

KOREA ELECTRIC POWER CORP

Form 6-K

April 27, 2005

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, 2005

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): _____

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): _____

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-_____.

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

Non-consolidated Financial Statements

December 31, 2004

(With Independent Auditors Report Thereon)

Independent Auditors Report

Based on a report originally issued in Korean

The Board of Directors and Stockholders
Korea Electric Power Corporation:

We have audited the accompanying non-consolidated balance sheet of Korea Electric Power Corporation (the Company) as of December 31, 2004 and the related non-consolidated statements of income, appropriation of retained earnings and cash flows for the year then ended. 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 audit. The accompanying non-consolidated financial statements of the Company as of December 31, 2003, were audited by other auditors whose report thereon dated February 1, 2004, expressed an unqualified opinion on those statements. We did not audit the financial statements of Korea Southern Power Co., Ltd., Korea Midland Power Co., Ltd. and Korea South-East Power Co., Ltd. whose total assets constituted 10.6% of the total non-consolidated assets as of December 31, 2004, and whose total income constituted 11.6% of non-consolidated income before income tax for the year then ended. These financial statements were audited by other auditors whose reports have been furnished to us, and our report, insofar as it relates to the amounts included for Korea Southern Power Co., Ltd., Korea Midland Power Co., Ltd. and Korea South-East Power Co., Ltd., is based solely on the reports of the other auditors.

We conducted our audit 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 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 and significant estimates used by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Korea Electric Power Corporation as of December 31, 2004, and the results of its operations, the changes in its retained earnings, and its cash flows for the year then ended in conformity with the Korea Electric Power Corporation Act, the Accounting Regulations for Government Invested Enterprises and accounting principles generally accepted in the Republic of Korea.

The accompanying financial statements have been translated into United States dollars solely for the convenience of the reader and have been translated on the basis set forth in Note 2 to the non-consolidated financial statements.

Without qualifying our opinion, we draw attention to the following:

As discussed in note 1(b) to the financial statements, 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. 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 principles, Korea Electric Power Corporation Act, the Accounting Regulations for Government Invested Enterprises, and Korean accounting procedures and auditing standards and their application in practice.

As discussed in note 29 to the non-consolidated financial statements, sales and purchases with related parties, including the six power generation subsidiaries, amounted to W367,148 million and W15,921,399 million, respectively, for the year ended December 31, 2004. Related receivables and payables amounted to W41,060 million and W1,340,110 million, respectively, as of December 31, 2004. In addition, the Company is providing debt guarantees to its foreign subsidiaries in amounts not exceeding US\$253,903 thousand including KEPCO Ilijan Co.

The Company and its six power generation companies including Korea Hydro & Nuclear Power Co., Ltd. are jointly and severally liable for outstanding debts as of December 31, 2004 assumed by each company at the time of spin-off on April 2, 2001 under the Commercial Code of the Republic of Korea. The Company is providing joint and several liability guarantee for debts of its six power generation companies amounting to W1,101,550 million and the six power generation companies are providing such a guarantee for debts of the Company amounting to W328,103 million. In addition, the Korea Development Bank, one of the Company's major shareholders, is providing guarantees for some of the Company's foreign currency debt.

As discussed in notes 1(s) and 28 of the non-consolidated financial statements, effective January 1, 2004, the Company early adopted Statement of Korea Accounting Standards No. 17 "Provision". The only impact of adopting this new standard is that Korea Hydro & Nuclear Power Co., Ltd., one of the Company's power generation subsidiaries, re-measured the beginning balance of provision for asset retirement and reflected the cumulative effect of an accounting change into the beginning balance of retained earnings. The accounting change of Korea Hydro & Nuclear Power Co., Ltd., recorded as of January 1, 2004, resulted in increase in its utility plant, net of W1,504,173 million, reserve for decommissioning costs of W556,088 million, deferred income tax liabilities of W260,724 million and retained earnings of W687,361 million, respectively. As a result of such change, as of January 1, 2004, investment in affiliated company, deferred income tax liabilities and retained earnings of the Company increased by W687,361 million, W189,024 million and W498,337 million, respectively.

Seoul, Korea

February 4, 2005

This report is effective as of February 4, 2005, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Korea Electric Power Corporation

Non-consolidated Balance Sheets

December 31, 2004 and 2003

(In millions of Korean Won and in thousands of U.S. dollars, except share data)

Assets	Won		U.S. dollars (note 2)	
	2004	2003	2004	2003
Property, plant and equipment (notes 1, 3, 5 and 18):	W 40,125,462	37,235,281	\$ 38,441,715	35,672,812
Less: accumulated depreciation	(9,107,944)	(7,472,373)	(8,725,756)	(7,158,817)
Less: construction grants	(3,182,366)	(2,758,789)	(3,048,827)	(2,643,025)
	27,835,152	27,004,119	26,667,132	25,870,970
Construction in-progress	2,110,396	2,266,928	2,021,839	2,171,803
	29,945,548	29,271,047	28,688,971	28,042,773
Investments and other assets:				
Investment securities (note 6)	25,462,887	23,865,370	24,394,412	22,863,930
Long-term loans (note 7)	163,525	142,368	156,664	136,394
Long-term other accounts receivable, less discount on present value of nil in 2004 and W 35,576 in 2003 and allowance for doubtful accounts of nil in 2004 and W15,500 in 2003	88	213,924	84	204,947
Currency and interest rate swaps (note 23)	312,611	124,345	299,493	119,127
Intangible assets (note 4)	233,016	144,367	223,238	138,309
Other non-current assets (notes 8 and 19)	148,070	143,110	141,856	137,105
	26,320,197	24,633,484	25,215,747	23,599,812
Current assets:				
Cash and cash equivalents (notes 9 and 19)	445,863	366,817	427,154	351,425
Trade receivables, less allowance for doubtful accounts of W 33,810 in 2004 and W 27,787 in 2003 (notes 19 and 29)	1,576,542	1,501,949	1,510,387	1,438,924
Other accounts receivable, less allowance for doubtful accounts of W19,944 in 2004 and W14,184 in 2003 and present value discount of W 14,125 in 2004 (notes 19, 21 and 29)	465,821	434,648	446,274	416,409
Short-term financial instruments (note 10)	46,000	61,000	44,070	58,440
Inventories (note 11)	70,484	78,796	67,526	75,490
Other current assets (notes 7 and 12)	46,869	121,921	44,902	116,805

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	2,651,579	2,565,131	2,540,313	2,457,493
Total assets	₩ 58,917,324	56,469,662	\$ 56,445,031	54,100,078

Korea Electric Power Corporation

Non-consolidated Balance Sheets, Continued

December 31, 2004 and 2003

(In millions of Korean Won and in thousands of U.S. dollars, except share data)

Liabilities and Shareholders' Equity	Won		U.S. dollars (note 2)	
	2004	2003	2004	2003
Stockholders' equity:				
Common stock of W 5,000 par value Authorized 1,200,000,000 shares Issued and outstanding 640,748,573 shares in 2004 and 2003	W 3,203,743	3,203,743	\$ 3,069,307	3,069,307
Capital surplus (notes 3 and 13)	14,372,895	14,373,779	13,769,779	13,770,626
Retained earnings (note 14):				
Appropriated	19,554,340	17,899,939	18,733,800	17,148,821
Unappropriated	3,379,107	2,315,938	3,237,313	2,218,756
Capital adjustments (note 15)	(233,151)	(150,681)	(223,368)	(144,358)
Total shareholders' equity	40,276,934	37,642,718	38,586,831	36,063,152
Long-term liabilities:				
Long-term borrowings (notes 18 and 29)	10,118,184	9,641,037	9,693,605	9,236,479
Reserve for retirement and severance benefits, net (note 20)	439,701	316,408	421,250	303,131
Reserve for self insurance	93,352	87,926	89,435	84,236
Currency and interest rate swaps (note 23)	158,060	178,283	151,427	170,802
Deferred income tax liabilities (note 26)	1,822,513	1,462,016	1,746,037	1,400,667
Other long-term liabilities	381,942	486,981	365,914	466,546
	13,013,752	12,172,651	12,467,668	11,661,861
Current liabilities:				
Trade payables (note 29)	1,377,976	1,256,526	1,320,153	1,203,800
Other accounts payable (notes 19 and 29)	506,049	571,772	484,814	547,779
Short-term borrowings (note 17)	200,172	16,245	191,772	15,563
Current portion of long-term borrowings (note 18)	2,198,443	4,030,652	2,106,192	3,861,518
Income tax payable	677,599	164,170	649,167	157,281
Accrued interest expense	95,858	123,571	91,836	118,386
Dividends payable	2,501	2,324	2,396	2,226
Other current liabilities (note 22)	568,040	489,033	544,202	468,512
	5,626,638	6,654,293	5,390,532	6,375,065

Total liabilities	18,640,390	18,826,944	17,858,200	18,036,926
Commitments and contingencies (note 30)				
Total shareholders' equity and liabilities	₩ 58,917,324	56,469,662	\$ 56,445,031	54,100,078

See accompanying notes to non-consolidated financial statements.

