details of retained earnings as of December 31, 2020 and 2019 are as follows:

In millions of won

	<u>2020</u>	<u>2019</u>
Legal reserves (*1)	₩ 75,614	75,614
Voluntary reserves	1,774,059	1,817,200
Unappropriated retained earnings	587,759	635,228
	<u>₩ 2,437,432</u>	<u>2,528,042</u>

(*1) In accordance with the Commercial Code, an amount equal to at least 10% of cash dividend for each accounting period is required to be appropriated as a legal reserve until the reserve equals 50% of issued capital. The legal reserve cannot be used as a source for cash dividends and may be used to offset an accumulated deficit.

(2) Details of voluntary reserves as of December 31, 2020 and 2019 are as follows:

In millions of won

	<u>2020</u>	<u>2019</u>
Reserve for the rationalization of business (*1)	₩ 181	180
Reserve for investment on social overhead capital	13,000	13,000
Reserve for business expansion	1,760,878	1,804,020
	<u>₩ 1,774,059</u>	<u>1,817,200</u>

(*1) Prior to 2002, KOWEPO appropriated certain tax-deductible benefits as reserve for the rationalization of business, for offsetting future deficit in accordance with the *Restriction of Special Taxation Act*. However, when the Act was amended on December 11, 2002, the Group's reserves have been changed to voluntary reserves due to deletion of related provision.

(3) Changes in unappropriated retained earnings for the years ended December 31, 2020 and 2019 are as follows:

In millions of won

	<u>2020</u>	<u>2019</u>
Beginning balance	₩ 635,228	647,002
Loss for the year attributed to owners of the parent	(85,937)	(46,730)
Remeasurements of defined benefit plan, net of tax	973	2,920
Transfers to reserves	43,141	32,333
Changes in equity method retained earnings	(5,646)	(297)
Ending balance	<u>₩ 587,759</u>	<u>635,228</u>

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27. Retained Earnings and Dividends Paid, Continued

(4) Dividends paid for the years ended December 31, 2020 and 2019 are as follows:

(i) For the year ended December 31, 2020

Number of shares

Type	Number of shares issued	Number of treasury stocks	Number of shares eligible for dividends	Dividends paid per share (in won)	Dividends paid (in millions of won)
Common shares	33,329,119	-	33,329,119	-	-

(ii) For the year ended December 31, 2019

Number of shares

Type	Number of shares issued	Number of treasury stocks	Number of shares eligible for dividends	Dividends paid per share (in won)	Dividends paid (in millions of won)
Common shares	33,329,119	-	33,329,119	-	-

(5) Changes in equity method retained earnings for the years ended December 31, 2020 and 2019 are as follows:

In millions of won

	2020	2019
Beginning balance	₩ 6,142	6,439
Changes	(5,646)	(297)
Ending balance	₩ 496	6,142

(6) Changes in remeasurements of defined benefit plans for the years ended December 31, 2020 and 2019 are as follows:

In millions of won

	2020	2019
Beginning balance	₩ (27,001)	(29,921)
Changes	1,301	3,852
Income tax effect	(328)	(932)
Ending balance	₩ (26,028)	(27,001)

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28. Statement of Appropriation of Retained Earnings

Statements of appropriation of retained earnings for the years ended December 31, 2020 and 2019 are as follows:

Date of appropriation for 2020: March 24, 2021

Date of appropriation for 2019: March 26, 2020

In millions of won

	<u>2020</u>	<u>2019</u>
Unappropriated retained earnings		
Balance at beginning of year	₩ 711,596	711,596
Loss for the year	(108,953)	(46,061)
Remeasurements of defined benefit plans	1,428	2,920
	<u>604,071</u>	<u>668,455</u>
Transfer from voluntary reserves		
Reserves for business expansion	107,525	43,141
Balance at end of year before appropriation	₩ <u>711,596</u>	<u>711,596</u>
Appropriation of retained earnings		
Cash dividends	-	-
Legal reserve	-	-
Reserve for business expansion	-	-
Unappropriated retained earnings to be carried over	₩ <u>711,596</u>	<u>711,596</u>

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29. Other Components of Equity

(1) Other components of equity as of December 31, 2020 and 2019 are as follows:

In millions of won

	2020	2019
Accumulated other comprehensive income	₩ 62,394	78,876
Other equity	(41,784)	(41,784)
	<u>₩ 20,610</u>	<u>37,092</u>

(2) Changes in accumulated other comprehensive income (loss) for the years ended December 31, 2020 and 2019 are as follows:

(i) For the year ended December 31, 2020

In millions of won

	Financial assets at fair value through other comprehensive income valuation reserve	Reserve for gain (loss) on valuation of derivatives	Reserve for foreign operations translation	Share of other comprehensive income (loss) of associates and joint ventures	Total
Beginning balance	₩ 77,591	6,276	(7,448)	2,457	78,876
Valuation loss on financial assets at fair value through other comprehensive income	(16,867)	-	-	-	(16,867)
Valuation gain on derivatives	-	7,342	-	-	7,342
Foreign currency translation of foreign operations	-	-	327	-	327
Share of other comprehensive loss of associates and joint ventures	-	-	-	(9,589)	(9,589)
Tax effect	4,082	(1,777)	-	-	2,305
Ending balance	<u>₩ 64,806</u>	<u>11,841</u>	<u>(7,121)</u>	<u>(7,132)</u>	<u>62,394</u>

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29. Other Components of Equity, Continued

(2) Changes in accumulated other comprehensive income (loss) for the years ended December 31, 2020 and 2019 are as follows, Continued:

(ii) For the year ended December 31, 2019

In millions of won

		Financial assets at fair value through other comprehensive income valuation reserve	Reserve for gain (loss) on valuation of derivatives	Reserve for foreign operations translation	Share of other comprehensive income (loss) of associates and joint ventures	Total
Beginning balance	₩	97,946	3,135	(9,389)	(1,410)	90,282
Valuation loss on financial assets at fair value through other comprehensive income		(26,853)	-	-	-	(26,853)
Valuation gain on derivatives		-	4,144	-	-	4,144
Foreign currency translation of foreign operations		-	-	1,941	-	1,941
Share of other comprehensive income of associates and joint ventures		-	-	-	3,867	3,867
Tax effect		6,498	(1,003)	-	-	5,495
Ending balance	₩	<u>77,591</u>	<u>6,276</u>	<u>(7,448)</u>	<u>2,457</u>	<u>78,876</u>

(3) No changes occurred for the years ended December 31, 2020 and 2019.

