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KOREA ELECTRIC POWER CORP  
Form 6-K  
April 21, 2004

SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER  
Pursuant to Rule 13a-16 or 15d-16 of  
the Securities Exchange Act of 1934

For the Month of April 2004

KOREA ELECTRIC POWER CORPORATION  
(Translation of registrant's name into English)

167, Samseong-dong, Gangnam-gu, Seoul 135-791, Korea  
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will  
file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F  Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as  
permitted by Regulation S-T Rule 101(b)(1):

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Indicate by check mark if the registrant is submitting the Form 6-K in paper as  
permitted by Regulation S-T Rule 101(b)(7):

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Indicate by check mark whether the registrant by furnishing the information  
contained in this form is also thereby furnishing the information to the  
Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes  No

If "Yes" is marked, indicate below the file number assigned to the  
registrant in connection with Rule 12g3-2(b): 82- .

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This Report of Foreign Private Issuer on Form 6-K is deemed filed for all  
purposes under the Securities Act of 1933, as amended, and the Securities  
Exchange Act of 1934, as amended, including by reference in the Registration  
Statement on Form F-3 (Registration No. 33-99550) and the Registration Statement  
on Form F-3 (Registration No. 333-9180).

KOREA ELECTRIC POWER CORPORATION  
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2002 AND 2003  
TOGETHER WITH INDEPENDENT PUBLIC  
ACCOUNTANTS' REPORT

# Edgar Filing: KOREA ELECTRIC POWER CORP - Form 6-K

## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

English Translation of a Report Originally Issued in Korean

To the Stockholders and Board of Directors of  
Korea Electric Power Corporation:

We have audited the accompanying consolidated balance sheets of Korea Electric Power Corporation and its subsidiaries (collectively referred to as the "Company") as of December 31, 2002 and 2003, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years ended December 31, 2001, 2002 and 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Korea Hydro & Nuclear Power Co., Ltd., Korea South-East Power Co., Ltd., Korea Midland Power Co., Ltd. and Korea East-West Power Co., Ltd., which statements reflect 42.1 percent of the total consolidated assets as of December 31, 2001 and 44.8 percent of the consolidated income before income tax for the year then ended. We did not audit the financial statements of Korea Hydro & Nuclear Power Co., Ltd., Korea South-East Power Co., Ltd., Korea Midland Power Co., Ltd. and Korea East-West Power Co., Ltd., which statements reflect 41.5 percent of the consolidated assets as of December 31, 2002 and 41.7 percent of the consolidated income before income tax for the year then ended. We did not audit the financial statements of Korea Hydro & Nuclear Power Co., Ltd. and Korea South-East Power Co., Ltd., which statements reflect 32.1 percent of the consolidated assets as of December 31, 2003 and 38.4 percent of the consolidated income before income tax for the year then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to amounts included for those entities, is based solely on the reports of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2002 and 2003, and the results of their operations, changes in its stockholders' equity and their cash flows for years ended December 31, 2001, 2002 and 2003 in conformity with the Korea Electric Power Corporation Act, the Accounting Regulations for Government Invested Enterprises and the financial accounting standards in the Republic of Korea (see Note 2).

The translated amounts in the accompanying financial statements have been translated in to U.S. dollars, solely for the convenience of the reader, on the basis set forth in Note 2.

As discussed in Note 18, sales and purchases to and from related parties, including the six power generation subsidiaries, amounted to W343,026 million and W14,792,969 million, respectively, for the year ended December 31, 2003 and

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W371,643 million and W13,713,243 million, respectively, for the year ended December 31, 2002. Related receivables and payables amount to W23,296 million and W1,241,020 million, respectively, as of December 31, 2003 and W31,954 million and W1,172,012 million, respectively, as of December 31, 2002.

As discussed in Note 1, the Company is considering the gradual privatization of its power generation subsidiaries and distribution business, in accordance with the restructuring plan, dated January 21, 1999, of the electricity industry in the Republic of Korea announced by the Ministry of Commerce, Industry and Energy ("Restructuring Plan"). This Restructuring Plan, which is intended to introduce a competitive system in the electricity industry, is expected to affect the determination of utility rates, result in changes in management structure, related laws and regulations, and affect electricity supply and demand policy.

As discussed in Note 2, in 2003, the Company adopted Statements of Korea Accounting Standards ("SKAS") No. 2, 3, 4, 5, 6, 7, 8 and 9, which are effective from January 1, 2003. Those statements provide accounting and reporting standards for the interim financial reporting, intangible assets, revenue recognition, tangible assets, events occurring after the balance sheet date, capitalization of financing costs, investment in securities and convertible securities. The prior year financial statements, which are presented for comparative purposes, were restated to conform to the provisions of those standards. As a result of the adoption of SKAS No. 6 - "Events Occurring after the Balance Sheet Date", stockholders' equity increased and current liabilities decreased by W511,350 million as of December 31, 2002.

Accounting principles and auditing standards and their application in practice vary among countries. The accompanying financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than the Republic of Korea. The Company's financial statements are prepared in accordance with the Korea Electric Power Corporation Act, Accounting Regulations for Government Invested Enterprises as well as generally accepted accounting principles in the Republic of Korea. In addition, the procedures and practices utilized in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying financial statements are for use by those knowledgeable about Korean accounting procedures and auditing standards and their application in practice as well as the Korea Electric Power Corporation Act and Accounting Regulations for Government Invested Enterprises.

Anjin Deloitte LLC

Seoul, Korea  
March 26, 2004

### Notice to Readers

This report is effective as of March 26, 2004, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modifications to the auditors' report.

KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31, 2002 AND 2003

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	Korean Won		Translation
	2002	2003	U.S. Dollars
	(In millions)		2003
			(In thousand)
ASSETS			
Utility plant (Notes 3, 5 and 12)	W 75,588,054	W 81,548,400	\$ 68,413,
Less: Accumulated depreciation	(11,963,081)	(16,875,523)	(14,157,
Construction grants	(2,321,219)	(2,758,789)	(2,314,
	61,303,754	61,914,088	51,941,
Investments and others:			
Long-term investment securities (Note 6)	1,353,308	1,529,120	1,282,
Long-term loans (Note 7)	257,098	287,139	240,
Deferred income tax assets	1,261,813	1,352,449	1,134,
Currency and interest rate swaps (Note 14)	324,093	131,429	110,
Intangibles (Note 4)	459,202	515,993	432,
Other non-current assets (Note 13)	638,359	456,138	382,
	4,293,873	4,272,268	3,584,
Current assets:			
Cash and cash equivalents (Note 13)	1,997,480	2,050,636	1,720,
Trade receivables, net of allowance for doubtful accounts (Notes 13 and 18)	1,534,847	1,605,355	1,346,
Accounts receivable-other, net of allowance for doubtful accounts (Notes 13 and 18)	310,497	458,360	384,
Short-term investment securities (Note 6)	23,136	161,596	135,
Short-term financial instruments (Note 13)	137,852	119,000	99,
Short-term loans (Note 7)	14,661	16,284	13,
Inventories (Notes 5 and 8)	721,556	904,933	759,
Other current assets	174,463	224,752	188,
	4,914,492	5,540,916	4,648,
Total assets	W 70,512,119	W 71,727,272	\$ 60,173,

(continued)

KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (CONTINUED)

AS OF DECEMBER 31, 2002 AND 2003

	Korean Won		Translation
	2002	2003	U.S. Dollars (N
			2003

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	----- (In millions)		----- (In thousand)
Stockholders' Equity and Liabilities			
Stockholders' Equity (Notes 6 and 9):			
Common stock	W 3,200,504	W 3,203,743	\$ 2,687,70
Capital surplus	14,483,121	14,544,520	12,201,77
Retained earnings	18,419,413	20,231,488	16,972,72
Capital adjustments	(137,973)	(325,384)	(272,97
Minority interest in consolidated subsidiaries	108,073	127,569	107,02
	-----	-----	-----
Total stockholders' equity	36,073,138	37,781,936	31,696,25
	-----	-----	-----
Long-term Liabilities:			
Long-term debt (Note 11)	17,665,355	15,813,137	13,266,05
Accrued severance indemnities, net (Note 2)	454,326	635,049	532,75
Reserve for decommissioning cost (Note 2)	4,417,934	5,091,070	4,271,03
Reserve for self-insurance	82,536	87,926	73,76
Currency and interest swaps (Note 14)	477,075	215,100	180,45
Financing lease liabilities (Note 12)	5,366	372	31
Deferred income tax liabilities	1,346,043	1,446,570	1,213,56
Other long-term liabilities	395,541	515,839	432,75
	-----	-----	-----
	24,844,176	23,805,063	19,970,69
	-----	-----	-----
Current Liabilities:			
Trade payables (Notes 13 and 18)	734,437	755,248	633,59
Accounts payable-other (Notes 13 and 18)	931,892	870,919	730,63
Short-term borrowings (Note 11)	157,733	210,169	176,31
Current portion of long-term debt (Note 11)	5,653,428	6,621,266	5,554,75
Income tax payable	1,270,664	809,479	679,09
Accrued expenses (Note 13)	264,685	317,868	266,66
Dividends payable	2,474	2,324	1,95
Other current liabilities (Note 13)	579,492	553,000	463,92
	-----	-----	-----
	9,594,805	10,140,273	8,506,94
	-----	-----	-----
Total liabilities	34,438,981	33,945,336	28,477,63
	-----	-----	-----
Total stockholders' equity and liabilities	W70,512,119	W71,727,272	\$60,173,88
	=====	=====	=====

See accompanying notes to consolidated financial statements.

KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2001, 2002 AND 2003

	----- Korean Won			----- Translati U.S. Dollar
	2001	2002	2003	20

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	(In millions, except per share amounts)			(In thousand per share)
<b>OPERATING REVENUES: (Notes 18 and 20)</b>				
Sale of electricity	W18,863,802	W20,406,404	W21,834,288	\$18,31
Other operating revenues	1,361,186	959,271	940,306	78
	<u>20,224,988</u>	<u>21,365,675</u>	<u>22,774,594</u>	<u>19,10</u>
<b>OPERATING EXPENSES</b>				
(Notes 4, 15, 16, 18, 19 and 20):				
Power generation, transmission and distribution	13,685,512	13,405,043	14,391,644	12,07
Purchased power	987,272	1,207,381	1,383,818	1,16
Other operating costs	445,022	545,867	539,104	45
Selling and administrative expenses	1,118,355	1,160,601	1,236,230	1,03
	<u>16,236,161</u>	<u>16,318,892</u>	<u>17,550,796</u>	<u>14,72</u>
<b>OPERATING INCOME</b>	<b>3,988,827</b>	<b>5,046,783</b>	<b>5,223,798</b>	<b>4,38</b>
<b>OTHER INCOME (EXPENSES):</b>				
Interest income	88,427	90,929	99,897	8
Interest expense	(1,203,179)	(1,016,422)	(829,743)	(69
Gain (loss) on foreign currency transactions and translation, net	(13,228)	511,950	(206,572)	(17
Gain on valuation using the equity method of accounting (Note 6)	97,548	94,853	96,866	8
Donations	(112,431)	(121,379)	(185,805)	(15
Valuation gain (loss) on currency and interest rate swaps, net (Note 14)	(132,008)	64,008	(93,490)	(7
Gain on disposal of investments, net (Note 6)	162,439	433,151	45,244	3
Other, net	55,329	66,985	(40,305)	(3
	<u>(1,057,103)</u>	<u>124,075</u>	<u>(1,113,909)</u>	<u>(93</u>
<b>ORDINARY INCOME</b>	<b>2,931,724</b>	<b>5,170,858</b>	<b>4,109,889</b>	<b>3,44</b>
<b>EXTRAORDINARY ITEM</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>INCOME BEFORE INCOME TAX EXPENSE</b>	<b>2,931,724</b>	<b>5,170,858</b>	<b>4,109,889</b>	<b>3,44</b>
<b>INCOME TAX EXPENSE (Note 17)</b>	<b>(1,293,133)</b>	<b>(2,103,792)</b>	<b>(1,763,271)</b>	<b>(1,47</b>
<b>INCOME BEFORE MINORITY INTERESTS</b>	<b>1,638,591</b>	<b>3,067,066</b>	<b>2,346,618</b>	<b>1,96</b>
<b>MINORITY INTERESTS</b>	<b>(3,741)</b>	<b>(18,961)</b>	<b>(23,193)</b>	<b>(1</b>
<b>NET INCOME</b>	<b>W 1,634,850</b>	<b>W 3,048,105</b>	<b>W 2,323,425</b>	<b>\$ 1,94</b>
<b>ORDINARY INCOME PER SHARE (Note 2)</b>	<b>W 2,559</b>	<b>W 4,770</b>	<b>W 3,686</b>	<b>\$</b>
<b>EARNINGS PER SHARE (Note 2)</b>	<b>W 2,559</b>	<b>W 4,770</b>	<b>W 3,686</b>	<b>\$</b>

See accompanying notes to consolidated financial statements.

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KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2001, 2002 AND 2003

	Korean Won (In millions)				
	Common stock	Capital surplus	Retained earnings	Capital adjustments	Minor interests
Balances at January 1, 2001	W3,200,504	W15,138,325	W14,020,125	W (70,844)	W104,1
Net income	--	--	1,634,850	--	
Dividends declared	--	--	(333,317)	--	
Gain on disposal of treasury stock	--	13,258	--	--	
Changes in capital adjustments	--	--	--	32,621	
Changes in minority interests	--	--	--	--	67,8
Changes in equity interests	--	(73,463)	--	--	
Adjustment of equity of the investee not subject to equity method	--	(172,883)	(22,867)	(5,242)	
Balances at December 31, 2001	3,200,504	14,905,237	15,298,791	(43,465)	172,0
Net income	--	--	3,048,105	--	
Dividends declared	--	--	(351,432)	--	
Gain on disposal of treasury stock	--	(310)	--	--	
Gain on disposal of subsidiary's common stock	--	(423,949)	423,949	--	
Changes in capital adjustments	--	--	--	(93,347)	
Changes in minority interests	--	--	--	--	19,6
Changes in equity interests	--	2,143	--	(2,143)	
Disposal of subsidiary's common stock	--	--	--	982	(83,6
Balances at December 31, 2002	3,200,504	14,483,121	18,419,413	(137,973)	108,0
Net income	--	--	2,323,425	--	
Dividends declared	--	--	(511,350)	--	
Capital increase by real assets	3,239	11,425	--	--	
Gain on disposal of treasury stock	--	5,604	--	--	
Gain on disposal of subsidiary's common stock	--	--	--	(187,411)	
Changes in capital adjustments	--	45,171	--	--	
Changes in minority interests	--	--	--	--	19,4
Changes in equity interests	--	(801)	--	--	
Balances at December 31, 2003	W3,203,743	W14,544,520	W20,231,488	W(325,384)	W127,5
Translation into U.S. Dollars (In thousands) (Note 2)	\$2,687,704	\$12,201,779	\$16,972,725	\$(272,974)	\$107,0

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See accompanying notes to consolidated financial statements.

## KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2001, 2002 AND 2003

	Korean Won			Tran U.S. D
	2001	2002	2003	(I
	(In millions)			(I
Cash flows from operating activities:				
Net income	W1,634,850	W3,048,105	W2,323,425	
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	4,955,661	4,906,138	5,088,736	
Utility plant removal cost	281,490	256,010	245,974	
Provision for severance and retirement benefits	174,717	202,763	219,762	
Provision for decommissioning costs	424,092	583,372	698,400	
Provision for self-insurance	4,861	5,465	6,400	
Allowance for doubtful accounts	13,726	8,602	23,178	
Interest expense, net	9,072	17,192	21,273	
Loss (gain) on foreign currency translation, net	22,273	(424,791)	221,104	
Gain on disposal of investment, net	(162,439)	(433,151)	(45,244)	
Gain on valuation using the equity method of accounting	(97,548)	(94,853)	(96,866)	
Valuation gain (loss) on currency and interest rate swaps, net	132,008	(64,008)	93,490	
Decrease in deferred income tax assets	334,697	220,937	8,232	
Increase in trade receivables	(36,903)	(68,932)	(77,918)	
Decrease (increase) in accounts receivable-other	(64,655)	(42,383)	9,300	
Increase in inventories	(108,111)	(7,128)	(43,715)	
Increase (decrease) in trade payables	(128,164)	44,799	(3,611)	
Increase (decrease) in accounts payable-other	(189,387)	90,129	(65,492)	
Increase (decrease) in income tax payable	398,489	700,762	(459,232)	
Increase (decrease) in accrued expenses	(110,662)	(47,472)	59,882	
Payment of severance and retirement benefits	(36,160)	(15,826)	(15,084)	
Payment of decommissioning costs	(16,211)	(13,841)	(25,264)	
Payment of self-insurance	(1,736)	(1,171)	(1,011)	
Other, net	235,134	(113,603)	125,373	
Net cash provided by operating activities	7,669,094	8,757,115	8,311,092	

(continued)



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KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2001, 2002 AND 2003

	Korean Won			U.S.
	2001	2002	2003	
	(In millions)			
Cash flows from investing activities:				
Disposal of utility plant	W 66,562	W 106,821	W 42,515	
Additions to utility plant	(7,187,492)	(6,653,066)	(6,781,993)	
Receipt of construction grants	564,009	626,566	618,092	
Acquisition of long-term financial instruments	(2,000)	(2,500)	(3)	
Proceeds from disposal of investment securities, net	138,219	404,284	13,861	
Collection of long-term loans	139,229	183,915	87,683	
Payment of long-term loans	(181,871)	(153,391)	(219,881)	
Increase in intangibles, net	(18,046)	(45,783)	(26,039)	
Increase in other non-current assets	(132,009)	(96,031)	(14,262)	
Withdrawal (acquisition) of short-term financial instruments, net	(227,666)	246,461	18,852	
Collection of short-term loans, net	27,269	10,517	22,363	
Proceeds from sale (acquisition) of short-term investment securities, net	20,372	(20,002)	(134,204)	
Net cash used in investing activities	(6,793,424)	(5,392,209)	(6,373,016)	
Cash flows from financing activities:				
Proceeds from long-term debt	8,426,715	3,382,873	5,378,021	
Payment of long-term debt	(1,431,553)	(1,301,807)	(1,131,595)	
Payment of current portion of long-term debt	(5,687,204)	(5,241,520)	(5,289,645)	
Proceeds from short-term borrowings	1,292,543	721,329	2,611,227	
Payment of short-term borrowings	(1,253,752)	(870,476)	(2,560,998)	
Cash dividends	(333,462)	(329,659)	(511,577)	
Acquisition of treasury stock		--	(180,120)	
Other, net	56,019	(30,389)	(180,427)	
Net cash provided by (used in) financing activities	1,069,306	(3,669,649)	(1,865,114)	
Net decrease in cash and cash equivalents from changes in consolidated subsidiaries	--	(1,731)	(19,806)	
Net increase (decrease) in cash and cash equivalents	1,944,976	(306,474)	53,156	
Cash and cash equivalents at beginning of the year	358,978	2,303,954	1,997,480	
Cash and cash equivalents at end of the year	W 2,303,954	W 1,997,480	W 2,050,636	

See accompanying notes to consolidated financial statements.

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## KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2001, 2002 AND 2003

1. GENERAL:

(1) The Company

Korea Electric Power Corporation (the "KEPCO") was incorporated on January 1, 1982 in accordance with the Korea Electric Power Corporation Act (the "KEPCO Act") to engage in the generation, transmission and distribution of electricity and development of the electric power resources. KEPCO was given a government investment status on December 31, 1983 following the enactment of the Government-Invested Enterprise Management Basic Act. KEPCO's stock was listed on the Korea Stock Exchange on August 10, 1989 and KEPCO has listed its Depository Receipt (DR) on the New York Stock Exchange on October 27, 1994.

As of December 31, 2003, Government of the Republic of Korea, Korea Development Bank and foreign investors hold 32.42 percent, 21.55 percent and 28.98 percent of KEPCO's shares, respectively.

KEPCO spun off its power generation division on April 2, 2001, resulting in the establishment of six new power generation subsidiaries. The Company is considering the gradual privatization of its power generation subsidiaries and distribution business, which is in accordance with the restructuring plan dated January 21, 1999, of the electricity industry in the Republic of Korea announced by the Ministry of Commerce, Industry and Energy ("Restructuring Plan"). This Restructuring Plan, which is intended to introduce a competitive system in the electricity industry, is expected to affect determination of utility rate, result in changes in management structure, related laws and regulations, and affect electricity supply and demand policy.