Korea Electric Power Corporation

Non-consolidated Statements of Income

For the years ended December 31, 2004 and 2003

(In millions of Korean Won and in thousands of U.S. dollars, except earnings per share)

	Won		U.S. dollars (note 2)	
	2004	2003	2004	2003
Operating revenues:				
Sale of electricity (notes 29 and 32)	W 23,490,001	22,087,455	\$ 22,504,312	21,160,620
Other operating revenues (note 29)	109,912	310,034	105,300	297,024
	23,599,913	22,397,489	22,609,612	21,457,644
Operating expenses (notes 24, 25 and 29):				
Power generation, transmission and distribution costs	3,687,105	3,560,513	3,532,386	3,411,106
Purchased power	16,766,232	15,724,513	16,062,686	15,064,680
Other operating costs	112,369	307,539	107,654	294,634
Selling and administrative expenses	1,061,048	992,115	1,016,524	950,485
	21,626,754	20,584,680	20,719,250	19,720,905
Operating income	1,973,159	1,812,809	1,890,362	1,736,739
Other income (expense):				
Interest income	36,079	38,780	34,565	37,153
Interest expense	(562,971)	(583,556)	(539,348)	(559,069)
Gain (loss) on foreign currency transactions and translation, net	616,592	(183,676)	590,719	(175,969)
Donations (note 31)	(81,682)	(125,090)	(78,254)	(119,841)
Rental income	130,237	121,535	124,772	116,435
Equity income of affiliates (note 6)	1,793,808	2,123,518	1,718,536	2,034,411
Gain on disposal of investments, net	7,472	45,214	7,158	43,317
Gain (loss) on disposal of property, plant and equipment	5,887	(2,755)	5,640	(2,639)
Valuation gain (loss) on currency and interest rate swaps, net (note 23)	20,806	(59,689)	19,933	(57,185)
Other, net	49,376	(87,531)	47,304	(83,857)
	2,015,604	1,286,750	1,931,025	1,232,756

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Income before income taxes		3,988,763	3,099,559	3,821,387	2,969,495
Income taxes (note 26)		(1,107,993)	(783,621)	(1,061,499)	(750,739)
Net income (note 32)	W	2,880,770	2,315,938	\$ 2,759,888	2,218,756
Basic earnings per share (notes 27 and 32)	W	4,574	3,674	\$ 4,382	3,520
Diluted earnings per share (note 27)	W	4,507	3,666	\$ 4,318	3,512

See accompanying notes to non-consolidated financial statements.

Korea Electric Power Corporation

Non-consolidated Statements of Appropriation of Retained Earnings

For the years ended December 31, 2004 and 2003

Date of Appropriation for 2004: March 18, 2005

Date of Appropriation for 2003: March 19, 2004

(In millions of Korean Won and in thousands of U.S. dollars)

	Won		U.S. dollars (note 2)	
	2004	2003	2004	2003
Unappropriated retained earnings:				
Balance at beginning of year	W		\$	
Change in retained earnings of affiliated company due to cumulative effect of accounting change (note 28)	498,337		477,425	
Net income	2,880,770	2,315,938	2,759,888	2,218,756
Balance at end of year before appropriation	3,379,107	2,315,938	3,237,313	2,218,756
Appropriation of retained earnings:				
Legal reserve		1,619		1,551
Reserve for investment on social overhead capital	60,000	80,000	57,482	76,643
Reserve for research and human development	30,000	60,000	28,741	57,482
Reserve for business expansion	2,564,951	1,512,782	2,457,321	1,449,302
Dividends 23% on par value at 1,150 Won per share in 2004 and 21% on par value at 1,050 Won per share in 2003 (note 16)	724,156	661,537	693,769	633,778
	3,379,107	2,315,938	3,237,313	2,218,756
Unappropriated retained earnings to be carried over to subsequent year	W		\$	

See accompanying notes to financial statements.

Korea Electric Power Corporation

Non-consolidated Statements of Cash Flows

For the years ended December 31, 2004 and 2003

(In millions of Korean Won and in thousands of U.S. dollars)

	Won		U.S. dollars (note 2)	
	2004	2003	2004	2003
Cash flows from operating activities:				
Net income	W 2,880,770	2,315,938	\$ 2,759,888	2,218,756
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	1,696,501	1,589,864	1,625,312	1,523,150
Property, plant and equipment removal cost	191,777	243,184	183,730	232,979
Provision for severance and retirement benefits	133,450	94,166	127,850	90,215
Bad debt expense	19,530	13,658	18,710	13,085
Interest income	(21,451)		(20,551)	
Interest expense	16,275	10,246	15,592	9,816
Loss (gain) on foreign currency translation, net	(542,002)	189,650	(519,258)	181,692
Equity income of affiliates	(1,793,808)	(2,123,518)	(1,718,536)	(2,034,411)
Gain on disposal of investments, net	(7,472)	(45,214)	(7,158)	(43,317)
Loss (gain) on disposal of property, plant and equipment, net	(5,887)	2,755	(5,640)	2,639
Deferred income tax expense	164,877	205,870	157,958	197,231
Valuation loss (gain) on currency and interest rate swaps	(20,806)	59,689	(19,933)	57,184
Changes in assets and liabilities:				
Decrease in trade receivables	(92,097)	(115,201)	(88,232)	(110,367)
Decrease (increase) in other accounts receivable	213,716	(58,270)	204,748	(55,825)
Decrease in inventories	83,449	73,626	79,947	70,537
Increase in other current assets	(20,403)	(76,215)	(19,547)	(73,016)
Increase in trade payables	121,450	17,778	116,354	17,032
Increase (decrease) in other accounts payable	(65,717)	19,422	(62,959)	18,607
Increase (decrease) in income tax payable	513,430	(518,607)	491,885	(496,845)
Increase (decrease) in accrued interest expense	(27,713)	2,464	(26,550)	2,361
Increase in other current liabilities	178,108	21,424	170,635	20,526
Increase (decrease) in other long-term liabilities	(105,040)	161,447	(100,632)	154,672
Payment of severance and retirement benefits	(10,159)	(8,355)	(9,732)	(8,005)
Payment of self-insurance	(848)	(1,011)	(812)	(969)
Other, net	(20,813)	(112,376)	(19,942)	(107,660)
Net cash provided by operating activities	W 3,479,117	1,962,414	\$ 3,333,127	1,880,067

Korea Electric Power Corporation

Non-consolidated Statements of Cash Flows, Continued

For the years ended December 31, 2004 and 2003

(In millions of Korean Won and in thousands of U.S. dollars)

