

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

Consolidated financial statements  
for the years ended December 31, 2021 and 2020  
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, 2021 and 2020, and the consolidated statements of comprehensive income (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, 2021 and 2020, 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 14, 2022

This audit report is effective as of March 14, 2022, 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, 2021 and 2020

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

Park, Hyung Duck  
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, 2021 and 2020

*In millions of won*

	<u>Notes</u>	<u>2021</u>	<u>2020</u>
<b>Assets</b>			
Cash and cash equivalents	6,7,40	₩ 123,724	68,092
Current financial assets	6,7,11,12,40	69,389	205,395
Trade and other receivables, net	6,8,40,41	742,348	514,720
Inventories	13	302,905	193,288
Current non-financial assets	14	139,478	42,398
Current tax assets		277	1,153
Assets held for sale	42	-	1
<b>Total current assets</b>		<u>1,378,121</u>	<u>1,025,047</u>
Non-current financial assets	6,9,10,11,12,40,4	469,949	252,731
Non-current trade and other receivables, net	6,8,40	14,210	8,900
Property, plant and equipment, net	17,19,20,44	8,506,011	8,641,265
Intangible assets, net	18,19	44,456	44,265
Investments in associates and joint ventures	16	432,234	338,748
Deferred tax assets	37	1,706	1,445
Non-current non-financial assets	14	22,398	20,249
<b>Total non-current assets</b>		<u>9,490,964</u>	<u>9,307,603</u>
<b>Total assets</b>		<u>₩ 10,869,085</u>	<u>10,332,650</u>

(Continued)

KOREA WESTERN POWER CO., LTD. AND ITS SUBSIDIARIES  
Consolidated Statements of Financial Position, Continued  
As of December 31, 2021 and 2020

*In millions of won*

	Notes	2021	2020
<b>Liabilities</b>			
Trade and other payables	6,20,21,40,41 ₩	562,259	376,984
Current financial liabilities	6,11,22,23,40	845,292	560,179
Current tax liabilities		2,415	509
Current non-financial liabilities	26	58,894	33,484
Current provisions	25	183,666	58,356
<b>Total current liabilities</b>		<u>1,652,526</u>	<u>1,029,512</u>
Non-current trade and other payables	6,20,21,40	540,409	560,813
Non-current financial liabilities	6,11,22,23,40	4,626,799	4,677,186
Non-current non-financial liabilities	26	1,554	2,646
Employee benefits obligations, net	24,28,40	98,650	97,073
Deferred tax liabilities	37	215,103	234,411
<b>Total non-current liabilities</b>		<u>5,482,515</u>	<u>5,572,129</u>
<b>Total liabilities</b>		<u>7,135,041</u>	<u>6,601,641</u>
<b>Equity</b>			
Contributed capital	27	1,272,898	1,272,898
Retained earnings	28,29	2,323,767	2,437,432
Other components of equity	9,11,30	137,387	20,610
<b>Equity attributable to owners of the parent</b>		<u>3,734,052</u>	<u>3,730,940</u>
Non-controlling interests		<u>(8)</u>	<u>69</u>
<b>Total equity</b>		<u>3,734,044</u>	<u>3,731,009</u>
<b>Total liabilities and equity</b>	₩	<u>10,869,085</u>	<u>10,332,650</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 Income (Loss)**  
**For the years ended December 31, 2021 and 2020**

*In millions of won, except loss per share information*

	<b>Notes</b>	<b>2021</b>	<b>2020</b>
<b>Sales</b>	5,31,40	₩ 5,001,634	3,628,985
Cost of sales	38,41	(4,949,450)	(3,594,533)
<b>Gross profit</b>		<u>52,184</u>	<u>34,452</u>
Selling and administrative expenses	32,38	(97,206)	(94,013)
<b>Operating loss</b>		<u>(45,022)</u>	<u>(59,561)</u>
Other non-operating income	33	6,038	6,739
Other non-operating expenses	33	(10,161)	(16,718)
Other income (loss), net	34	(17,826)	29,161
Finance income	6,11,35	106,302	109,127
Finance expenses	6,11,36	(260,984)	(192,097)
Gain from associates and joint ventures, net	16	52,776	22,481
<b>Loss before income tax</b>		<u>(168,877)</u>	<u>(100,868)</u>
Income tax benefits	37	47,498	14,930
<b>Loss for the year</b>		<u>(121,379)</u>	<u>(85,938)</u>
<b>Other comprehensive income (loss), net of tax:</b>			
<b>Items that will never be reclassified to profit or loss</b>	24,28,30		
Remeasurements of defined benefit plan, net of tax		7,711	973
Share of other comprehensive income (loss) of associates and joint ventures, net of tax		2	(5,646)
Net changes in valuation of non-current financial assets at fair value through other comprehensive income, net of tax		108,602	(12,785)
<b>Items that are or may be reclassified to profit or loss</b>	11,30		
Net changes in the unrealized fair value of derivatives using cash flow hedge accounting, net of tax		(963)	5,565
Gain on translation of foreign operations, net of tax		67	307
Share of other comprehensive income (loss) of associates and joint ventures, net of tax		9,068	(9,589)
<b>Total other comprehensive income (loss), net of tax</b>		<u>124,487</u>	<u>(21,175)</u>
<b>Total comprehensive income (loss) for the year</b>		<u>₩ 3,108</u>	<u>(107,113)</u>
<b>Loss attributable to:</b>			
Owners of the parent		₩ (121,378)	(85,937)
Non-controlling interests		(1)	(1)
		<u>₩ (121,379)</u>	<u>(85,938)</u>
<b>Total comprehensive income (loss) attributable to:</b>			
Owners of the parent		₩ 3,111	(107,092)
Non-controlling interests		(3)	(21)
		<u>₩ 3,108</u>	<u>(107,113)</u>
<b>Loss per share</b>			
Basic and diluted loss per share (in won)	38	₩ (3,642)	(2,578)

*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, 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		
<b>Balance as of January 1, 2020</b>	₩ 1,272,898	2,528,042	37,092	3,838,032	90	3,838,122
<b>Total comprehensive loss for the year:</b>						
Loss for the year	-	(85,937)	-	(85,937)	(1)	(85,938)
Net changes in valuation of 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
<b>Balance as of December 31, 2020</b>	₩ <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>

(Continued)

KOREA WESTERN POWER CO., LTD. AND ITS SUBSIDIARIES  
Consolidated Statements of Changes in Equity, Continued  
For the year ended December 31, 2021

*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		
<b>Balance as of January 1, 2021</b>	₩ 1,272,898	2,437,432	20,610	3,730,940	69	3,731,009
<b>Total comprehensive income for the year:</b>						
Loss for the year	-	(121,378)	-	(121,378)	(1)	(121,379)
Net changes in valuation of non-current financial assets at fair value through other comprehensive income, net of tax	-	-	108,602	108,602	-	108,602
Net changes in the unrealized fair value of derivatives using cash flow hedge accounting, net of tax	-	-	(963)	(963)	-	(963)
Remeasurements of defined benefit plan, net of tax	-	7,711	-	7,711	-	7,711
Share of other comprehensive income of associates and joint ventures, net of tax	-	2	9,068	9,070	-	9,070
Gain (loss) on translation of foreign operations, net of tax	-	-	70	70	(3)	67
<b>Transaction with owners recognized directly in equity:</b>						
Equity transactions within the consolidated entities	-	-	-	-	(73)	(73)
<b>Balance as of December 31, 2021</b>	₩ <u>1,272,898</u>	<u>2,323,767</u>	<u>137,387</u>	<u>3,734,052</u>	<u>(8)</u>	<u>3,734,044</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, 2021 and 2020**

*In millions of won*

	<u>2021</u>	<u>2020</u>
<b>Cash flows from operating activities</b>		
Loss for the year	₩ (121,379)	(85,938)
Adjustments for:		
Income tax benefits	(47,498)	(14,930)
Depreciation	833,931	821,204
Amortization of intangible assets	6,155	5,030
Loss on disposals of property, plant and equipment	11,991	10,095
Impairment loss on property, plant and equipment	-	8,300
Retirement benefit expenses	26,119	24,738
Interest expense	130,180	134,402
Bad debt expenses	1,278	-
Other bad debt expenses (reversal)	7	(5)
Interest income	(4,980)	(2,128)
Gain on disposal of property, plant and equipment	(45)	(219)
Gain on disposal of intangible assets	-	(1,556)
Gain from associates and joint ventures, net	(52,776)	(22,481)
Dividend income	(13,612)	(3,154)
Gain on valuation of short-term financial instruments	-	(17)
Loss (gain) on derivative instruments, net	(80,954)	26,435
Loss (gain) on foreign currency translations, net	122,532	(73,385)
Increase in provisions	128,773	76,939
Gain on disposal of non-current assets held for sale	-	(3)
Others	(51)	(2,127)
	<u>1,061,050</u>	<u>987,138</u>
Changes in:		
Current trade receivables	(181,065)	50,855
Non-current trade receivables	655	-
Current other receivables	5,251	(5,671)
Inventories	(109,245)	59,246
Current non-financial assets	(71,864)	11,304
Non-current non-financial assets	(2,869)	(374)
Trade payables	179,071	(13,591)
Current other payables	(2,794)	13,223
Non-current other payables	(1,410)	(261)
Current non-financial liabilities	17,900	(7,857)
Non-current non-financial liabilities	295	1,823
Current provisions	(44,887)	(56,087)
Payments of retirement benefits	(13,923)	(17,362)
Increase in plan assets	(2,037)	(9,379)
	<u>(226,922)</u>	<u>25,869</u>
<b>Cash generated from operating activities</b>		
Dividends received	19,629	10,207
Interest received	4,700	2,021
Interest paid	(134,373)	(136,368)
Income tax refunded (paid)	(6,088)	16,054
	<u>596,617</u>	<u>818,983</u>
<b>Net cash inflow from operating activities</b>	₩ <u>596,617</u>	<u>818,983</u>

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**KOREA WESTERN POWER CO., LTD. AND ITS SUBSIDIARIES**  
**Consolidated Statements of Cash Flows, Continued**  
**For the years ended December 31, 2021 and 2020**

*In millions of won*

	<u>2021</u>	<u>2020</u>
<b>Cash flows from investing activities</b>		
Collection of loans	₩ 1,723	2,148
Increase in loans	(31,952)	(2,101)
Net decrease (increase) in short-term financial instruments	145,523	(150,815)
Decrease in guarantee deposits	6,498	1,305
Increase in guarantee deposits	(15,721)	(3,346)
Increase in non-current financial assets at fair value through profit or	-	(7,412)
Proceeds from disposal of investments in associates and joint	969	-
Acquisition of investments in associates and joint ventures	(38,626)	(39,377)
Proceeds from disposal of property, plant and equipment	783	499
Acquisition of property, plant and equipment	(694,733)	(655,012)
Proceeds from disposal of intangible assets	-	10,827
Acquisition of intangible assets	(12,481)	(7,138)
Government grants received	16	1,435
Proceeds from disposal of non-current assets held for sale	175	453
<b>Net cash outflow from investing activities</b>	<u>(637,826)</u>	<u>(848,534)</u>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	247,070	1,238,971
Repayment of borrowings	(97,166)	(1,438,482)
Proceeds from debentures	588,373	947,569
Repayment of debentures	(560,000)	(630,000)
Repayment of lease liabilities	(91,200)	(88,516)
Settlement of derivative instruments	9,839	7,423
Net cash inflow from equity transactions within the consolidate	(73)	-
<b>Net cash inflow from financing activities</b>	<u>96,843</u>	<u>36,965</u>
<b>Net increase in cash and cash equivalents before effect of</b>		
<b>exchange rate fluctuations</b>	55,634	7,414
Effects of exchange rate on foreign operation's financial statements	73	(244)
Effects of exchange rate fluctuations on cash held	(75)	(379)
<b>Net increase in cash and cash equivalents</b>	<u>55,632</u>	<u>6,791</u>
Cash and cash equivalents at the beginning of the year	68,092	61,301
<b>Cash and cash equivalents at the end of the year</b>	<u>₩ 123,724</u>	<u>68,092</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, 2021 and 2020

### 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, 2021, KOWEPO owns and operates three power plants with a total capacity of 11,441MW.

KOWEPO's head office is located in Taejeon-gun, Chungcheongnam-do, Korea. Issued capital of KOWEPO as of December 31, 2021 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 8 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 11, 2022 and will be finally approved at the shareholder's meeting to be held on March 25, 2022.

#### (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, 2021 and 2020

### 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 24 : Measurement of defined benefit obligations - key actuarial assumptions
- ✓ Notes 25 and 45 : Recognition and measurement of provisions and contingencies - key assumptions about the likelihood and magnitude of an outflow of resources
- ✓ Note 40 : Non-current financial assets at fair value through other comprehensive income – 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, 2021 and 2020

### 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 40 : 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, 2021.

##### 1) Amendments to KIFRS 1116 - COVID-19 - Related Rent Concessions beyond June 30, 2021

In 2020, the IASB issued COVID-19-Related Rent Concessions - amendment to KIFRS 1116 *Leases*. The amendments provide relief to lessees from applying KIFRS 1116 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under KIFRS 1116 if the change were not a lease modification. The amendment was intended to apply until June 30, 2021, but as the impact of the COVID-19 pandemic is continuing, the IASB extended the period of application of the practical expedient to June 30, 2022.

The amendment applies to annual reporting periods beginning on or after April 1, 2021. However, the Group has not received COVID-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

##### 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 (Phase 2 amendments)

In relation to interest rate benchmark reform, the amendments provide exemptions to adjust effective interest rate, instead of book value, when an interest rate benchmark of financial instruments at amortized costs is replaced and continuously apply the hedge accounting although the interest rate benchmark is replaced in hedging relationship. The amendment does not have a significant impact on the consolidated financial statements.



# KOREA WESTERN POWER CO., LTD. AND ITS SUBSIDIARIES

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

### 3. Changes in accounting policies, Continued

#### (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, 2021.

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

The amendments are intended to update to refer a definition of assets and liabilities recognized in a business combination to a revised Conceptual Framework for Financial Reporting. However, the amendments 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* and clarify that contingent assets shall not be recognized at the acquisition date. The amendments should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

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

The amendment prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while brining that asset for its intended use. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective 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.

##### 3) 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 effective for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

##### 4) 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, and such 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 includes 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 in compound financial instruments meets the definition of equity instruments and is recognized separately from the liability. The amendments are effective for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Group is in review for the impact of these amendments on the consolidated financial statements.

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Notes to the Consolidated Financial Statements  
For the years ended December 31, 2021 and 2020

3. Changes in accounting policies, Continued

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

5) New Standard: KIFRS 1117 *Insurance Contracts*

KIFRS 1117 *Insurance Contracts* replaces KIFRS 1104 *Insurance Contracts*. This Standard estimates future cash flows of an insurance contract and measures insurance liabilities using discount rates applied with assumptions and risks at the measurement date. The entity recognizes insurance revenue on an accrual basis including services (insurance coverage) provided to the policyholder by each annual period. In addition, investment components (surrender value or maturity refunds) repaid to a policyholder are excluded from insurance revenue even if an insured event does not occur, and insurance finance income or expense and the investment income or expense are presented separately to enable users of the information to understand the sources of income or expenses. This Standard is effective for annual periods beginning on or after January 1, 2023, and earlier application is permitted for entities that applies KIFRS 1109 *Financial Instruments*. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

6) KIFRS 1001 *Presentation of Financial Statements - Disclosure of Accounting Policies*

The amendments define and require entities to disclose their material accounting policies. The IASB amended IFRS Practice Statement 2 *Disclosure of Accounting Policies* to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The amendments are effective for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Group is in review for the impact of these amendments on the consolidated financial statements.

7) KIFRS 1008 *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates*

The amendments define accounting estimates and clarify how to distinguish them from changes in accounting policies. The amendments are effective for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

8) KIFRS 1012 *Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments include an additional condition to the exemption to initial recognition of an asset or liability that a transaction which does not give rise to equal taxable and deductible temporary differences at the time of the transaction. The amendments are effective for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Group does not expect that these amendments have a significant impact on the consolidated financial statements.