30. Sales

Details of sales for the years ended December 31, 2020 and 2019 are as follows:

In millions of won

		<u>2020</u>	<u>2019</u>
Sales of electricity	₩	3,604,347	4,445,783
Others		24,638	22,796
	₩	<u>3,628,985</u>	<u>4,468,579</u>

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31. Selling and Administrative Expenses

Details of selling and administrative expenses for the years ended December 31, 2020 and 2019 are as follows:

<i>In millions of won</i>		<u>2020</u>	<u>2019</u>
Salaries	₩	22,554	19,131
Retirement benefit expense		1,354	2,095
Welfare and benefit expense		2,082	2,101
Insurance expense		566	470
Depreciation		14,011	16,644
Amortization		2,164	1,690
Commission		21,998	17,375
Advertising expense		1,613	1,778
Training expense		25	55
Vehicle maintenance expense		68	70
Publishing expense		250	124
Business promotion expense		108	96
Rent expense		1,055	734
Telecommunication expense		408	414
Transportation expense		7	14
Taxes and dues		4,142	3,820
Expendable supplies expense		314	168
Water, light and heating expense		697	735
Repairs and maintenance expense		1,300	956
Ordinary development expense		15,195	18,415
Travel expense		243	374
Clothing expense		13	-
Survey and analysis expense		-	4
Others		3,846	8,630
	₩	<u>94,013</u>	<u>95,893</u>

32. Other Non-operating Income and Expense

(1) Other non-operating income for the years ended December 31, 2020 and 2019 are as follows:

<i>In millions of won</i>		<u>2020</u>	<u>2019</u>
Rental income	₩	4,899	5,039
Gains from assets contributed		1,840	23
	₩	<u>6,739</u>	<u>5,062</u>

(2) Other non-operating expenses for years ended December 31, 2020 and 2019 are as follows:

<i>In millions of won</i>		<u>2020</u>	<u>2019</u>
Donations	₩	16,723	7,957
Other bad debt expenses		(5)	87
	₩	<u>16,718</u>	<u>8,044</u>

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33. Other Income (Loss)

Details of other income and loss for the years ended December 31, 2020 and 2019 are as follows:

<i>In millions of won</i>	<u>2020</u>	<u>2019</u>
Gain on disposal of property, plant, and equipment	₩ 219	288
Gain on disposal of intangible assets	1,556	-
Gain on foreign currency translation	1,436	1,034
Gain on foreign currency transaction	9,120	7,676
Gain on exemption of debts	-	345
Other gains	55,101	13,257
Loss on disposal of property, plant, and equipment	(10,095)	(7,050)
Loss on disposal of intangible assets	-	-
Loss on impairment of property, plant and equipment	(8,300)	(6,345)
Loss on foreign currency translation	(90)	(779)
Loss on foreign currency transaction	(6,113)	(8,861)
Other losses	(13,673)	(3,079)
	<u>₩ 29,161</u>	<u>(3,514)</u>

34. Finance Income

(1) Finance income for the years ended December 31, 2020 and 2019 are as follows:

<i>In millions of won</i>	<u>2020</u>	<u>2019</u>
Interest income	₩ 2,128	6,677
Dividend income	3,154	14,052
Gain on valuation of short-term financial instruments	17	-
Gain on valuation of derivatives	7,762	27,347
Gain on transaction of derivatives	13,188	41,105
Gain on foreign currency translation	81,448	4,680
Gain on foreign currency transaction	1,430	2,688
	<u>₩ 109,127</u>	<u>96,549</u>

(2) Interest income included in finance income for years ended December 31, 2020 and 2019 are as follows:

<i>In millions of won</i>	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	₩ 869	5,760
Loans	1,074	849
Other financial instruments	112	13
Trade and other receivables	73	55
	<u>₩ 2,128</u>	<u>6,677</u>

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35. Finance Costs

(1) Finance costs for years ended December 31, 2020 and 2019 are as follows:

<i>In millions of won</i>	<u>2020</u>	<u>2019</u>
Interest expenses	₩ 134,402	148,019
Loss on valuation of derivatives	41,916	4,992
Loss on transaction of derivatives	5,469	11,075
Loss on foreign currency translation	9,409	56,054
Loss on foreign currency transaction	620	23,449
Others	281	6,154
	<u>₩ 192,097</u>	<u>249,743</u>

(2) Interest expenses included in finance expenses for the years ended December 31, 2020 and 2019 are as follows:

<i>In millions of won</i>	<u>2020</u>	<u>2019</u>
Short-term borrowings	₩ 1,115	1,094
Long-term borrowings	8	11
Debentures	122,442	131,972
Trade and other payables	1	538
Lease liabilities	15,588	17,000
	<u>139,154</u>	<u>150,615</u>
Less: capitalized borrowing costs	(4,752)	(2,596)
	<u>₩ 134,402</u>	<u>148,019</u>

36. Income Tax Benefit

(1) Components of income tax benefit for the years ended December 31, 2020 and 2019 are as follows:

<i>In millions of won</i>	<u>2020</u>	<u>2019</u>
Current income tax		
Current income tax	₩ 3,980	7,627
Adjustment for prior period	(62)	(22,113)
Income tax charged directly to equity	1,977	4,563
	<u>5,895</u>	<u>(9,923)</u>
Deferred tax		
Generation and realization of temporary differences	(29,815)	(44,206)
Amount due to tax deficits, tax credits and temporary differences that were not recognized in the past	(251)	(14,053)
Effect of decrease in tax credit	9,241	-
	<u>(20,825)</u>	<u>(58,259)</u>
Income tax benefit	<u>₩ (14,930)</u>	<u>(68,182)</u>

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36. Income Tax Benefit, Continued

(2) The relationship between accounting loss and income tax benefit for the years ended December 31, 2020 and 2019 is as follows:

In millions of won

	<u>2020</u>	<u>2019</u>
Loss before income tax benefit	₩ (100,868)	(114,799)
Income tax benefit in accordance with statutory tax rate	(24,411)	(29,419)
Adjustments		
Effects of the application of accumulative tax rate	(462)	(462)
Effects of non-deductible expenses	1,015	6,368
Effects of tax credits or exemptions	-	(8,503)
Amount due to tax deficits, tax credits and temporary differences that were not recognized in the past	(251)	(14,052)
Effect of decrease in tax credit	9,241	-
	9,543	(16,649)
Adjustment for prior period	(62)	(22,114)
Income tax benefit (*1)	₩ (14,930)	(68,182)

(*1) The average effective tax rate for the years ended December 31, 2020 and 2019 is not presented as a result of negative average effective tax rate due to loss before income tax benefit.

(3) Income tax recognized in other comprehensive income for the years ended December 31, 2020 and 2019 are as follows:

In millions of won

	<u>2020</u>	<u>2019</u>
Net change in the non-current financial assets at fair value through other comprehensive income, net of tax	₩ 4,082	6,498
Loss on valuation of derivatives using cash flow hedge accounting, net	(1,777)	(1,002)
Remeasurements of defined benefit plans	(328)	(932)
	₩ 1,977	4,564

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36. Income Tax Benefit, Continued

(4) Recognized deferred tax assets (liabilities) in the consolidated statement of financial position for the years ended December 31, 2020 and 2019 are as follows:

(i) For the year ended December 31, 2020

In millions of won

	Balance as of January 1, 2020	Amounts recognized in profit or loss	Amounts recognized in other comprehensive income (loss)	Balance as of December 31, 2020
Deferred tax on temporary differences				
Long-term employee benefits	₩ 23,908	(219)	(328)	23,361
Cash flow hedges	(10,934)	8,193	(1,777)	(4,518)
Property, plant and equipment	(299,716)	11,789	-	(287,927)
Intangible assets	56	-	-	56
Inventories	1,769	(550)	-	1,219
Financial assets at fair value through other comprehensive income	(25,805)	-	4,082	(21,723)
Foreign currency translation	10,443	(8,197)	-	2,246
Other provision	(4,240)	-	-	(4,240)
Others	24,841	4,464	-	29,305
	(279,678)	15,480	1,977	(262,221)
Unused tax deficit and tax credit carry forward	25,887	3,368	-	29,255
Total	₩ (253,791)	18,848	1,977	(232,966)