	Won		U.S. dollars (note 2)	
	2004	2003	2004	2003
Cash flows from investing activities:				
Proceeds from disposal of property, plant and equipment	W 16,311	35,992	\$ 15,627	34,483
Additions to property, plant and equipment	(3,329,195)	(3,624,453)	(3,189,495)	(3,472,364)
Receipt of construction grants	617,366	611,862	591,460	586,187
Proceeds from disposal of investment securities	813,558	555,943	779,419	532,614
Acquisition of investment securities	(5,783)	(13,973)	(5,540)	(13,387)
Collection of long-term loans	5,307	5,077	5,084	4,864
Increase in long-term loans	(36,591)	(28,060)	(35,056)	(26,883)
Acquisition of intangible assets	(16,010)	(6,297)	(15,338)	(6,033)
Collection of short-term loans	9,336	8,455	8,944	8,100
Decrease in other non-current assets	7,427	4,971	7,115	4,763
Net cash used in investing activities	(1,918,274)	(2,450,483)	(1,837,780)	(2,347,656)
Cash flows from financing activities:				
Proceeds from short-term borrowings	183,927	16,245	176,209	15,563
Proceeds from long-term debt	3,422,194	3,583,164	3,278,592	3,432,807
Repayment of long-term debt	(4,239,104)	(2,496,442)	(4,061,222)	(2,391,686)
Acquisition of treasury stock		(180,120)		(172,562)
Dividends paid	(661,360)	(511,179)	(633,608)	(489,729)
Payments under currency and interest rate swap contracts	(187,454)	(166,838)	(179,589)	(159,836)
Net cash provided by (used in) financing activities	(1,481,797)	244,830	(1,419,618)	234,557
Net increase (decrease) in cash and cash equivalents	79,046	(243,239)	75,729	(233,032)
Cash and cash equivalents, at beginning of the period	366,817	610,056	351,425	584,457
Cash and cash equivalents, at end of the period	W 445,863	366,817	\$ 427,154	351,425

See accompanying notes to non-consolidated financial statements.

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements

December 31, 2004 and 2003

(1) Summary of Significant Accounting Policies and Basis of Presenting Financial Statements

(a) Organization and description of Business

Korea Electric Power Corporation (the Company) 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 electric power resources in the Republic of Korea. The Company was given a status of government-invested enterprise on December 31, 1983 following the enactment of the Government-Invested Enterprise Management Basic Act. The Company's stock was listed on the Korea Stock Exchange on August 10, 1989 and the Company listed its Depository Receipts (DR) on the New York Stock Exchange on October 27, 1994.

As of December 31, 2004, the Government of the Republic of Korea, Korea Development Bank, which is wholly owned by the Korean Government and foreign investors hold 23.97%, 29.99% and 30.10%, respectively, of the Company's shares.

In accordance with the restructuring plan by the Ministry of Commerce, Industry and Energy on January 21, 1999, the Company spun off its power generation division on April 2, 2001, resulting in the establishment of six new power generation subsidiaries. The Company has been contemplating the gradual privatization of the Company's power generation subsidiaries and distribution business. The privatization of power generation subsidiaries may result in change in pricing of electric power, operation organization, related regulations and general policies for supply and demand of energy.

In addition, the Company was also planning to privatize its distribution business. However, the privatization of the Company's distribution business was discontinued according to the recommendation of the Korea Tripartite Commission on June 30, 2004.

(b) Basis of Presenting Financial Statements

The Company maintains its accounting records in Korean Won and prepares statutory financial statements in the Korean language (Hangul) in conformity with the Korea Electric Power Corporation Act (KEPCO Act), 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, these financial statements are intended for use only by those who are informed about Korean accounting principles and practices, KEPCO 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.

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued(1) Summary of Significant Accounting Policies and Basis of Presenting Financial Statements, Continued(b) Basis of Presenting Financial Statements, Continued

Certain information included in the Korean language financial statements, but not required for a fair presentation of the Company's financial position, results of operations or cash flows, is not presented in the accompanying financial statements.

The accompanying financial statements include only the accounts of the Company, and do not include the accounts of any of its subsidiaries. Instead, these entities are accounted for under the equity method of accounting (note 6).

Effective January 1, 2004, the Company adopted Statements of Korea Accounting Standards No. 10, 12 and 13. The adoption of these standards did not have any impact on the accompanying financial statements. In addition, the Company early adopted Statement of Korea Accounting Standards No. 17 as described in notes 1(s) and 28.

(c) Property, Plant and Equipment

Property, plant and equipment are stated at cost, except in the case of revaluation made in accordance with the KEPCO Act and the Assets Revaluation Law of Korea. Plant and equipment under capital leases are stated at an amount equal to the lower of their fair value or the present value of minimum lease payments at the inception of lease. Significant additions or improvements extending useful lives of assets are capitalized. However, normal maintenance and repairs are charged to expense as incurred.

The Company capitalizes interest cost and other financial charges on borrowing associated with the manufacture, purchase, or construction of property, plant and equipment, incurred prior to completing the acquisition, as part of the cost of such assets. The calculation of capitalized interest includes exchange differences arising from foreign borrowings to the extent that they are regarded as an adjustment to interest costs, which is limited to the extent of interest cost calculated by the weighted average interest rate of local currency borrowings. For the years ended December 31, 2004 and 2003, the amount of capitalized interest was W63,564 million and W127,367 million, respectively. The net foreign currency transactions and translation gains excluded from the calculation of capitalized interest amounted to W210,794 million and nil, respectively for the years ended December 31, 2004 and 2003.

The impact on the Company's financial position as of and for the years ended December 31, 2004, if the interest and other borrowing costs were expensed instead of being capitalized, is as follows.

	Won (millions)			
	Construction in-progress	Total assets	Interest expense	Income before income taxes
Capitalized	W 2,110,396	58,917,324	562,971	3,988,763
Expensed	2,046,832	58,853,760	626,535	3,925,199

W	63,564	63,564	(63,564)	63,564
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Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued(1) Summary of Significant Accounting Policies and Basis of Presenting Financial Statements, Continued(c) Property, Plant and Equipment, Continued

Depreciation is computed by the declining-balance method (straight-line method for buildings and structures) using rates based on the estimated useful lives described in the Korean Corporate Income Tax Law and as permitted under the Accounting Regulations for Government Invested Enterprises as follows:

	Estimated useful life (years)
Buildings	8, 15, 30
Structures	8, 15, 30
Machinery	16
Ships	9
Vehicles	4
Others	4

Grants from the government or public institutions

Funds, construction materials or other items contributed by customers

Construction grants are initially recorded and presented in the accompanying financial statements as deductions from the assets acquired under such grants and are offset against depreciation expense during the estimated useful lives of the related assets. The Company received W617,366 million and W611,862 million of construction grants, and offset W145,310 million and W123,862 million against depreciation expense, and W48,479 million and W50,349 million against utility plant removal cost for the years ended December 31, 2004 and 2003, respectively.

The Company reviews for the impairment of property, plant and equipment, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized when estimated undiscounted future net cash flows expected to result from the use of the asset and its eventual disposition are less than its carrying amount. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies and Basis of Presenting Financial Statements, Continued

(d) Leases

The Company accounts for and classifies its lease transactions as either operating or capital leases, depending on the terms of the lease under Korea Lease Accounting Standards. If a lease is substantially noncancellable and meets any of the criteria listed below, the present value of future minimum lease payments is reflected as an obligation under capital lease.

Ownership of the leased property shall be transferred to the lessee at the end of the lease term without additional payment or for a contract price.

The lease has a bargain purchase option.

The lease term is equal to 75% or more of the estimated economic useful life of the leased property.

The present value at the beginning of the lease term of the minimum lease payments equals or exceeds 90% of the fair value of the leased property.

If the above criteria are not met, the lease is classified as an operating lease and lease payments are expensed on a straight-line basis over the lease term.

(e) Investments in Securities

Upon acquisition, the Company classifies certain debt and equity securities into one of the three categories: held-to-maturity, available-for-sale, or trading securities. Investments in debt securities that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity. Securities that are bought and held principally for the purpose of selling them in the near term (thus held for only a short period of time) are classified as trading securities. Trading generally reflects active and frequent buying and selling, and trading securities are generally used to generate profit on short-term differences in price. Investments not classified as either held-to-maturity or trading securities are classified as available-for-sale securities.

Trading securities are carried at fair value, with unrealized holding gains and losses included in earnings. Available-for-sale securities are carried at fair value, with unrealized holding gains and losses reported as a capital adjustment. Investments in equity securities that do not have readily determinable fair values are stated at cost. Declines in value judged to be other-than-temporary on available-for-sale securities are charged to current results of operations. Investments in debt securities that are classified into held-to-maturity are reported at amortized cost at the balance sheet date and such amortization is included in interest income.

