

KOREA SOUTHERN POWER CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
December 31, 2016 and 2015

27. Share Capital

(1) Shares capital as of December 31, 2016 and 2015 is as follows:

<i>In millions of won , except par value</i>				December 31, 2016		December 31, 2015	
Type	Number of shares authorized	Number of shares issued	Par value	Govt.	Non-govt.	Govt.	Non-govt.
Common Stock	100,000,000shares	47,739,895 shares	5,000	-	238,699	-	228,828

(2) Changes in number of shares issued for the year end December 31, 2016 and 2015 are as follows:

<i>In millions of won</i>	December 31, 2016	December 31, 2015
Beginning	45,765,507	45,765,507
Investment in kind(*)	1,974,388	-
Ending	47,739,895	45,765,507

(*) KEPCO made an investment in kind by contributing the shares of the PT. Bayan Resources TBK (available-for-sale securities).

(3) Share premium as of December 31, 2016 and 2015 are as follows:

<i>In millions of won</i>	December 31, 2016	December 31, 2015
Paid-in capital in excess of par value	₩ 1,615,309	1,544,695

28. Retained Earnings and Dividends

(1) Retained earnings as of December 31, 2016 and 2015 are summarized as follows:

<i>In millions of won</i>	December 31, 2016	December 31, 2015
Legal reserves(*)	₩ 60,082	58,298
Voluntary reserves	1,112,619	907,495
Retained earnings before appropriations	1,141,120	953,046
	₩ 2,313,821	1,918,839

(*) The Commercial Code of the Republic of Korea requires the Company to appropriate as a legal reserve, an amount equal to a minimum of 10% of annual cash dividends paid, until the reserve equals 50% of its issued capital stock. The reserve is not available for the payment of cash dividends, but may be transferred to capital stock through a resolution of the Board of Directors or used to reduce accumulated deficit, if any, with the ratification of the shareholders.

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28. Retained Earnings and Dividends, Continued

(2) Composition of voluntary reserves as of December 31, 2016 and 2015 are as follows:

<i>In millions of won</i>		December 31, 2016	December 31, 2015
Reserve for business stabilization(*1)	₩	38	38
Reserve for research and human development(*2)		47,000	47,000
Reserve for investment on social overhead capital		84,498	84,498
Reserve for business expansion		981,083	775,959
	₩	<u>1,112,619</u>	<u>907,495</u>

(*1) Prior to 2002, the Company appropriated certain tax-deductible benefits as reserve for business stabilization, for offsetting future deficit in accordance with the relevant tax laws. Due to the amendment of such tax laws on December 11, 2002, the reserve is no longer required. However, the Company continues to maintain such reserve on a voluntary basis.

(*2) The reserve for research and human development is appropriated by the Company to use as qualified tax credits to reduce corporate tax liabilities. The reserve is available for cash dividends for a certain period as defined by the Tax Incentive Control Law of Korea.

(3) Changes in retained earnings before appropriations for the years ended December 31, 2016 and 2015 are as follows:

<i>In millions of won</i>		December 31, 2016	December 31, 2015
Beginning balance	₩	1,918,839	1,708,255
Profit for the period-Controlling company		421,976	221,450
Dividends paid		(17,849)	(10,272)
Actuarial losses		(9,146)	(548)
Changes in retained earnings of equity method investments		1	(46)
Ending balance	₩	<u>2,313,821</u>	<u>1,918,839</u>

(4) Dividends paid for the years ended December 31, 2016 and 2015 are as follows:

(i) For the year ended December 31, 2016					
Type	Number of shares issued (shares)	Number of treasury shares (shares)	Number of share eligible for dividends (shares)	Dividends per share (in won)	Total dividends (in millions of won)
Common stock	47,739,895	-	45,765,507	390	17,849
(ii) For the year ended December 31, 2015					
Type	Number of shares issued (shares)	Number of treasury shares (shares)	Number of share eligible for dividends (shares)	Dividends per share (in won)	Total dividends (in millions of won)
Common stock	45,765,507	-	45,765,507	224	10,272

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28. Retained Earnings and Dividends, Continued

(5) Changes in actuarial losses on retirement benefit obligations for the years ended December 31, 2016 and 2015 are as follows:

<i>In millions of won</i>		December 31, 2016	December 31, 2015
Beginning balance	₩	27,916	27,368
Changes for the period		12,067	723
Income tax effect		(2,921)	(175)
Ending balance	₩	<u>37,062</u>	<u>27,916</u>

29. Statement of Appropriation of Retained Earnings

For the year ended December 31, 2016, the Company's retained earnings are expected to be appropriated on March 30, 2017. For the year ended December 31, 2015, the Company's retained earnings were appropriated on March 29, 2016.

Statements of appropriation of retained earnings of KOSPO, the controlling company based on separate financial statements, for the years ended December 31, 2016 and 2015 are as follows:

<i>In millions of won</i>		December 31, 2016	December 31, 2015
I. Retained earnings before appropriations			
Unappropriated retained earnings carried over from prior years	₩	727,392	727,940
Remeasurements of the defined benefit plan		(9,146)	(548)
Net income		<u>426,337</u>	<u>224,757</u>
		<u>1,144,583</u>	<u>952,149</u>
II. Appropriations of retained earnings			
Dividends		60,630	17,849
Legal reserves		6,063	1,785
Voluntary reserves		<u>359,644</u>	<u>205,123</u>
		<u>426,337</u>	<u>224,757</u>
III. Unappropriated retained earnings to be carried over to subsequent year (I - II)	₩	<u>718,246</u>	<u>727,392</u>