(ii) For the year ended December 31, 2019

In millions of won

	Balance as of January 1, 2019	Amounts recognized in profit or loss	Amounts recognized in other comprehensive income (loss)	Balance as of December 31, 2019
Deferred tax on temporary differences				
Long-term employee benefits	₩ 19,812	5,028	(932)	23,908
Cash flow hedges	(7,505)	(2,427)	(1,002)	(10,934)
Inventory	-	1,769	-	1,769
Property, plant and equipment	(347,294)	47,578	-	(299,716)
Intangible assets	56	-	-	56
Financial assets at fair value through other comprehensive income	(32,303)	-	6,498	(25,805)
Foreign currency translation	7,822	2,621	-	10,443
Other provision	(4,240)	-	-	(4,240)
Others	51,602	(26,761)	-	24,841
	(312,050)	27,808	4,564	(279,678)
Unused tax deficit and tax credit carry forward	-	25,887	-	25,887
Total	₩ (312,050)	53,695	4,564	(253,791)

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36. Income Tax Benefit, Continued

(5) The details of deductible temporary differences not recognized as deferred tax assets as of December 31, 2020 are as follows:

<i>In millions of won</i>	<u>2020</u>
Investments in associates and others	₩ 164,688

(6) Deferred tax liabilities presented in the consolidated statement of financial position are as follows:

<i>In millions of won</i>	<u>2020</u>	<u>2019</u>
Deferred tax assets	₩ 1,445	604
Deferred tax liabilities	(234,411)	(254,395)
	<u>₩ (232,966)</u>	<u>(253,791)</u>

37. Expenses Classified by Nature

Expenses classified by nature for years ended December 31, 2020 and 2019 are as follows:

(i) For the year ended December 31, 2020

<i>In millions of won</i>	<u>Selling and administrative expenses</u>	<u>Cost of sales</u>	<u>Total</u>
Raw materials used	₩ -	2,203,302	2,203,302
Salaries	22,554	221,746	244,300
Retirement benefit expense	1,354	23,385	24,739
Welfare and benefit expense	2,082	20,987	23,069
Insurance expense	566	10,331	10,897
Depreciation	14,011	807,193	821,204
Amortization	2,164	2,865	5,029
Commission	21,998	12,809	34,807
Advertising expense	1,613	376	1,989
Training expense	25	150	175
Vehicle maintenance expense	68	96	164
Publishing expense	250	277	527
Business promotion expense	108	267	375
Rent expense	1,055	21,509	22,564
Telecommunication expense	408	194	602
Transportation expense	7	23	30
Taxes and dues	4,142	23,757	27,899
Expendable supplies expense	314	1,777	2,091
Water, light and heating expense	697	294	991
Repairs and maintenance expense	1,300	175,563	176,863
Ordinary development expense	15,195	15,321	30,516
Travel expense	243	567	810
Clothing expense	13	466	479
Survey and analysis expense	-	100	100
Others	3,846	51,178	55,024
	<u>₩ 94,013</u>	<u>3,594,533</u>	<u>3,688,546</u>

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37. Expenses Classified by Nature, Continued

Expenses classified by nature for years ended December 31, 2020 and 2019 are as follows:

(ii) For the year ended December 31, 2019

In millions of won

	Selling and administrative expenses	Cost of sales	Total
Raw materials used	₩ -	3,002,929	3,002,929
Salaries	19,131	206,999	226,130
Retirement benefit expense	2,095	31,434	33,529
Welfare and benefit expense	2,101	18,707	20,808
Insurance expense	470	11,914	12,384
Depreciation	16,644	812,692	829,336
Amortization	1,690	3,931	5,621
Commission	17,375	15,577	32,952
Advertising expense	1,778	551	2,329
Training expense	55	378	433
Vehicle maintenance expense	70	85	155
Publishing expense	124	191	315
Business promotion expense	96	302	398
Rent expense	734	18,191	18,925
Telecommunication expense	414	174	588
Transportation expense	14	30	44
Taxes and dues	3,820	26,983	30,803
Expendable supplies expense	168	1,386	1,554
Water, light and heating expense	735	398	1,133
Repairs and maintenance expense	956	157,120	158,076
Ordinary development expense	18,415	12,431	30,846
Travel expense	374	757	1,131
Clothing expense	-	300	300
Survey and analysis expense	4	76	80
Others	8,630	(25,551)	(16,921)
	₩ 95,893	4,297,985	4,393,878

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38. Loss per Share

(1) Basic loss per share for the years ended December 31, 2020 and 2019 are as follows:

<i>In won</i>	<u>2020</u>	<u>2019</u>
Basic loss per share	₩ (2,578)	(1,402)

(*) Since the Group does not own dilutive securities, basic loss per share is identical to dilutive losses per share.

(2) Loss attributable to controlling interest and weighted average number of common shares outstanding for the years ended December 31, 2020 and 2019 are as follows:

<i>In millions of won, except for number of share</i>	<u>2020</u>	<u>2019</u>
Loss attributable to controlling interest	₩ (85,937)	(46,730)
Weighted average number of common shares	33,329,119	33,329,119

39. Risk Management

(1) Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern 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 period.

Details of the Group's capital management accounts as of December 31, 2020 and 2019 are as follows:

<i>In millions of won</i>	<u>2020</u>	<u>2019</u>
Total borrowings and debentures	₩ 5,219,954	5,133,716
Cash and cash equivalents	68,092	61,301
Net borrowings and debentures	<u>5,151,862</u>	<u>5,072,415</u>
Total equity	₩ <u>3,731,009</u>	<u>3,838,122</u>
Debt to equity percentage	138.08%	132.16%

(2) Financial risk management

The Group is exposed to various risks related to its financial instruments, such as market risk (foreign currency risk, interest rate risk and 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 analyses exposures by the degree and magnitude of risks. The Group uses derivative financial instruments for certain hedge risk exposures. The Group's overall financial risk management strategy remained unchanged from the prior period.

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39. Risk Management, Continued

(2) Financial risk management, Continued

1) Credit risk

Credit risk is the risk of a financial loss to the Group when a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises primarily from the Group's sales activities, loans and receivables, derivative instruments. In addition, credit risk exposure may exist within financial guarantees and unused line of credits. The Group transacts with banks and financial institutions with excellent credit rating, so the credit risk from financial institutions is limited. In case of ordinary customers, the Group evaluates the customers' credit worthiness considering their financial statements, past experience and other factors.

a) Credit risk management

Electricity sales, the main operations of the Group, are the necessity for daily life and industrial activities of Korean nationals, and have importance as one of the national key industries. The Group uses publicly available information and its own internal data related to trade receivables, to rate its major customers and to measure the credit risk that a counterparty will default on a contractual obligation. For the incurred but not recognized loss, it is measured considering overdue period.

b) Impairment and allowance account

In accordance with the Group's policies, individual material financial assets are assessed on a regular basis; trade receivables that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Value of the acquired collateral (including the confirmation of feasibility) and estimated collectable amounts are included in this assessment. Allowance for bad debts assessed on a collective basis are recognized for (i) the group of assets which individually are not material and (ii) incurred but not recognized losses that are assessed using statistical methods, judgment and past experience.

Book values of the financial assets represent the maximum exposure of the credit risk. Details of the Group's level of maximum exposure of the credit risk as of December 31, 2020 and 2019 are as follows:

<i>In millions of won</i>	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	₩ 68,092	61,302
Loans	37,713	39,200
Short-term financial instruments	200,832	50,000
Derivative assets (trading)	-	15
Derivative assets (hedge accounting)	36,079	45,838
Trade and other receivables	523,620	566,103

As of the reporting date, there are no financial assets and non-financial assets that were acquired through the exercise of the right of collateralized assets and reinforcement of credit arrangement.