9) Annual improvements to KIFRS 2018-2020

Annual improvements of KIFRS 2018-2020 Cycle are effective for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Group does not expect that these amendments 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

# KOREA WESTERN POWER CO., LTD. AND ITS SUBSIDIARIES

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

### 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

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

### 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.

# KOREA WESTERN POWER CO., LTD. AND ITS SUBSIDIARIES

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

### 4. Significant Accounting Policies, Continued

#### (4) Non-derivative financial assets

##### 1) Recognition and Initial measurement

Trade receivable and issued debt securities 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 receivables that do not contain 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 receivables that do not contain significant financing components are 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 recognized.

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

Financial assets are measured at amortized cost if they meet both of the following conditions and are not designated as at fair value through profit or loss (FVTPL):

- It is held within a business model that is intended to collect contractual cash flows.
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments are measured at fair value through other comprehensive income (FVOCI) if they meet both of the following conditions and are not designated as at fair value through profit or loss (FVTPL):

- It is held within a business model that is achieved by both collecting contractual cash flows and selling financial assets.
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in the fair value of that investment in other comprehensive income. This election is made by investment-by-investment basis.

As described above, financial assets not measured at amortized cost or at fair value through other comprehensive income (FVOCI) are measured at fair value through profit or loss (FVTPL). This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the measurement requirements to be measured at amortized cost or at fair value through other comprehensive income (FVOCI) as at fair value through profit or loss (FVTPL) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The Group evaluates the objectives of business model in which financial assets are held at a portfolio level because this best reflects the way the business is managed and information is provided to management. This information considered includes:

- Stated accounting policies and objective about portfolio and the operation of these policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Group's management

# KOREA WESTERN POWER CO., LTD. AND ITS SUBSIDIARIES

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

### 4. Significant Accounting Policies, Continued

#### (4) Non-derivative financial assets, Continued

##### 2) Classification and subsequent measurement, Continued

- The risk that affects the performance of the business model (and the financial assets held within that business model) and, in particular, how those risks are managed
- 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)
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity. 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 payments of principal and interest

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

When assessing whether contractual cash flows consist solely of payments for principal and interest, the Group takes into account contractual terms. If the financial assets include 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 considers 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

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

# KOREA WESTERN POWER CO., LTD. AND ITS SUBSIDIARIES

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

### 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. Amortized cost 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 derecognition 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 and foreign currency translation gains and losses are recognized in profit or loss. Other net gain or loss is recognized in other comprehensive income. The gain or loss accumulated in other comprehensive income is reclassified to profit or loss on derecognition.
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 net gain 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.



# KOREA WESTERN POWER CO., LTD. AND ITS SUBSIDIARIES

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

### 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 recognized in 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 hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.



# KOREA WESTERN POWER CO., LTD. AND ITS SUBSIDIARIES

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

### 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.

##### 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 consolidated 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.

# KOREA WESTERN POWER CO., LTD. AND ITS SUBSIDIARIES

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

### 4. Significant Accounting Policies, Continued

#### (7) Property, plant and equipment

Property, plant and equipment are initially measured at cost and after initial recognition and 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:

	Useful lives (years)
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.

# KOREA WESTERN POWER CO., LTD. AND ITS SUBSIDIARIES

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

### 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.

	Useful lives (years)
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.

# KOREA WESTERN POWER CO., LTD. AND ITS SUBSIDIARIES

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

### 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.

# KOREA WESTERN POWER CO., LTD. AND ITS SUBSIDIARIES

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

### 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.

KOREA WESTERN POWER CO., LTD. AND ITS SUBSIDIARIES  
Notes to the Consolidated Financial Statements  
For the years ended December 31, 2021 and 2020

4. Significant Accounting Policies, Continued

(12) Leases, Continued

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

The Group has elected to apply the practical expedient of not recognizing right-of-use assets and lease liabilities for the short-term leases with a lease term of less than 12 months and leases of low-value assets, including IT-equipment. 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 derecognize the existing liability and recognize 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 recognized in profit or loss.

KOREA WESTERN POWER CO., LTD. AND ITS SUBSIDIARIES  
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For the years ended December 31, 2021 and 2020

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 of monetary items are recognized in profit or loss, except for differences arising on the retranslation of monetary items at settlement, translation of foreign operations, or a financial liability designated as 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

In accordance with KIFRS 1115 *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). Revenue is measured based on the consideration set forth in the contract with the customer, excluding amounts collected on behalf of third parties. The Group also recognizes revenue when control of a good or service transfers to a customer.

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 power generation by-products, O&M and others through contracts with customers and identifies performance obligations that are distinct from each contract.

2) Variable consideration

Consideration received from customers according to contracts with customers may include variable amount. 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 recognized when the uncertainty associated with the variable consideration is resolved.

# KOREA WESTERN POWER CO., LTD. AND ITS SUBSIDIARIES

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

### 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.

##### 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.

#### (20) Finance income and finance expenses

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

- Interest income
- Interest expenses
- Dividend income
- Net gain or loss on financial assets 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 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 income is recognized when the Group is entitled to the dividend.

# KOREA WESTERN POWER CO., LTD. AND ITS SUBSIDIARIES

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

### 4. Significant Accounting Policies, Continued

#### (20) Finance income and finance expenses, 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) Loss per share

KOWEPO presents basic and diluted loss per share data for its ordinary shares. Basic loss per share is calculated by dividing loss attributable to ordinary shareholders of KOWEPO by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

# KOREA WESTERN POWER CO., LTD. AND ITS SUBSIDIARIES

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

### 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, are ₩4,923,422 million and ₩3,559,515 million for the years ended December 31, 2021 and 2020, 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, 2021 and 2020 are as follows:

(i) As of December 31, 2021

*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
<b>Current financial assets:</b>					
Cash and cash equivalents ₩	-	123,724	-	-	123,724
Current financial assets					
Short-term loans	-	5,222	-	-	5,222
Short-term financial instruments	-	54,793	-	-	54,793
Derivative assets	-	-	-	9,374	9,374
Trade and other receivables, net	-	742,348	-	-	742,348
	-	926,087	-	9,374	935,461
<b>Non-current financial assets:</b>					
Non-current financial assets					
Non-current financial assets at fair value through other comprehensive income	-	-	319,364	-	319,364
Non-current financial assets at fair value through profit or loss	7,412	-	-	-	7,412
Long-term loans	-	63,984	-	-	63,984
Non-current derivative assets	-	-	-	79,188	79,188
Non-current trade and other receivables, net	-	14,210	-	-	14,210
	7,412	78,194	319,364	79,188	484,158
₩	7,412	1,004,281	319,364	88,562	1,419,619

KOREA WESTERN POWER CO., LTD. AND ITS SUBSIDIARIES  
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For the years ended December 31, 2021 and 2020

6. Classification of Financial Instruments, Continued

(1) Classification of financial assets as of December 31, 2021 and 2020 are as follows, Continued:

(ii) 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
<b>Current financial assets:</b>					
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, net	-	514,720	-	-	514,720
	<u>150,832</u>	<u>637,375</u>	<u>-</u>	<u>-</u>	<u>788,207</u>
<b>Non-current financial assets:</b>					
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
Non-current derivative assets	-	-	-	36,079	36,079
Non-current trade and other receivables, net	-	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>158,244</u>	<u>679,425</u>	<u>176,090</u>	<u>36,079</u>	<u>1,049,838</u>



KOREA WESTERN POWER CO., LTD. AND ITS SUBSIDIARIES  
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For the years ended December 31, 2021 and 2020

6. Classification of Financial Instruments, Continued

(2) Classification of financial liabilities as of December 31, 2021 and 2020 are as follows:

(i) As of December 31, 2021

*In millions of won*

	Financial liabilities at fair value through profit or loss	Financial liabilities at amortized cost	Derivative liabilities (applying hedge accounting)	Total
<b>Current financial liabilities:</b>				
Trade and other payables	₩ -	562,259	-	562,259
Current financial liabilities				
Borrowings	-	100,348	-	100,348
Debentures	-	744,894	-	744,894
Derivative liabilities	50	-	-	50
	<u>50</u>	<u>1,407,501</u>	<u>-</u>	<u>1,407,551</u>
<b>Non-current financial liabilities:</b>				
Non-current trade and other payables	-	540,409	-	540,409
Non-current financial liabilities				
Borrowings	-	49,934	-	49,934
Debentures	-	4,576,865	-	4,576,865
	<u>-</u>	<u>5,167,208</u>	<u>-</u>	<u>5,167,208</u>
₩	<u>50</u>	<u>6,574,709</u>	<u>-</u>	<u>6,574,759</u>

(ii) 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
<b>Current financial liabilities:</b>				
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>
<b>Non-current financial liabilities:</b>				
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>

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6. Classification of Financial Instruments, Continued

(3) Classification of gain or loss from financial instruments for the years ended December 31, 2021 and 2020 are as follows:

*In millions of won*

Type	Description	2021	2020
Financial assets at amortized cost	Interest income	₩ 4,980	2,128
	Loss on foreign currency transactions and translations, net	(3,647)	(1,338)
Financial assets at fair value through other comprehensive income	Gain (loss) on valuation of derivative instruments, net (equity, before tax)	143,274	(16,866)
	Dividend income	13,612	3,154
Financial assets at fair value through profit or loss	Gain on valuation, net	-	17
	Loss on valuation of derivative instruments, net	(50)	(36)
	Gain on transactions of derivative instruments, net	2,878	333
Fair value hedge derivative assets	Gain (loss) on change in the unrealized fair value of derivative instruments, net	71,128	(34,118)
	Gain (loss) on valuation of derivative instruments, net (equity, before tax)	(1,271)	7,342
	Gain on transaction of derivative instruments, net	6,998	7,387
Financial liabilities recorded at amortized cost	Gain (loss) on foreign currency transactions and translations, net	(122,493)	74,722
	Interest expense of borrowings and debentures	(117,953)	(118,813)
	Interest expense of lease liabilities	(11,815)	(15,588)
	Other interest expense	(412)	(1)

7. Cash and Cash Equivalents and Short-term Financial Instruments

(1) Cash and cash equivalents as of December 31, 2021 and 2020 are as follows:

*In millions of won*

	2021	2020
Cash	₩ 1	4
Other demand deposits	123,229	67,838
Short-term financial instruments classified as cash equivalents	494	250
	₩ 123,724	68,092

(2) Short-term financial instruments restricted in use as of December 31, 2021 and 2020 are as follows:

*In millions of won*

	2021	2020
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, 2021 and 2020 are as follows:

(i) As of December 31, 2021

<i>In millions of won</i>	<u>Gross amount</u>	<u>Allowance for doubtful accounts</u>	<u>Present value discount</u>	<u>Book value</u>
<b>Current assets:</b>				
Trade receivables	₩ 572,347	-	-	572,347
Other receivables	170,148	-	(147)	170,001
	<u>742,495</u>	<u>-</u>	<u>(147)</u>	<u>742,348</u>
<b>Non-current assets:</b>				
Trade receivables	1,278	(1,278)	-	-
Other receivables	14,672	(89)	(373)	14,210
	<u>15,950</u>	<u>(1,367)</u>	<u>(373)</u>	<u>14,210</u>
₩	<u>758,445</u>	<u>(1,367)</u>	<u>(520)</u>	<u>756,558</u>

(ii) As of December 31, 2020

<i>In millions of won</i>	<u>Gross amount</u>	<u>Allowance for doubtful accounts</u>	<u>Present value discount</u>	<u>Book value</u>
<b>Current assets:</b>				
Trade receivables	₩ 389,586	-	-	389,586
Other receivables	125,258	-	(124)	125,134
	<u>514,844</u>	<u>-</u>	<u>(124)</u>	<u>514,720</u>
<b>Non-current assets:</b>				
Trade receivables	1,933	-	-	1,933
Other receivables	7,282	(81)	(234)	6,967
	<u>9,215</u>	<u>(81)</u>	<u>(234)</u>	<u>8,900</u>
₩	<u>524,059</u>	<u>(81)</u>	<u>(358)</u>	<u>523,620</u>

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8. Trade and Other Receivables, Continued

(2) Details of other receivables as of December 31, 2021 and 2020 are as follows:

(i) As of December 31, 2021

<i>In millions of won</i>	<u>Gross amount</u>	<u>Allowance for doubtful accounts</u>	<u>Present value discount</u>	<u>Book value</u>
<b>Current assets:</b>				
Non-trade receivables	₩ 58,636	-	-	58,636
Accrued income	101,552	-	-	101,552
Guarantee deposits	9,960	-	(147)	9,813
	<u>170,148</u>	<u>-</u>	<u>(147)</u>	<u>170,001</u>
<b>Non-current assets:</b>				
Non-trade receivables	2,453	(89)	-	2,364
Guarantee deposits	12,219	-	(373)	11,846
	<u>14,672</u>	<u>(89)</u>	<u>(373)</u>	<u>14,210</u>
₩	<u>184,820</u>	<u>(89)</u>	<u>(520)</u>	<u>184,211</u>

(ii) As of December 31, 2020

<i>In millions of won</i>	<u>Gross amount</u>	<u>Allowance for doubtful accounts</u>	<u>Present value discount</u>	<u>Book value</u>
<b>Current assets:</b>				
Non-trade receivables	₩ 34,857	-	-	34,857
Accrued income	84,645	-	-	84,645
Guarantee deposits	5,756	-	(124)	5,632
	<u>125,258</u>	<u>-</u>	<u>(124)</u>	<u>125,134</u>
<b>Non-current assets:</b>				
Non-trade receivables	81	(81)	-	-
Guarantee deposits	7,201	-	(234)	6,967
	<u>7,282</u>	<u>(81)</u>	<u>(234)</u>	<u>6,967</u>
₩	<u>132,540</u>	<u>(81)</u>	<u>(358)</u>	<u>132,101</u>

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8. Trade and Other Receivables, Continued

(3) The aging analysis of trade and other receivables as of December 31, 2021 and 2020 are as follows:

(in millions of won)

	Trade receivables		Other receivables	
	2021	2020	2021	2020
<b>Not past due</b>	₩ 572,347	₩ 389,586	₩ 184,731	₩ 132,459
<b>Past due but not impaired receivables:</b>				
Within 60 days past due	-	-	-	-
60 to 90 days past due	-	-	-	-
90 to 120 days past due	-	-	-	-
120 days to 1 year past due	-	-	-	-
More than 1 year past due	-	1,933	-	-
	-	1,933	-	-
<b>Impaired receivables</b>	1,278	-	89	81
	₩ 573,625	₩ 391,519	₩ 184,820	₩ 132,540

(4) Changes in allowance for doubtful accounts on trade and other receivables for the years ended December 31, 2021 and 2020 are as follows:

(in millions of won)

	Trade receivables		Other receivables	
	2021	2020	2021	2020
<b>Beginning balance</b>	₩ -	₩ -	₩ 81	₩ 86
Bad debt expenses	1,278	-	-	-
Others (*1)	-	-	8	(5)
<b>Ending balance</b>	₩ 1,278	₩ -	₩ 89	₩ 81

(\*1) Others are the effect of recognition of currency translation differences.

# KOREA WESTERN POWER CO., LTD. AND ITS SUBSIDIARIES

## Notes to the Consolidated Financial Statements

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### 9. Financial Assets at Fair Value through Other Comprehensive Income

(1) Financial assets at fair value through other comprehensive income as of December 31, 2021 and 2020 are as follows:

*In millions of won*

	Shares	Ownership		2021		2020
				Acquisition cost	Book value	Book value
<b>Equity securities listed:</b>						
PT Bayan Resources TBK (*1)	133,333,340	4.00%	₩	80,533	301,320	159,702
<b>Equity securities unlisted:</b>						
Korea Power Exchange (*2)	1,826,275	7.14%		9,131	17,617	15,961
KEPCO UHDE	103,230	2.40%		516	14	14
HeeMang Sunlight Power Co.,	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>319,364</u>	<u>176,090</u>

(\*1) The Group has measured 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.

(\*3) As a result of discontinued operations, the difference between the carrying amount and the recoverable amount has been 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.

# KOREA WESTERN POWER CO., LTD. AND ITS SUBSIDIARIES

## Notes to the Consolidated Financial Statements

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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, 2021 and 2020 are as follows:

(i) For the year ended December 31, 2021

*In millions of won*

		Beginning balance	Valuation	Ending Balance
Equity securities listed	₩	159,702	141,618	301,320
Equity securities unlisted		16,388	1,656	18,044
	₩	<u>176,090</u>	<u>143,274</u>	<u>319,364</u>

(ii) For the year ended December 31, 2020

*In millions of won*

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

### 10. Financial Assets at Fair Value through Profit or Loss

(1) Financial assets at fair value through profit or loss as of December 31, 2021 and 2020 are as follows:

*In millions of won*

			2021	2020
		Ownership	Acquisition cost	Book value
<b>Equity securities unlisted:</b>				
Nexpo Solar and others (*1)	20.00%	₩	7,412	7,412

(\*1) As financial assets at fair value through profit or loss held by Haenaneum Energy Fund, which is a subsidiary of the Group, it consists of Nexpo Solar and 58 others.