Marketable securities are at the quoted market prices as of the period end. Non-marketable debt securities are recorded at the fair values derived from the discounted cash flows by using an interest rate deemed to approximate the market interest rate. The market interest rate is determined by the issuers' credit rate announced by the accredited credit rating agencies in Korea. Money market funds are recorded at the fair value determined by the investment management companies.

Trading securities are classified as current assets, whereas available-for-sale securities and held-to-maturity securities are classified as long-term investments. However, available-for-sale securities whose maturity dates are due within one year from the balance sheet date or whose likelihood of being disposed of within one year from the balance sheet date is probable are classified as current assets. Likewise, held-to-maturity securities whose maturity dates are due within one year from the balance sheet date are classified as current assets.

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies and Basis of Presenting Financial Statements, Continued

(f) Investment Securities under the Equity Method of Accounting

Investments in affiliated companies owned 20% or more or over which the Company has significant management control are stated at an amount as determined using the equity method. Under the equity method of accounting, the Company's initial investment is recorded at cost and is subsequently increased to reflect the Company's share of the investee income and reduced to reflect the Company's share of the investee losses or dividends received. Any excess in the Company's acquisition cost over the Company's share of the investee's identifiable net assets is considered as goodwill and amortized by the straight-line method over the estimated useful life. The amortization of goodwill is recorded against the equity income of affiliates. When events or circumstances indicate that carrying amount may not be recoverable, the Company reviews goodwill for any impairment. Under the equity method of accounting, the Company does not record its share of losses of affiliate companies when such losses would make the Company's investment in such entity less than zero.

(g) Intangible Assets

Intangible assets are stated at cost less accumulated amortization, as described below.

(i) Research and Development Costs

Expenditure on research activities, undertaken with the prospects of gaining new scientific or technical knowledge and understanding, is recognized in the statement of income as an expense as incurred.

Expenditure on development incurred in conjunction with new products or technologies, in which the elements of costs can be identified and future economic benefits are clearly expected, is capitalized and amortized on a straight-line basis over 5 years. The capitalized expenditure includes the cost of materials, direct labor and an appropriate proportion of overheads.

(ii) Other Intangible Assets

Other intangible assets, which consist of industrial rights, land rights and others, are stated at cost less accumulated amortization and impairment losses. Such intangible assets are amortized using the straight-line method over a reasonable period, from 4 years to 20 years, based on the nature of the asset.

The Company reviews for the impairment of intangible assets, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies and Basis of Presenting Financial Statements, Continued

(h) Cash Equivalents

The Company considers short-term financial instruments with maturities of three months or less at the acquisition date to be cash equivalents.

(i) Financial Instruments

Short-term financial instruments are instruments handled by financial institutions which are held for short-term cash management purposes or will mature within one year, including time deposits, installment savings deposits, restricted bank deposits.

(j) Allowance for Doubtful Accounts

Allowance for doubtful accounts is estimated based on an analysis of individual accounts and past experience of collection.

(k) Inventories

Inventories are stated at the lower of cost or net realizable value, cost being determined using 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 at the end of year.

(l) Valuation of Receivables and Payables at Present Value

Receivables and payables arising from long-term installment transactions, long-term cash loans/borrowings and other similar loan/borrowing transactions are stated at present value. The difference between nominal value and present value is deducted directly from the nominal value of related receivables or payables and is amortized using the effective interest method. The amount amortized is included in interest expense or interest income.

(m) 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 shall be 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 issue.

The value of the common shares issued pursuant to the exercise of the conversion rights shall be 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.

Convertible bonds are not subject to foreign currency translation because convertible bonds are regarded as non-monetary foreign currency liabilities in accordance with Korean GAAP.

When the conversion rights are exercised during an accounting period, the value of common shares issued pursuant to the exercise shall be measured based on the carrying amount of the convertible bonds determined on the actual date such rights have been exercised.

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies and Basis of Presenting Financial Statements, Continued

(n) Discount (Premium) on Debentures

Discount (premium) on debenture issued, which represents the difference between the face value and issuance price of debentures, is amortized using the effective interest method over the life of the debentures. The amount amortized is included in interest expense.

(o) Retirement and Severance Benefits

Employees and directors who have been with the Company for more than one year are entitled to lump-sum payments based on current rates of pay and length of service when they leave the Company. The Company's estimated liability under the plan which would be payable if all employees left on the balance sheet date is accrued in the accompanying balance sheets.

Through March 1999, under the National Pension Scheme of Korea, the Company transferred a certain portion of retirement allowances of employees to the National Pension Fund. The amount transferred will reduce the retirement and severance benefit amount to be payable to the employees when they leave the Company and is accordingly reflected in the accompanying financial statements as a reduction from the retirement and severance benefit liability. Since April 1999, however, a new regulation applies and such transfers to the National Pension Fund are no longer required.

(p) Reserve for Self-Insurance

As required by the Accounting Regulations for Government Invested Enterprises, the Company has provided a reserve for self-insurance until the amount meets a certain percentage of non-insured buildings and machinery. Payments made to settle applicable claims are charged to this reserve.

(q) Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into Korean Won at the balance sheet date, with the resulting gains and losses recognized in current results of operations. Monetary assets and liabilities denominated in foreign currencies are translated into Korean Won at W1,043.8 to US\$1, the rate of exchange on December 31, 2004 that is permitted by the Financial Accounting Standards. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into Korean Won at the foreign exchange rate ruling at the date of the transaction.

Foreign currency assets and liabilities of foreign-based operations and companies accounted for using the equity method are translated at current rate of exchange at the balance sheet date while profit and loss items in the statement of income are translated at average rate and capital account at historical rate. The translation gains and losses arising from collective translation of the foreign currency financial statements of foreign-based operations are offset and the balance is accumulated as capital adjustment.

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies and Basis of Presenting Financial Statements, Continued

(r) Derivatives

Derivative instruments are presented as assets or liabilities valued principally at the fair value of rights or obligations associated with the derivative contracts. The unrealized gain or loss from derivative transactions is recognized in current operations.

However, for derivative instruments with the purpose of hedging the exposure to variability in expected future cash flows of a forecasted transaction, the hedge-effective portion of the derivative's gain or loss is deferred as a capital adjustment, a component of stockholder's equity. The deferred gain or loss will be adjusted to the related asset or liability resulted from the forecasted transaction, or adjusted to income when the forecasted transaction affects income statement. The ineffective portion of the gain or loss is charged or credited to current results of operations.

(s) Contingent Liabilities

Prior to 2004, contingent losses were generally recognized as a liability when probable and reasonably estimable. Effective January 1, 2004, the Company early adopted Statement of Korea Accounting Standards No. 17 *Provision*. Under this standard, provisions are recognized when all of the following conditions are met: (1) an entity has a present obligation as a result of a past event, (2) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and (3) a reasonable estimate can be made of the amount of the obligation. The impact of adopting this standard is described in note 28.

(t) Revenue Recognition

The Company recognizes revenue from the sale of electric power based on meter readings made on a monthly basis. The Company does not accrue revenue for power sold after the meter readings but prior to the end of the accounting period. The Company recognizes revenue on long-term contracts, which are related to the construction of power plants in the Democratic People's Republic of Korea (North Korea), based on the percentage-of-completion method. Revenue other than sale of electric power and revenue on long-term contracts is recognized when the Company's revenue-earning activities have been substantially completed, the amount of revenue can be measured reliably, and it is probable that the economic benefits associated with the transaction will flow to the Company.

(u) Income Taxes

Income tax on the earnings or loss for the period comprises current and deferred tax. Income tax is recognized in the statement of income except to the extent that it relates to items recognized directly to equity, in which case it is recognized in equity.

Deferred tax is provided using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies and Basis of Presenting Financial Statements, Continued

(u) Income Taxes, Continued

Deferred tax assets are recognized only to the extent that it is probable that future taxable earnings will be available against which the unused tax losses and credits can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(v) Dividends payable

Dividends are recorded when approved by the board of director and shareholders.