As of the reporting date, the total guarantee amount to be assumed by the Group when the event of financial guarantees occurs in accordance with the financial guarantee contracts is ₩ 26,610 million (Note 40).

2) Market risk

Market risk is the risk that the Group's fair values of the financial instruments or future cash flows are affected by the changes in the market. Market risk consists of interest rate risk, currency risk and other price risk.

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39. Risk Management, Continued

(2) Financial risk management, Continued

3) Sensitivity analysis

a) Major assets and liabilities with uncertainties in underlying assumptions

① Defined benefit obligation

A sensitivity analysis of defined benefit obligation assuming a 1% increase or decrease in the actuarial assumptions as of December 31, 2020 and 2019 are as follows:

In millions of won

Type	Accounts	2020		2019	
		1% Increase	1% Decrease	1% Increase	1% Decrease
Future salary increase rate	Increase (decrease) in defined benefit obligation	₩ 19,185	(16,355)	17,705	(15,098)
Discount rate	Increase (decrease) in defined benefit obligation	(17,005)	20,465	(15,717)	18,909

b) Management judgment affected by uncertainties in underlying assumptions

① Foreign currency risk

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to currency exchange rate fluctuations arise. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities as of December 31, 2020 and 2019 are as follows:

(i) As of December 31, 2020

In thousands of foreign currencies

	USD	CHF	EUR	JPY
Assets				
Cash and cash equivalents	19,006	-	-	-
Trade and other receivables	1,412	-	-	-
Long-term loans	18,099	-	-	-
	<u>38,517</u>	<u>-</u>	<u>-</u>	<u>-</u>
Liabilities				
Trade and other payables	(623,482)	-	(1)	(1,080)
Debentures	(600,000)	(200,000)	-	-
	<u>(1,223,482)</u>	<u>(200,000)</u>	<u>(1)</u>	<u>(1,080)</u>
Net exposure in foreign currency	<u>(1,184,965)</u>	<u>(200,000)</u>	<u>(1)</u>	<u>(1,080)</u>

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39. Risk Management, Continued

(2) Financial risk management, Continued

3) Sensitivity analysis, Continued

b) Management judgment affected by uncertainties in underlying assumptions, Continued

① Foreign currency risk, Continued

(ii) As of December 31, 2019

<i>In thousands of foreign currencies</i>	<u>USD</u>	<u>CHF</u>
Assets		
Cash and cash equivalents	9,047	-
Trade and other receivables	1,536	-
Non-current financial instruments	18,590	-
	<u>29,173</u>	<u>-</u>
Liabilities		
Trade and other payables	(713,600)	-
Debentures	(600,000)	(200,000)
	<u>(1,313,600)</u>	<u>(200,000)</u>
Net exposure in foreign currency	<u>(1,284,427)</u>	<u>(200,000)</u>

A sensitivity analysis on the Group's profit for the year assuming a 10% increase or decrease in currency exchange rates as of December 31, 2020 and 2019 are as follows:

<i>In millions of won</i>	<u>2020</u>		<u>2019</u>	
	<u>10%</u>	<u>10%</u>	<u>10%</u>	<u>10%</u>
	<u>Increase</u>	<u>Decrease</u>	<u>Increase</u>	<u>Decrease</u>
Increase (decrease) of profit before income tax	₩ (153,612)	153,612	(170,049)	170,049
Increase (decrease) of equity	(153,612)	153,612	(170,049)	170,049

The sensitivity analysis above is conducted for monetary assets and liabilities denominated in foreign currencies other than functional currency, without consideration of hedge effect of related derivatives, as of December 31, 2020 and 2019.

To manage its foreign currency risk related to foreign currency denominated receivables and payables, the Group has a policy to enter into currency swap agreements. In addition, to manage its foreign currency risk related to foreign currency denominated expected sales transactions and purchase transactions, the Group enters into cross-currency forward agreements.

When derivatives are traded for hedging purpose, the Group negotiates the terms of the derivatives contract to meet the conditions for hedging. In order to hedge the exchange risk of payment of payables and collection of receivables in foreign currencies, the exposure period until the time of cash flow forecasts for transactions up to the point of settlement of payables and receivables is included. These forecast transactions are highly likely to occur, and the balance of currency swap contracts depends on the level and exchange rates of the expected payables and receivables in foreign currencies.

There is an economic relationship between the hedged items and hedging instruments since the terms of currency swap contract is consistent with the terms of forecast transactions. Since the risk of the Group's currency swap contract is consistent to hedged item, the hedging relationship is set to 1:1. At the end of the reporting period, the Group's hedging instruments is hedging against the risk of hedged items.

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39. Risk Management, Continued

(2) Financial risk management, Continued

3) Sensitivity analysis, Continued

b) Management judgment affected 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. A 1% increase or decrease is used when reporting interest rate risk internally to key management personnel which represents management's assessment of the reasonably possible change in interest rates.

The Group's borrowings and debentures with floating interest rates as of December 31, 2020 and 2019 are as follows:

<i>In millions of won</i>	<u>2020</u>	<u>2019</u>
Long-term borrowings	₩ 852	1,200

A sensitivity analysis on the Group's borrowings and debentures assuming a 1% increase or decrease in interest rates for the years ended December 31, 2020 and 2019 are as follows:

<i>In millions of won</i>	<u>2020</u>		<u>2019</u>	
	<u>1%</u>	<u>1%</u>	<u>1%</u>	<u>1%</u>
	<u>Increase</u>	<u>Decrease</u>	<u>Increase</u>	<u>Decrease</u>
Increase(decrease) of profit before income tax	₩ (9)	9	(12)	12
Increase(decrease) of equity	(9)	9	(12)	12

4) 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 financing 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.

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39. Risk Management, Continued

(2) Financial risk management, Continued

4) Liquidity risk, Continued

The following table shows the details of maturities of non-derivative financial liabilities as of December 31, 2020 and 2019. This table, based on the undiscounted cash flows of the non-derivative financial liabilities including estimated interests, has been prepared based on the respective liabilities' earliest maturity date.

(i) As of December 31, 2020

<i>In millions of won</i>	Less than 1 year	1-2 years	2-5 years	More than 5 years	Total
Borrowings and debentures	₩ 678,103	823,417	1,868,304	2,858,608	6,228,432
Trade and other payables	377,976	78,402	237,221	318,109	1,011,708
Financial guarantee contract	5,537	-	20,300	-	25,837
	<u>₩ 1,061,616</u>	<u>901,819</u>	<u>2,125,825</u>	<u>3,176,717</u>	<u>7,265,977</u>

(ii) As of December 31, 2019

<i>In millions of won</i>	Less than 1 year	1-2 years	2-5 years	More than 5 years	Total
Borrowings and debentures	₩ 946,122	664,445	2,128,391	2,247,284	5,986,242
Trade and other payables	396,199	103,462	249,819	419,743	1,169,223
Financial guarantee contract	-	-	27,015	-	27,015
	<u>₩ 1,342,321</u>	<u>767,907</u>	<u>2,405,225</u>	<u>2,667,027</u>	<u>7,182,480</u>

As the Group manages liquidity on a net asset and net liability basis, it is necessary to include information about non-derivative financial assets in order to understand liquidity risk management.