(2) Changes in financial assets at fair value through profit or loss for the years ended December 31, 2021 and 2020 are as follows:

(i) For the year ended December 31, 2021

*In millions of won*

		Beginning balance	Acquisition	Valuation	Ending Balance
Equity securities unlisted	₩	7,412	-	-	7,412

(ii) For the year ended December 31, 2020

*In millions of won*

		Beginning balance	Acquisition	Valuation	Ending Balance
Equity securities unlisted	₩	-	7,412	-	7,412

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11. Derivatives

(1) Derivatives as of December 31, 2021 and 2020 are as follows:

*In millions of won*

In millions of won		2021		2020	
		Current	Non-current	Current	Non-current
<b>Derivative assets:</b>					
Currency forward	₩	-	-	-	-
Currency swap		9,374	79,188	-	36,079
	₩	9,374	79,188	-	36,079
<b>Derivative liabilities:</b>					
Currency forward	₩	50	-	36	-
Currency swap		-	-	-	17,374
	₩	50	-	36	17,374

(2) Currency swap contracts as of December 31, 2021 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 forward contracts as of December 31, 2021 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	Nonghyup Bank	2021.12.23	2022.01.10	11,871	10,000	1,187.10
	Standard Chartered	2021.12.23	2022.01.12	10,690	9,000	1,187.80
	Mizuho Bank, Ltd.					
	Seoul Branch	2021.12.29	2022.01.03	5,932	5,000	1,186.40
	JP Morgan Bank	2021.12.29	2022.01.03	4,744	4,000	1,186.00



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11. Derivatives, Continued

(4) The gain (loss) on valuation and transaction of derivatives for the years ended December 31, 2021 and 2020 are as follows:

(i) For the year ended December 31, 2021

*In millions of won*

Type	Valuation gain (loss) in profit or loss	Transaction gain in profit or loss	Other comprehensive loss (before tax)
Currency forward	₩ (50)	2,878	-
Currency swap	71,128	6,998	(1,271)
	₩ 71,078	9,876	(1,271)

(ii) For the year ended December 31, 2020

*In millions of won*

Type	Valuation loss in profit or loss	Transaction gain in profit or loss	Other comprehensive income (before tax)
Currency forward	₩ (36)	333	-
Currency swap	(34,118)	7,387	7,342
	₩ (34,154)	7,720	7,342

(\*) The gain on valuation of derivative instruments using cash flow hedge accounting is recognized as accumulated other comprehensive income amounting to ₩ 10,877 million, net of tax, as of December 31, 2021.

12. Other Financial Assets

(1) Other financial instruments as of December 31, 2021 and 2020 are as follows:

*In millions of won*

		2021		2020	
		Current	Non-current	Current	Non-current
Loans	₩	5,222	63,984	4,563	33,150
Short-term financial instruments		54,793	-	200,832	-
Derivative assets		9,374	79,188	-	36,079
Non-current financial assets at fair value through other comprehensive income		-	319,365	-	176,090
Non-current financial assets at fair value through profit or loss		-	7,412	-	7,412
	₩	69,389	469,949	205,395	252,731

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12. Other Financial Assets, Continued

(2) Details of loans as of December 31, 2021 and 2020 are as follows:

(i) As of December 31, 2021

*In millions of won*

	Face value	Present value discount	Foreign exchange adjustment	Book value
<b>Short-term loans</b>				
Loans for tuition	₩ 5,327	(105)	-	5,222
	5,327	(105)	-	5,222
<b>Long-term loans</b>				
Loans for tuition	14,523	(1,884)	-	12,639
Others	51,457	-	(112)	51,345
	65,980	(1,884)	(112)	63,984
₩	71,307	(1,989)	(112)	69,206

(ii) As of December 31, 2020

*In millions of won*

	Face value	Present value discount	Foreign exchange adjustment	Book value
<b>Short-term loans</b>				
Loans for tuition	₩ 4,671	(108)	-	4,563
	4,671	(108)	-	4,563
<b>Long-term loans</b>				
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

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13. Inventories

Inventories as of December 31, 2021 and 2020 are as follows:

<i>In millions of won</i>		2021	2020
Raw materials	₩	46,256	62,587
Supplies		64,807	70,088
Inventories in transit		191,273	60,222
Others		569	391
	₩	<u>302,905</u>	<u>193,288</u>

(\*) There is no valuation allowance for inventories as of December 31, 2021 and 2020.

14. Non-financial Assets

Non-financial assets as of December 31, 2021 and 2020 are as follows:

<i>In millions of won</i>		2021		2020	
		Current	Non-current	Current	Non-current
Advance payments	₩	2,245	-	1,566	-
Prepaid expenses		12,625	2,063	12,987	1,776
Others		124,608	20,335	27,845	18,473
	₩	<u>139,478</u>	<u>22,398</u>	<u>42,398</u>	<u>20,249</u>

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15. Subsidiaries

(1) Information related to the consolidated subsidiaries as of December 31, 2021 and 2020 are as follows:

Company	Key operating activities	Location	Percentage of ownership or voting right	
			2021	2020
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 (*2)	Sunlight generation, ESS	Republic of Korea	99.64%	99.64%
KOWEPO Europe B.V.	Onshore wind power generation	Netherlands	100%	-

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

(\*2) The acquisition cost has changed due to a reduction of the capital amounting to ₩20,536 million for the year ended December 31, 2021.

(2) The current status of subsidiaries newly included in the consolidated financial statements for the year ended December 31, 2021 are as follows.

Company	Reason
KOWEPO Europe B.V.	Newly established

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15. Subsidiaries, Continued

(3) Summary of financial information of consolidated subsidiaries as of and for the years ended December 31, 2021 and 2020 are as follows:

(i) As of and for the year ended December 31, 2021

*In millions of won*

Company	Assets	Liabilities	Sales	Net profit or loss
KOWEPO Australia Pty., Ltd.	₩ 54,564	4,766	22,013	7,387
KOWEPO International Corporation	-	10	-	-
PT KOWEPO Sumsel Operation and Maintenance Services	116	259	-	-
KOWEPO Bylong Pty., Ltd.	8	86	-	(18)
KOWEPO Lao International	12,974	70	8,543	5,681
KOWEPO Service Co., Ltd.	7,289	5,869	31,700	303
Haenaneum Energy Fund	7,463	3	40	(74)
KOWEPO Europe B.V.	39,973	1,449	-	(744)

(ii) As of and for 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)

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16. Investments in Associates and Joint Ventures

(1) Investments in associates and joint ventures as of December 31, 2021 and 2020 are as follows:

(i) As of December 31, 2021

*In millions of won*

Company	Major operation	Location	Percentage of ownership	Acquisition cost	Book value
<b>Associates</b>					
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	92,441
PT. Mutiara Jawa	Energy supply	Indonesia	29.00%	2,979	2,569
Korea Offshore Wind Power Co., Ltd. (*1)	Energy supply	Republic of Korea	12.50%	26,600	21,445
Daegu Solar Power Plant Co., Ltd.	Energy supply	Republic of Korea	29.00%	1,230	2,342
Dongducheon Dream Power Co., Ltd.	Energy supply	Republic of Korea	34.01%	148,105	74,198
Solar Power Plants Happy City Co., Ltd.	Energy supply	Republic of Korea	28.00%	194	223
Shin Pyeongtaek Power Co., Ltd.	Energy supply	Republic of Korea	40.00%	72,000	93,074
Kepco Solar Co., Ltd. (formerly, Solar School Plant Co., Ltd.) (*1)	Energy supply	Republic of Korea	8.33%	16,650	17,447
KEPCO Energy Solution Co., Ltd. (*1)	Energy supply	Republic of Korea	8.33%	25,000	26,061
Seoroseoro Sunny Power Plant Co., Ltd.	Energy supply	Republic of Korea	42.58%	706	721
Anjwa Smart Farm & Solar City Co., Ltd.	Energy supply	Republic of Korea	20.00%	5,651	6,784
Muan Solra Park Co., Ltd.	Energy supply	Republic of Korea	20.00%	4,400	6,083
Yudang Solra Co., Ltd.	Energy supply	Republic of Korea	20.00%	360	565
				<u>441,593</u>	<u>343,953</u>
<b>Joint ventures</b>					
Rabigh O&M Co., Ltd. (*2)	O&M	Saudi Arabia	40.00%	70	4,071
KIAMCO KOWEPO Bannerton Hold Co Pty., Ltd. (*2)	Energy supply	Australia	12.37%	4,095	3,625
Haemodum Solar Energy Co., Ltd. (*2)	Energy supply	Republic of Korea	49.00%	2,940	3,081
Samyang Solar Power Plant Co., Ltd. (*2)	Energy supply	Republic of Korea	49.00%	5,245	4,993
NH-Amundi Global Infra Private Fund No. 21 (*2)	Energy supply	Republic of Korea	29.53%	19,983	21,456
Cheongna Energy Co., Ltd. (*2)	Energy supply	Republic of Korea	50.10%	49,344	11,198

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Hapcheon Floating Photovoltaic Power Plant Inc. (*2)	Energy supply	Republic of Korea	of 49.00%	7,512	6,971
Yeongwol Eco Wind Co., Ltd. (*2)	Energy supply	Republic of Korea	of 29.00%	3,089	3,197
Gurae Jumin Wind Power Co., Ltd. (*2)	Energy supply	Republic of Korea	of 29.00%	386	396
Gunsan Land Solar Co., Ltd. (*2)	Energy supply	Republic of Korea	of 75.29%	19,091	19,317
Capman Lynx SCA, SICAR (*2)	Collective investment	Luxembourg	50.00%	9,601	9,976
				<u>121,356</u>	<u>88,281</u>
				<u>₩ 562,949</u>	<u>432,234</u>

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

(\*2) 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.

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16. Investments in Associates and Joint Ventures, Continued

(1) Investments in associates and joint ventures as of December 31, 2021 and 2020 are as follows,  
Continued:

(ii) As of December 31, 2020

*In millions of won*

Company	Major operation	Location	Percentage of ownership	Acquisition cost	Book value
<b>Associates</b>					
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	2,067
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	69,592
Kepco Solar Co., Ltd. (formerly, Solar School Plant Co., Ltd.) (*1)	Energy supply	Republic of Korea	8.33%	16,650	17,261
KEPCO Energy Solution Co., Ltd. (*1)	Energy supply	Republic of Korea	8.33%	25,000	25,807
Seoroseoro Sunny Power Plant Co., Ltd.	Energy supply	Republic of Korea	19.46%	230	230
Anjwa Smart Farm & Solar City Co., Ltd.	Energy supply	Republic of Korea	19.50%	5,510	5,510
Muan Solra Park Co., Ltd.	Energy supply	Republic of Korea	19.00%	4,180	4,180
Yudang Solra Co., Ltd.	Energy supply	Republic of Korea	20.00%	360	360
				<u>440,755</u>	<u>293,134</u>
<b>Joint ventures</b>					
Rabigh O&M Co., Ltd. (*2)	O&M	Saudi Arabia	40.00%	70	3,813
KIAMCO KOWEPO Bannerton Hold Co Pty., Ltd. (*2)	Energy supply	Australia	12.37%	4,095	4,129
Haemodum Solar Energy Co., Ltd. (*2)	Energy supply	Republic of Korea	49.00%	2,940	3,065
Samyang Solar Power Plant Co., Ltd. (*2)	Energy supply	Republic of Korea	49.00%	5,245	5,535
NH-Amundi Global Infra Private Fund No. 21 (*2)	Energy supply	Republic of Korea	29.53%	20,952	22,242



# KOREA WESTERN POWER CO., LTD. AND ITS SUBSIDIARIES

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

Cheongna Energy Co.,Ltd. (*2)	Energy supply	Republic of Korea	50.10%	49,344	4,940
Hapcheon Floating Photovoltaic Power Plant Inc. (*2)	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>

KOREA WESTERN POWER CO., LTD. AND ITS SUBSIDIARIES  
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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, 2021 and 2020 are as follows:

(i) For the year ended December 31, 2021

In millions of won

Company	Beginning balance	Acquisitions	Disposal	Dividends received	Share of profit (loss)	Share of other comprehensive income (loss)	Retained earnings	Ending balance
<b>Associates</b>								
Pioneer Gas Power., Ltd.(*1)	-	-	-	-	-	-	-	-
Eurasia Energy Holdings(*2)	-	-	-	-	-	-	-	-
Xe-Pian Xe-Namnoy Power Co., Ltd.	64,570	-	-	-	19,306	8,565	-	92,441
PT. Mutiara Jawa	1,780	-	-	-	630	159	-	2,569
Korea Offshore Wind Power Co., Ltd.	20,930	-	-	-	515	-	-	21,445
Daegu Solar Power Plant Co., Ltd.	2,067	-	-	(207)	482	-	-	2,342
Dongducheon Dream Power Co., Ltd.	80,637	-	-	-	(6,439)	-	-	74,198
Solar Power Plants Happy City Co., Ltd.	210	-	-	-	13	-	-	223
Shin Pyeongtaek Power Co., Ltd.	69,591	-	-	-	23,476	-	7	93,074
Kepco Solar Co., Ltd. (formerly, Solar School Plant Co., Ltd.)	17,261	-	-	-	188	-	(2)	17,447
KEPCO Energy Solution Co., Ltd.	25,808	-	-	-	255	-	(2)	26,061
Seoroseoro Sunny Power Plant Co., Ltd.	230	476	-	-	15	-	-	721
Anjwa Smart Farm & Solar City Co., Ltd.	5,510	141	-	-	1,133	-	-	6,784
Muan Solra Park Co., Ltd.	4,180	220	-	-	1,683	-	-	6,083
Yudang Solra Co., Ltd.	360	-	-	-	205	-	-	565
	<u>293,134</u>	<u>837</u>	<u>-</u>	<u>(207)</u>	<u>41,462</u>	<u>8,724</u>	<u>3</u>	<u>343,953</u>
<b>Joint ventures</b>								
Rabigh O&M Co., Ltd.	3,813	-	-	(4,084)	3,489	853	-	4,071
KIAMCO KOWEPO Bannerton Hold Co Pty Ltd.	4,129	-	-	-	(111)	(393)	-	3,625
Haemodum Solar Energy Co., Ltd	3,065	-	-	-	16	-	-	3,081
Samyang Solar Power Plant Co., Ltd	5,535	-	-	-	(542)	-	-	4,993
NH-Amundi Global Infra Private Fund No. 21	22,242	-	(969)	(1,727)	1,910	-	-	21,456
Cheongna Energy Co.,Ltd.	4,940	-	-	-	6,259	-	-	11,199
Hapcheon Floating Photovoltaic Power Plant Inc.	1,890	5,622	-	-	(541)	-	-	6,971
Yeongwol Eco Wind Co., Ltd.	-	3,089	-	-	122	(15)	-	3,196
Gurae Jumin Wind Power Co., Ltd.	-	386	-	-	12	(2)	-	396
Gunsan Land Solar Co., Ltd.	-	19,091	-	-	325	(99)	-	19,317
Capman Lynx SCA, SICAR	-	9,601	-	-	375	-	-	9,976
	<u>45,614</u>	<u>37,789</u>	<u>(969)</u>	<u>(5,811)</u>	<u>11,314</u>	<u>344</u>	<u>-</u>	<u>88,281</u>
₩	<u>338,748</u>	<u>38,626</u>	<u>(969)</u>	<u>(6,018)</u>	<u>52,776</u>	<u>9,068</u>	<u>3</u>	<u>432,234</u>

(\*1) The investment has been reduced to zero, which resulted in discontinuation of the equity method. The accumulated unrecognized loss is ₩37,629 million as of December 31, 2021.

(\*2) The investment has been reduced to zero, which resulted in discontinuation of the equity method. The accumulated unrecognized loss is ₩190 million as of December 31, 2021.

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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, 2021 and 2020 are as follows, Continued:

(ii) For the year ended December 31, 2020

In millions of won

Company	Beginning balance	Acquisitions	Dividends received	Share of profit (loss)	Share of other comprehensive income (loss)	Retained earnings	Other changes	Ending balance
<b>Associates</b>								
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
Kepco 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>
<b>Joint ventures</b>								
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 Power 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.