(w) Prior Period Adjustments

Prior period adjustments resulting from other than fundamental errors are charged or credited to result of operations for the current period. The fundamental errors are defined as errors with such a significant effect on the financial statements for one or more prior periods that those financial statements can no longer be considered to have been reliable at the date of their issue. The prior period adjustments resulting from the fundamental errors are charged or credited to the beginning balance of retained earnings, and the financial statements of the prior year are restated.

(x) Earnings Per Share

Earnings per common share are calculated by dividing net income by the weighted-average number of shares of common stock outstanding during each period.

(y) Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the Republic of Korea requires management to make estimates and assumptions that affect the amounts reported in the financial statements and related notes to financial statements. Actual results could differ from those estimates.

(2) Basis of Translating Financial Statements

The financial statements are expressed in Korean Won and, solely for the convenience of the reader, have been translated into U.S. dollars at the rate of W1,043.8 to US\$1, the basic exchange rate on December 31, 2004. These translations should not be construed as a representation that any or all of the amounts shown could be converted into U.S. dollars at this or any other rate.

(3) Property, Plant and Equipment

(a) Asset revaluation

The Company revalued its property, plant and equipment in accordance with the KEPCO Act and the Asset Revaluation Law (the latest revaluation date was on January 1, 1999), and recorded a revaluation gain of

W12,552,973 million as a reserve for asset revaluation, a component of capital surplus.

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued(3) Property, Plant and Equipment, Continued(b) Officially Declared Value of Land

The officially declared value of land at December 31, 2004, as announced by the Minister of Construction and Transportation, is as follows:

Purpose	Won (millions)	
	Book value	Declared value
Land transmission and distribution sites and other	W 3,347,702	3,660,864

The officially declared value, which is used for government purposes, is not intended to represent fair value.

(c) Components of Property, Plant and Equipment

Property, plant and equipment and accumulated depreciation as of December 31, 2004 and 2003 are as follows:

(i) Cost

	Won (millions)	
	2004	2003
Land	W 3,347,702	3,327,851
Buildings	2,462,232	2,323,204
Structures	26,038,860	24,120,887
Machinery	7,906,662	7,136,620
Vehicles	67,220	59,011
Ships	242	252
Others	302,544	267,456
	40,125,462	37,235,281
Construction in-progress	2,110,396	2,266,928
	W 42,235,858	39,502,209

(ii) Accumulated depreciation

	Won (millions)	
	2004	2003
Buildings	W 593,571	465,338
Structures	4,455,475	3,686,719
Machinery	3,763,506	3,055,912
Vehicles	49,428	46,313

Ships	210	205
Others	245,754	217,886
	₩9,107,944	7,472,373

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued(4) Intangible Assets

Intangible assets as of December 31, 2004 and 2003 are as follows:

	Won (millions)	
	2004	2003
Computer software	W 180,365	106,834
Others	52,651	37,533
	W 233,016	144,367

In addition, the Company expensed ordinary development expenses amounting to W159,762 million and W131,545 million for the years ended December 31, 2004 and 2003, respectively.

(5) Insured Assets

Insured assets as of December 31, 2004 are as follows:

Insured assets	Insurance type	Won	Insurer
		(millions) Insured value	
Buildings and machinery	Fire insurance	W 499,771	Samsung Insurance Co., Ltd. and others
Buildings	General insurance	145,200	Dongyang Insurance Co., Ltd. and others
Construction in progress	Construction insurance	50,210	Samsung Insurance Co., Ltd. and others
		W 695,181	

In addition, the Company carries damage insurance for construction of its light-water nuclear reactor in North Korea, general insurance for vehicles and movables, marine cargo insurance for inventories, group casualty insurance for its employees and compensation liability insurance for its directors.

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(6) Investments

- (a) Investments other than those under the equity method as of December 31, 2004 and 2003 are summarized as follows:

	Ownership (%)	Acquisition cost	Won (millions) 2004 Unrealized holding losses	Fair value	Book value
Available-for-sale:					
Equity securities:					
Energy Savings Investment Cooperatives	25.0~48.0	W 5,000		(*1)	5,000
Korea Power Exchange	50.0	64,475		(*1)	64,475
KEPCO China International Ltd.	100.0	2,891		(*1)	2,891
Hwan Young Steel Co., Ltd. (*2)	0.14	1,364			120
Investment securities in treasury stock fund (*3)		12,535	2,893	9,642	9,642
Others	10.0	1,000		(*1)	1,000
		87,265	2,893	9,642	83,128
Held-to-maturity:					
Government bonds		56			56
Total		W 87,321	2,893	9,642	83,184

(*1) Fair values are not readily determinable.

(*2) The Company recognized an impairment loss of W1,244 million during 2002 that was deemed as an other-than-temporary decline.

(*3) 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 the valuation of these available-for-sale securities in the treasury stock fund, which are recorded in capital adjustments, amount to W2,893 million and W8,714 million as of December 31, 2004 and 2003, respectively.

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(6) Investments, Continued

			Won (millions)			
			2003			
			Acquisition	Unrealized	Fair	Book
	%		cost	holding	value	value
				losses		
Available-for-sale:						
Equity securities:						
Securities Market Stabilization Fund	7.64	W	7,763		(*)	7,763
Energy Savings Investment Cooperatives	25.0~48.0		5,000		(*)	5,000
Korea Power Exchange	50.0		62,606		(*)	62,606
Hwan Young Steel Co., Ltd.	0.14		1,364			120
Investment securities in Treasury stock fund			26,295	8,714	17,581	17,581
			103,028	8,714	17,581	93,070
Held-to-maturity:						
Government bonds			36			36
Total		W	103,064	8,714	17,581	93,106

(*) Fair values are not readily determinable.

(b) Investments in affiliated companies accounted for using the equity method as of December 31, 2004 are as follows:

			Won (millions)		
			2004		
Affiliate	Percentage of ownership		Cost	Net asset value	Book value
Korea Hydro & Nuclear Power Co., Ltd.	100.0	W	9,364,799	12,290,606	12,290,606
Korea South-East Power Co., Ltd.	100.0		1,232,004	1,978,170	1,978,170
Korea Midland Power Co., Ltd.	100.0		1,325,891	2,170,337	2,170,337
Korea Western Power Co., Ltd.	100.0		1,442,638	2,059,733	2,059,733
Korea Southern Power Co., Ltd.	100.0		1,797,378	2,120,602	2,120,602
Korea East-West Power Co., Ltd.	100.0		2,322,905	2,472,368	2,472,368
Korea Power Engineering Co., Ltd. (*1, *2)	97.9		4,991	191,294	59,875
Korea Plant Service & Engineering Co., Ltd.	100.0		6,000	277,932	277,932
KEPCO Nuclear Fuel Co., Ltd. (*1, *2)	96.4		89,757	168,558	156,750
Korea Electric Power Data Network Co., Ltd. (*2)	100.0		64,000	153,771	110,238
	49.0		7,987	23,315	23,315

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Korea Electric Power Industrial Development,
Ltd. (*1)

Powercomm Corporation	43.1	323,470	388,422	388,422
Korea Gas Corporation	24.5	94,500	787,842	787,842
Korea District Heating Co.	26.1	5,660	169,527	169,527
KEPCO International Hong Kong Ltd. (*1, *3)	100.0	15,102	196,751	196,751
KEPCO International Philippines Inc. (*1, *3)	100.0	104,832	117,235	117,235
		W 18,201,914	25,566,463	25,379,703

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued**(6) Investments, Continued**

- (*1) The Company uses unaudited financial statements of the above affiliated companies when applying the equity method of accounting. In the subsequent year, the Company adjusts the difference between the unaudited and audited results. Historically, the differences have been immaterial.
- (*2) The Company eliminates unrealized gains arising from transactions with its affiliates. The eliminated unrealized gains arising from transactions with Korea Power Engineering Co., Ltd., KEPCO Nuclear Fuel Co., Ltd. and Korea Electric Power Data Network Co., Ltd. amounted to W131,419 million, W11,808 million and W43,533 million, respectively, for the year ended December 31, 2004.
- (*3) As KEPCO International Hong Kong Ltd. owns 100 percent of the shares of KEPCO Philippines Corporation (KEPHILCO) and KEPCO International Philippines Inc. holds 51 percent of the shares of KEPCO Ilijan Corporation (KEILCO), when applying the equity method, the Company accounts for the equity income from KEPCO International Hong Kong Ltd. and KEPCO International Philippines Inc., that include the changes in the net equity of KEPHILCO and KEILCO, respectively.