(2) Consolidated Subsidiaries

Subsidiaries	Year of establishment	Ownership percentage (%)		Primary
		2002	2003	
Korea Hydro & Nuclear Power Co., Ltd.	2001	100.0	100.0	Power generation
Korea South-East Power Co., Ltd.	2001	100.0	100.0	Power generation
Korea Midland Power Co., Ltd.	2001	100.0	100.0	Power generation
Korea Western Power Co., Ltd.	2001	100.0	100.0	Power generation
Korea Southern Power Co., Ltd.	2001	100.0	100.0	Power generation
Korea East-West Power Co., Ltd.	2001	100.0	100.0	Power generation
Korea Power Engineering Co., Ltd.	1977	97.9	97.9	Engineering for u
Korea Plant Services & Engineering Co., Ltd.	1984	100.0	100.0	Utility plant mai
KEPCO Nuclear Fuel Co., Ltd.	1982	96.4	96.4	Nuclear fuel
Korea Electric Power Data Network Co., Ltd.	1992	100.0	100.0	Information servi
KEPCO International Hong Kong Ltd.	1995	100.0	100.0	Holding Company
KEPCO International Philippines Inc.	2000	100.0	100.0	Holding Company
KEPCO Philippines Corporation	1995	100.0	100.0	Utility plant reh operation (Sub International
KEPCO Ilijan Corporation	1997	51.0	51.0	Construction and

(3) The affiliates accounted for using the equity method

Affiliate	Year of establishment	Ownership percentage (%)		Primary b
		2002	2003	
Korea Gas Corporation	1983	24.5	24.5	Sales of liquefie
Korea District Heating Co., Ltd.	1985	26.1	26.1	Providing of heat
Powercomm Corporation	2000	44.0	43.1	Communication lin
Korea Electric Power Industrial Development Co., Ltd.(*)	1990	100.0	49.0	Disposal of power electric meter
YTN	1993	21.4	21.4	Broadcasting

(\*) KEPCO sold a portion of its investment in Korea Electric Power Industrial Development Co., Ltd. during 2003, which reduced its ownership interest to 49%.

(4) Uncertainties of domestic economic situation

In common with other Asian countries, the economic environment in the Republic of Korea continues to be volatile. In addition, the Korean government and the private sector continue to implement structural reforms to historical business practices including corporate governance. The Company may be either directly or indirectly affected by these economic conditions and the reform program described above. The accompanying financial statements reflect management's assessment of the impact to date of the economic environment on the financial position and results of operations of the Company. Actual results may differ materially from management's current assessment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

(1) Basis of Consolidated Financial Statement Presentation

KEPCO maintains its official accounting records in Korean won and prepares statutory consolidated financial statements in the Korean language (Hangul) in conformity with the Accounting Regulations for Government Invested Enterprises, which have been approved by the Korean Ministry of Finance and Economy and, in the absence of specialized accounting regulations for utility companies, the accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, the accompanying financial statements are intended for use by for those who are informed about Korean accounting principles and practices, Korea Electric Power Corporation Act and Accounting Regulations for Government Invested Enterprises. The accompanying financial statements have been condensed, restructured and translated into English (with certain expanded descriptions) from the Korean language financial statements. Certain information included in the Korean language financial statements, but not required for a fair presentation of the Company's financial position and results of operations, is

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not presented in the accompanying financial statements.

In 2003, the Company adopted Statements of Korea Accounting Standards ("SKAS") No 2, 3, 4, 5, 6, 7, 8 and 9, which are effective from January 1, 2003. Those statements provide accounting and reporting standards for the interim financial reporting, intangible assets, revenue recognition, tangible assets, events occurring after the balance sheet date, capitalization of financing costs, investment in securities and convertible securities. The prior year financial statements, which are presented for comparative purposes, were restated to conform to the provisions of those standards. As a result of the adoption of SKAS No. 6 - "Events Occurring After the Balance Sheet Date", stockholders' equity increased and current liabilities decreased by W511,350 million as of December 31, 2002.

The U.S. dollar amounts presented in these financial statements were computed by translating the Korean won into U.S. dollars at the rate of W1,192.00 to US\$1.00, the noon buying rate in the City of New York for cable transfers in won as certified for customs purposes by the Federal Reserve Bank of New York on December 31, 2003, solely for the convenience of the reader. These convenience translations into U.S. dollars should not be construed as representations that the Korean won amounts have been, could have been, or could in the future be, converted at this or any other rate of exchange.

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### (2) Principles of Consolidation

The consolidated financial statements include the accounts of KEPCO and its controlled subsidiaries (collectively referred to as the "Company"). Controlled subsidiaries include majority owned entities and entities of which KEPCO owns more than 30 percent of total outstanding voting stock and is the largest stockholder. Investments in affiliates in which KEPCO is able to exercise significant influence over the operating and financial policies of the investee are accounted for using the equity method. Significant influence is deemed to exist when the investor owns more than 20 percent of the investee's voting shares unless there is evidence to the contrary.

Investments of KEPCO and equity accounts of subsidiaries subject to consolidation were eliminated at the dates KEPCO obtained control of the subsidiaries. Any difference between the cost of acquisition and the book value of the subsidiary is recorded as either goodwill or negative goodwill. Goodwill is amortized using the straight-line method within twenty years from the year the acquisition occurred. Negative goodwill is recovered, within the limit of the aggregate fair values of identifiable non-monetary assets, using the straight-line method over weighted-average years of depreciable assets and the amounts in excess of the limit are charged to current operations and presented as extraordinary gain at the acquisition date.

Intercompany receivables and payables including trade receivables and trade payables are eliminated. Profits and losses on intercompany sales of products, property or other assets are eliminated in the consolidated financial statements based on the gross profit or loss recognized. For sales from KEPCO to subsidiaries (downstream sales), the full amount of intercompany gain or loss is eliminated in the consolidated income. For upstream sales, the elimination is allocated proportionately to consolidated income and minority interests.

### (3) Property, Plant and Equipment

Property, plant and equipment are stated at cost, except for assets revalued upward in accordance with the KEPCO Act and the Assets Revaluation Law of Korea,

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net of depreciations. Expenditures incurred after the acquisition of the property, plant and equipment that increases the future economic benefits beyond the property's most recently measured performance are capitalized as additions to property, plant and equipment.

The Company capitalizes interest and other borrowing costs on debt issued to finance capital expenditures as part of the acquisition cost of major facilities and equipment. For the years ended December 31, 2002 and 2003, the amount of capitalized interest was W548,292 million and W524,101 million, respectively, of which foreign currency transaction and translation gains deducted from the capitalized interest amounted to W63,549 million and W 5,102 million, respectively, and foreign currency transaction and translation losses added to the capitalized interest amounted to W19,916 million and W25,691 million, respectively.

Depreciation is computed using the declining-balance method (straight-line method for buildings and structures, unit-of-production method and straight-line method for nuclear fuel) based on the estimated useful lives described as follows:

	Years
	-----
Buildings	8~30
Structures	8~30
Machinery	16
Vehicles	4
Others	4, 9

KEPCO records the following funds and materials, which relate to the construction of transmission and distribution facilities, as construction grants:

- . Grants from the government or public institutions
- . Funds, construction materials or other items contributed by customers

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Construction grants are initially recorded and presented in the financial statements as deductions from the assets acquired under such grants and are offset against depreciation expense during the useful lives of the related assets. KEPCO received W624,527 million and W611,862 million of construction grants, and offset W205,975 million and W174,211 million against depreciation expense and others for the years ended December 31, 2002 and 2003, respectively.

#### (4) Asset Impairment

The Company assesses any possible recognition of impairment loss when there is an indication that expected future economic benefits of a tangible asset is considerably less than its carrying amount as a result of technological obsolescence or rapid decline in market value. When it is determined that a tangible asset may have been impaired and that its estimated total future cash flows from continued use or disposal is less than its carrying amount, the carrying amount of a tangible asset is reduced to its recoverable amount and the difference is recognized as an impairment loss. If the recoverable amount of the impaired asset exceeds its carrying amount in subsequent reporting period, the amount equal to the excess is treated as reversal of the impairment loss; however, it cannot exceed the carrying amount that would have been determined had no impairment loss were recognized.

In 2001, the Company recognized an impairment loss on property, plant and

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equipment in the Youngwol and Busan thermal power plants amounting to W11,206 million, which is the difference between the book value and recoverable value considering future cash flows.

### (5) Accounting for Leases

Lease agreements that include a bargain purchase option, result in the transfer of ownership by the end of the lease term, have a term equal to at least 75 percent of the estimated economic life of the leased property or where the present value of the minimum lease payments at the beginning of the lease term equals or exceeds 90 percent of the fair value of the leased property are accounted for as financial or capital lease. All other leases are accounted for as operating leases. Assets and liabilities related to financial leases are recorded as property and equipment and long-term debt, respectively, and the related interest is calculated using the effective interest rate method. In respect to operating leases, the future minimum lease payments are expensed ratably over the lease term while contingent rentals are expensed as incurred.

### (6) Securities other than those Accounted for Using the Equity Method

#### (a) Classification of Securities

At acquisition, the Company classifies securities into one of the three categories: trading, held-to-maturity or available-for-sale. Trading securities are those that were acquired principally to generate profits from short-term fluctuations in prices. Held-to-maturity securities are those with fixed and determinable payments and fixed maturity that an enterprise has the positive intent and ability to hold to maturity. Available-for-sale securities are those not classified either as held-to-maturity or trading securities.

#### (b) Valuation of Securities

Securities are recognized initially at cost determined using the weighted average method. The cost includes the market value of the consideration given and incidental expenses. If the market price of the consideration given is not available, the market prices of the securities purchased are used as the basis for measurement. If neither the market prices of the consideration given nor those of the acquired securities are available, the acquisition cost is measured at the best estimates of its fair value.

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After initial recognition, held-to-maturity securities are valued at amortized cost. The difference between face value and acquisition cost is amortized over the remaining term of the security using the effective interest method. Trading securities are valued at fair value, with unrealized gains and losses reflected in current operations. Available-for-sale securities are also valued at fair value, with unrealized gains and losses reflected in capital adjustments, until the securities are sold or if the securities are determined to be impaired and the lump-sum cumulative amount of capital adjustments are reflected in current operations. However, available-for-sale equity securities that are not traded in an active market and whose fair values cannot be reliably estimated are accounted for at their acquisition cost. For those securities that are traded in an active market, fair values refer to those quoted market prices, which are measured as the closing price at the balance sheet date. The fair value of non-marketable debt securities are measured at the discounted future cash flows by using the discount rate that appropriately reflects the credit rating of issuing entity assessed by a publicly

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reliable independent credit rating agency. If application of such measurement method is not feasible, estimates of the fair values may be made using a reasonable valuation model or quoted market prices of similar debt securities issued by entities conducting similar business in similar industries.