# KOREA WESTERN POWER CO., LTD. AND ITS SUBSIDIARIES

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(\*3) The Group newly acquired the shares during the year ended December 31, 2020 and reclassified the investments from associates to joint ventures since the strategic financial and operating policy decisions relating to the activities of the joint ventures require unanimous consent of the investors.

### 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, 2021

*In millions of won*

	Net assets at the end of the year	Group's share in %	Group's share in KRW	Differences in investments	Intergroup transactions	Unrealize d losses	Others	Book amount
<b>Associates</b>								
Pioneer Gas Power., Ltd.	₩ (155,788)	38.50%	(59,975)	22,278	-	37,629	68	-
Eurasia Energy Holdings	(476)	40.00%	(190)	-	-	190	-	-
Xe-Pian Xe-Namnoy Power Co., Ltd	373,976	25.00%	93,494	305	(1,069)	-	(289)	92,441
PT. Mutiara Jawa	8,857	29.00%	2,569	-	-	-	-	2,569
Korea Offshore Wind Power Co., Ltd.	171,487	12.50%	21,436	9	-	-	-	21,445
Daegu Solar Power Plant Co., Ltd.	8,076	29.00%	2,342	-	-	-	-	2,342
Dongducheon Dream Power Co., Ltd.	258,724	34.01%	87,992	1,757	(2,969)	-	(12,582)	74,198
Solar Power Plants Happy City Co., Ltd.	790	28.00%	221	-	-	-	2	223
Shin Pyeongtaek Power Co., Ltd.	263,477	40.00%	105,391	3,559	(15,876)	-	-	93,074
Kepeco Solar Co., Ltd. (formerly, Solar School Plant Co., Ltd.)	209,575	8.33%	17,447	-	-	-	-	17,447
KEPCO Energy Solution Co., Ltd.	312,738	8.33%	26,062	-	-	-	-	26,062
Seoroseoro Sunny Power Plant Co., Ltd.	1,647	42.58%	701	20	-	-	-	721
Anjwa Smart Farm & Solar City Co., Ltd.	29,838	20.00%	5,968	816	-	-	-	6,784
Muan Solra Park Co., Ltd.	28,788	20.00%	5,758	325	-	-	-	6,083
Yudang Solra Co., Ltd.	2,826	20.00%	565	-	-	-	-	565
<b>Joint ventures</b>								
Rabigh O&M Co., Ltd.	10,177	40.00%	4,071	-	-	-	-	4,071
KIAMCO KOWEPO Bannerton Hold Co Pty Ltd.	29,239	12.37%	3,617	8	-	-	-	3,625
Haemodum Solar Energy Co., Ltd.	6,288	49.00%	3,081	-	-	-	-	3,081
Samyang Solar Power Plant Co., Ltd.	10,191	49.00%	4,993	-	-	-	-	4,993
NH-Amundi Global Infra Private Fund No. 21	70,872	29.53%	20,929	527	-	-	-	21,456
Cheongna Energy Co., Ltd.	18,485	50.10%	9,261	3,137	(1,200)	-	-	11,198
Hapcheon Floating Photovoltaic Power Plant Inc.	14,146	49.00%	6,932	39	-	-	-	6,971

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Yeongwol Eco Wind Co., Ltd.	4,720	29.00%	1,369	1,828	-	-	-	3,197
Gurae Jumin Wind Power Co., Ltd.	1,201	29.00%	348	48	-	-	-	396
Gunsan Land Solar Co., Ltd.	25,658	75.29%	19,317	-	-	-	-	19,317
Capman Lynx SCA, SICAR	19,952	50.00%	9,976	-	-	-	-	9,976

KOREA WESTERN POWER CO., LTD. AND ITS SUBSIDIARIES  
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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, Continued:

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

*In millions of won*

		Net assets at the end of the year	Group's share in %	Group's share in KRW	Differences in investments	Intergroup transactions	Unrealize d losses	Others	Book amount
<b>Associates</b>									
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%	17,261	-	-	-	-	17,261
KEPCO Energy Solution Co., Ltd.		309,690	8.33%	25,807	-	-	-	-	25,807
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
<b>Joint ventures</b>									
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	9	-	-	-	4,130
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 Power PlantInc.		9,708	19.47%	1,890	-	-	-	-	1,890

# KOREA WESTERN POWER CO., LTD. AND ITS SUBSIDIARIES

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

### 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, 2021 and 2020 are as follows:

(i) As of and for year ended December 31, 2021

*In millions of won*

Company	Assets	Liabilities	Sales	Net profit or loss
<b>Associates</b>				
Pioneer Gas Power., Ltd.	₩ 282,577	438,366	-	(36,864)
Eurasia Energy Holdings	606	1,082	-	-
Xe-Pian Xe-Namnoy Power Co., Ltd.	1,321,406	947,430	161,686	76,996
PT. Mutiara Jawa	24,355	15,498	10,958	2,835
Korea Offshore Wind Power Co., Ltd.	359,804	188,316	36,157	4,421
Daegu Solar Power Plant Co., Ltd.	13,046	4,970	3,519	1,621
Dongducheon Dream Power Co., Ltd.	1,398,244	1,139,521	750,127	(16,685)
Solar Power Plants Happy City Co., Ltd.	1,823	1,033	426	46
Shin Pyeongtaek Power Co., Ltd.	1,028,028	764,551	653,117	57,202
Kepeco Solar Co., Ltd. (formerly, Solar School Plant Co., Ltd.)	231,830	22,255	10,897	2,252
KEPCO Energy Solution Co., Ltd.	317,676	4,938	21,423	3,104
Seoroseoro Sunny Power Plant Co., Ltd.	5,833	4,186	469	36
Anjwa Smart Farm & Solar City Co., Ltd.	278,980	249,143	37,691	5,996
Muan Solra Park Co., Ltd.	226,920	198,132	30,990	8,639
Yudang Solra Co., Ltd.	22,430	19,604	3,452	626
<b>Joint ventures</b>				
Rabigh O&M Co., Ltd.	29,108	18,930	32,079	9,808
KIAMCO KOWEPO Bannerton Hold Co Pty., Ltd.	30,811	1,572	-	(916)
Haemodum Solar Energy Co., Ltd.	23,038	16,750	1,799	45
Samyang Solar Power Plant Co., Ltd.	50,837	40,647	7,376	150
NH-Amundi Global Infra Private Fund No. 21	70,910	38	3,428	6,468
Cheongna Energy Co., Ltd.	357,248	338,763	77,640	12,743
Hapcheon Floating Photovoltaic Power Plant Inc.	73,978	59,832	1,120	(972)
Yeongwol Eco Wind Co., Ltd.	43,785	39,066	-	421
Guraj Jumin Wind Power Co., Ltd.	6,934	5,733	-	42
Gunsan Land Solar Co., Ltd.	86,653	60,996	432	432
Capman Lynx SCA, SICAR	113,658	93,706	-	-

# KOREA WESTERN POWER CO., LTD. AND ITS SUBSIDIARIES

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

### 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, 2021 and 2020- are as follows, Continued:

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

*In millions of won*

Company	Assets	Liabilities	Sales	Net profit or loss
<b>Associates</b>				
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
Kepco Solar Co., Ltd. (formerly, Solar School Plant Co., Ltd.)	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.	1,144	1	-	(27)
Anjwa Smart Farm & Solar City Co., Ltd.	295,570	271,396	1,900	(1,684)
Muan Solra Park Co., Ltd.	245,431	225,057	14,359	(966)
Yudang Solra Co., Ltd.	23,360	20,876	1,611	686
<b>Joint ventures</b>				
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 Power Plant Inc.	9,708	-	-	-



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17. Property, Plant and Equipment

(1) Property, plant and equipment as of December 31, 2021 and 2020 are as follows:

(i) As of December 31, 2021

*In millions of won*

	Acquisition cost	Government grants	Accumulated depreciation	Accumulated impairment loss	Book value
Land	₩ 708,460	-	-	-	708,460
Buildings	1,611,497	(8,885)	(661,039)	(504)	941,069
Structures	1,450,594	(4,449)	(637,569)	(2,937)	805,639
Machinery	9,680,884	(51,594)	(4,890,111)	(57,449)	4,681,730
Vehicles	13,646	(32)	(9,862)	-	3,752
Equipment	146,618	-	(114,702)	(6)	31,910
Tools	36,146	-	(32,544)	-	3,602
Construction-in-progress	584,379	(12,577)	-	-	571,802
Right-of-use assets	1,113,922	(23)	(355,852)	-	758,047
	₩ 15,346,146	(77,560)	(6,701,679)	(60,896)	8,506,011

(ii) As of December 31, 2020

*In millions of won*

	Acquisition cost	Government grants	Accumulated depreciation	Accumulated impairment loss	Book value
Land	₩ 699,423	-	-	-	699,423
Buildings	1,555,920	(9,325)	(595,507)	(504)	950,584
Structures	1,358,235	(4,674)	(586,832)	(2,936)	763,793
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	(6)	(31,664)	-	4,168
Construction-in-progress	668,740	(12,577)	-	-	656,163
Right-of-use assets	1,154,333	(24)	(301,768)	-	852,541
	₩ 14,708,996	(82,393)	(5,924,037)	(61,301)	8,641,265

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17. Property, Plant and Equipment, Continued

(2) Changes in property, plant and equipment for the years ended December 31, 2021 and 2020 are as follows:

(i) For the year ended December 31, 2021

*In millions of won*

	Beginning balance	Acquisition/ Capital expenditure	Disposal	Depreciation (*1)	Others (*2)	Ending balance
Land	₩ 699,423	-	-	-	9,038	708,461
Buildings	959,909	13	(1)	(65,560)	55,594	949,955
(Government grants)	(9,325)	-	-	439	-	(8,886)
Structures	768,467	8	-	(50,738)	92,350	810,087
(Government grants)	(4,674)	-	-	225	-	(4,449)
Machinery	4,738,899	91,802	(12,765)	(604,648)	520,035	4,733,323
(Government grants)	(55,758)	-	43	4,121	-	(51,594)
Vehicles	3,125	-	-	(1,225)	1,884	3,784
(Government grants)	(29)	-	-	13	(16)	(32)
Equipment	28,356	300	(6)	(14,557)	17,818	31,911
Tools	4,174	293	-	(2,331)	1,466	3,602
(Government grants)	(6)	-	-	6	-	-
Construction-in-progress	668,740	611,265	-	-	(695,626)	584,379
(Government grants)	(12,577)	(16)	-	-	16	(12,577)
Right-of-use assets	852,565	6,506	(10)	(101,123)	132	758,070
(Government grants)	(24)	-	-	1	-	(23)
₩	<u>8,641,265</u>	<u>710,171</u>	<u>(12,739)</u>	<u>(835,377)</u>	<u>2,691</u>	<u>8,506,011</u>

(\*1) ₩1,446 million of depreciation expenses are recognized as construction-in-progress.

(\*2) Others in the amount of ₩2,691 million consist of ₩3,168 million transferred from retirement benefits expense, depreciation on property, plant and equipment and amortization on intangible assets to construction-in-progress, ₩7,988 million of capitalized interest expense, ₩8,609 million transferred to intangible assets, ₩15 million transferred to assets held for sale and ₩159 million of translation effect of foreign operations' financial statements. The weighted average capitalization rates for the year ended December 31, 2021 is 2.21%.

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17. Property, Plant and Equipment, Continued

(2) Changes in property, plant and equipment for the years ended December 31, 2021 and 2020 are as follows, Continued:

(ii) 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-	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, depreciation on property, plant and equipment and amortization on intangible assets 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 foreign operations' financial statements. The weighted average capitalization rates for the year ended December 31, 2020 is 2.30%.

KOREA WESTERN POWER CO., LTD. AND ITS SUBSIDIARIES  
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18. Intangible Assets

(1) Intangible assets as of December 31, 2021 and 2020 are as follows:

(i) As of December 31, 2021

*In millions of won*

		<u>Acquisition cost</u>	<u>Accumulated amortization</u>	<u>Accumulated impairment loss</u>	<u>Book value</u>
Computer software	₩	52,444	(40,116)	-	12,328
Mining rights		13,649	(8,363)	-	5,286
Development costs		4,068	(3,440)	-	628
Leasehold rights		6,561	(2,405)	-	4,156
Others		104,519	(82,230)	(231)	22,058
	₩	<u>181,241</u>	<u>(136,554)</u>	<u>(231)</u>	<u>44,456</u>

(ii) 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>

KOREA WESTERN POWER CO., LTD. AND ITS SUBSIDIARIES  
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18. Intangible Assets, Continued

(2) Changes in intangible assets for the years ended December 31, 2021 and 2020 are as follows:

(i) For the year ended December 31, 2021

*In millions of won*

	Beginning balance	Acquisition/ Capital expenditure	Disposals	Amortization (*1)	Others(*2)	Ending balance
Computer software	₩ 10,167	31	-	(3,901)	6,031	12,328
(Government grants)	(4)	-	-	4	-	-
Mining rights	6,377	-	-	(1,324)	233	5,286
Development costs	454	-	-	(161)	335	628
Leasehold rights	4,370	-	-	(558)	343	4,155
Others	22,901	12,450	-	(305)	(12,987)	22,059
₩	<u>44,265</u>	<u>12,481</u>	<u>-</u>	<u>(6,245)</u>	<u>(6,045)</u>	<u>44,456</u>

(\*1) ₩90 million of amortization expenses are recognized as construction-in-progress.

(\*2) Others in the amount of ₩6,045 million consist of ₩8,609 million transferred from construction-in-progress, ₩241 million resulting from translation of financial statements of foreign operations and ₩14,895 million transferred to greenhouse gas emission rights.

(ii) For the year ended December 31, 2020

*In millions of won*

	Beginning balance	Acquisition/ Capital expenditure	Disposals	Amortization (*1)	Others(*2)	Ending balance
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	23,492	7,117	(9,271)	(215)	1,778	22,901
₩	<u>43,621</u>	<u>7,138</u>	<u>(9,271)</u>	<u>(5,116)</u>	<u>7,893</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 to equipment.

# KOREA WESTERN POWER CO., LTD. AND ITS SUBSIDIARIES

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

### 19. Government Grants

(1) Government grants related to assets are presented in the consolidated statement of financial position by deducting the grant in arriving at the carrying amount of the asset in accordance with Article 44 of the Rules for Accounting Affairs of Public Corporations and Quasi-governmental Institution.