Under the project agreement between the National Power Corporation of Philippines and KEPCO, the cooperation period of KEPCO Philippines Co. and KEPCO Ilijan Co. is for 15 years commencing September 15, 1995 and 20 years commencing June 5, 2002, respectively. At the end of the cooperation period, the power plant complex will be transferred to National Power Corporation of Philippines free of any liens or encumbrances and without payment of compensation.

Investments in affiliated companies accounted for using equity method as of December 31, 2003 are as follows:

Affiliate	Percentage of ownership	Won (millions) 2003		
		Cost	Net asset value	Book value
Korea Hydro & Nuclear Power Co., Ltd.	100.0	W 9,364,799	11,014,714	11,014,714
Korea South-East Power Co., Ltd.	100.0	1,232,004	1,990,715	1,990,715
Korea Midland Power Co., Ltd.	100.0	1,325,891	2,080,695	2,080,695
Korea Western Power Co., Ltd.	100.0	1,442,638	1,988,052	1,988,052
Korea Southern Power Co., Ltd.	100.0	1,797,378	2,092,460	2,092,460
Korea East-West Power Co., Ltd.	100.0	2,322,905	2,424,164	2,424,164
Korea Power Engineering Co., Ltd.	97.9	4,991	195,624	69,038
Korea Plant Service & Engineering Co., Ltd.	100.0	6,000	267,041	267,041
KEPCO Nuclear Fuel Co., Ltd.	96.4	89,757	157,701	145,098
Korea Electric Power Data Network Co., Ltd.	100.0	64,000	129,724	115,382
Korea Electric Power Industrial Development, Ltd.	49.0	7,987	22,092	22,092
Powercomm Corporation	43.1	323,470	363,687	363,687
Korea Gas Corporation	24.5	94,500	740,280	740,280
Korea District Heating Co.	26.1	5,660	159,165	159,165

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KEPCO International Hong Kong Ltd.	100.0	15,102	173,629	173,629
KEPCO International Philippines Inc.	100.0	104,832	126,052	126,052
		W 18,201,914	23,925,795	23,772,264

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(6) Investments, Continued

(c) Changes in investments in affiliated companies under the equity method for the year ended December 31, 2004 are as follows:

Affiliate	Book value as of January 1, 2004	Equity income (loss)	Won (millions) 2004		Book value as of December 31, 2004
			Capital adjustment	Others (*1)	
Korea Hydro & Nuclear Power Co., Ltd. (*2)	W 11,014,714	826,156		449,736	12,290,606
Korea South-East Power Co., Ltd.	1,990,715	153,805		(166,350)	1,978,170
Korea Midland Power Co., Ltd.	2,080,695	207,336	78	(117,772)	2,170,337
Korea Western Power Co., Ltd.	1,988,052	160,987	(3,066)	(86,240)	2,059,733
Korea Southern Power Co., Ltd.	2,092,460	101,204	(8,410)	(64,652)	2,120,602
Korea East-West Power Co., Ltd.	2,424,164	99,763	(17,745)	(33,814)	2,472,368
Korea Power Engineering Co., Ltd.	69,038	4,941		(14,104)	59,875
Korea Plant Service & Engineering Co., Ltd.	267,041	29,691		(18,800)	277,932
KEPCO Nuclear Fuel Co., Ltd.	145,098	13,675		(2,023)	156,750
Korea Electric Power Data Network Co., Ltd.	115,382	(2,918)	174	(2,400)	110,238
Korea Electric Power Industrial Development, Ltd.	22,092	5,134		(3,920)	23,315
Powercomm Corporation	363,687	25,429	600	(1,294)	388,422
Korea Gas Corporation	740,280	82,366	2,996	(37,800)	787,842
Korea District Heating Co.	159,165	11,813	(397)	(1,054)	169,527
KEPCO International Hong Kong Ltd.	173,629	54,990	(31,868)		196,751
KEPCO International Philippines Inc.	126,052	19,427	(17,773)	(10,471)	117,235
	W 23,772,264	1,793,808	(75,411)	(110,958)	25,379,703

(*1) Others represent dividends from the affiliates and changes in investments in affiliated companies, which were reflected into retained earnings.

(*2) As described in note 28, Korea Hydro & Nuclear Power Co., Ltd., one of the Company's power generation subsidiaries, reflected the cumulative effect of accounting change incurred as a result of the early adoption of Statements of Korea Accounting Standards No. 17 *Provision* into the beginning balance of retained

earnings. As a result of such change, investment in affiliated company, deferred income tax liabilities and retained earnings of the Company increased by W687,361 million, W189,024 million and W498,337 million, respectively.

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(6) Investments, Continued

Changes in investments in affiliated companies under the equity method for the year ended December 31, 2003 are as follows:

Affiliate	Book value as of January 1, 2003	Equity income	Won (millions) 2003		Book value as of December 31, 2003
			Capital adjustment	Others (*)	
Korea Hydro & Nuclear Power Co., Ltd.	W 10,577,527	652,182		(214,995)	11,014,714
Korea South-East Power Co., Ltd.	1,679,117	345,669	(801)	(33,270)	1,990,715
Korea Midland Power Co., Ltd.	1,781,127	345,230	223	(45,885)	2,080,695
Korea Western Power Co., Ltd.	1,772,973	254,077	5,002	(44,000)	1,988,052
Korea Southern Power Co., Ltd.	1,953,743	182,849	(261)	(43,871)	2,092,460
Korea East-West Power Co., Ltd.	2,373,207	84,995	(3,298)	(30,740)	2,424,164
Korea Power Engineering Co., Ltd.	51,991	28,800		(11,753)	69,038
Korea Plant Service & Engineering Co., Ltd.	238,947	37,094		(9,000)	267,041
KEPCO Nuclear Fuel Co., Ltd.	134,538	12,487		(1,927)	145,098
Korea Electric Power Data Network Co., Ltd.	118,075	1,807		(4,500)	115,382
Korea Electric Power Industrial Development, Ltd.	40,730	3,114		(21,752)	22,092
Powercomm Corporation	359,090	10,421	1,188	(7,012)	363,687
Korea Gas Corporation	690,705	73,329	4,596	(28,350)	740,280
Korea District Heating Co.	147,898	13,304	(1,358)	(679)	159,165
KEPCO International Hong Kong Ltd.	124,808	56,817	(7,996)		173,629
KEPCO International Philippines Inc.	108,255	21,343	(4,769)	1,223	126,052
	W 22,152,731	2,123,518	(7,474)	(496,511)	23,772,264

(*) Others are composed of acquisition (disposal) amounts of investment securities and dividends from the affiliates.

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued(7) Loans to employees

The Company has provided housing and tuition loans to employees as follows as of December 31, 2004 and 2003:

	Won (millions)	
	2004	2003
Short-term loans (note 12)	W 10,057	9,267
Long-term loans	163,525	142,368
	W 173,582	151,635

(8) Other Non-current Assets

Other non-current assets as of December 31, 2004 and 2003 are as follows:

	Won (millions)	
	2004	2003
Long-term trade receivable, net	W	2,509
Deposit received	66,538	58,135
Others	81,532	82,466
	W 148,070	143,110

(9) Cash and Cash Equivalents

Cash and cash equivalents as of December 31, 2004 and 2003 are summarized as follows:

	Won (millions)	
	2004	2003
Cash and cash equivalents:		
Cash on hand	W 1,893	71
Sundry deposits (*1)	443,970	366,558
Cash equivalents (*2)		188
	W 445,863	366,817

(*1) Sundry deposits of W94,626 million are restricted in use for expenditures for certain business purpose as of December 31, 2004.