Securities are evaluated at each balance sheet date to determine whether there is any objective evidence of impairment loss. When any such evidence exists, unless there is a clear counter-evidence that recognition of impairment is unnecessary, the Company estimates the recoverable amount of the impaired security and recognizes any impairment loss in current operations. The amount of impairment loss of the held-to-maturity security or non-marketable equity security is measured as the difference between the recoverable amount and the carrying amount. The recoverable amount of held-to-maturity security is the present value of expected future cash flows discounted at the securities' original effective interest rate. For available-for-sale debt or equity security stated at fair value, the amount of impairment loss to be recognized in the current period is determined by subtracting the amount of impairment loss of debt or equity security already recognized in prior period from the amount of amortized cost in excess of the recoverable amount for debt security or the amount of the acquisition cost in excess of the fair value for equity security. For non-marketable equity security accounted for at acquisition cost, the impairment loss is equal to the difference between the recoverable amount and the carrying amount.

If the realizable value subsequently recovers, in case of a security stated at fair value, the increase in value is recorded in current operation, up to the amount of the previously recognized impairment loss, while for the security stated at amortized cost or acquisition cost, the increase in value is recorded in current operation, so that its recovered value does not exceed what its amortized cost would be as of the recovery date if there had been no impairment loss.

If the intent and ability to hold the securities change, transferred securities are accounted for at fair value. In case held-to-maturity securities are reclassified into available-for-sale securities, unrealized gain or loss between the book value and fair value is reported in shareholders' equity as a capital adjustment. In case the available for sale securities are reclassified into held-to maturity securities, the unrealized gain or loss at the date of the transfer continues to be reported in shareholder's equity as a capital adjustment, but it is amortized over the remaining term of the security using the effective interest rate method.

### (7) Securities Using the Equity Method

Investments in equity securities of companies in which the Company is able to exercise significant influence over the operating and financial policies of the investees are accounted for using the equity method. The change in the Company's share of an investee's net equity resulting from a change in an investee's net equity is reflected in current operations, retained earnings, and capital adjustment in accordance with the causes of the change which consist of the investee's net income (loss), changes in retained earnings and changes in capital surplus and capital adjustments.

### (8) Intangibles

Intangible assets are stated at cost, net of accumulated amortization computed using the straight -line method over the estimated useful lives, from 4 years to 50 years, of related assets.

(9) Allowance for Doubtful Accounts

The Company provides an allowance for doubtful accounts based on management's estimate of the collectibility of individual accounts and prior year collection experience. Smaller-balance homogeneous receivables are evaluated considering current economic conditions and trends, prior charge-off experience and delinquencies.

(10) Inventories

Inventories are stated at the lower cost or net realizable value, cost being determined by the weighted average method for raw materials, moving average method for supplies and specific identification method for other inventories. The Company maintains perpetual inventory records, which are adjusted through physical counts.

(11) Convertible Bonds

When issuing convertible bonds or bonds with stock purchase warrants, the values of the conversion rights or stock warrants are recognized separately. Considerations for conversion rights or stock warrants are measured by deducting the present value of ordinary or straight debt securities from the gross proceeds of the convertible bonds or bonds with stock purchase warrants received at the date of issuance.

The value of the common shares issued pursuant to the exercise of the conversion rights is measured as the sum of the carrying amount at the time of conversion and the amount of consideration received for such rights at the time of issuance of those convertible bonds that are actually related to the exercise. When the conversion rights are exercised during an accounting period, the value of common shares issued pursuant to the exercise is measured based on the carrying amount of the convertible bonds determined on the actual date such rights have been exercised.

(12) Discount on Debentures

Discounts on debentures issued are amortized over the redemption period of debentures using the effective interest rate method. Amortization of discounts is recognized as interest expense.

(13) Accrued Severance Indemnities

Employees and directors with more than one year of service are entitled to receive a lump-sum payment upon termination of their service with the Company based on their length of service and rate of pay at the time of termination. The accrued severance indemnities that would be payable assuming all eligible employees were to resign are W520,891 million and W717,917 million as of December 31, 2002 and 2003, respectively. Severance indemnities paid amounted to W15,826 million and W15,084 million in 2002 and 2003, respectively.

Funding of the severance indemnities are not required, however, tax deductions are limited if the liability is not funded. The Company has purchased severance insurance deposits, which meet the funding requirement for tax deduction purposes. These consist of individual severance insurance deposits, in which the beneficiary is the respective employee, with a balance of W66,449 million and W82,771 million as of December 31, 2002 and 2003, respectively, which are presented as deduction from accrued severance indemnities.



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The Company and its employees each pay 4.5 percent of monthly pay to the National Pension Fund under the revised National Pension Law of Korea. Before April 1999, the Company and its employees paid 3 percent and 6 percent, respectively, of monthly pay to the Fund. The Company paid half of the employees' 6 percent portion and is paid back at the termination of service by offsetting the receivable against the severance payments. Such receivables, with a balance of W116 million and W97 million as of December 31, 2002 and 2003, respectively, are presented as a deduction from accrued severance benefits.

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### (14) Reserve for Decommissioning Costs and Self-Insurance

The Company accrues expenses for estimated decommissioning costs of nuclear facilities based on engineering studies prepared in 1992. These expenses are included in operating expenses in the accompanying statements of income. As of December 31, 2003, the Company has accrued W 5,091,070 million for the cost of dismantling and decontaminating existing nuclear power plants, consisting of dismantling costs of nuclear plant of W1,950,165 million and dismantling costs of spent fuel and radioactive waste of W3,140,905 million. Annual additions to the reserve are in amounts such that the current costs would be fully accrued for at estimated dates of decommissioning on a straight-line basis, reflecting the inflation rate. The Company accrued W583,372 million and W698,400 million as the reserve for decommissioning costs for the years ended December 31, 2002 and 2003, respectively.

In accordance with the Accounting Regulations for Government Invested Enterprises, KEPCO provides a self-insurance reserve for loss from accident and liability to third parties that may arise in connection with KEPCO's non-insured facilities. Payments made to settle applicable claims and damages are charged to this reserve.

### (15) Foreign Currency Transactions and Translations

KEPCO and its domestic subsidiaries maintain their accounts in Korean won. Transactions in foreign currencies are recorded in Korean won based on the prevailing rates of exchange on the transaction date. Monetary assets and liabilities with balances denominated in foreign currencies are recorded and reported in the accompanying consolidated financial statements at the exchange rates prevailing at the balance sheet date. The balances have been translated using the Bank of Korea basic rate, which was W1,200.40 and W1,197.80 to US\$1.00 at December 31, 2002 and 2003, respectively. The translation gains or losses are reflected in current operations. Foreign currency assets and liabilities of the Company's overseas subsidiaries are translated at the rate at the balance sheet date, and income and expenses are translated at the weighted average rate of the reporting period. Gains or losses on translation are offset and the net amount is recognized as an overseas operations translation debit or credit in capital adjustments. Overseas operations translation credit or debit is treated as an extraordinary gain or loss upon closing the foreign subsidiaries.

### (16) Accounting for Derivative Instruments

All derivative instruments are accounted for at fair value with the valuation gain or loss recorded as an asset or liability. If the derivative instrument is not part of a transaction qualifying as a hedge, the adjustment to fair value is reflected in current operations. The accounting for derivative transactions that are part of a qualified hedge based both on the purpose of the transaction and on meeting the specified criteria for hedge accounting differs depending on whether the transaction is a fair value hedge or a cash flow hedge. Fair value hedge accounting is applied to a derivative instrument designated as hedging the

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exposure to changes in the fair value of an asset or a liability or a firm commitment (hedged item) that is attributable to a particular risk. The gain or loss both on the hedging derivative instruments and on the hedged item attributable to the hedged risk is reflected in current operations. Cash flow hedge accounting is applied to a derivative instrument designated as hedging the exposure to variability in expected future cash flows of an asset or a liability or a forecasted transaction that is attributable to a particular risk. The effective portion of gain or loss on a derivative instrument designated as a cash flow hedge is recorded as a capital adjustment and the ineffective portion is recorded in current operations. The effective portion of gain or loss recorded as a capital adjustment is reclassified to current earnings in the same period during which the hedged forecasted transaction affects earnings. If the hedged transaction results in the acquisition of an asset or the incurrence of a liability, the gain or loss in capital adjustment is added to or deducted from the asset or the liability.

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### (17) Income Tax Expense

The Company recognizes deferred income taxes arising from temporary differences between pretax accounting income and taxable income. Accordingly, provision for income tax expense consists of the corporate income tax and resident tax surcharges currently payable, and the changes in deferred income assets and liabilities during the period. However, deferred income tax assets are recognized only if the future tax benefits on accumulated temporary differences are realizable. The deferred income tax assets and liabilities will be charged or credited to income tax expense in the period each temporary difference reverses in the future. Deferred income taxes will be recalculated based on the enacted future tax rate in effect at each balance sheet date.

### (18) Ordinary Income Per Share and Earnings Per Share

Ordinary income per share and earnings per share are computed by dividing ordinary income and net income by the weighted average number of common shares outstanding during the period. The number of shares used in computing earnings and ordinary income per share is 638,975,080 shares, 639,046,001 shares and 630,372,064 shares for the years ended December 31, 2001, 2002 and 2003, respectively.

### 3. PROPERTY, PLANT AND EQUIPMENT:

#### (1) Asset revaluation

KEPCO has revalued its property, plant and equipment in accordance with the KEPCO Act and the Asset Revaluation Law (the latest revaluation date was January 1, 1999), and the resultant gain from asset revaluation was W12,552,973 million.

#### (2) Publicly announced land prices

The published price of the Company's land as announced by Korean Government is as follows (won in millions):

Purpose	Book value	Land prices
-----	-----	-----
Sites of utility plant	W5,593,520	W5,322,945

#### (3) Changes in utility plant

Changes in utility plant and construction grants for the year ended December 31, 2003 are shown below (won in millions).