(2) Government grants as of December 31, 2021 and 2020 are as follows:

*In millions of won*

		2021	2020
Buildings	₩	8,885	9,325
Structures		4,449	4,674
Machinery		51,594	55,758
Vehicles		32	29
Tools		-	6
Construction-in-progress		12,577	12,577
Right-of-use assets		23	24
Computer software		-	4
	₩	<u>77,560</u>	<u>82,397</u>

(3) Changes in government grants for the years ended December 31, 2021 and 2020 are as follows:

(i) For the year ended December 31, 2021

*In millions of won*

		Beginning balance	Acquisition	Offsetting	Disposal	Others	Ending balance
Buildings	₩	9,325	-	(440)	-	-	8,885
Structures		4,674	-	(225)	-	-	4,449
Machinery		55,758	-	(4,121)	(43)	-	51,594
Vehicles		29	-	(13)	-	16	32
Tools		6	-	(6)	-	-	-
Construction-in-progress		12,577	16	-	-	(16)	12,577
Right-of-use assets		24	-	(1)	-	-	23
Computer software		4	-	(4)	-	-	-
	₩	<u>82,397</u>	<u>16</u>	<u>(4,810)</u>	<u>(43)</u>	<u>-</u>	<u>77,560</u>

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19. Government Grants, Continued

(ii) For the year ended December 31, 2020

*In millions of won*

	Beginning balance	Acquisition	Offsetting	Disposal	Others	Ending balance
Buildings	₩ 9,764	-	(439)	-	-	9,325
Structures	4,898	-	(224)	-	-	4,674
Machinery	60,043	-	(4,128)	(157)	-	55,758
Vehicles	9	-	(10)	-	30	29
Equipment	46	-	(46)	-	-	-
Tools	47	-	(41)	-	-	6
Construction-in-progress	11,015	1,592	-	-	(30)	12,577
Right-of-use assets	25	-	(1)	-	-	24
Computer software	30	-	(26)	-	-	4
₩	<u>85,877</u>	<u>1,592</u>	<u>(4,915)</u>	<u>(157)</u>	<u>-</u>	<u>82,397</u>

(4) Government grants income recognized for the years ended December 31, 2021 and 2020 are as follows:

*In millions of won*

	2021	2020
Offset against depreciation	₩ 4,810	4,914

# KOREA WESTERN POWER CO., LTD. AND ITS SUBSIDIARIES

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

### 20. Leases

#### (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 45 (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, 2021 and 2020 are as follows:

##### (i) As of December 31, 2021

*In millions of won*

	Acquisition cost	Government grants	Accumulated depreciation	Book value
Land	₩ 9,810	-	(1,574)	8,236
Buildings	2,946	-	(961)	1,985
Structures	165,693	(23)	(77,786)	87,884
Machinery	186,788	-	(64,721)	122,067
Vessels	747,777	-	(210,314)	537,463
Vehicles	908	-	(496)	412
	₩ 1,113,922	(23)	(355,852)	758,047

##### (ii) As of December 31, 2020

*In millions of won*

	Acquisition cost	Government grants	Accumulated depreciation	Book value
Land	₩ 6,593	-	(679)	5,914
Buildings	1,736	-	(590)	1,146
Structures	163,856	(24)	(70,600)	93,232
Machinery	186,679	-	(56,253)	130,426
Vessels	794,812	-	(173,411)	621,401
Vehicles	657	-	(235)	422
	₩ 1,154,333	(24)	(301,768)	852,541



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20. Leases, Continued

(3) Changes in right-of-use assets for the years ended December 31, 2021 and 2020 are as follows:

(i) For the year ended December 31, 2021

*In millions of won*

	Beginning balance	Acquisition	Transfer	Depreciation	Disposals	Others	Ending balance
Land	₩ 5,914	3,217	-	(895)	-	-	8,236
Buildings	1,146	1,221	-	(376)	(5)	(1)	1,985
Structures	93,256	1,791	46	(7,186)	-	-	87,907
(Government grants)	(24)	-	-	1	-	-	(23)
Machinery	130,426	26	70	(8,466)	(5)	17	122,068
Vessels	621,401	-	-	(83,939)	-	-	537,462
Vehicles	422	251	-	(261)	-	-	412
	₩ 852,541	6,506	116	(101,122)	(10)	16	758,047

(ii) For the year ended December 31, 2020

*In millions of won*

	Beginning balance	Acquisition	Transfer	Depreciation	Others	Ending balance
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
	₩ 947,247	3,753	4,342	(102,819)	18	852,541

KOREA WESTERN POWER CO., LTD. AND ITS SUBSIDIARIES  
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20. Leases, Continued

(4) Details of lease liabilities of December 31, 2021 and 2020 are as follows:

(i) As of December 31, 2021

*In millions of won*

	Minimum lease payments (MLP)	Present value of MLP
Less than 1 year	₩ 85,961	85,193
1~5 years	336,415	316,715
More than 5 years	269,520	223,662
	₩ <u>691,896</u>	<u>625,570</u>

(ii) As of December 31, 2020

*In millions of won*

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

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

*In millions of won*

	2021	2020
Current lease liabilities	₩ 85,193	96,733
Non-current lease liabilities	540,377	560,781
	₩ <u>625,570</u>	<u>657,514</u>

(6) Changes in lease liabilities for the years ended December 31, 2021 and 2020 are as follows:

*In millions of won*

	2021	2020
Beginning balance	₩ 657,514	781,144
Acquisition	6,506	3,753
Interest expense	11,815	15,588
Payments	(103,015)	(104,104)
Other changes	52,750	(38,867)
Ending balance	₩ <u>625,570</u>	<u>657,514</u>

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20. Leases, Continued

(7) Details of expenses relating to short-term lease and leases for which the underlying asset is of low value that were not recognized as lease liabilities for the years ended December 31, 2021 and 2020 are as follows.

<i>In millions of won</i>		2021	2020
Short-term leases	₩	49,296	21,175
Leases of low-value assets		190	209

21. Trade and Other Payables

Trade and other payables as of December 31, 2021 and 2020 are as follows:

<i>In millions of won</i>		2021		2020	
		Current	Non-current	Current	Non-current
Trade payables	₩	353,237	-	172,761	-
Non-trade payables		79,801	32	68,017	31
Accrued expenses		43,946	-	39,394	-
Other deposits		82	-	79	-
Lease liabilities		85,193	540,377	96,733	560,782
	₩	562,259	540,409	376,984	560,813

KOREA WESTERN POWER CO., LTD. AND ITS SUBSIDIARIES  
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22. Borrowings and Debentures

(1) Details of borrowings and debentures as of December 31, 2021 and 2020 are as follows:

*In millions of won*

		2021	2020
<b>Current Liabilities:</b>			
Short-term borrowings	₩	100,000	-
Current portion of long-term borrowings		348	348
Current portion of long-term debentures		745,650	560,000
Less: discount on debentures		(756)	(205)
		<u>845,242</u>	<u>560,143</u>
<b>Non-current Liabilities:</b>			
Long-term borrowings		49,934	504
Debentures		4,585,144	4,669,666
Less: discount on debentures		(8,279)	(10,358)
		<u>4,626,799</u>	<u>4,659,812</u>
	₩	<u>5,472,041</u>	<u>5,219,955</u>

(2) Short-term borrowings as of December 31, 2021 and 2020 are as follows:

*In millions of won*

Type	Lender	Annual interest rate		Maturity date		2021	2020
Short-term borrowings in local currency	Mirae Asset Securities Co., Ltd.	1.35%	Fixed rate	2022.01.21	₩	50,000	-
	BNK Securities, etc.	1.77%	Fixed rate	2022.02.08		50,000	-
					₩	<u>100,000</u>	<u>-</u>

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22. Borrowings and Debentures, Continued

(3) Long-term borrowings as of December 31, 2021 and 2020 are as follows:

*In millions of won*

Lender	Description	Annual interest rate	Maturity date	2021	2020
Korea Energy Agency	Development funds	Floating rate	3yr KTB rate		
			– 2.25%		
			2023.03.15	₩ 374	674
			2023.06.15	17	28
			2024.06.15	19	26
			2024.09.15	57	78
	Urban Regeneration Support funds	1.80%(*1)	2025.06.15	4	5
			2025.12.15	32	41
			2034.12.22	49,779	-
				50,282	852
Less: current portion			(348)	(348)	
			₩ 49,934	504	

(\*1) At the time of signing the contract, the interest rate of the Ministry of Land, Infrastructure and Transport is 1.8% per annum. If the interest rate is changed according to the fund management plan of the Ministry of Land, Infrastructure and Transport, the interest rate will change accordingly

(4) Local debentures as of December 31, 2021 and 2020 are as follows:

*In millions of won*

Type	Issue date	Maturity	Annual interest rate	2021	2020
Corporate bond #16-3	2011-11-18	2021-11-18	Fixed rate 4.15%	₩ -	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 #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 #26-2	2015-03-05	2025-03-05	Fixed rate 2.43%	90,000	90,000
Corporate bond #27-2	2015-05-08	2025-05-08	Fixed rate 2.70%	80,000	80,000
Corporate bond #30-1	2016-01-28	2021-01-28	Fixed rate 1.88%	-	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
Corporate bond #32-1	2016-09-09	2021-09-09	Fixed rate 1.45%	-	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 #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

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22. Borrowings and Debentures, Continued

(4) Local debentures as of December 31, 2021 and 2020 are as follows, Continued

*In millions of won*

Type	Issue date	Maturity date	Annual interest rate	2021	2020
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
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
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
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	60,000
Corporate bond #43-2	2020-05-28	2040-05-28	Fixed rate 1.59%	100,000	100,000
Corporate bond #43-3	2020-05-28	2050-05-28	Fixed rate 1.62%	90,000	90,000
Corporate bond #44-1	2020-06-23	2025-06-23	Fixed rate 1.42%	90,000	90,000
Corporate bond #44-2	2020-06-23	2040-06-23	Fixed rate 1.69%	60,000	60,000
Corporate bond #45-1	2020-08-27	2025-08-27	Fixed rate 1.28%	70,000	70,000
Corporate bond #45-2	2020-08-27	2040-08-27	Fixed rate 1.68%	80,000	80,000
Corporate bond #45-3	2020-08-27	2050-08-27	Fixed rate 1.68%	80,000	80,000
Corporate bond #46-1	2020-11-05	2022-11-05	Fixed rate 1.00%	60,000	60,000
Corporate bond #46-2	2020-11-05	2025-11-05	Fixed rate 1.42%	10,000	10,000
Corporate bond #46-3	2020-11-05	2050-11-05	Fixed rate 1.76%	80,000	80,000
Corporate bond #47-1	2020-12-22	2025-12-22	Fixed rate 1.51%	40,000	40,000
Corporate bond #47-2	2020-12-22	2030-12-22	Fixed rate 1.82%	50,000	50,000
Corporate bond #47-3	2020-12-22	2050-12-22	Fixed rate 1.88%	80,000	80,000
Corporate bond #48-1	2021-04-29	2024-04-29	Fixed rate 1.39%	60,000	-
Corporate bond #48-2	2021-04-29	2026-04-29	Fixed rate 1.87%	150,000	-
Corporate bond #48-3	2021-04-29	2031-04-29	Fixed rate 2.18%	20,000	-
Corporate bond #49-1	2021-07-29	2024-07-29	Fixed rate 1.68%	110,000	-
Corporate bond #49-2	2021-07-29	2026-07-29	Fixed rate 1.92%	130,000	-
Corporate bond #49-3	2021-07-29	2031-07-29	Fixed rate 2.00%	30,000	-
Corporate bond #50-1	2021-11-10	2024-11-10	Fixed rate 2.36%	20,000	-
Corporate bond #50-2	2021-11-10	2026-11-10	Fixed rate 2.60%	60,000	-
Corporate bond #50-3	2021-11-10	2041-11-10	Fixed rate 2.50%	10,000	-
				4,360,000	4,330,000
Less: discount on debentures				(7,266)	(6,990)
Less: current portion				(389,867)	(559,795)
				<u>₩ 3,962,867</u>	<u>3,763,215</u>

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22. Borrowings and Debentures, Continued

(5) Foreign debentures as of December 31, 2021 and 2020 are as follows:

*In millions of won, In thousands of USD and CHF*

Type	Issue date	Maturity date	Annual interest rate	Foreign Currency	2021	2020
Euro bond #4	2018.06.07	2023.06.07	Fixed rate 3.750%	USD 300,000 ₩	355,650	326,400
Swiss franc bond #2	2019.02.27	2024.02.27	Fixed rate 0.125%	CHF 200,000	259,494	246,866
Euro bond #5	2019.07.22	2022.07.22	Fixed rate 2.375%	USD 300,000	355,650	326,400
					970,794	899,666
Less: discount on debentures					(1,769)	(3,573)
Less: current portion					(355,027)	-
					₩ 613,998	896,093

(6) Repayment schedule of borrowings and debentures as December 31, 2021 are as follows:

*In millions of won*

	Less than 1 year	1 - 2 years	2 - 5 years	More than 5 years	Total
Borrowings	₩ 100,348	118	37	49,779	150,282
Debentures	745,650	775,650	1,679,494	2,130,000	5,330,794
	₩ 845,998	775,768	1,679,531	2,179,779	5,481,076

(7) Changes in borrowings and debentures for the years ended December 31, 2021 and 2020 are as follows:

(i) For the year ended December 31, 2021

*In millions of won*

	Beginning balance	Cash flows	Foreign exchange rates fluctuation	Others	Ending balance
Borrowings	₩ 852	149,903	(473)	-	150,282
Debentures	5,219,103	28,373	71,128	3,155	5,321,759
	₩ 5,219,955	178,276	70,655	3,155	5,472,041

(ii) For the year ended December 31, 2020

*In millions of won*

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

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23. Other Financial Liabilities

Other financial liabilities as of December 31, 2021 and 2020 are as follows:

*In millions of won*

		2021		2020	
		Current	Non-current	Current	Non-current
Derivative liabilities	₩	50	-	36	17,374

24. Retirement Benefits

(1) The principal assumptions used on actuarial valuation as of December 31, 2021 and 2020 are as follows:

	2021	2020
Discount rate	2.60~2.90%	2.11~2.40%
Future salary increase rate	3.22 ~ 5.82%	3.22 ~ 5.82%
Weighted average duration	10.5~12.6 years	11~12.9 years

(2) Details of the expense relating to its defined benefit plans for the years ended December 31, 2021 and 2020 are as follows:

*In millions of won*

	2021	2020
Current service cost	₩ 18,814	17,571
Interest cost	3,159	2,878
Expected return on plan assets	(981)	(797)
	₩ 20,992	19,652

(3) Net defined benefit liabilities as of December 31, 2021 and 2020 are as follows:

*In millions of won*

	2021	2020
Present value of defined benefit obligations from funded plans	₩ 150,019	145,708
Fair value of plan assets	(51,570)	(48,871)
Net liabilities incurred from defined benefit plans	₩ 98,449	96,837

(4) Changes in the present value of defined benefit obligations for the years ended December 31, 2021 and 2020 are as follows:

*In millions of won*

	2021	2020
Beginning balance	₩ 145,708	137,864
Current service cost	18,814	17,571
Interest cost	3,159	2,879
Remeasurements	(10,274)	(1,356)
Actual payments	(7,388)	(11,250)
Ending balance	₩ 150,019	145,708



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24. Retirement Benefits, Continued

(5) Changes in the fair value of plan assets for the years ended December 31, 2021 and 2020 are as follows:

<i>In millions of won</i>		2021	2020
Beginning balance	₩	48,871	38,821
Expected return on plan assets		981	797
Remeasurements		(99)	(55)
Contributions by the employers		2,036	9,463
Actual payments		(219)	(155)
Ending balance	₩	51,570	48,871

In addition, accumulated remeasurement loss amounting to ₩18,317 million and ₩26,028 million has been recognized as other comprehensive loss for the years ended December 31, 2021 and 2020, respectively.

(6) Details of fair value of plan assets as of December 31, 2021 and 2020 are as follows:

<i>In millions of won</i>		2021	2020
Bank deposit	₩	14,309	12,284
Others		37,261	36,587
	₩	51,570	48,871

For the years ended December 31, 2021 and 2020, actual returns on plan assets amounted ₩882 million and ₩742 million, respectively.

(7) Details of other long-term employee benefit liabilities as of December 31, 2021 and 2020 are as follows:

<i>In millions of won</i>		2021	2020
Unpaid long-service leave	₩	201	236

(8) Remeasurements recognized in other comprehensive income (loss) for the years ended December 31, 2021 and 2020 are as follows:

<i>In millions of won</i>		2021	2020
Remesurements gain from changes in financial		9,581	1,321
Experience adjustments		693	35
Return on plan assets		(99)	(55)
	₩	10,175	1,301

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25. Provisions

(1) Provisions as of December 31, 2021 and 2020 are as follows:

*In millions of won*

		2021		2020	
		Current	Non-current	Current	Non-current
Provision for employment benefits	₩	36,218	-	33,988	-
Provision for RPS (*1)		-	-	9,126	-
Provision for financial guarantees		-	-	5,537	-
Provision for greenhouse gas emission (*2)		137,021	-	-	-
Provision for litigation		10,427	-	9,705	-
	₩	183,666	-	58,356	-

(\*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) 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 emission.