(*2) Cash equivalents consist of money market funds and time deposits with maturities of three months or less at the acquisition date.

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued(10) Short-term financial Instruments

Short-term financial instruments as of December 31, 2004 and 2003 are summarized as follows:

	Won (millions)	
	2004	2003
Time deposits	W	13,000
Trust accounts		43,000
Repurchase agreements	46,000	5,000
	46,000	61,000

(11) Inventories

Inventories as of December 31, 2004 and 2003 are summarized as follows:

	Won (millions)	
	2004	2003
Raw materials	W 4,315	1,991
Supplies	58,426	73,066
Other	7,743	3,739
	W 70,484	78,796

(12) Other Current Assets

Other current assets at December 31, 2004 and 2003 are summarized as follows:

	Won (millions)	
	2004	2003
Held-to-maturity securities (*)	W 2	5
Short-term loans to employees (note 7)	10,057	9,267
Accrued interest income	1,826	2,777
Advance payments	2,663	297
Prepaid expenses	2,730	3,244
Other current assets	29,591	106,331
	W 46,869	121,921

(*) Held-to-maturity securities consist of government and municipal bonds.

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued(13) Common Stock and Capital Surplus(a) Common Stock

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, 2004. In 2003, the Company issued 647,697 shares with par value W5,000 to the government of the Republic of Korea in return for certain fixed assets related to power distribution. The value of these shares were recorded as common stock of W3,238 million and paid-in capital in excess of par value of W11,425 million.

(b) Capital Surplus

Capital surplus as of December 31, 2004 and 2003 are as follows:

	Won (millions)	
	2004	2003
Paid-in capital in excess of par value	W 811,296	811,301
Reserves for asset revaluation	12,552,973	12,552,973
Other capital surplus	1,008,626	1,009,505
	W 14,372,895	14,373,779

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

(14) Retained Earnings

Appropriated retained earnings as of December 31, 2004 and 2003 are summarized as follows:

	Won (millions)	
	2004	2003
Involuntary:		
Legal reserve	W 1,601,871	1,600,252
Voluntary:		
Reserve for investment on social overhead capital	5,092,449	5,012,449
Reserve for research and human development	180,000	120,000
Reserve for business rationalization	31,900	31,900
Reserve for business expansion	12,438,120	10,925,338
Reserve for dividend equalization	210,000	210,000
	17,952,469	16,299,687

W 19,554,340 17,899,939

The KEPCO Act requires the Company to appropriate a legal reserve equal to at least 20 percent of net income for each accounting period until the reserve equals 50 percent of the common stock. The legal reserve is not available for cash dividends; however, this reserve may be credited to paid-in capital or offset against accumulated deficit by the resolution of the shareholders.

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued**(14) Retained Earnings, Continued**

Under the Special Tax Treatment Control Law, investment tax credit was allowed for certain investments. The Company was, however, required to appropriate from retained earnings the amount of tax benefits obtained and transfer such amount into a reserve for business rationalization. Effective December 11, 2002, the Company is no longer required to establish a reserve for business rationalization despite tax benefits received for certain investments and, consequently, the existing balance is now regarded as a voluntary reserve.

The reserves for the investment on social overhead capital and research and human development are appropriated by the Company to avail itself of qualified tax credits to reduce corporate tax liabilities. This reserve is not available for cash dividends for a certain period as defined in the Tax Incentive Control Law.

(15) Capital Adjustments

Capital adjustments as of December 31, 2004 and 2003 are as follows:

	Won (millions)	
	2004	2003
Treasury stock	W(208,260)	(195,379)
Loss on valuation of available- for-sale securities	(2,893)	(8,714)
Equity income (loss) of affiliates	(21,998)	53,412
	W(233,151)	(150,681)

The Company has shares held as treasury stock amounting to W208,260 million (11,048,050 shares) and W195,379 million (10,713,050 shares) as of December 31, 2004 and 2003, respectively, for the purpose of stock price stabilization.

(16) Dividends

Details of dividends for the years ended December 31, 2004 and 2003 are as follows:

	Won (millions)	
	2004	2003
Outstanding stocks other than treasury stock	629,700,523	630,035,523
Par value per share	5,000	5,000
Dividend rate	23.0%	21.0%
Dividend per share in Won	1,150	1,050
Dividend amount	724,156	661,537
Net income	2,880,770	2,315,938
Dividends as a percentage of net income	25.14%	28.56%

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued(17) Short-term borrowings

Short-term borrowings as of December 31, 2004 and 2003 are as follows:

Lender	Type	Annual interest rate (%)	Won (millions)	
			2004	2003
National Agricultural Cooperative Federation	Overdraft	CD+1% (4.43% at Dec. 31, 2004)	W 172	16,245
Woori Bank	Commercial paper	CD-0.01% (3.42% at Dec. 31, 2004)	W 150,000	
Cho Hung Bank	Commercial paper	CD-0.01% (3.42% at Dec. 31, 2004)	W 50,000	
			W 200,172	16,245

The Company entered into short-term credit facilities with five banks that provide for up to W750,000 million in short-term borrowings. As of December 31, 2004 and 2003, borrowings under these facilities amounted to W200,172 million and W16,245 million, respectively.

(18) Long-term borrowings

Long-term borrowings as of December 31, 2004 and 2003 are as follows:

(a) Local currency long-term borrowings

Lender	Type	Annual interest rate (%)	Won (millions)	
			2004	2003
Korea Development Bank	Industrial facility	3.66~5.62	W 4,341,204	3,505,628
Others	General	5.50~6.00	3	35
			4,341,207	3,505,663
Less: Current portion			(819,801)	(715,775)
			W 3,521,406	2,789,888

(b) Foreign currency long-term borrowings

Lender	Type	Annual interest rate (%)	Won (millions)	
			2004	2003

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Barclays International Financial Services (Ireland) Ltd. Less: Current portion	Commercial (US\$)	6 month Libor +0.45	W W	187,851 (187,851)
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Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(18) Long-term borrowings, Continued(c) Debentures

	Annual interest rate (%)	Won (millions)	
		2004	2003
Local currency debentures (Electricity bonds)	3.58~9.67	W 3,445,000	4,235,000
Foreign currency debentures(*)	0.51~8.50	4,309,808	5,530,157
		7,754,808	9,765,157
Less: Current portion		(1,378,892)	(3,122,750)
Discount		(38,125)	(46,056)
		W 6,337,791	6,596,351

(*) In 2003, the Company sold debentures of US\$ 250,000 thousand to KEPCO Cayman Company Limited. These debentures have the right to be exchanged with the shares of Powercomm Corporation held by the Company. Based on these assets, KEPCO Cayman Company Limited issued foreign debentures of US\$ 250,000 thousand, the details of which are as follows:

Maturity date: November 26, 2008

Qualifying Public Offering (QPO): QPO means 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. In addition, the Company does not guarantee the QPO of Powercomm Corporation.

Shares to be exchanged: Powercomm Corporations shares or Deposit Receipt (DR)

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

(d) Exchangeable bonds

Description	Annual interest rate (%)	Won (millions)	
		2004	2003
Overseas exchangeable bonds	0.00	W 277,256	277,256
Plus: Premium on debentures issued		16,794	20,987
Less: Conversion right adjustment		(35,063)	(43,817)
		W 258,987	254,426

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued(18) Long-term borrowings, Continued

On November 4, 2003, the Company issued overseas exchangeable bonds of Japanese Yen 28,245,468 thousand at a 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 thousand

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 thousand on November 6, 2006.

The amortization of the premium and conversion right adjustment is recorded as a component of interest expense.