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	December 31, 2002	Increase		Decrease		December 31, 2003
		Acquisition	Other	Depreciation	Others (*)	
Land	W 5,557,943	W 3,970	W 68,439	W --	W 36,832	W 5,593,182
Buildings	7,514,099	7,408	292,800	494,856	100,929	7,218,532
Structures	22,720,502	1,055	2,203,388	876,301	357,526	23,691,118
Machinery	17,470,324	26,110	1,803,353	3,110,784	177,971	16,011,032
Vehicles	15,601	11,540	870	9,888	197	17,136
Nuclear fuel	1,578,172	427,417	--	388,949	12,927	1,603,613
Others	991,826	116,001	14,274	134,581	1,125	986,405
Construction						
in- progress	7,776,506	6,188,492	29,525	--	4,443,872	9,550,151
Construction grants	(2,321,219)	(618,092)	--	--	(180,522)	(2,758,833)
	<u>W61,303,754</u>	<u>W6,163,901</u>	<u>W4,412,649</u>	<u>W5,015,359</u>	<u>W4,950,857</u>	<u>W61,914,591</u>

(\*) Others include the utility plant of Korea Electric Power Industrial Development Co., Ltd as a result of excluding it from consolidation.

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4. INTANGIBLES:

(1) Changes in intangibles as of December 31, 2003 are shown below (won in millions).

	Useful lives	Acquisition cost	Accumulated amortization	December 31, 2003
Development cost	5	W204,288	W 63,934	W140,354
Port facility usage right	20	208,919	48,922	159,997
Water usage right	10, 5	168,021	46,227	121,794
Dam usage right	50	7,229	397	6,832
Electricity usage right	10	63,256	34,558	28,698
Others	20~40	136,713	78,395	58,318
		<u>W788,426</u>	<u>W272,433</u>	<u>W515,993</u>

(2) Estimated amortization expense for the next five years is as follows (won in millions):

	2004	2005	2006	2007	2008
Estimated amortization expense	W73,944	W67,188	W63,948	W53,031	W41,128

(3) Ordinary development expenses for the years ended December 31, 2002 and 2003 are as follows (won in millions):

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	2002	2003
	-----	-----
Ordinary development expenses	W307,391	W332,017

5. INSURED ASSETS:

Insured assets as of December 31, 2003 are as follows (won in millions):

Insured assets	Insurance type	Insured value
-----	-----	-----
Buildings and machinery	Fire insurance	W2,845,049
Buildings and machinery	Construction insurance	1,881,180
Buildings and machinery	Nuclear property insurance	610,878
Buildings	General insurance	163,400
Construction in progress	Construction insurance	97,357
Inventories and machinery	Shipping insurance	2,688,168

In addition, the Company carries compensation and responsibility insurance in relation to the operation of the nuclear power plants and gas accident, construction and other general insurance for its utility plants and inventories, damage insurance for its light water nuclear reactor construction in North Korea, general insurance for vehicles, casualty insurance for its employees and responsibility insurance for its directors.

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6. SECURITIES:

(1) Securities as of December 31, 2002 and 2003 are as follows (won in millions):

	2002	2003
	-----	-----
Short-term investment securities		
Available-for-sale-securities	W 19,881	W 141,585
Held-to-maturity securities	3,255	20,011
	-----	-----
	23,136	161,596
	-----	-----
Investment securities		
Available-for-sale-securities	137,497	230,744
Held-to-maturity securities	1,540	2,197
Securities subject to equity method	1,214,271	1,296,179
	-----	-----
	1,353,308	1,529,120
	-----	-----
	W1,376,444	W1,690,716
	=====	=====

Held-to-maturity securities are debt securities including government and municipal bonds.

(2) Available-for-sale securities as of December 31, 2002 and 2003 are as follows (won in millions):

	2002	2003
	-----	-----
Ownership		Ownership Acquisition

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Company name	(%)	Book value	(%)	cost
-----				
Other current assets				
Fund for debt securities		W 19,881		W137,164
Investment securities				
Securities Market Stabilization Fund	7.57	W 20,744	7.57	W 7,763
Energy Savings Investment Cooperative	40.6	5,000	40.6	5,000
Korea Power Exchange	100.0	99,709	100.0	125,213
Hwan Young Steel Co., Ltd.	--	120	--	1,364
Investment securities in treasury stock fund	--	10,772	--	26,295
Other equity securities	--	1,152	--	1,051
Debt securities	--	--	--	73,412
		-----		-----
		137,497		240,098
		-----		-----
		W157,378		W377,262
		=====		=====

The Company entered into a treasury stock fund, composed of treasury stock and other investment securities, and recorded other investment securities in available-for-sale securities. Losses on valuation of available for sale securities in the treasury stock fund, which are recorded in capital adjustments, amount to W8,509 million and W3,689 million as of December 31, 2002 and 2003, respectively.

Available-for-sales securities other than investment securities in treasury stock fund are non-marketable equity securities and stated at cost due to the lack of information to determine the fair value.

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(3) Securities subject to the equity method as of December 31, 2002 and 2003 are as follows (won in millions):

Company name	2002		2003		
	Ownership (%)	Book value	Ownership (%)	Acquisition cost	Net asset value
Korea Gas Corporation	24.5	W 690,705	24.5	W 94,500	W 740,280
Korea District Heating Co., Ltd.	26.1	147,716	26.1	5,660	159,165
Powercomm Corporation	44.0	352,235	43.1	323,470	357,318
Korea Electric Power Industrial Development Co., Ltd.	--		49.0	7,987	22,072
YTN	21.4	23,615	21.4	59,000	24,144
		-----		-----	-----
		W1,214,271		W490,617	W1,302,979
		=====		=====	=====

In 2003, the Company has disposed some of its investments in Korea Electric Power Industrial Development Co., Ltd. and Powercomm Corporation, with the gain on disposal of investments of W45,214 million. In 2002, the Company has disposed some of its investments in Powercomm Corporation, with the

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gain on disposal of investments of W433,335 million.

As of December 31, 2003, unrealized profits of W 6,800 million arisen from the transactions with Powercomm corporation were eliminated.

(4) Details of valuation using the equity method for the years ended December 31, 2002 and 2003 are as follows (won in millions):

Company name	2002			2003	
	Book value as of January 1, 2002	Gain (loss) on valuation using the equity method of accounting	Others (*)	Book value as of January 1, 2003	Gain (loss) on valuation using the equity method of accounti
Korea Gas Corporation	W710,921	W50,612	W(70,828)	W 690,705	W73,32
Korea District Heating Co.	136,533	12,486	(1,303)	147,716	13,48
Powercomm Corporation	--	33,042	319,193	352,235	6,50
Korea Electric Power Industrial Development Co., Ltd.	--	--	--	--	3,10
YTN	24,915	(1,287)	(13)	23,615	43
	W872,369	W94,853	W247,049	W1,214,271	W96,86
	=====	=====	=====	=====	=====

(\*) Others are composed of acquisition (disposal) of investment, dividends and the changes in values in equity due to the capital surplus and gain (loss) on investment securities in capital adjustments.

(5) Loss on valuation using the equity method, which are recorded in capital adjustment as of December 31, 2002 and 2003 are as follows (won in millions):

	2002	2003
Loss on valuation using the equity method	W30,079	W25,560

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### 7. LOANS TO EMPLOYEES:

The Company has provided housing and tuition loans to employees as follows (won in millions):

	2002	2003
Short-term loans	W 14,661	W 16,284
Long-term loans	228,124	251,788
	W242,785	W268,072
	=====	=====

### 8. INVENTORIES:

Inventories as of December 31, 2002 and 2003 consist of the following (won in

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millions):

	2002	2003
	-----	-----
Raw materials	W243,198	W261,497
Supplies	422,508	519,727
Other	55,850	123,709
	-----	-----
	W721,556	W904,933
	=====	=====

9. STOCKHOLDERS' EQUITY:

(1) Capital

The Company has 1,200,000,000 authorized shares of W5,000 par value common stock, of which 640,748,573 shares are issued as of December 31, 2003. In 2003, the Company's capital was increased by W3,238 million (647,697 shares) in the form of fixed asset injection by the government of the Republic of Korea.

(2) Capital Surplus

Capital surplus as of December 31, 2002 and 2003 is as follows (won in millions):

	2002	2003
	-----	-----
Paid-in capital in excess of par value	W 799,876	W 811,301
Reserves for asset revaluation	12,552,973	12,552,973
Other capital surplus	1,130,272	1,180,246
	-----	-----
	W14,483,121	W14,544,520
	=====	=====

KEPCO revalued its property, plant and equipment in accordance with the KEPCO Act and Asset Revaluation Law, and recorded revaluation gain of W12,552,973 million as reserves for asset revaluation. The reserves for asset revaluation may be credited to paid-in capital or offset against any accumulated deficit by resolution of the shareholders.

(3) Appropriated retained earnings

Appropriated retained earnings as of December 31, 2002 and 2003 consist of the following (won in millions):

	2002	2003
	-----	-----
Legal reserve	W 1,600,252	W 1,600,252
Reserve for business expansion	8,556,873	10,925,338
Reserve for investment on social overhead capital	4,892,449	5,012,449
Reserve for research and human development	60,000	120,000
	-----	-----
	W15,109,574	W17,658,039
	=====	=====

The KEPCO Act requires the Company to appropriate a legal reserve to at least 20 percent of net income for each accounting period until the reserve

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equals to 50 percent of the common stock. The legal reserve is not available for cash dividend; however, this reserve may be credited to paid-in capital or accumulated deficits by resolution of the stockholders.

Prior to 1990, according to the KEPCO Act, at least 20 percent of net income in each fiscal year was required to be established as a reserve for business expansion until such reserve equals the common stock. Beginning in 1990, no percentage was specified in respect to this reserve and appropriations became optional.

The reserve for the investment on social overhead capital and the reserve for research and human development are appropriated by the Company to avail of qualified tax credits to reduce corporate tax liabilities. These reserves are not available for cash dividends for a certain period defined in the Tax Incentive Control Law. As of December 31, 2003, the amounts of reserve for investment on social overhead and reserve for research and human development allowable under the Korean tax law for tax benefits are W807,610 million and W 175,885 million, respectively.

#### (4) Capital adjustments

Capital adjustments as of December 31, 2002 and 2003 are as follows (won in millions):

	2002	2003
	-----	-----
Treasury stock	W (16,669)	W(195,379)
Losses on valuation of available for sale securities	(8,509)	(3,689)
Losses on valuation using the equity method	(30,079)	(25,560)
Overseas operations translation	(82,971)	(97,939)
Valuation gain on currency and interest rate swaps	255	(2,817)
	-----	-----
	W(137,973)	W(325,384)
	=====	=====

The Company has its own shares held as treasury stock, amounting to W16,669 million and W195,379 million as of December 31, 2002 and 2003, respectively, for the purpose of stock price stabilization. The number of shares held as treasury stock by the Company is 913,375 shares and 10,713,050 shares as of December 31, 2002 and 2003, respectively.