The expected maturities for non-derivative financial assets as of December 31, 2020 and 2019 in detail are as follows:

(i) As of December 31, 2020

In millions of won

	Less than 1 year	1-5 years	Over 5 years	Uncertain	Total
Cash and cash equivalents	₩ 68,092	-	-	-	68,092
Financial assets at fair value through other comprehensive income	-	-	-	176,090	176,090
Financial assets at fair value through profit or loss	-	-	-	7,412	7,412
Loans	4,670	34,772	-	-	39,442
Short-term financial instruments	200,832	-	-	-	200,832
Trade and other receivables	514,844	9,134	-	-	523,978
	<u>₩ 788,438</u>	<u>43,906</u>	<u>-</u>	<u>183,502</u>	<u>1,015,846</u>

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39. Risk Management, Continued

(2) Financial risk management, Continued

4) Liquidity risk, Continued

(ii) As of December 31, 2019

In millions of won

	<u>Less than 1 year</u>	<u>1-5 years</u>	<u>Over 5 years</u>	<u>Uncertain</u>	<u>Total</u>
Cash and cash equivalents	₩ 61,301	-	-	-	61,301
Financial assets at fair value through other comprehensive income	-	-	-	192,957	192,957
Loans	4,580	36,907	-	-	41,487
Short-term financial instruments	50,000	-	-	-	50,000
Trade and other receivables	559,284	7,143	-	-	566,427
	<u>₩ 675,165</u>	<u>44,050</u>	<u>-</u>	<u>192,957</u>	<u>912,172</u>

Derivative liabilities classified by maturity periods which from reporting date to maturity date of contract as of December 31, 2020 and 2019 are as follows:

(i) As of December 31, 2020

In millions of won

	<u>Less than 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>More than 5 years</u>	<u>Total</u>
Net settlement					
-Trading purpose	₩ -	-	-	-	-
Gross settlement					
-Trading purpose	36	-	-	-	36
-Hedge accounting purpose	-	17,374	-	-	17,374
	<u>₩ 36</u>	<u>17,374</u>	<u>-</u>	<u>-</u>	<u>17,410</u>

(ii) As of December 31, 2019

In millions of won

	<u>Less than 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>More than 5 years</u>	<u>Total</u>
Net settlement					
-Trading purpose	₩ -	-	-	-	-
Gross settlement					
-Trading purpose	312	-	-	-	312
-Hedge accounting purpose	-	-	357	-	357
	<u>₩ 312</u>	<u>-</u>	<u>357</u>	<u>-</u>	<u>669</u>

KOREA WESTERN POWER CO., LTD. AND ITS SUBSIDIARIES
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39. Risk Management, Continued

(3) Fair value risk

The fair value of the Group's actively-traded financial instruments (i.e. FVTPL, FVOCI, etc.) is 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 receivables and payables, 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 instrument with similar contractual cash flows using the effective interest method.

1) Fair value and book value of financial assets and liabilities as of December 31, 2020 and 2019 are as follows:

In millions of won

	2020		2019	
	Book value	Fair value	Book value	Fair value
Assets recognized at fair value				
Financial assets at fair value through other comprehensive income	₩ 176,090	176,090	192,957	192,957
Financial assets at fair value through profit or loss	7,412	7,412	-	-
Short-term financial instruments	150,832	150,832	-	-
Derivatives assets (trading)	-	-	15	15
Derivatives assets (hedge accounting)	36,079	36,079	45,838	45,838
	₩ <u>370,413</u>	<u>370,413</u>	<u>238,810</u>	<u>238,810</u>
Assets carried at amortized cost				
Cash and cash equivalents	₩ 68,092	68,092	61,301	61,301
Trade and other receivables	523,620	523,620	566,103	566,103
Loans	37,713	37,713	39,200	39,200
Short-term financial instruments	50,000	50,000	50,000	50,000
	₩ <u>679,425</u>	<u>679,425</u>	<u>716,604</u>	<u>716,604</u>
Liabilities recognized at fair value				
Derivatives liabilities (trading)	₩ 36	36	312	312
Derivatives liabilities (hedge accounting)	17,374	17,374	357	357
	₩ <u>17,410</u>	<u>17,410</u>	<u>669</u>	<u>669</u>
Liabilities carried at amortized cost				
Trade and other payables	₩ 937,797	937,797	1,076,032	1,076,032
Borrowings	852	852	201,200	201,200
Debentures	5,219,103	5,398,497	4,932,516	5,132,151
	₩ <u>6,157,752</u>	<u>6,337,146</u>	<u>6,209,748</u>	<u>6,409,383</u>

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39. Risk Management, Continued

(3) Fair value risk, Continued

2) The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at the reporting date plus an adequate credit spread.

The discount rates used for calculating fair value as of December 31, 2020 and 2019 are as follows:

Type	2020 (%)	2019 (%)
Derivatives	0.24 ~ 0.52	0.80 ~ 0.83
Debentures	-0.25 ~ 1.97	-0.17 ~ 2.34

3) Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique. The level of hierarchy of fair value is as follows:

	The significance of input variables
Level 1	Quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2	Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3	Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

Fair values of financial instruments by hierarchy level as of December 31, 2020 and 2019, respectively, are as follows:

(i) As of December 31, 2020

In millions of won

	Level 1	Level 2	Level 3	Total
Financial assets at fair value:				
Financial assets at fair value through other comprehensive income	₩ 159,702	-	16,388	176,090
Financial assets at fair value through profit or loss	-	-	7,412	7,412
Short-term financial instruments	-	150,832	-	150,832
Derivative assets (trading)	-	-	-	-
Derivative assets (hedge accounting)	-	36,079	-	36,079
	₩ 159,702	186,911	23,800	370,413
Financial liabilities at fair value:				
Derivative liabilities (trading)	₩ -	36	-	36
Derivative liabilities (hedge accounting)	-	17,374	-	17,374
	₩ -	17,410	-	17,410

The fair value of financial instruments not traded in an active market is determined using valuation techniques. The Group determined the fair value of its financial assets measured at fair value through other comprehensive income through the discounted cash flow, and used assumptions such as weighted average capital cost of 6.01% and permanent growth rate of 0% to determine for value.

There were no transfers between levels 1 and 2 for recurring fair value measurements during the years ended December 31, 2020 and 2019.

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39. Risk Management, Continued

3) Fair value hierarchy, Continued

(ii) As of December 31, 2019

In millions of won

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at fair value:				
Financial assets at fair value through other comprehensive income	₩ 176,172	-	16,785	192,957
Derivative assets (trading)	-	15	-	15
Derivative assets (hedge accounting)	-	45,838	-	45,838
	<u>₩ 176,172</u>	<u>45,853</u>	<u>16,785</u>	<u>238,810</u>
Financial liabilities at fair value:				
Derivative liabilities (trading)	₩ -	312	-	312
Derivative liabilities (hedge accounting)	-	357	-	357
	<u>₩ -</u>	<u>669</u>	<u>-</u>	<u>669</u>

Changes in level 3 for recurring fair value measurements for the year ended December 31, 2020 are as follows:

In millions of won

	<u>Beginning balance</u>	<u>Acquisition</u>	<u>Valuation</u>	<u>Ending balance</u>
Financial assets at fair value through other comprehensive income	₩ 16,785	-	(397)	16,388
Financial assets at fair value through profit or loss	-	7,412	-	7,412
	<u>₩ 16,785</u>	<u>7,412</u>	<u>(397)</u>	<u>23,800</u>

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40. Related Party Transactions

(1) The nature of the Group's relationship with related parties as of December 31, 2020 is as follows:

Control relationship	Related party
Parent company	Korea Electric Power Corporation
Associates	Pioneer Gas Power, Ltd. Eurasia Energy Holdings Xe-Pian Xe-Namnoy Power Co., Ltd. PT. Mutiara Jawa Korea Offshore Wind Power Co., Ltd. Daegu Solar Power Plant Co., Ltd. Dongducheon Dream Power Co., Ltd. Solar Power Plants Happy City Co., Ltd. Shin Pyeongtaek Power Co., Ltd. KEPCO Energy Solution Co., Ltd. Kepco Solar Co., Ltd. (formerly, Solar School Plant Co., Ltd.) Seoroseoro Sunny Power Plant Co., Ltd. Anjwa Smart Farm & Solar City Co., Ltd. Muan Solra Park Co., Ltd Yudang Solra Co., Ltd.
Joint ventures	Rabigh O&M Co., Ltd. KIAMCO KOWEPO Bannerton Hold Co Pty., Ltd. Haemodum Solar Energy Co., Ltd. Samyang Solar Power Plant Co., Ltd. NH-Amundi Global Infra Private Fund No.21 Hapcheon Floating Photovoltaic Plant INC. Cheongna Energy Co., Ltd.
Other related party	Korea Hydro & Nuclear Power Co., Ltd. Korea South-East Power Co., Ltd. Korea Midland Power Co., Ltd. Korea Southern Power Co., Ltd. Korea East-West Power Co., Ltd. KEPCO Engineering & Construction Company Inc. KEPCO KPS Co., Ltd. KEPCO KDN Co., Ltd. KEPCO Nuclear Fuel Co., Ltd. Korea Gas Corporation Korea Electronic Power Industrial Development Co., Ltd. Korea Power Exchange Korea Development Bank KEPCO Bylong Australia Pty., Ltd.

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40. Related Party Transactions, Continued

(2) Significant transactions with associates for the years ended December 31, 2020 and 2019 are as follows:

<i>In millions of won</i>	Related parties	Sales and others		Purchase and others	
		2020	2019	2020	2019
	Korea Electric Power Corporation	₩ 3,559,859	4,401,293	76,891	70,086
	Korea Hydro & Nuclear Power Co., Ltd.	-	-	10	35
	Korea Southern Power Co., Ltd.	4,621	2,632	200	415
	Korea East-West Power Co., Ltd.	2	1	20	61
	Korea South-East Power Co., Ltd.	2	1	-	15
	Korea Midland Power Co., Ltd.	113	1	-	484
	KEPCO Engineering & Construction Company Inc.	-	-	6,480	5,114
	KEPCO KPS Co., Ltd.	1,942	1,954	80,224	64,684
	KEPCO KDN Co., Ltd.	-	-	15,407	15,567
	Cheongna Energy Co., Ltd.	6,133	8,287	66	58,747
	Korea Offshore Wind Power Co., Ltd.	141	143	4,537	-
	Daegu Solar Power Plant Co., Ltd.	325	327	2,556	2,613
	Dongducheon Dream Power Co., Ltd.	66	208	-	-
	Solar Power Plants Happy City Co., Ltd.	-	-	251	286
	Rabigh Operation & Maintenance Company Limited	5,893	2,835	-	-
	Korea Gas Corporation	2,320	3,438	641,209	953,388
	Korea Electronic Power Industrial Development Co., Ltd.	3,247	4,429	47,160	40,263
	Korea Power Exchange	-	-	4,234	4,690
	Shin Pyeongtaek Power Co., Ltd.	13,661	15,655	269	76
	Xe-Pian Xe-Namnoy Power Co., Ltd.	2,003	1,162	-	-
	KEPCO Energy Solution Co., Ltd.	77	120	-	-
	Kepco Solar Co., Ltd. (formerly, Solar School Plant Co., Ltd.)	-	-	470	-
	KEPCO Bylong Australia Pty., Ltd.	-	21	-	-
	PT. Mutiara Jawa	55	42	-	-
	Samyang Solar Power Plant Co., Ltd.	-	-	3,848	-
	Haemodum Solar Energy Co., Ltd.	-	-	666	-
	NH-Amundi Global Infra Private Fund No.21	1,388	-	-	-
	Korea Development Bank	14,248	25,880	28,148	1,369
		₩ <u>3,616,096</u>	<u>4,468,429</u>	<u>912,646</u>	<u>1,217,893</u>

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40. Related Party Transactions, Continued

(3) Receivables and payables arising from associates transactions as of December 31, 2020 and 2019 are as follows:

In millions of won

Company name	Type	Receivables		Payables	
		2020	2019	2020	2019
Korea Electric Power Corporation	Trade receivables	₩ 373,031	433,496	-	-
	Non-trade receivables and others	109,645	106,919	-	-
	Trade payables	-	-	3,158	3,341
	Non-trade payables and others	-	-	3,015	2,286
Korea Hydro & Nuclear Power Co., Ltd.	Non-trade receivables and others	100	-	-	-
Korea Southern Power Co., Ltd.	Non-trade receivables and others	1,012	516	-	-
	Non-trade payables and others	-	-	68	-
Korea East-West Power Co., Ltd.	Non-trade receivables and others	617	-	-	-
Korea Midland Power Co., Ltd.	Non-trade receivables and others	484	-	-	-
	Non-trade payables and others	-	-	2,276	-
Korea South-East Power Co., Ltd.	Non-trade receivables and others	1,361	-	-	-
	Non-trade payables and others	-	-	10,241	-
KEPCO Engineering & Construction Company Inc.	Non-trade payables and others	-	-	1,410	-
KEPCO KPS Co., Ltd.	Non-trade payables and others	-	-	7,500	7,478
Korea Power Exchange	Non-trade payables and others	-	-	122	-
KEPCO KDN Co., Ltd.	Non-trade payables and others	-	-	1,098	1,858
Cheongna Energy Co., Ltd.	Trade receivables	1,401	909	-	-
	Non-trade payables and others	-	-	-	-
Korea Offshore Wind Power Co., Ltd.	Trade receivables	80	76	-	-
Dongducheon Dream Power Co., Ltd.	Non-trade receivables and others	-	70	-	-
Samyang Solar Power Plant Co., Ltd.	Non-trade payables and others	-	-	625	-
Rabigh Operation & Maintenance Company Limited	Non-trade receivables	442	-	-	-
Shin Pyeongtaek Power Co., Ltd.	Non-trade receivables and others	2,823	2,281	-	-
	Non-trade payables and others	-	-	73	61
Korea Gas Corporation	Non-trade receivables and others	56	26	-	-
	Trade payables	-	-	95,631	101,167
	Non-trade payables and others	-	-	617	560
Korea Electronic Power Industrial Development Co., Ltd.	Trade receivables	472	205	-	-
	Non-trade receivables and others	16	34	-	-
	Non-trade payables and others	-	-	805	287
Xe-Pian Xe-Namnoy Power Co., Ltd.	Non-trade receivables and others	1,796	740	-	-
	Loans	19,692	20,955	-	-
KEPCO Energy Solution Co., Ltd.	Trade receivables	-	25	-	-
KEPCO Bylong Australia Pty., Ltd.Ltd.	Non-trade receivables and others	-	87	-	-
PT. Mutiara Jawa	Non-trade receivables and others	26	3	-	-
Korea Development Bank	Derivative assets	20,167	36,135	-	-
	Derivative liabilities	-	-	5,782	99
		₩ <u>533,221</u>	<u>602,477</u>	<u>132,421</u>	<u>117,137</u>

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40. Related Party Transactions, Continued

(4) Borrowings from related parties as of December 31, 2020 and 2019 are as follows:

In millions of won

Company name	December 31, 2019	Borrowing	Repayment	Foreign exchange rate fluctuation	December 31, 2020
Korea Development Bank	-	38,661	(38,511)	(150)	-