(e) Leases

(i) The Company entered into a capital lease agreement with Korea Development Leasing Corporation for certain computer systems, of which the net book value is W1,020 million as of December 31, 2004. Depreciation of the leased assets amounted to W2,806 million for the year ended December 31, 2004

(ii) Annual payments under capital and operating lease agreements as of December 31, 2004 are as follows:

	Won (millions)
Year ended December 31	Capital lease
2005	W 122
Less: Interest	(4)
Current portion	(118)
	W

(f) Foreign currency debts, by currency, as of December 31, 2004 and 2003 are as follows:

Won (millions), US\$, JPY, EUR and GBP (thousands)			
2004		2003	
Foreign currency	Won equivalent	Foreign currency	Won equivalent
US\$	W	US\$	W 187,851
		150,000	

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Current portion of long-term borrowings

Debtentures	US\$	2,894,107	3,020,869	US\$	2,902,030	3,480,249
	JPY	122,500,000	1,239,786	JPY	175,060,000	1,959,972
	EUR			EUR	25,183	37,839
	GBP	24,467	49,154	GBP	24,467	52,097
			4,309,809			5,530,157
Exchangeable bond	JPY	25,935,061	277,256	JPY	25,935,061	277,256
			W 4,587,065			W 5,995,264

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(18) Long-term borrowings. Continued

(g) Aggregate maturities of the Company's long-term debt as of December 31, 2004 are as follows:

Year ended December 31	Won (millions)					Total
	Local currency borrowings	Electricity bonds	Foreign debentures	Exchangeable bonds	Capital lease obligations	
2005	W 819,801	240,000	1,138,892		118	2,198,811
2006	1,203,961	690,000	315,119			2,209,080
2007	1,093,493	885,000	1,291,499			3,269,992
2008	873,644	880,000	286,079	277,256		2,316,979
2009	335,978	630,000	192,608			1,158,586
Thereafter	14,330	120,000	1,085,011			1,219,941
	W 4,341,207	3,445,000	4,309,808	277,256	118	12,373,389

(19) Assets and Liabilities Denominated in Foreign Currencies

There are no significant liabilities denominated in foreign currencies other than those mentioned in note 18(f). Major assets denominated in foreign currencies as of December 31, 2004 and 2003 are as follows:

	2004		2003	
	Foreign currency (thousands)	Won equivalent (millions)	Foreign currency (thousands)	Won equivalent (millions)
Cash and cash equivalents	US\$ 184	W 192	US\$ 4,578	W\$ 5,484
Trade receivables	US\$		US\$ 4,959	5,940
Other accounts receivable	US\$ 1,661	1,734	US\$ 607	727
Other non-current assets	US\$ 113	118	US\$ 12	14
	JPY 9,706	98	JPY 5,860	66
	EUR 5	7	EUR	
		2,149		12,231
Other accounts payable	US\$ 93	97		
		W 97		W

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued**(20) Retirement and Severance Benefits**

Changes in retirement and severance benefits for the years ended December 31, 2004 and 2003 are summarized as follows:

	Won (millions)	
	2004	2003
Estimated severance liability at beginning of year	W 316,503	226,708
Provision for retirement and severance benefits	133,450	98,150
Payments	(10,159)	(8,355)
Estimated severance liability at end of year	439,794	316,503
Transfer to National Pension Fund	(93)	(95)
Net balance at end of year	W 439,701	316,408

(21) Receivables at Present Value

Present value discounts on receivables as of December 31, 2004 and 2003 are as follows:

	Interest rate (%)	Period	Nominal value	Won (millions)	
				2004 Discount	Present value
Other accounts receivable	6.00	2002.12~ 2005.12	W 265,000	14,125	250,875

	Interest rate (%)	Period	Nominal value	Won (millions)	
				2003 Discount	Present value
Long-term other accounts receivable	5.24, 6.00	2002.12~ 2005.12	W 445,958	35,576	410,382

(22) Other Current Liabilities

Other current liabilities as of December 31, 2004 and 2003 are as follows:

	Won (millions)	
	2004	2003
Advance received	W 109,905	281

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Withholdings	231,237	141,623
Unearned revenue	2,895	3,304
Accrued expenses	19,662	22,523
Others	204,341	321,302
	W 568,040	489,033

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(23) Derivative Instruments Transactions

The Company has entered into the various swap contracts to hedge risks involving exchange rate and interest rate of foreign currency debts. These contracts are recorded at fair value with the unrealized gains and losses being recorded in the non-consolidated statement of income.

(a) Currency swap contracts as of December 31, 2004 are as follows:

	Contact Year	Settlement Year	Contract amounts in millions				Contract interest rate per annum	
			Pay	Receive	Pay(%)	Receive(%)		
The Sumitomo Bank Ltd. Mizuho Co., Ltd. (formerly The Fuji Bank, Ltd.)	1995	2005	US\$	286	JPY 27,000	7.68	4.15	
	1995	2005	US\$	149	JPY 14,425	6M Libor + 0.155	3.40	
Canadian Imperial Bank of Commerce	1996	2006	US\$	97	JPY 10,000	Libor+ 0.13	3.80	
JPMorgan Chase Bank	1996	2006	US\$	200	JPY 21,000	Libor+ 0.14	4.00	
JPMorgan Chase Bank & Deutsche Bank (*1)	2002	2007	JPY	76,700	US\$ 650	1.18	4.25	
Barclays Bank PLC London	2002	2007	JPY	30,400	US\$ 250	1.04	3M Libor + 0.75	
Deutsche Bank (*2)	2003	2013	KRW	178,350	US\$ 150	CD+3.3	7.75	
UBS (*2)	2003	2013	KRW	148,625	US\$ 125	CD+3.3	7.75	
Credit Suisse First Boston (*2)	2003	2013	KRW	89,175	US\$ 75	CD+3.3	7.75	
Barclays Bank PLC, London (*3)	2004	2014	KRW	106,200	US\$ 10[4.5+(JPY/KRW) -11.02]		5.125	
Credit Suisse First Boston (*3)	2004	2014	KRW	106,200	US\$ 10[4.5+(JPY/KRW) -11.02]		5.125	
UBS (*3)	2004	2014	KRW	106,200	US\$ 10[4.5+(JPY/KRW) -11.02]		5.125	

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

(*2) The Company exercised a call option with FX rate of 1,056.7 in December 2004, which the Company could exchange in addition to these swaps each W5,945 million with the amounts of US\$ 5,000,000 multiplied by Spot

FX rate (US\$/KRW).

(*3) The Company has purchased a reset option in addition to these swaps under which the Company can reset each W10,620 million to the amounts of US\$ 10,000,000 multiplied by spot FX rate until December 10, 2005 and the valuation for this reset option is considered in the valuation of the swaps.

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued**(23) Derivative Instruments Transactions, Continued**

(b) Interest rate swap contracts as of December 31, 2004 are as follows

	Notional amount		Contract interest rate per annum		Term
	in millions		Pay (%)	Receive (%)	
JPMorgan Chase Bank	US\$	149	6.91	Libor+0.155	1995-2005
Deutsche Bank	US\$	100	Max	Max	1998-2007
(formerly Bankers Trust Co.)			(6.074-Libor, 0)	(Libor-6.074, 0)	
Deutsche Bank	US\$	100	Max	Max	1998-2007
(formerly Bankers Trust Co.)			(Libor-6.074,0)	0)	
Deutsche Bank	KRW	178,350	5%+2×[JPY/ KRW-11.03%]	CD+3.3	2003-2013
UBS	KRW	148,625	5%+2×[JPY/ KRW-11.03%]	CD+3.3	2003-2013
Credit Suisse First Boston	KRW	89,175	5%+2×[JPY/ KRW-11.03%]	CD+3.3	2003-2013

(c) Valuation gains and losses on swap contracts recorded as other income or expense for years ended December 31, 2004 and 2003 are as follows:

	Won (millions)	
	2004	2003
Currency swap		
Gains	W 31,043	74,689
Losses	(131,250)	(121,984)
Interest rate swap		
Gains	121,013	13,975
Losses		(26,369)
	W 20,806	(59,689)

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued(24) Power Generation, Transmission and Distribution Expenses

Power generation, transmission and distribution expenses for the years ended December 31, 2004 and 2003 are as follows:

	Won (millions)	
	2004	2003
Material expenses:		
Oil	W 21,864	13,112
Labor expenses:		
Salaries	549,577	510,928
Severance and retirement benefits	74,954	54,008
	624,531	564,936