(2) Changes in provisions for the years ended December 31, 2021 and 2020 are as follows:

(i) For the year ended December 31, 2021

*In millions of won*

	Beginning balance	Increase	Utilization	Reversal	Other changes	Ending balance
Provision for employment benefits	₩ 33,988	40,770	(38,540)	-	-	36,218
Provision for RPS	9,126	15,058	-	(24,184)	-	-
Provision for financial guarantees	5,537	-	(6,188)	-	651	-
Provision for greenhouse gas emission	-	137,021	-	-	-	137,021
Provision for litigation	9,705	880	(158)	-	-	10,427
	₩ 58,356	193,729	(44,886)	(24,184)	651	183,666

(ii) For the year ended December 31, 2020

*In millions of won*

	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 emission	-	24,953	-	-	(24,953)	-
Provision for litigation	23,647	875	(14,817)	-	-	9,705
	₩ 63,137	81,465	(56,087)	(4,527)	(25,632)	58,356

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25. Provisions, Continued

(3) Greenhouse gas emission rights and emission liabilities

(i) The amount of free allocation for each planning period and implementation year as December 31, 2021 are as follows:

*In ten thousands of tons (tCO<sub>2</sub>-eq)*

	2021	2022	3rd planning period		2025	Total
			2023	2024		
Free allocation	2,778	2,723	2,723	908	908	10,040

(ii) Changes in greenhouse gas emission rights for the years ended December 31, 2021 are as follows:

*In ten thousands of tons (tCO<sub>2</sub>-eq), millions of won*

	2nd planning period		3rd planning period			
	2020		2021		2022	
	Quantity	Amount	Quantity	Amount	Quantity	Amount
Beginning balance and free allocation	3,335	13,769	2,723	3,098	2,723	-
Buy (sell)	(68)	8,305	184	51,736	23	6,971
Government Borrowing	(3,042)	-	-	-	-	-
(carrying forward)	(225)	(22,074)	111	12,985	34	5,991
Ending balance	-	-	3,018	67,819	2,780	12,962

	2023		3rd planning period		2025	
	2024		2024		2025	
	Quantity	Amount	Quantity	Amount	Quantity	Amount
Beginning balance and free allocation	2,723	-	908	-	908	-
Buy (sell)	30	5,479	-	-	-	-
Government Borrowing	-	-	-	-	-	-
(carrying forward)	-	-	-	-	-	-
Ending balance	2,753	5,479	908	-	908	-

	Total	
	Quantity	Amount
Beginning balance and free allocation	13,320	16,867
Buy (sell)	169	72,491
Government Borrowing	(3,042)	-
(carrying forward)	(80)	(3,098)
Ending balance	10,367	86,260

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25. Provisions, Continued

(3) Greenhouse gas emission rights and emission liabilities, continued

(iii) There are no greenhouse gas emission rights provided as collateral by the Group as of December 31, 2021.

(iv) Among the greenhouse gas emission rights held by the Group, there are no emission rights held for short-term trading gains as of December 31, 2021.

(v) The estimated greenhouse gas emissions of the Group for the current implementation year is 33.38 million tons (tCO<sub>2</sub>-eq).

26. Non-financial Liabilities

Non-financial liabilities as of December 31, 2021 and 2020 are as follows:

*In millions of won*

	2021		2020	
	Current	Non-current	Current	Non-current
Unearned revenue	₩ 51,114	-	-	-
Deferred revenue	274	565	269	271
Withholdings	4,649	-	5,699	-
Others	2,857	989	27,516	2,375
	₩ 58,894	1,554	33,484	2,646

27. Contributed Capital

(1) Details of issued capital as of December 31, 2021 and 2020 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	2021	2020
Common stock	100,000,000	33,329,119	₩ 5,000	166,646	166,646

(2) Changes in number of shares outstanding for the years ended December 31, 2021 and 2020 are as follows:

<i>Number of shares</i>	2021	2020
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, 2021 and 2020 are as follows:

*In millions of won*

	2021	2020
Share premium	₩ 1,106,252	1,106,252

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28. Retained Earnings and Dividends Paid

(1) Details of retained earnings as of December 31, 2021 and 2020 are as follows:

*In millions of won*

	2021	2020
Legal reserves (*1)	₩ 75,614	75,614
Voluntary reserves	1,666,534	1,774,059
Unappropriated retained earnings	581,619	587,759
	₩ 2,323,767	2,437,432

(\*1) In accordance with the Commercial Law, 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, 2021 and 2020 are as follows:

*In millions of won*

	2021	2020
Reserve for the rationalization of business (*1)	₩ 181	181
Reserve for investment on social overhead capital	13,000	13,000
Reserve for business expansion	1,653,353	1,760,878
	₩ 1,666,534	1,774,059

(\*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, 2021 and 2020 are as follows:

*In millions of won*

	2021	2020
Beginning balance	₩ 587,759	635,228
Loss for the year attributable to owners of the	(121,379)	(85,937)
Remeasurements of defined benefit plan, net of	7,711	973
Transfers from reserves	107,525	43,141
Share of other comprehensive income (loss) of associates and joint ventures, net of tax	3	(5,646)
Ending balance	₩ 581,619	587,759

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28. Retained Earnings and Dividends Paid, Continued

(4) There are no dividend payments for the years ended December 31, 2021 and 2020.

(5) Changes in share of other comprehensive income of associates and joint ventures for the years ended December 31, 2021 and 2020 are as follows:

*In millions of won*

	2021	2020
Beginning balance	₩ 496	6,142
Changes	3	(5,646)
Ending balance	₩ 499	496

(6) Changes in remeasurements of defined benefit plan for the years ended December 31, 2021 and 2020 are as follows:

*In millions of won*

	2021	2020
Beginning balance	₩ (26,028)	(27,001)
Changes	10,175	1,301
Income tax effect	(2,465)	(328)
Ending balance	₩ (18,318)	(26,028)

29. Statements of appropriation of retained earnings

Statements of appropriation of retained earnings for the years ended December 31, 2021 and 2020 are as follows:

Date of appropriation for 2021: March 25, 2022

Date of appropriation for 2020: March 24, 2021

*In millions of won*

	2021	2020
<b>Unappropriated retained earnings</b>		
Balance at beginning of year	₩ 711,596	711,596
Loss for the year	(171,562)	(108,953)
Remeasurements of defined benefit plan	7,789	1,429
	547,823	604,072
<b>Transfer from voluntary reserves</b>		
Reserves for business expansion	163,773	107,524
<b>Balance at end of year before appropriation</b>	₩ 711,596	711,596
<b>Appropriation of retained earnings</b>		
Cash dividends	-	-
Legal reserve	-	-
Reserve for business expansion	-	-
<b>Unappropriated retained earnings to be carried over</b>	₩ 711,596	711,596

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30. Other Components of Equity

(1) Other components of equity as of December 31, 2021 and 2020 are as follows:

*In millions of won*

		2021	2020
Accumulated other comprehensive income	₩	179,171	62,394
Other equity		(41,784)	(41,784)
	₩	<u>137,387</u>	<u>20,610</u>

(2) Changes in accumulated other comprehensive income (loss) for the years ended December 31, 2021 and 2020 are as follows:

(i) For the year ended December 31, 2021

*In millions of won*

		Financial assets at fair value through other comprehensive income valuation reserve	Reserve for gain on valuation of derivatives	Reserve for foreign operations translation	Share of other comprehensive income (loss) of associates and joint ventures	Total
Beginning balance	₩	64,806	11,841	(7,121)	(7,132)	62,394
Net changes in valuation of non-current financial assets at fair value through other comprehensive income		143,274	-	-	-	143,274
Net changes in the unrealized fair value of derivatives using cash flow hedge accounting		-	(1,271)	-	-	(1,271)
Gain on translation of foreign operations		-	-	70	-	70
Share of other comprehensive income of associates and joint ventures		-	-	-	9,068	9,068
Tax effect		(34,672)	308	-	-	(34,364)
Ending balance	₩	<u>173,408</u>	<u>10,878</u>	<u>(7,051)</u>	<u>1,936</u>	<u>179,171</u>



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30. Other Components of Equity, Continued

(2) Changes in accumulated other comprehensive income (loss) for the years ended December 31, 2021 and 2020 are as follows, Continued:

(ii) For the year ended December 31, 2020

*In millions of won*

		Financial assets at fair value through other comprehensiv e income valuation reserve	Reserve for gain on valuation of derivatives	Reserve for foreign operations translation	Share of other comprehensive income (loss) of associates and joint ventures	Total
Beginning balance	₩	77,590	6,276	(7,448)	2,457	78,875
Net changes in valuation of non-current financial assets at fair value through other comprehensive income		(16,866)	-	-	-	(16,866)
Net changes in the unrealized fair value of derivatives using cash flow hedge accounting		-	7,342	-	-	7,342
Gain on 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>

(3) No changes occurred for the years ended December 31, 2021 and 2020.

31. Sales

Details of sales for the years ended December 31, 2021 and 2020 are as follows:

*In millions of won*

		2021	2020
Sales of electricity	₩	4,969,035	3,604,347
others		32,599	24,638
	₩	<u>5,001,634</u>	<u>3,628,985</u>

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### 32. Selling and Administrative Expenses

Details of selling and administrative expenses for the years ended December 31, 2021 and 2020 are as follows:

<i>In millions of won</i>		2021	2020
Salaries	₩	20,612	22,554
Retirement benefit expense		1,251	1,354
Welfare and benefit expense		2,273	2,082
Insurance expense		670	566
Depreciation		13,525	14,011
Amortization		2,399	2,164
Commission		22,003	21,998
Advertising expense		1,941	1,613
Training expense		54	25
Vehicle maintenance expense		135	68
Publishing expense		144	250
Business promotion expense		94	108
Rent expense		1,094	1,055
Telecommunication expense		493	408
Transportation expense		19	7
Taxes and dues		4,980	4,142
Expendable supplies expense		478	314
Water, light and heating expense		699	697
Repairs and maintenance expense		1,466	1,300
Ordinary development expense		18,288	15,195
Travel expense		240	243
Clothing expense		64	13
Bad debt expenses		1,278	-
Others		3,006	3,846
	₩	<u>97,206</u>	<u>94,013</u>

### 33. Other Non-operating Income and Expense

(1) Other non-operating income for the years ended December 31, 2021 and 2020 are as follows:

<i>In millions of won</i>		2021	2020
Rental income	₩	5,667	4,899
Gains from assets contributed		371	1,840
	₩	<u>6,038</u>	<u>6,739</u>

(2) Other non-operating expenses for years ended December 31, 2021 and 2020 are as follows:

<i>In millions of won</i>		2021	2020
Donations	₩	10,154	16,723
Other bad debt expenses (reversal)		7	(5)
	₩	<u>10,161</u>	<u>16,718</u>

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34. Other Income (Loss)

Details of other income (loss) for the years ended December 31, 2021 and 2020 are as follows:

<i>In millions of won</i>	2021	2020
Gain on disposal of property, plant, and equipment	₩ 45	219
Gain on disposal of intangible assets	-	1,556
Gain on foreign currency translation	2,152	1,436
Gain on foreign currency transaction	3,779	9,120
Other gains	11,573	55,101
Loss on disposal of property, plant and equipment	(11,991)	(10,095)
Impairment loss on property, plant and equipment	-	(8,300)
Loss on foreign currency translation	(1,176)	(90)
Loss on foreign currency transaction	(7,861)	(6,113)
Other losses	(14,347)	(13,673)
₩	<u>(17,826)</u>	<u>29,161</u>

35. Finance Income

(1) Finance income for the years ended December 31, 2021 and 2020 are as follows:

<i>In millions of won</i>	2021	2020
Interest income	₩ 4,980	2,128
Dividend income	13,612	3,154
Gain on valuation of short-term financial instruments	-	17
Gain on valuation of derivatives	71,128	7,762
Gain on transaction of derivatives	14,336	13,188
Gain on foreign currency translation	1,772	81,448
Gain on foreign currency transaction	474	1,430
₩	<u>106,302</u>	<u>109,127</u>

(2) Interest income included in finance income for years ended December 31, 2021 and 2020 are as follows:

<i>In millions of won</i>	2021	2020
Cash and cash equivalents	₩ 3,800	869
Loans	905	1,074
Other financial assets	113	112
Trade and other receivables	162	73
₩	<u>4,980</u>	<u>2,128</u>

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36. Finance Expenses

(1) Finance expenses for years ended December 31, 2021 and 2020 are as follows:

<i>In millions of won</i>		2021	2020
Interest expense	₩	130,180	134,402
Loss on valuation of derivatives		50	41,916
Loss on transaction of derivatives		4,459	5,469
Loss on foreign currency translation		125,280	9,409
Loss on foreign currency transaction		-	620
Others		1,015	281
	₩	<u>260,984</u>	<u>192,097</u>

(2) Interest expense included in finance expenses for the years ended December 31, 2021 and 2020 are as follows:

<i>In millions of won</i>		2021	2020
Short-term borrowings	₩	151	1,115
Long-term borrowings		28	8
Debentures		125,761	122,442
Trade and other payables		413	1
Lease liabilities		11,815	15,588
		<u>138,168</u>	<u>139,154</u>
Less: capitalized borrowing costs		(7,988)	(4,752)
	₩	<u>130,180</u>	<u>134,402</u>

37. Income Tax Benefits

(1) Components of income tax benefits for the years ended December 31, 2021 and 2020 are as follows:

<i>In millions of won</i>		2021	2020
<b>Current income tax</b>			
Current income tax	₩	8,900	3,980
Adjustment for prior period		-	(62)
Income tax charged directly to equity		(36,829)	1,977
		<u>(27,929)</u>	<u>5,895</u>
<b>Deferred tax</b>			
Generation and realization of temporary differences		(15,637)	(29,815)
Amount due to tax deficits, tax credits and temporary differences that were not recognized in the past		(3,932)	(251)
Effect of expiration of tax deduction		-	9,241
		<u>(19,569)</u>	<u>(20,825)</u>
<b>Income tax benefits</b>	₩	<u>(47,498)</u>	<u>(14,930)</u>

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37. Income Tax Benefits, Continued

(2) The relationship between accounting loss and income tax benefits for the years ended December 31, 2021 and 2020 is as follows:

*In millions of won*

	2021	2020
Loss before income tax	₩ (168,877)	(100,868)
Income tax benefits in accordance with statutory tax rate	(40,868)	(24,410)
Adjustments		
Effects of the application of accumulative tax rate	(462)	(462)
Effects of non-deductible expenses	1,502	1,015
Effects of tax credits or exemptions	(3,738)	-
Amount due to tax deficits, tax credits and temporary differences that were not recognized in the past	(3,932)	(251)
Effect of expiration of tax deduction	-	9,241
	(6,630)	9,543
Adjustment for prior period	-	(63)
Income tax benefits (*1)	₩ (47,498)	(14,930)

(\*1) The average effective tax rate for the years ended December 31, 2021 and 2020 is not presented as a result of negative average effective tax rate due to loss before income tax.

(3) Income tax recognized in other comprehensive income for the years ended December 31, 2021 and 2020 are as follows:

*In millions of won*

	2021	2020
Net changes in non-current financial assets at fair value through other comprehensive income	₩ (34,672)	4,082
Net changes in the unrealized fair value of derivatives using cash flow hedge accounting	308	(1,777)
Remeasurements of defined benefit plan	(2,465)	(328)
	₩ (36,829)	1,977

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## Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

### 37. Income Tax Benefits, Continued

(4) Changes in deferred tax assets (liabilities) recognized in the consolidated statements of financial position for the years ended December 31, 2021 and 2020 are as follows:

(i) For the year ended December 31, 2021

*In millions of won*

	Balance as of January 1, 2021	Amounts recognized in profit or loss	Amounts recognized in other comprehensive income (loss)	Balance as of December 31, 2021
<b>Deferred tax on temporary differences</b>				
Long-term employee benefits	₩ 23,361	2,872	(2,465)	23,768
Cash flow hedges	(4,518)	(17,210)	308	(21,420)
Property, plant and equipment	(287,927)	40,014	-	(247,913)
Intangible assets	56	-	-	56
Inventories	1,219	23	-	1,242
Financial assets at fair value through other comprehensive income	(21,723)	-	(34,672)	(56,395)
Foreign currency translation	2,246	17,353	-	19,599
Other provision	(4,240)	-	-	(4,240)
Others	29,305	15,936	-	45,241
	(262,221)	58,988	(36,829)	(240,062)
Unused tax deficit and tax credit carry forward	29,255	(2,590)	-	26,665
<b>Total</b>	₩ (232,966)	56,398	(36,829)	(213,397)

(ii) 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
<b>Deferred tax on temporary differences</b>				
Long-term employee benefits	₩ 23,908	(219)	(328)	23,361
Cash flow hedges	(10,934)	8,193	(1,777)	(4,518)
Inventory	(299,716)	11,789	-	(287,927)
Property, plant and equipment	56	-	-	56
Intangible assets	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
<b>Total</b>	₩ (253,791)	18,848	1,977	(232,966)

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37. Income Tax Benefits, Continued

(5) The details of deductible temporary differences not recognized as deferred tax assets as of December 31, 2021 are as follows:

*In millions of won*

	2021
Investments in associates, etc.	₩ 133,772

(6) Deferred tax liabilities presented in the consolidated statement of financial position as of December 31, 2021 and 2020 are as follows:

*In millions of won*

	2021	2020
Deferred tax assets	₩ 1,706	1,445
Deferred tax liabilities	(215,103)	(234,411)
	₩ (213,397)	(232,966)