(5) The details of loans from related parties as of December 31, 2020 and 2019 are as follows:

In million of won

Type	Company name	December 31, 2019	Withdraw	Foreign exchange adjustment	December 31, 2020
Associate	Xe-Pian Xe-Namnoy Power Co., Ltd.	20,955	-	(1,263)	19,692

(6) Derivative transactions with related parties as of December 31, 2020 are as follows:

In millions of won, In thousands of USD

Type	Counterparty	Contract period	Amount		Interest rate		Exchange rate
			Sell	Buy	Sell	Buy	
Hedging	Korea Development Bank	2018.06.07 ~2023.06.07	KRW 320,880	USD 300,000	2.03%	3.75%	1,069.60
Hedging	Korea Development Bank	2019.07.22 ~2022.07.22	KRW 117,340	USD 100,000	1.06%	2.38%	1173.40

(7) The salaries and other compensations to the key members of management for the years ended December 31, 2020 and 2019 are as follows:

In millions of won

Type	2020	2019
Short-term employee benefits	₩ 748	661
Retirement benefits	40	39

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40. Related Party Transactions, Continued

(8) Guarantees provided to related party as of December 31, 2020 are as follows:

In millions of won, In thousands of USD, SAR

Provider	Related Parties	Type of guarantee	Amount	Guarantee
Korea Western Power Co., Ltd.	Cheongna Energy Co., Ltd.	Investments in associate pledged as collateral	KRW 4,940	Kookmin Bank, etc.
Korea Western Power Co., Ltd.	Dongducheon Dream Power Co., Ltd.	Investments in associate pledged as collateral(*1)	KRW 45,041	Kookmin Bank, etc.
Korea Western Power Co., Ltd.	Dongducheon Dream Power Co., Ltd.	Borrowing payment guarantees	KRW 20,300	BNK Securities, etc.
Korea Western Power Co., Ltd.	Daegu Solar Power Plant Co., Ltd.	Investments in associate pledged as collateral	KRW 2,066	Korea Development Bank
Korea Western Power Co., Ltd.	PT Mutiara Jawa	Investments in associate pledged as collateral	KRW 1,780	Woori Bank
Korea Western Power Co., Ltd.	KEPCO Bylong Australia Pty., Ltd.	Borrowing payment guarantees	USD 5,800	Export-Import Bank of Korea
Korea Western Power Co., Ltd.	Rabigh Operation & Maintenance Company Limited	Contract performance guarantees, etc.	SAR 11,200	National Bank of Kuwait
Korea Western Power Co., Ltd.	Xe-Pian Xe-Namnoy Power Co., Ltd.	Investments in associate pledged as collateral	KRW 64,570	Krung Thai Bank
Korea Western Power Co., Ltd.	Xe-Pian Xe-Namnoy Power Co., Ltd.	Business reserve payment guarantee	USD 2,500	Krung Thai Bank
Korea Western Power Co., Ltd.	Xe-Pian Xe-Namnoy Power Co., Ltd.	Guarantees of Impounding bonus (*2)	USD 5,000	SK E&C
Korea Western Power Co., Ltd.	Solar Power Plants Happy City Co., Ltd.	Investments in associate pledged as collateral	KRW 210	NH Bank
Korea Western Power Co., Ltd.	Shin Pyeongtaek Power Co., Ltd.	Investments in associate pledged as collateral	KRW 69,591	Kookmin Bank
Korea Western Power Co., Ltd.	Korea Offshore Wind Power Co., Ltd.	Investments in associate pledged as collateral	KRW 20,930	Woori Bank, etc.
Korea Western Power Co., Ltd.	Haemodum Solar Energy Co., Ltd.	Investments in associate pledged as collateral	KRW 3,065	NH Bank
Korea Western Power Co., Ltd.	Samyang Solar Power Plant Co., Ltd.	Investments in associate pledged as collateral	KRW 5,535	Korea Development Bank
Korea Western Power Co., Ltd.	Muan Solra Park Co., Ltd.	Investments in associate pledged as collateral	KRW 4,180	Industrial Bank of Korea
Korea Western Power Co., Ltd.	Anjwa Smart Farm & Solar City Co., Ltd.	Investments in associate pledged as collateral	KRW 5,510	KEB Hana Bank, etc.

(*1) Dongducheon Dream Power Co., Ltd.'s common stock and convertible preferred stocks held by the consolidated group were provided as collateral to financial institutions.

(*2) Xe-Pian Xe-Namnoy Power Co., Ltd. entered into the agreement to pay incentives to SK E&C when the impoundment occurs upon the completion of the hydropower project. In case that Xe-Pian Xe-Namnoy Power Co., Ltd. becomes unable to pay the incentives to SK E&C, the Group provides guarantees for payment up to USD 5,000,000.

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40. Related Party Transactions, Continued

(9) Cheongna Energy Co., Ltd., a joint venture, operates integrated energy transportation and distributions and has outstanding borrowings from the financial institutions. In relation to the borrowings, the Group entered into the supplemental funding agreement for Cheongna Energy Co., Ltd. According to the agreement, the Group is required to fund through subordinated borrowing or all shareholders of Cheongna Energy Co., Ltd. are required to raise the additional funds based on the shareholders' equity ratios when Cheongna Energy Co., Ltd. is unable to repay the principal and interest amounts.

Furthermore, Cheongna Energy Co., Ltd., has provided land as collateral for the borrowings from the financial institutions. As of December 31, 2020, Cheongna Energy Co., Ltd. has entered into supplemental funding agreement relating to borrowing secured by Hakwoon land in Kimpo and in case Cheongna Energy Co., Ltd. is unable to repay the principal and interest amounts, it is required to raise fund through additional capital injection or subordinated borrowings.

(10) Shin Pyeongtaek Power Co., Ltd, which is a related party of the Group, is engaged in sales of electric power and has a loan from financial institutions. As of December 31, 2020, the Group has entered into a supplementary funding agreement with Shin Pyeongtaek Power Co., Ltd. Accordingly, in the event that Shin Pyeongtaek Power Co., Ltd. has insufficient funds, or if there is any investor who cannot make a supplemental funding, the strategic investors of Shin Pyeongtaek Power Co., Ltd. including the Group must make an additional funding through equity investment or providing a subordinated loans in proportion to their ownership percentage. In addition, if there is such an investor who cannot make a supplemental funding among strategic investors, the alternative investor must acquire all the shares of those investors in accordance with the agreement. If an alternative investor fails to take over all the shares, a strategic investor, including the Group, is required to acquire the shares.

(11) As of December 31, 2020, Korea Offshore Wind Power Co., Ltd., an associate of the Group, operates marine wind power generating facility and its construction. It also entered into a project financing agreement of ₩244.5 billion with Woori Bank and etc. In relation to the agreement, the Group's share of investments in Korea Offshore Wind Power Co., Ltd. are provided to creditors as collateral. The Group also entered into funding agreement through subordinated borrowings for any excess operating expenses.

(12) As of December 31, 2020, Samyang Solar Power Plant Co., Ltd., a joint venture of the Group, generates and sells electric power using solar power and power storage facilities in Changgi-ri, Anmyeon-eup, Taeon-gun, Chungcheongnam-do. The Group received ₩43 billion from Korean Development Bank and other financial institutions through project financing. In addition, the Group is obliged to provide insufficient funds to the borrower through additional investment or subordinated borrowings in the event of various civil complaints and insurance accidents.