#### 10. DIVIDENDS:

Dividends for the years ended December 31, 2002 and 2003 are as follows (won in millions):

	Outstanding stocks	Dividend rate	Dividend per share	Total dividend
	-----	-----	-----	-----
2002:				
Outstanding stocks other than treasury stock	639,187,501	16%	W 800	W511,350
Treasury stock	913,375	--	--	--
	-----			-----
	640,100,876			W511,350
	=====			=====
2003:				
Outstanding stocks other than treasury stock	630,035,523	21%	W1,050	W661,537
Treasury stock	10,713,050	--	--	--
	-----			-----
	640,748,573			W661,537



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11. BORROWINGS AND DEBENTURES:

(1) Short-term borrowings as of December 31, 2002 and 2003 are as follows (won in millions):

Financial institution	Type	Annual interest rate(%)	2002	2003
Local currency loan				
National Agricultural Cooperative Federation and others	General	3.00~4.10	W --	W 53,245
Foreign currency loan				
Korea Exchange Bank and others	Usance and others	Libor+0.25~0.35	157,733	156,924
			W157,733	W210,169

(2) Long-term borrowings as of December 31, 2002 and 2003 are as follows (won in millions):

Financial institution	Type	Annual interest rate (%)	2002	2003
Local currency loan				
Korea Development Bank	Industrial facility	4.50~9.00	W5,007,813	W 4,9
Kookmin Bank	General	6.07~6.16	85,714	
Chohung Bank	Industrial facility	5.50	1,455	
Koram Bank	Rural area development	4.00	50,000	
National Agricultural Cooperative Federation	Rural area development	4.00	--	
Korea Exchange Bank	Energy rationalization	3.00	--	
Others	General	5.50~6.00	37	
			5,145,019	5,0
Foreign currency loan				
Japan Bank of International Cooperation	Facility	6.2~8.2	286,226	2
Barclays International Financial Services (Ireland) Ltd.	Commercial	6M Libor-1.00	376,482	1
Kredit Anstalt Fur Wieder Aufbau	Facility	6.00	180	
Asia Development Bank	"	6.00	1,415	

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National Agricultural Cooperative Federation	"	Libor+1.30	18,006	
Korea Development Bank	General	Libor+0.30~1.50	429,761	2
The Export-Import Bank of Korea	Purchase of nuclear fuel Facility	Libor+0.70~1.03	260,074	2
Korea Exchange Bank	"	Libor+0.15	34,255	
Kookmin Bank	"	Libor+1.40	22,407	
Norinchukin Bank	"	Libor+0.19	42,015	
Nippon Life Insurance	"	Libor+0.19	98,439	
US-EXIM	"	Govco+0.25~0.30	155,038	1
Others	"	10.00	--	
			-----	-----
			1,724,298	1,2
			-----	-----
			6,869,317	6,3
Less: Current portion			(1,771,805)	(1,6
			-----	-----
			W5,097,512	W 4,7
			=====	=====

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(3) Debentures as of December 31, 2002 and 2003 are as follows (won in millions):

	Annual interest rate (%)	2002	2003
		-----	-----
Domestic debentures			
Electricity bonds	4.79~12.43	W 7,125,700	W 6,334,359
Others	4.32~7.75	2,558,703	3,039,030
		-----	-----
		9,684,403	9,373,389
		-----	-----
Foreign debentures			
FY-93	7.75	2,043,899	419,230
FY-95	3.4~4.15	420,342	464,634
FY-96	3.8~8.278	629,745	660,547
FY-97	6M Libor+0.31~1.65	1,159,764	1,176,117
FY-99	5.75	31,664	37,839
FY-00	2.10~8.25	663,981	695,220
FY-01	1.18~1.27	607,722	671,760
FY-02	6M Libor+0.75, 4.625	1,260,420	1,257,690
FY-03(*)	1.33~4.75	--	1,149,610
		-----	-----
		6,817,537	6,532,647
		-----	-----
		16,501,940	15,906,036
Less: Discount on debentures issued		(52,474)	(76,533)
Current portion		(3,881,623)	(4,987,425)

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-----  
W12,567,843 W10,842,078  
=====

(\*) In 2003, the Company has sold to KEPCO Cayman Company Limited the foreign debentures of US\$ 250,000,000 and the right to exchange it into the shares of Powercomm Corporation held by the Company. Based on these assets, KEPCO Cayman Company Limited issued foreign debentures of US\$ 250,000,000, the details of which are as follows:

- .. Maturity date: November 26, 2008
- .. Qualifying Public Offering (QPO): QPO is the first listing on the Korea Stock Exchange, New York Stock Exchange or National Association of Securities Dealers Automated Quotations (NASDAQ) meeting certain requirements. It is not required that Powercomm Corporation must perform QPO prior to the maturity of the debentures, neither the Company guarantees the QPO of Powercomm Corporation.
- .. Shares to be exchanged: Powercomm Corporations shares or Deposit Receipt (DR)
- .. Exchange period: From 10th day after the listing of Powercomm Corporation to 10th day before its maturity
- .. Exchange price: 120 % of lower amount of market price on listing day or weighted average price for 10 days after its listing.
- .. Early redemption: When certain conditions are met or after 3 years from the listing, outstanding debentures are redeemable at the guaranteed return of 2.88% (102.74% of issuance amount)
- .. Repayment at the maturity: Repayment will be made with the guaranteed return of 3.68% (109.13% of issuance amounts).

The Company has provided the payment guarantees to KEPCO Cayman Company Limited for the principal and interest of the above foreign debentures.

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(4) Exchangeable bonds as of December 31, 2002 and 2003 are as follows (won in millions):

Description	Annual interest rate (%)	2002	2003
Overseas exchangeable bonds	0.00	--	277,256
Plus: Premium on debentures issued		--	20,987
Less: Conversion right adjustment		--	(43,817)
		---	-----
		--	254,426
		===	=====

On November 4, 2003, the Company has issued overseas exchangeable bonds of JPY 28,245,468,400 with the premium value. The details of the bonds are as follows:

- .. Maturity date: November 4, 2008
- .. Amount to be paid at maturity: JPY 25,935,061,000
- .. Exchange period: From December 15, 2003 to 10th day prior to its maturity
- .. Shares to be exchanged: Common stock held by the Company or its equivalent Deposit Receipt (DR).
- .. Exchange price: W30,000 per share
- .. Put option: Bond holders have the put option that they can request redemption at JPY 26,834,000,000 on November 6, 2006.

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(5) Foreign currency debt, by currency, as of December 31, 2002 and 2003 is as follows (won in millions):

	2002		2003	
	Foreign currencies	Won equivalent	Foreign currencies	Won equivalent
Short-term borrowings	US\$ 131,400,198	W 157,733	US\$ 131,011,984	W 156,924
Long-term borrowings	US\$ 1,421,141,288 EUR 143,104	1,724,118 180	US\$ 953,128,672 JPY 10,000,000,000	1,151,340 111,960
		1,724,298		1,263,300
Debentures	US\$ 4,130,542,219 JPY 175,060,000,000 EUR 25,183,000 GBP 24,467,000	W 4,965,644 1,773,130 31,664 47,099	US\$ 3,552,030,395 JPY 195,060,000,000 EUR 25,183,000 GBP 24,467,000	W 4,258,819 2,183,892 37,839 52,097
		6,817,537		6,532,647
Exchangeable bonds		--	JPY 25,935,061,000	277,256
		W 8,699,568		W 8,230,127

(6) Aggregate maturities of the Company's long-term debt as of December 31, 2003 are as follows (won in millions):

Year ended December 31	Local currency borrowings	Foreign currency borrowings	Local currency debentures	Foreign currency debentures	Exchangeable bonds	Total
2004	W 1,254,049	W 379,792	W 3,987,273	W 1,002,750	W --	W 6,623,864
2005	1,261,767	271,531	1,841,433	1,277,043	--	4,651,774
2006	1,212,845	217,703	1,429,673	348,656	--	3,208,877
2007	776,669	89,068	865,010	1,421,769	--	3,152,516
Thereafter	581,844	305,206	1,250,000	2,482,429	277,256	4,896,735
	W 5,087,174	W 1,263,300	W 9,373,389	W 6,532,647	W 277,256	W 22,533,766

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### 12. LEASES:

(1) The Company entered into financial lease agreements with Korea Development Leasing Corp. and others for certain computer systems, of which the acquisition cost is W35,655 million as of December 31, 2002 and 2003.

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Depreciation of the leased assets amounted to W10,804 million and W1,091 million for the years ended December 31, 2002 and 2003, respectively.

- (2) Annual payments of the Company under these lease agreements as of December 31, 2003 are as follows (won in millions):

Year	Amount	
	Financial lease	Operating lease
2004	W 4,799	W1,850
2005	375	92
2006	--	68
Total	W 5,174	W2,010
Less: Interest	(152)	--
Current portion	(4,650)	--
	W 372	W2,010

### 13. FOREIGN CURRENCY DENOMINATED ASSETS AND LIABILITIES:

Significant assets and liabilities of the Company (excluding foreign subsidiaries) denominated in foreign currencies other than those mentioned in Note 11 as of December 31, 2002 and 2003 are as follows (won in millions):

Account	2002		2003	
	Foreign currencies (*)	Equivalent Korean Won	Foreign currencies (*)	Equivalent Korean Won
<b>Assets:</b>				
Cash and cash equivalents	US\$ 20,051,047	W 24,069	US\$ 5,616,964 JPY 653,143	W 6,728 7
Short-term financial instruments	US\$ 616,908	741	--	--
Trade receivables	US\$ 5,711,200	6,855	US\$ 7,549,016	9,041
Accounts receivable-other	US\$ 21,013,291	25,224	US\$ 1,289,865	1,545
Other non-current assets	US\$ 322,203 JPY 5,859,783	387 59	US\$ 43,413 JPY 5,859,783	52 66
		W 57,335		W 17,439
<b>Liabilities:</b>				
Trade payables	US\$112,475,105	W135,016	US\$122,962,932	W147,285
Accounts payable-other	US\$ 2,125,135 EUR 433,907	2,551 546	US\$ 1,510,269 EUR 321,484	1,809 483
Accrued expenses			US\$ 695,932	833
Other current liabilities		--	US\$ 144,972	173
		W138,113		W150,583

(\*) Foreign currencies other than US\$, JPY and EUR are converted into US\$.

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### 14. SWAP TRANSACTIONS:

The Company had entered into the following currency and interest rate swap transactions with various financial institutions as of December 31, 2003.