38. Expenses Classified by Nature

Expenses classified by nature for years ended December 31, 2021 and 2020 are as follows:

(i) For the year ended December 31, 2021

*In millions of won*

	Selling and administrative expenses	Cost of sales	Total
Raw materials used	₩ -	3,442,779	3,442,779
Salaries	20,612	235,674	256,286
Retirement benefit expense	1,251	24,869	26,120
Welfare and benefit expense	2,273	23,023	25,296
Insurance expense	670	12,383	13,053
Depreciation	13,525	820,407	833,932
Amortization	2,399	3,755	6,154
Commission	22,003	16,913	38,916
Advertising expense	1,941	619	2,560
Training expense	54	97	151
Vehicle maintenance expense	135	115	250
Publishing expense	144	249	393
Business promotion expense	94	220	314
Rent expense	1,094	22,635	23,729
Telecommunication expense	493	216	709
Transportation expense	19	68	87
Taxes and dues	4,980	29,539	34,519
Expendable supplies expense	478	1,905	2,383
Water, light and heating expense	699	295	994
Repairs and maintenance expense	1,466	188,335	189,801
Ordinary development expense	18,288	20,333	38,621
Travel expense	241	602	843
Clothing expense	64	288	352
Survey and analysis expense	-	93	93
Bad debt expenses	1,278	-	1,278
Others	3,005	104,038	107,043
	₩ 97,206	4,949,450	5,046,656

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38. Expenses Classified by Nature, Continued

Expenses classified by nature for years ended December 31, 2021 and 2020 are as follows:

(ii) For the year ended December 31, 2020

*In millions of won*

	Selling and administrative expenses	Cost of sales	Total
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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39. Loss per Share

(1) Basic loss per share for the years ended December 31, 2021 and 2020 are as follows:

<i>In won</i>	<u>2021</u>	<u>2020</u>
Basic loss per share	₩ (3,642)	(2,578)

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

(2) Loss attributable to controlling interest and weighted average number of common shares outstanding for the years ended December 31, 2021 and 2020 are as follows:

<i>In millions of won, except for number of share</i>	<u>2021</u>	<u>2020</u>
Loss attributable to owners of the parent	₩ (121,378)	(85,937)
Weighted-average number of common shares	33,329,119	33,329,119

40. 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 cash equivalents 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, 2021 and 2020 are as follows:

<i>In millions of won</i>	<u>2021</u>	<u>2020</u>
Total borrowings and debentures	₩ 5,472,041	5,219,955
Cash and cash equivalents	123,724	68,092
Net borrowings and debentures	5,348,317	5,151,863
Total equity	₩ 3,734,044	3,731,009
Debt to equity percentage	143.23%	138.08%

(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 analyze 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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40. 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, debt instruments, and 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 counter party 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 doubtful accounts assessed on a collective basis is 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 to the credit risk as of December 31, 2021 and 2020 are as follows:

<i>In millions of won</i>		2021	2020
Cash and cash equivalents	₩	123,724	68,092
Loans		69,206	37,713
Short-term financial instruments		54,793	200,832
Derivative assets (hedge accounting)		88,562	36,079
Trade and other receivables		756,558	523,620

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 ₩ 20,300 million (Note 41).

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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40. 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, 2021 and 2020 are as follows:

*In millions of won*

Type	Accounts		2021		2020	
			1% Increase	1% Decrease	1% Increase	1% Decrease
Future salary increase rate	Increase (decrease) in defined benefit obligation	₩	19,372	(16,437)	19,185	(16,355)
Discount rate	Increase (decrease) in defined benefit obligation		(17,024)	20,554	(17,005)	20,465

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, 2021 and 2020 are as follows:

(i) As of December 31, 2021

*In thousands of foreign currencies*

	USD	CHF	EUR	JPY
<b>Assets</b>				
Cash and cash equivalents	24,897	-	-	-
Trade and other receivables	2,787	-	-	-
Short-term financial instruments	4,000	-	-	-
Long-term loans	18,099	-	-	-
	<u>49,783</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Liabilities</b>				
Trade and other payables	(640,616)	-	(56)	(54,953)
Debentures	(600,000)	(200,000)	-	-
	<u>(1,240,616)</u>	<u>(200,000)</u>	<u>(56)</u>	<u>(54,953)</u>
Net exposure in foreign currency	<u>(1,190,833)</u>	<u>(200,000)</u>	<u>(56)</u>	<u>(54,953)</u>

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40. 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, 2020

*In thousands of foreign currencies*

	USD	CHF	EUR	JPY
<b>Assets</b>				
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>
<b>Liabilities</b>				
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>

A sensitivity analysis on the Group's profit before income tax assuming a 10% increase or decrease in currency exchange rates as of December 31, 2021 and 2020 are as follows:

*In millions of won*

	2021		2020	
	10% Increase	10% Decrease	10% Increase	10% Decrease
Increase (decrease) of profit before income tax	₩ (167,187)	167,187	(153,612)	153,612
Increase (decrease) of total equity	(167,187)	167,187	(153,612)	153,612

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, 2021 and 2020.

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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40. 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 borrowings 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, 2021 and 2020 are as follows:

<i>In millions of won</i>		2021	2020
Long-term borrowings	₩	50,282	852

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, 2021 and 2020 are as follows:

<i>In millions of won</i>		2021		2020	
		1%	1%	1%	1%
		Increase	Decrease	Increase	Decrease
Increase(decrease) of profit before income tax	₩	(503)	503	(9)	9
Increase(decrease) of total equity		(503)	503	(9)	9

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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40. 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, 2021 and 2020. 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, 2021

<i>In millions of won</i>		Less than 1 year	1-2 years	2-5 years	More than 5 years	Total
Borrowings and debentures	₩	972,746	864,389	1,876,104	2,717,910	6,431,149
Trade and other payables		563,026	87,595	248,851	269,520	1,168,992
Financial guarantee contract (*1)		-	-	20,300	-	20,300
	₩	<u>1,535,772</u>	<u>951,984</u>	<u>2,145,255</u>	<u>2,987,430</u>	<u>7,620,441</u>

(\*1) This is the total amount of guarantee the Group would bear in the event of a financial guarantee event.

(ii) 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 (*1)		6,310	-	20,300	-	26,610
	₩	<u>1,062,389</u>	<u>901,819</u>	<u>2,125,825</u>	<u>3,176,717</u>	<u>7,266,750</u>

(\*1) This is the total amount of guarantee the Group would bear in the event of a financial guarantee event. As of December 31, 2020, the Group has recognized KRW 5,537 million as provision for financial guarantee contracts.

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, 2021 and 2020 in detail are as follows:

(i) As of December 31, 2021

<i>In millions of won</i>		Less than 1 year	1-5 years	Over 5 years	Uncertain	Total
Cash and cash equivalents	₩	123,724	-	-	-	123,724
Financial assets at fair value through other comprehensive income		-	-	-	319,364	319,364
Financial assets at fair value through profit or loss		-	-	-	7,412	7,412
Loans		5,327	65,867	-	-	71,194
Short-term financial instruments		54,793	-	-	-	54,793
Trade and other receivables		742,495	14,583	-	-	757,078
	₩	<u>926,339</u>	<u>80,450</u>	<u>-</u>	<u>326,776</u>	<u>1,333,565</u>

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40. Risk Management, Continued

(2) Financial risk management, Continued

4) Liquidity risk, Continued

(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	₩ 68,093	-	-	-	68,093
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
	₩ 788,439	43,906	-	183,502	1,015,847

Derivative liabilities classified by maturity periods which from reporting date to maturity date of contract as of December 31, 2021 and 2020 are as follows:

(i) As of December 31, 2021

*In millions of won*

	Less than 1 year	1-2 years	2-5 years	More than 5 years	Total
Net settlement					
-Trading purpose	₩ -	-	-	-	-
Gross settlement					
-Trading purpose	50	-	-	-	50
-Hedge accounting purpose	-	-	-	-	-
	₩ 50	-	-	-	50

(ii) As of December 31, 2020

*In millions of won*

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

# KOREA WESTERN POWER CO., LTD. AND ITS SUBSIDIARIES

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

### 40. Risk Management, Continued

#### (3) Fair value measurement

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, 2021 and 2020 are as follows:

*In millions of won*

	2021		2020	
	Book value	Fair value	Book value	Fair value
<b>Assets recognized at fair value</b>				
Financial assets at fair value through other comprehensive income	₩ 319,364	319,364	176,090	176,090
Financial assets at fair value through profit or loss	7,412	7,412	7,412	7,412
Short-term financial instruments	-	-	150,832	150,832
Derivatives assets (hedge accounting)	88,562	88,562	36,079	36,079
	<u>₩ 415,338</u>	<u>415,338</u>	<u>370,413</u>	<u>370,413</u>
<b>Assets carried at amortized cost</b>				
Cash and cash equivalents	₩ 123,724	123,724	68,093	68,093
Trade and other receivables	756,558	756,558	523,620	523,620
Loans	69,206	69,206	37,713	37,713
Short-term financial instruments	54,793	54,793	50,000	50,000
	<u>₩ 1,004,281</u>	<u>1,004,281</u>	<u>679,426</u>	<u>679,426</u>
<b>Liabilities recognized at fair value</b>				
Derivatives liabilities (trading)	₩ 50	50	36	36
Derivatives liabilities (hedge accounting)	-	-	17,374	17,374
	<u>₩ 50</u>	<u>50</u>	<u>17,410</u>	<u>17,410</u>
<b>Liabilities carried at amortized cost</b>				
Trade and other payables	₩ 1,102,668	1,102,668	937,797	937,797
Borrowings	150,282	150,282	852	852
Debentures	5,321,759	5,252,715	5,219,103	5,398,497
	<u>₩ 6,574,709</u>	<u>6,505,665</u>	<u>6,157,752</u>	<u>6,337,146</u>



KOREA WESTERN POWER CO., LTD. AND ITS SUBSIDIARIES  
Notes to the Consolidated Financial Statements  
For the years ended December 31, 2021 and 2020

40. Risk Management, Continued

(3) Fair value measurement, 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, 2021 and 2020 are as follows:

Type	2021 (%)	2020 (%)
Derivatives	1.00 ~ 1.33	0.24 ~ 0.52
Debentures	-0.30 ~ 2.53	-0.25 ~ 1.97

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, 2021 and 2020, respectively, are as follows:

(i) As of December 31, 2021

*In millions of won*

	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value:</b>				
Financial assets at fair value through other comprehensive income	₩ 301,320	-	18,044	319,364
Financial assets at fair value through profit or loss	-	-	7,412	7,412
Derivative assets (hedge accounting)	-	88,562	-	88,562
	₩ 301,320	88,562	25,456	415,338
<b>Financial liabilities at fair value:</b>				
Derivative liabilities (trading)	₩ -	50	-	50
	₩ -	50	-	50

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 7.56% 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, 2021 and 2020.

KOREA WESTERN POWER CO., LTD. AND ITS SUBSIDIARIES  
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For the years ended December 31, 2021 and 2020

40. Risk Management, Continued

(3) Fair value measurement, Continued

3) Fair value hierarchy, Continued

(ii) As of December 31, 2020

*In millions of won*

	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value:</b>				
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
	₩ <u>159,702</u>	<u>186,911</u>	<u>23,800</u>	<u>370,413</u>
<b>Financial liabilities at fair value:</b>				
Derivative liabilities (trading)	₩ -	36	-	36
Derivative liabilities (hedge accounting)	-	17,374	-	17,374
	₩ <u>-</u>	<u>17,410</u>	<u>-</u>	<u>17,410</u>

Changes in level 3 for recurring fair value measurements for the years ended December 31, 2021 and 2020 are as follows:

(i) For the year ended December 31, 2021

*In millions of won*

	Beginning balance	Acquisition	Valuation	Ending balance
Financial assets at fair value through other comprehensive income	₩ 16,388	-	1,656	18,044
Financial assets at fair value through profit or loss	₩ <u>7,412</u>	<u>-</u>	<u>-</u>	<u>7,412</u>
	₩ <u>23,800</u>	<u>-</u>	<u>1,656</u>	<u>25,456</u>

(ii) For the year ended December 31, 2020

*In millions of won*

	Beginning balance	Acquisition	Valuation	Ending balance
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>

# KOREA WESTERN POWER CO., LTD. AND ITS SUBSIDIARIES

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

### 41. Related Party Transactions

(1) The nature of the Group's relationship with related parties as of December 31, 2021 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. 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 Power Plant Inc. Cheongna Energy Co., Ltd. Yeongwol Eco Wind Co., Ltd. Gurae Jumin Wind Power Co., Ltd. Gunsan Land Solar Co., Ltd. CapMan Lynx SCA, SICAR
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. PT Bayan Resources TBK Etc.

# KOREA WESTERN POWER CO., LTD. AND ITS SUBSIDIARIES

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

### 41. Related Party Transactions, Continued

(2) Significant transactions with related parties for the years ended December 31, 2021 and 2020 are as follows:

<i>In millions of won</i> Related parties	Sales and others		Purchase and others	
	2021	2020	2021	2020
Korea Electric Power Corporation	₩ 4,923,736	3,559,859	73,115	76,891
Korea Hydro & Nuclear Power Co., Ltd.	-	-	-	10
Korea Southern Power Co., Ltd.	3,806	4,621	148	200
Korea East-West Power Co., Ltd.	89	2	124	20
Korea South-East Power Co., Ltd.	66	2	177	-
Korea Midland Power Co., Ltd.	62	113	185	-
KEPCO Engineering & Construction Company Inc.	-	-	10,131	6,480
KEPCO KPS Co., Ltd.	2,042	1,942	70,506	80,224
KEPCO KDN Co., Ltd.	-	-	16,181	15,407
Cheongna Energy Co., Ltd.	9,073	6,133	57	66
Korea Offshore Wind Power Co., Ltd.	109	141	4,733	4,537
Daegu Solar Power Plant Co., Ltd.	207	325	2,547	2,556
Dongducheon Dream Power Co., Ltd.	183	66	-	-
Solar Power Plants Happy City Co., Ltd.	-	-	257	251
Rabigh Operation & Maintenance Company Limited	4,164	5,893	-	-
Pioneer Gas Power Limited	-	-	502	-
Korea Gas Corporation	1,219	2,320	1,393,448	641,209
Korea Electronic Power Industrial Development Co., Ltd.	4,316	3,247	47,186	47,160
Korea Power Exchange	-	-	4,923	4,234
Shin Pyeongtaek Power Co., Ltd.	13,610	13,661	188	269
Muan Solra Park Co., Ltd.	-	-	31,017	-
Yudang Solra Co., Ltd.	-	-	3,495	-
Anjwa Smart Farm & Solar City Co., Ltd.	421	-	24,601	-
KEPCO Energy Solution Co., Ltd.	-	-	217	-
Xe-Pian Xe-Namnoy Power Co., Ltd.	1,565	2,003	-	-
KEPCO Energy Solution Co., Ltd.	-	77	-	-
Kepco Solar Co., Ltd. (formerly, Solar School Plant Co., Ltd.)	-	-	289	470
PT. Mutiara Jawa	988	55	-	-
Samyang Solar Power Plant Co., Ltd.	1,868	-	5,852	3,848
Haemodum Solar Energy Co., Ltd.	-	-	936	666
NH-Amundi Global Infra Private Fund No.21	1,727	1,388	-	-
PT Bayan Resources TBK	13,612	3,154	-	-
Korea Development Bank	46,856	14,248	4,372	28,148
	₩ 5,029,719	3,619,250	1,695,187	912,646

# KOREA WESTERN POWER CO., LTD. AND ITS SUBSIDIARIES

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

### 41. Related Party Transactions, Continued

(3) Receivables and payables arising from related party transactions as of December 31, 2021 and 2020 are as follows:

*In millions of won*

Company name	Type	Receivables		Payables	
		2021	2020	2021	2020
Korea Electric Power Corporation	Trade receivables	₩ 564,246	373,031	-	-
	Non-trade receivables and others	151,582	109,645	-	-
	Trade payables	-	-	3,258	3,158
	Non-trade payables and others	-	-	1,450	3,015
Korea Hydro & Nuclear Power Co., Ltd.	Non-trade receivables and others	-	100	-	-
Korea Southern Power Co., Ltd.	Non-trade receivables and others	732	1,012	-	-
	Non-trade payables and others	-	-	32	68
Korea East-West Power Co., Ltd.	Non-trade receivables and others	52	617	-	-
Korea Midland Power Co., Ltd.	Non-trade receivables and others	52	484	-	-
	Non-trade payables and others	-	-	271	2,276
Korea South-East Power Co., Ltd.	Non-trade receivables and others	52	1,361	-	-
	Non-trade payables and others	-	-	334	10,241
KEPCO Engineering & Construction Company Inc.	Non-trade payables and others	-	-	-	1,410
KEPCO KPS Co., Ltd.	Non-trade receivables and others	6	-	-	-
	Non-trade payables and others	-	-	13,246	7,500
Korea Power Exchange	Non-trade payables and others	-	-	-	122
KEPCO KDN Co., Ltd.	Non-trade payables and others	-	-	1,711	1,098
Cheongna Energy Co., Ltd.	Trade receivables	3,975	1,401	-	-
Korea Offshore Wind Power Co., Ltd.	Trade receivables	63	80	-	-
Samyang Solar Power Plant Co., Ltd.	Non-trade payables and others	-	-	-	625
Rabigh Operation & Maintenance Company Limited	Non-trade receivables	-	442	-	-
Pioneer Gas Power Limited	Non-trade payables and others	-	-	502	-
Shin Pyeongtaek Power Co., Ltd.	Non-trade receivables and others	2,790	2,823	-	-
	Non-trade payables and others	-	-	77	73
Korea Gas Corporation	Non-trade receivables and others	185	56	-	-
	Trade payables	-	-	155,967	95,631
	Non-trade payables and others	-	-	758	617
Korea Electronic Power Industrial Development Co., Ltd.	Trade receivables	234	472	-	-
	Non-trade receivables and others	15	16	-	-
	Non-trade payables and others	-	-	-	805
Xe-Pian Xe-Namnoy Power Co., Ltd.	Non-trade receivables and others	2,677	1,796	-	-
	Loans	21,456	19,692	-	-
Capman Lynx SCA, SICAR	Loans	29,770	-	-	-
KEPCO Energy Solution Co., Ltd.	Trade receivables	-	-	-	-
Kepco Solar Co., Ltd.	Non-trade payables and others	-	-	8	-
PT. Mutiara Jawa	Non-trade receivables and others	34	26	-	-
Korea Development Bank	Derivative assets	49,005	20,167	-	-
	Derivative liabilities	-	-	-	5,782
		₩ <u>826,926</u>	<u>533,221</u>	<u>177,614</u>	<u>132,421</u>

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41. Related Party Transactions, Continued

(4) The details of loans to related parties as of December 31, 2021 and 2020 are as follows:

*In million of won*

Type	Company name	December 31, 2020	Amount lent	Foreign exchange adjustment	December 31, 2021
Associate	Xe-Pian Xe-Namnoy Power Co., Ltd.	19,692	-	1,764	21,456
Joint venture	Capman Lynx SCA, SICAR	-	30,001	(231)	29,770

(5) Derivatives with related parties as of December 31, 2021 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

(6) The salaries and other compensations to the key members of management for the years ended December 31, 2021 and 2020 are as follows:

*In millions of won*

Type		2021	2020
Short-term employee benefits	₩	714	748
Retirement benefit expense		38	40

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41. Related Party Transactions, Continued

(7) Guarantees provided to related parties as of December 31, 2020 are as follows:

*In millions of won, In thousands of USD and SAR*

Provider	Related Parties	Type of guarantee	Amount	Guarantee
Korea Western Power Co., Ltd.	Cheongna Energy Co., Ltd.	Capital investments pledged as collateral	KRW 11,198	Kookmin Bank, etc.
Korea Western Power Co., Ltd.	Dongducheon Dream Power Co., Ltd.	Capital investments pledged as collateral(*1)	KRW 39,524	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.	Capital investments pledged as collateral	KRW 2,342	Korea Development Bank
Korea Western Power Co., Ltd.	PT Mutiara Jawa	Capital investments pledged as collateral	KRW 2,569	Woori Bank
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.	Capital investments pledged as collateral	KRW 92,441	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.	Capital investments pledged as collateral	KRW 223	Nonghyup Bank
Korea Western Power Co., Ltd.	Shin Pyeongtaek Power Co., Ltd.	Capital investments pledged as collateral	KRW 93,074	Kookmin Bank
Korea Western Power Co., Ltd.	Korea Offshore Wind Power Co., Ltd.	Capital investments pledged as collateral	KRW 21,445	Woori Bank, etc.
Korea Western Power Co., Ltd.	Haemodum Solar Energy Co., Ltd.	Capital investments pledged as collateral	KRW 3,081	Nonghyup Bank
Korea Western Power Co., Ltd.	Samyang Solar Power Plant Co., Ltd.	Capital investments pledged as collateral	KRW 4,993	Korea Development Bank
Korea Western Power Co., Ltd.	Seoroseoro Sunny Power Plant Co., Ltd.	Capital investments pledged as collateral	KRW 721	KEB Hana Bank, etc.
Korea Western Power Co., Ltd.	Muan Solra Park Co., Ltd.	Capital investments pledged as collateral	KRW 6,083	Industrial Bank of Korea
Korea Western Power Co., Ltd.	Yudang Solra Co., Ltd.	Capital investments pledged as collateral	KRW 565	KEB Hana Bank, etc.
Korea Western Power Co., Ltd.	Anjwa Smart Farm & Solar City Co., Ltd.	Capital investments pledged as collateral	KRW 6,784	KEB Hana Bank, etc.
Korea Western Power Co., Ltd.	Hapcheon Floating Photovoltaic Power Plant Inc.	Capital investments pledged as collateral	KRW 6,971	Nonghyup Bank, etc.
Korea Western Power Co., Ltd.	Gurae Jumin Wind Power Co., Ltd.	Capital investments pledged as collateral	KRW 396	KEB Hana Bank, etc.
Korea Western Power Co., Ltd.	Yeongwol Eco Wind Co., Ltd.	Capital investments pledged as collateral	KRW 3,197	KEB Hana Bank, etc.
Korea Western Power Co., Ltd.	Gunsan Land Solar Co., Ltd.	Capital investments pledged as collateral	KRW 19,317	KEB Hana Bank.

(\*1) Dongducheon Dream Power Co., Ltd.'s common stock and convertible preferred stocks held by the 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.

## KOREA WESTERN POWER CO., LTD. AND ITS SUBSIDIARIES

### Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

#### 41. Related Party Transactions, Continued

(8) 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.

(9) Shin Pyeongtaek Power Co., Ltd, which is an associate of the Group, is engaged in sales of electric power and has a loan from financial institutions. As of December 31, 2021, 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.

(10) As of December 31, 2021, Korea Offshore Wind Power Co., Ltd., an associate, operates marine wind power generating facility and its construction. It has entered into project financing agreement with Woori Bank and others. The Group has provided stocks of Korea Offshore Wind Power Co., Ltd. to creditors for collateral. The Group also has entered into funding agreement through subordinated borrowings for any excessive operating expense.

(11) As of December 31, 2021, Samyang Solar Power Plant Co., Ltd., a joint venture, generates and sells electric power using solar power and power storage facilities in Changgi-ri, Anmyeon-eup, Taean-gun, Chungcheongnam-do. The Group received ₩ 43 billion from Korean Development Bank and others 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.

(12) As of December 31, 2021, Seoroseoro Sunny Power Plant Co., Ltd., an associate, is headquartered in Sangam-dong, Mapo-gu, Seoul, and generates electric power by constructing 4,175 MW solar power facilities in 18 spaces owned by Lotte Shopping Co., Ltd. As of December 31, 2021, the Group is obliged to provide insufficient funds to the borrower through additional investment or subordinated borrowings for the amount exceeding total investment for the completion of the business facility by the completion date.

(13) As of December 31, 2021, Yudang Solar Co., Ltd., an associate, has constructed and operated a 7,988.76KW solar power plant and 29,223.32KW power storage facility in Dongsan-ri, Heongyeong-myeon, Muan-gun, Jeollanam-do. If KEB Hana Bank, a lender and agent bank, determines that a cause for supplemental funding has occurred and requests to provide insufficient fund to investors, each investor is obliged to provide the amount in proportion to their ownership percentage from the requested amounts through additional investment or subordinated borrowings.

(14) As of December 31, 2021, Yeongwol Eco Wind Co., Ltd., a joint venture, plans to build a 42MW wind power plant in Gurae-ri, Yeongwol-gun, Gangwon-do to generate electric power. In the event that KEB Hana Bank Co., a lender and agent bank, requests to fulfill the obligation to provide funds due to additional investments exceeding expected total costs during the construction, each investor is obliged to provide the requested amount in cash.



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41. Related Party Transactions, Continued

(15) As of December 31, 2021, Gurae Jumin Wind Power Co., Ltd., a joint venture, plans to build a 4.2MW wind power plant in Gurae-ri, Yeongwol-gun, Gangwon-do to generate electric power. In the event that KEB Hana Bank Co., a lender and agent bank, requests to fulfill the obligation to provide funds due to additional investments exceeding expected total costs during the construction, each investor is obliged to provide the requested amount in cash.

(16) As of December 31, 2021, Gunsan Land Solar Co., Ltd., a joint venture, plans to build a 99MW solar power plant in Area of reclaimed water in Osikdo-dong, Gunsan-si, Jeollabuk-do to generate electric power. According to the shareholder agreement, after the construction period ends, Gunsan Land Solar Co., Ltd. shall procure up to 80% of the total project cost as a citizen investment and provide a 7% rate of return on the citizen investment, with a maximum of 80%. In the case of additionally procuring the under-recruited portion of the citizen's investment with debt capital, it is obliged to provide the city with the difference between the 7% return on the citizen's investment corresponding to the under-recruitment and the cost of additional debt capital to the city of Gunsan.

42. Non-current Assets Held for Sale

Assets held-for-sale as of December 31, 2021 and 2020 are as follows:

*In millions of won*

Property, Plant and Equipment

	2021	2020
	-	1
₩	-	1

43. Statements of Cash Flows

(1) Significant non-cash investing and financing transactions for the years ended December 31, 2021 and 2020 are as follows:

*In millions of won*

	2021	2020
Reclassification of long-term borrowings and debentures to current portion	₩ 715,297	559,919
Reclassification of construction-in-progress	706,809	385,324
Reclassification of non-trade payables for property, plant and equipment's acquisition	(8,948)	7,971

(2) Changes in liabilities arising from financing activities for the years ended December 31, 2021 and 2020 are as follows:

(i) For the year ended December 31, 2021

*In millions of won*

Type	Beginning balance	Cash flow	Non-cash change			Ending balance
			Acquisition	Fluctuation of foreign exchange rate	Others	
Borrowings	₩ 852	149,904	-	(473)	-	150,283

# KOREA WESTERN POWER CO., LTD. AND ITS SUBSIDIARIES

## Notes to the Consolidated Financial Statements

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Debentures	5,219,103	28,373	-	71,128	3,155	5,321,759
Lease liabilities	657,514	(91,200)	6,506	52,754	(5)	625,569
Derivative assets, net	(18,669)	9,840	-	-	(79,683)	(88,512)
₩	<u>5,858,800</u>	<u>96,917</u>	<u>6,506</u>	<u>123,409</u>	<u>(76,533)</u>	<u>6,009,099</u>

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43. Statements of Cash Flows, continued

(ii) For the year ended December 31, 2020

*In millions of won*

Type		Beginning balance	Cash flow	Acquisition	Non-cash change		Ending balance
					Fluctuation of foreign exchange rate	Others	
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, net		(45,184)	7,423	-	-	19,092	(18,669)
	₩	5,869,676	36,965	3,753	(73,822)	22,228	5,858,800

44. Commitments for Expenditure

The commitments for acquisition of property, plant and equipment as of December 31, 2021 are as follows:

*In millions of won*

Description		Amounts	Balance
Service of designing Taean units (#9,10)	₩	112,909	12,623
Service of designing Gimpo cogeneration construction		17,442	6,626
Purchase of gas turbine and attached equipment for Gimpo cogeneration construction		126,302	61,735
Purchase of steam turbine, HRSG and POWER BLOCK for Gimpo cogeneration construction		214,053	138,244
Construction of Gimpo cogeneration		130,015	86,323
Service of designing Gumi compound construction		17,269	16,259
	₩	617,990	321,810

45. Commitments and Contingencies

(1) Ongoing litigations and claims related with contingent liabilities as of December 31, 2021 and 2020 are as follows:

*In millions of won*

	2021		2020	
	Number of cases	Claim amount	Number of cases	Claim amount
As the defendant	14	₩ 22,500	18	₩ 18,500
As the plaintiff	11	471,400	9	472,300

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45. Commitments and Contingencies, continued

(2) Credit lines provided by financial institutions as of December 31, 2021 are as follows:

*In millions of won, In thousands of USD*

Description	Financial Institutions	Currency	Limited amount	Exercised amount
Foreign currency payment guarantee	Nonghyup Bank	USD	8,700	7,213
Commitments on Bank-overdraft	Nonghyup Bank	KRW	200,000	-
Derivatives trading credit	Nonghyup Bank	USD	8,000	392
	KEB Hana Bank	USD	50,000	14,530
	Woori Bank	USD	45,000	-
Loan limit	Bank of Communications	USD	30,000	-
	Standard Chartered	USD	50,000	-
	Mizuho Bank	USD	50,000	-
	Korea Development Bank	USD	80,000	-
	Credit Agricole	USD	50,000	-
	DBS Bank	USD	100,000	-
	Shinhan Bank	USD	40,000	-
	Kookmin Bank	USD	100,000	-
	Nonghyup Bank	KRW	5,000	-
	Kookmin Bank	KRW	10,000	-
	Woori Bank	KRW	4,000	-
	Shinhan Bank	KRW	5,000	-
	Industrial Bank of Korea	KRW	5,000	-
	KEB Hana Bank	KRW	5,000	-
	Standard Chartered	KRW	20,000	-
Certification of payment on L/C	Shinhan Bank	USD	80,000	918
	Nonghyup Bank	USD	50,000	-

(3) Main raw material purchase agreements as of December 31, 2021 are as follows:

Raw materials	Supplier	Contract period	Annual contract amount (thousand tons)
Bituminous coal	Australia	2022.01~2025.02	8,271
	Indonesia	2022.01~2025.12	3,304
	Russia	2022.01~2025.12	3,386
	USA	2022.01~2024.06	560
	South Africa	2022.01~2025.09	944
			16,465
LNG	Korea Gas Corporation	2007~2033	Determined annually
	Korea Gas Corporation	2015~2025	Determined annually

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45. Commitments and Contingencies, continued

(4) Details of long-term marine transportation commitment for the safe transport of bituminous coal as of December 31, 2021 are as follows:

Shipping company	Ship name	Contract period
NYK	Frontier Lodestar	2013.02~2028.10
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
Daewoo 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 41, the Group provides financial supports including the debt repayment guarantees to related parties.

46. Uncertainty of the Effects of COVID-19

Preventive actions and control policies such as transportation limit are being implemented globally to block the spread of Coronavirus disease 2019 ("COVID-19"). As a result, the global economy is having a material impact in a wide scope. Also, various types of supporting policies are being announced by governments to handle COVID-19.

The items impacted by COVID-19 are impairment of property, plant and equipment, the recognition of provisions and others. The Group prepared the consolidated financial statements by reasonably estimating the impact of COVID-19 on the Group. However, there is uncertainty in measuring the termination of COVID-19 and the estimating the impact of COVID-19 on the Group.

47. Uncertainty of the Effects of Ukraine Crisis

The armed conflict in Ukraine, which began in February 2022, and the international community's sanctions against Russia related thereto, are not only applicable to companies that are subject to sanctions, but also to companies directly or indirectly doing business with Ukraine or Russia, and directly or indirectly to the industry or economy of Ukraine or Russia. It can indirectly affect the companies it is exposed to. This event is a non-adjusting event after the reporting period. The Group cannot reasonably estimate the future financial impact of the Ukraine crisis.

48. Events After the reporting Period

The Group issued corporate bonds for the purpose of use for debt repayment and facility funds. The details of the issuance are as follows:

*In millions of won*

Classification	Issuance date	Maturity date	Annual interest rate (%)	Amount
Corporate bond #51-1	2022.01.25	2025.01.24	2.762	₩ 50,000
Corporate bond #51-2	2022.01.25	2042.01.24	2.781	20,000
				₩ <u>70,000</u>