(13) As of December 31, 2020, Anjwa Smart Farm & Solarcity Co., Ltd., an associate of the Group, generates and sells electric power in Anjwa-myeon, Sinan-gun, Jeollanam-do. The Group is obliged to provide any excess operating expenses to the borrower through additional investment or subordinated borrowings for the amount exceeding the total investment for the completion of the business facility.

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41. Assets Held for Sale

Assets held-for-sale as of December 31, 2020 and 2019 are as follows:

<i>In millions of won</i>		<u>2020</u>	<u>2019</u>
Investments in subsidiaries	₩	-	289
Property, Plant and Equipment		<u>1</u>	<u>192</u>
	₩	<u>1</u>	<u>481</u>

42. Non-cash Transactions

(1) Significant non-cash investing and financing transactions for the years ended December 31, 2020 and 2019 are as follows:

<i>In millions of won</i>		<u>2020</u>	<u>2019</u>
Reclassification of long-term borrowings and debentures to current portion	₩	559,919	629,860
Reclassification of construction-in-progress		385,324	404,808
Reclassification of non-trade payables of property, plant and equipment acquisition		7,971	7,514

(2) Details of changes in liabilities arising from financing activities for the years ended December 31, 2020 and 2019 are as follows:

(i) for the year ended December 31, 2020

<i>In millions of won</i>			<u>Non-cash change</u>				
<u>Type</u>	<u>Beginning balance</u>	<u>Cash flow</u>	<u>Acquisition</u>	<u>Fluctuation of foreign exchange rate</u>		<u>Others</u>	<u>2020</u>
Borrowings	₩ 201,200	(199,511)	-	(837)	-	-	852
Debentures	4,932,516	317,569	-	(34,118)	3,136	-	5,219,103
Lease liabilities	781,144	(88,516)	3,753	(38,867)	-	-	657,514
Derivative assets	(45,184)	7,423	-	-	19,092	-	(18,669)
	₩ 5,869,676	36,965	3,753	(73,822)	22,228	-	5,858,800

(ii) for the year ended December 31, 2019

<i>In millions of won</i>			<u>Non-cash change</u>					
<u>Type</u>	<u>Beginning balance</u>	<u>Cash flow</u>	<u>Acquisition</u>	<u>Fluctuation of foreign exchange rate</u>		<u>Amortization</u>	<u>Others</u>	<u>2019</u>
Short-term borrowings	₩ 40,000	162,688	-	(2,688)	-	-	-	200,000
Current portion of long-term borrowings	348	(348)	-	-	-	-	348	348
Current portion of debentures	722,120	(746,106)	-	23,431	882	629,512	-	629,839
Long-term borrowings	1,200	-	-	-	-	(348)	-	852
Debentures	4,336,123	571,186	-	22,652	2,228	(629,512)	-	4,302,677
Lease liabilities	-	(67,993)	820,509	28,671	-	(43)	-	781,144
	₩ 5,099,791	(80,573)	820,509	72,066	3,110	(43)	-	5,914,860

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43. Commitments for Expenditure

The commitments for acquisition of property, plant and equipment as of December 31, 2020 are as follows:

In millions of won

Description	Amounts	Balance
Service of designing Taeon units (#9,10)	₩ 112,813	12,933
Service of designing Gimpo cogeneration construction	16,845	11,798
Purchase of gas turbine and attached equipment for Gimpo cogeneration construction	104,600	41,840
Purchase of steam turbine, HRSG and POWER BLOCK for Gimpo cogeneration construction	210,900	147,630
	₩ 445,158	214,201

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44. Commitments and Contingencies

(1) Ongoing litigations and claims related with contingent liabilities as of December 31, 2020 and 2019 are as follows:

In millions of won

	2020		2019	
	Number of cases	Claim amount	Number of cases	Claim amount
As the defendant	18	₩ 18,500	19	₩ 53,100
As the plaintiff	9	472,300	12	120,600

(2) Credit lines provided by financial institutions as of December 31, 2020 are as follows:

In millions of won, In thousands of USD

Description	Financial Institutions	Currency	Limited amount	Exercised amount
Foreign currency payment guarantee	NH Bank	USD	8,700	7,912
Commitments on Bank-overdraft	NH Bank	KRW	200,000	-
Derivatives trading credit	NH Bank	USD	8,000	-
	KEB Hana Bank	USD	50,000	21,300
Loan limit	Woori Bank	USD	45,000	-
	NH Bank	KRW	80,000	-
	KB Bank	KRW	23,000	-
	Shinhan Bank	KRW	50,000	-
	BNP PARIBAS	USD	40,000	-
	Standard Chartered	USD	50,000	-
	Mizuho Corporate Bank Ltd.	USD	90,000	-
	Korea Development Bank	USD	80,000	-
	Credit Agricole	USD	50,000	-
	China Construction Bank	USD	20,000	-
	DBS Bank	USD	100,000	-
	Shinhan Bank	USD	50,000	-
	IBK Bank	KRW	5,000	-
	NH Bank	KRW	5,000	-
	KB Bank	KRW	10,000	-
Shinhan Bank	KRW	5,000	-	
Woori Bank	KRW	5,000	-	
KEB Hana Bank	KRW	5,000	-	
SC Bank	KRW	20,000	-	
Certification of payment on L/C	Shinhan Bank	USD	80,000	319
	NH Bank	USD	50,000	1,602
	IBK Bank Seosan branch	USD	25,000	-

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44. Commitments and Contingencies, Continued

(3) Main raw material purchase agreements as of December 31, 2020 are as follows:

Raw materials	Supplier	Contract period	Annual contract amount (thousand tons)
Bituminous coal	Australia	2021.01~2025.02	1,386
	Indonesia	2021.01~2024.12	320
	Russia	2021.01~2024.09	745
	Colombia	2021.01~2023.09	810
	Canada	2021.01~2024.06	160
	USA	2021.01~2024.06	310
			3,731
LNG	Korea Gas Corporation	2007~2033	Determined annually
	Korea Gas Corporation	2015~2025	Determined annually

(4) Details of long-term marine transportation commitment for the safe transport of bituminous coal as of December 31, 2020 are as follows:

Shipping company	Ship name	Contract period
NYK	Frontier Lodestar	2013.02~2028.10
K-Line	CSK Brilliance	2011.11~2021.10
H-Line	HL Balikpapan	2011.07~2026.06
H-Line	Hyundai Leader	2016.04~2031.03
H-Line	HL Taeon	2018.05~2036.04
SK Shipping Co., Ltd.	K. Western Dream	2016.03~2028.02
SK Shipping Co., Ltd.	K.Taeon	2018.10~2036.09
Hansung Line Co., Ltd.	Western Marine	2012.01~2026.12
Daebo International Shipping Co., Ltd.	Glovis Daylight	2015.12~2030.11
Wooyang Shipping Co., Ltd	Wooyang Venus	2016.07~2026.06
Five Ocean Corporation	F. Ocean	2016.12~2026.11

(5) As described in Note 40, the Group provides financial supports including the debt repayment guarantees to related parties.

45. Uncertainty of the Effects of COVID-19

In order to prevent the spread of Covid-19, a various prevention and control measures, including restrictions on travelling are being implemented worldwide, and as a result, the global economy has been extensively affected. In addition, governments are implementing various support measures to address Covid-19.

The items that are affected by Covid-19 pandemic are mainly the impairment loss of property, plant and equipment, recognition of provisions, and others. The Group has prepared the consolidated financial statements by reasonably estimating the impact of Covid-19 on the Group. However, there are significant uncertainties in estimating the timing for endpoint of Covid-19 and the impact of Covid-19 on the Group.