(1) Currency swap contracts as of December 31, 2003 are as follows:

	Contract Year	Settlement Year	Contract amounts in millions		Contract Pay
			Pay	Receive	
The Sumitomo Bank Ltd. Mizuho Co., Ltd.	1995	2005	US\$ 286	JPY27,000	7.
(formerly The Fuji Bank, Ltd.)	1995	2005	US\$ 149	JPY14,425	Libor
Union Bank of Switzerland	1995	2005	US\$ 82	JPY 7,000	Libor
Canadian Imperial Bank of Commerce	1996	2006	US\$ 97	JPY10,000	Libor
J.P. Morgan Chase Bank	1996	2006	US\$ 200	JPY21,000	Libor
Deutsche Bank	1998	2004	JPY 1,705	US\$ 55	6
			EUR 13		
			CHF 20		
			CAD 20		
Deutsche Bank	1998	2004	JPY 2,945	US\$ 95	6
			EUR 22		
			CHF 35		
			CAD 34		
J.P. Morgan Chase Bank & Deutsche Bank (*)	2002	2007	JPY 76,700	US\$ 650	1
Barclays Bank PLC, London	2002	2007	JPY 30,400	US\$ 250	1
ABN AMRO (**)	2002	2008	KRW181,500	US\$ 150	5
Deutsche Bank(**)	2003	2013	KRW178,350	US\$ 150	CD
Union Bank of Switzerland(**)	2003	2013	KRW148,625	US\$ 125	CD
Credit Swiss First Boston(**)	2003	2013	KRW 89,175	US\$ 75	CD
ABN AMRO & Deutsche Bank(****)	2003	2008	KRW185,550	US\$ 150	5
J.P. Morgan Chase Bank & Deutsche Bank	2003	2008	JPY 23,770	US\$ 200	1
Credit Swiss First Boston	2003	2013	KRW177,720	US\$ 150	5

(\*) If the Republic of Korea declares a default on its debts, KEPCO is to receive Korean government bonds instead of cash. Valuation for these embedded derivatives is reflected in the valuation of the currency swap.

(\*\*) The Company has purchased call option in addition to these swaps, under which the Company can exchange each KRW 5,945,000,000 into the amounts of KRW 5,000,000 multiplied by Spot FX (US\$/KRW) until December 22, 2004, and the valuation for this call option is considered in the valuation of the swaps.

(\*\*\*) The swaption has an interest pay rate of CD+0.5% and an interest receive rate of 5.95%, of which an exercise date is January 2006.

(\*\*\*\*) The swaption has an interest pay rate of CD+0.15% and an interest receive rate of 5.30%, of which an exercise date is January 2006.

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(2) Interest rate swap contracts as of December 31, 2003 are as follows:

	Notional amount in millions	Contract interest rate per annum	
		Pay (%)	Receive (%)
J.P. Morgan Securities Ltd.	US\$ 149	6.91	Libor+0.155
Korea Development Bank	US\$ 97	6.10	Libor+0.13
Barclays Bank PLC, London	US\$ 150	6M Libor-1	Libor+0.45
Shinhan Bank	US\$ 100	6.50	6.75
Deutsche Bank	US\$ 55	6.93	
	JPY 1,705		6.41
	EUR 13		6.41
	CHF 20		6.41
	CAD 20		6.41
Deutsche Bank	US\$ 95	6.87	
	JPY 2,945		6.36
	EUR 22		6.36
	CHF 35		6.36
	CAD 34		6.36
Deutsche Bank	US\$ 100	Max (6.074-Libor, 0)	Max (Libor-6.074, 0)
Deutsche Bank	US\$ 100	Max (Libor-6.074, 0)	Max (6.074-Libor, 0)
Deutsche Bank	KRW178,350	5+2 x (JPY/KRW-11.03)	CD+3.3
Union Bank of Switzerland	KRW148,625	5+2 x (JPY/KRW-11.03)	CD+3.3
Credit Swiss First Boston	KRW 89,175	5+2 x (JPY/KRW-11.03)	CD+3.3
Union Bank of Switzerland	US\$ 35	Libor+0.19	Libor+0.155
Credit Swiss First Boston	KRW100,000	3M CD+0.35	3Y CMT+0.06
Deutsche Bank	KRW100,000	6.09	3M CD+0.35
Credit Swiss First Boston	KRW 50,000	6.89	(5Y CMT-CD) x 2+4.3
Credit Swiss First Boston	KRW 50,000	6.89	7.30
J.P. Morgan Chase Bank	KRW 50,000	CD-0.3	3 year : 7.75
			3 year : 14.65-CD
Deutsche Bank	KRW 50,000	4.98	CD-0.3
Credit Swiss First Boston	KRW 30,000	6.09	1 year : 7.25
			2 year : (5Y CMT-CD)
			x 5+1.5
Citibank	KRW 50,000	CD-0.3	7.65/2.50(*)
Koram Bank	KRW 10,000	CD-0.3	7.65/2.50(*)
Deutsche Bank	KRW 20,000	CD-0.31	7.65/2.50(*)
Deutsche Bank	KRW 40,000	CD-0.37	7.65/2.50(*)
Kookmin Bank	KRW 20,000	5.995	CD-0.325
Deutsche Bank	KRW100,000	5.995	CD-0.325

(\*) If CD rate is equal or lower than 6.75%, then 7.65% will be applied, otherwise, 2.50% will be applied.

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(3) The gains and losses on swaps for the years ended December 31, 2001, 2002 and 2003 are as follows (won in millions):

Other income (expense)		
2001	2002	2003

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Currency swaps			
Gains	W 79,913	W118,247	W 78,302
Losses	(157,109)	(35,890)	(158,995)
	(77,196)	82,357	(80,693)
Interest rate swaps			
Gains	7,534	9,216	13,975
Losses	(62,346)	(25,345)	(27,374)
	(54,812)	(16,129)	(13,399)
Swaptions			
Gains	--	--	602
Losses	--	(2,220)	--
	--	(2,220)	602
	W(132,008)	W 64,008	W (93,490)

(4) The gains on interest swap contract of W255 million and the losses on interest swap contract of W2,817 million, classified as cash flow hedge derivatives, are reflected in capital adjustments for the years ended December 31, 2002 and 2003, respectively.

15. POWER GENERATION, TRANSMISSION AND DISTRIBUTION EXPENSES:

Power generation, transmission and distribution expenses for the years ended December 31, 2001, 2002 and 2003 are as follows (won in millions):

	2001	2002	2003
Fuel	W 4,838,318	W 4,405,750	W 4,849,387
Depreciation and amortization	4,660,383	4,777,277	4,921,585
Utility plant removal cost	281,490	256,010	245,974
Maintenance	1,573,065	1,522,221	1,587,488
Labor	969,559	1,098,389	1,241,052
Reserve for decommissioning costs	424,092	583,372	698,400
Research and development	276,629	278,691	296,348
Others	661,976	483,333	551,410
	W13,685,512	W13,405,043	W14,391,644

16. SELLING AND ADMINISTRATIVE EXPENSES:

Selling and administrative expenses for years ended December 31, 2001, 2002 and 2003 are as follows (won in millions):

	2001	2002	2003
Labor	W 347,535	W 409,744	W 437,907
Employee benefits	43,422	49,343	56,116
Sales commission	235,311	253,040	280,051
Compensation for damages	2,367	2,107	716
Depreciation and amortization	76,586	57,644	53,914
Promotion	51,085	18,971	19,301
Commission-others	111,194	127,068	109,023
Bad debts	14,883	8,379	23,178
Maintenance	23,573	15,904	26,644



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Others	212,399	218,401	229,380
	-----	-----	-----
	W1,118,355	W1,160,601	W1,236,230
	=====	=====	=====

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17. INCOME TAX:

The statutory corporate income tax rates (including resident surtax) applicable to the Company are approximately 30.8 percent for the year ended December 31, 2001 and 29.7 percent for the years ended December 31, 2002 and 2003. Income tax and effective tax rate for the years ended December 31, 2001, 2002 and 2003 are as follows (won in millions):

	2001	2002	2003
	-----	-----	-----
Income tax currently payable	W 535,831	W 928,844	W 577,750
Changes in deferred income taxes	211,749	339,634	205,870
	-----	-----	-----
	747,580	1,268,478	783,620
Income tax of subsidiaries	545,553	835,314	979,651
	-----	-----	-----
Income tax	W1,293,133	W2,103,792	W1,763,271
	=====	=====	=====
Effective tax rate	44.1%	40.7%	42.9%
	=====	=====	=====

18. RELATED PARTY TRANSACTIONS:

- (1) Significant transactions between KEPCO and related parties for the years ended December 31, 2002 and 2003 are as follows. These were eliminated in the consolidation (won in millions):

Transaction	2002
-----	-----
Sales and other income:	
Korea Hydro & Nuclear Power Co., Ltd.	Sales of electricity and others W 138,270
Korea South-East Power Co., Ltd.	" 41,148
Korea Midland Power Co., Ltd.	" 21,734
Korea Western Power Co., Ltd.	" 38,022
Korea Southern Power Co., Ltd.	" 17,788
Korea East-West Power Co., Ltd.	" 42,586
Others	" 72,095
	-----
	W 371,643
	=====
Purchases and others:	
Korea Hydro & Nuclear Power Co., Ltd.	Purchase of electricity W 4,636,130
Korea South-East Power Co., Ltd.	" 1,449,355
Korea Midland Power Co., Ltd.	" 1,598,036
Korea Western Power Co., Ltd.	" 2,011,776
Korea Southern Power Co., Ltd.	" 1,785,817
Korea East-West Power Co., Ltd.	" 1,844,336
Korea Power Engineering Co., Inc.	Designing of the power plant 41,399
Korea Plant Service & Engineering Co., Ltd.	Utility plant maintenance 38,744
Korea Electric Power Data Network Co., Ltd.	Maintenance of computer system 153,301

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Others	Maintenance service	154,349
		-----
		W13,713,243
		=====

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- (2) Receivables arising from related parties transactions as of December 31, 2002 and 2003 are as follows. These were eliminated in the consolidation (won in millions):

Related party	2002	2003		
	Total	Trade receivables	Others	Total
Korea Hydro & Nuclear Power Co., Ltd.	W 8,020	W --	W 319	W 319
Korea South-East Power Co., Ltd.	3,639	1,778	367	2,145
Korea Midland Power Co., Ltd.	382	1,107	2,232	3,339
Korea Western Power Co., Ltd.	3,145	1,940	248	2,188
Korea Southern Power Co., Ltd.	1,647	1,157	360	1,517
Korea East-West Power Co., Ltd.	4,518	1,978	213	2,191
Others	10,603	1,990	9,607	11,597
	-----	-----	-----	-----
	W31,954	W9,950	W13,346	W23,296
	=====	=====	=====	=====

- (3) Payables arising from related parties transactions as of December 31, 2002 and 2003 are as follows. These were eliminated in the consolidation (won in millions):

Related party	2002	2003		
	Total	Trade payables	Others	Total
Korea Hydro & Nuclear Power Co., Ltd.	W 368,509	W 379,121	W 1,954	W 381,075
Korea South-East Power Co., Ltd.	124,031	117,954	4,411	122,365
Korea Midland Power Co., Ltd.	168,410	145,548	9,387	154,935
Korea Western Power Co., Ltd.	176,816	167,876	140	168,016
Korea Southern Power Co., Ltd.	130,181	179,803	93	179,896
Korea East-West Power Co., Ltd.	142,017	142,776	223	142,999
Korea Power Engineering Co., Inc.	7,108	-	5,909	5,909
Korea Plant Service & Engineering Co., Ltd.	6,845	-	5,509	5,509
Korea Electric Power Data Network Co., Ltd.	25,502	-	56,334	56,334
Others	22,593	4,363	19,619	23,982
	-----	-----	-----	-----
	W1,172,012	W1,137,441	W103,579	W1,241,020
	=====	=====	=====	=====

19. COMMITMENTS AND CONTINGENCIES:

- (1) The Company is engaged in 299 lawsuits as a defendant and 47 lawsuits as a

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plaintiff. The total amount claimed from the Company is W202,315 million and the amount claimed by the Company is W18,500 million as of December 31, 2003. The outcome of these lawsuits cannot presently be determined.

- (2) The Company has been provided a credit (overdraft) line amounting to W1,468,000 million by banks including the National Agricultural Cooperative Federation as of December 31, 2003.

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- (3) The debt repayment guarantees, which KEPCO has provided for its related parties in connection with the related parties' borrowings as of December 31, 2003 are as follows:

Loan type	Guaranteed Company	Financial institutions	Amount
Foreign currency loan	KEPCO International Hong Kong Ltd.	Nippon Life Insurance	US\$ 82,006,000
"	"	Norinchukin Bank	US\$ 35,000,000
"	"	Korea Development Bank	US\$ 9,272,000
"	KEPCO Philippines Corporation	Korea Development Bank	US\$ 45,435,000
			----- US\$171,713,000

- (4) KEPCO Ilijan Corporation, which is a subsidiary of KEPCO International Philippines Inc., is engaged in the power generation business in the Philippines. KEPCO Ilijan Corporation has borrowed US\$ 393,458,586 by project financing from Japan Bank of International Cooperation and others. In relation to these borrowings, KEPCO has provided repayment guarantees for some of the borrowings of KEPCO Ilijan Corporation. In addition, KEPCO has provided Japan Bank of International Cooperation and others with a performance guarantee for the power generation business of KEPCO Ilijan Corporation.

- (5) KEPCO's debts of W17,646,157 million, including borrowings of W13,825,884 million, were transferred to the power generation subsidiaries at the time of spin-off. KEPCO and power generation subsidiaries are jointly and severally liable for the liabilities as of spin-off date, under the Commercial Code of the Republic of Korea. Details of these borrowings outstanding as of December 31, 2003 by the debtor are as follows (won in millions):

Debtor	Amounts
KEPCO	1,203,052
Korea Hydro & Nuclear Power Co., Ltd.	1,501,535
Korea South-East Power Co., Ltd.	307,825
Korea Midland Power Co., Ltd.	163,470
Korea Western Power Co., Ltd.	186,759
Korea Southern Power Co., Ltd.	537,449
Korea East-West Power Co., Ltd.	751,917
	----- 4,652,007 =====

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- (6) Korea Development Bank has provided the repayment guarantees of US\$151,263,250 for the Company's commercial borrowings. In addition, Korea Development Bank has also provided the repayment guarantee for some of foreign currency debentures of the Company, which existed at the time of spin-off, but not redeemed as of December 31, 2003, instead of the collective responsibilities of the power generation subsidiaries to facilitate the Restructuring Plan. Guarantee amounts by currency are as follows:

	USD	JPY	EUR	GBP
Guaranteed amounts (including interest)	2,234,611,791	44,126,200,000	26,634,989	32,785,780

- (7) The Company has provided 1 promissory note of W1,771 million to Hyundai Heavy Industry, Co., Ltd. as a guarantee for performance of contract.
- (8) The Company entered into a turnkey contract with the Korea Peninsula Energy Development Organization (KEDO) on December 15, 1999, to construct two 1,000,000 KW-class pressurized light-water reactor units in North Korea. The contract amount is US\$ 4,182 million and subject to adjustment to cover any changes in the price level. As of December 31, 2003, the construction projects are temporarily suspended due to the political environments surrounding the Korean peninsula.

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- (9) The Company entered into the Power Purchase Agreement with LG Energy Co., Ltd. and other independent power producers for power purchases in accordance with the Electricity Business Act and power purchased from those companies amounted to W987,272 million, W1,140,810 million and W1,055,081 million for the years ended December 31, 2001, 2002 and 2003, respectively.

### 20. SEGMENT INFORMATION:

- (1) The following table provides information for each operating segments as of and for the years ended December 31, 2001, 2002 and 2003 (won in millions).

	2001			
	Electric business			
	Transmission & distribution	Power generation(*1)	All other	Conso adju
Unaffiliated revenues	W 18,863,802	W --	W 1,361,186	W
Intersegment revenues	589,201	9,615,336	1,044,766	(11
<b>Total revenues</b>	<b>19,453,003</b>	<b>9,615,336</b>	<b>2,405,952</b>	<b>(11</b>
Cost of goods sold	(16,645,119)	(7,827,444)	(1,745,215)	11
Selling and administrative expenses	(891,024)	(106,387)	(120,867)	
<b>Operating income</b>	<b>1,916,860</b>	<b>1,681,505</b>	<b>539,870</b>	
Interest income	31,475	42,620	19,018	

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Interest expense	(805,688)	(353,237)	(48,940)	
Gain on valuation using the equity method of accounting (*)	1,309,848	--	--	(1
Other income, net	28,088	153,054	(28,094)	
	-----	-----	-----	
Earnings before income tax	2,480,583	1,523,942	481,854	(1
Income tax expense	(747,580)	(520,027)	(34,280)	
	-----	-----	-----	
Segment earning before minority interests	1,733,003	1,003,915	447,574	(1
Utility and non-utility plant	27,158,901	32,364,535	2,398,339	
Total assets	30,145,577	37,416,984	3,963,388	
Capital expenditures	4,790,219	2,322,810	247,884	

(\*) Power generation represents the result of operations for the period from April 2, 2001 to December 31, 2001.

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	2002			
	Electric business			Consolidated
	Transmission & distribution	Power generation	All other	adjustment
	-----	-----	-----	-----
Unaffiliated revenues	W 20,406,404	W --	W 959,271	W
Intersegment revenues	309,893	13,404,975	841,006	(14,5
	-----	-----	-----	-----
Total revenues	20,716,297	13,404,975	1,800,277	(14,5
Cost of goods sold	(17,897,871)	(10,348,054)	(1,481,333)	14,5
Selling and administrative expenses	(940,016)	(153,324)	(81,905)	
	-----	-----	-----	-----
Operating income	1,878,410	2,903,597	237,039	
Interest income	23,710	46,982	22,233	
Interest expense	(627,954)	(360,606)	(29,858)	
Gain on valuation using the equity method of accounting	2,178,492	--	18,566	(2,1
Other income, net	871,284	101,946	(1,622)	(
	-----	-----	-----	-----
Earnings before income tax	4,323,942	2,691,919	246,358	(2,0
Income tax expense	(1,268,478)	(792,863)	(39,685)	
	-----	-----	-----	-----
Segment earning before minority interests	3,055,464	1,899,056	206,673	(2,0
Utility and non-utility plant	28,157,412	32,145,415	1,200,843	(1
Total assets	31,792,880	36,933,338	2,604,890	(8
Capital expenditures	3,461,673	3,146,396	97,103	(

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2003

	Electric business			Consolidated adjustment
	Transmission & distribution	Power generation	All other	
Unaffiliated revenues	W 21,834,288	W --	W 940,306	W
Intersegment revenues	253,167	14,348,938	956,299	(15,5
Total revenues	22,087,455	14,348,938	1,896,605	(15,5
Cost of goods sold	(19,285,025)	(11,138,278)	(1,429,265)	15,5
Selling and administrative expenses	(992,116)	(167,479)	(90,120)	
Operating income	1,810,314	3,043,181	377,220	
Interest income	38,780	34,585	27,663	
Interest expense	(583,557)	(207,374)	(39,488)	
Gain on valuation using the equity method of accounting	2,123,518	--	23,616	(2,0
Other income, net	(291,991)	(145,207)	(588)	(
Earnings before income tax	3,097,064	2,725,185	388,423	(2,1
Income tax expense	(783,620)	(948,458)	(35,865)	
Segment earning before minority interests	2,313,444	1,776,727	352,558	(2,0
Utility and non-utility plant	29,271,047	31,735,423	1,111,682	(2
Total assets	33,723,731	37,249,382	2,664,538	(1,9
Capital expenditures	3,624,453	3,103,081	105,508	(

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(2) The following summary shows the details of revenues from the sale of electric power for the years ended December 31, 2001, 2002 and 2003 (won in millions).

	2001	2002	2003
Industrial	W 8,312,651	W 8,922,547	W 9,518,541
Commercial	5,123,306	5,895,673	6,198,741
Residential	4,787,878	5,081,424	5,494,326
Others	639,967	506,760	622,680
	W18,863,802	W20,406,404	W21,834,288

21. STATEMENTS OF CASH FLOWS:

- (1) Cash in the statements of cash flows represents cash and cash equivalents in the balance sheets.
- (2) Transactions not involving cash flows for the years ended December 31, 2001, 2002 and 2003 are as follows (won in millions):

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	2001 -----	2002 -----
Reclassification of long-term loans to current portion of long-term loans	W 19,881	W 10,905
Reclassification of construction in progress to utility plant	6,593,638	8,776,599
Reclassification of property, plant and equipment to inventories	178,945	--
Reclassification of long-term debt to current portion of long-term debt	4,735,632	4,440,013

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

KOREA ELECTRIC POWER CORPORATION

By: /s/ Kim, Myung-Whan

-----  
 Name: Kim, Myung-Whan  
 Title: General Manager  
 International Finance Department

Date: April 20, 2004