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KOREA ELECTRIC POWER CORP
Form 6-K
September 02, 2003

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 September, 2003

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
AS OF JUNE 30, 2003 AND 2002
TOGETHER WITH INDEPENDENT ACCOUNTANTS'
REVIEW REPORT

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

English Translation of a Report Originally Issued in Korean

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To the Shareholders and Board of Directors of
Korea Electric Power Corporation

We have reviewed the accompanying non-consolidated balance sheet of Korea Electric Power Corporation (the "Company") as of June 30, 2003 and the related non-consolidated statements of income and cash flows for the three-month and six-month periods ended June 30, 2003, respectively, and the non-consolidated statements of income for the three-month and six-month periods ended June 30, 2002, all expressed in Korean won. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our review.

We were furnished with the report of other accountants on their review of the financial statements of Korea Hydro & Nuclear Power Co., Ltd. and Korea South-East Power Co., Ltd., investments which constituted 22.9 percent of the total non-consolidated assets as of June 30, 2003, and gain on equity method which constituted 34.5 percent of non-consolidated income before income tax for the six-month period then ended. Also, we were furnished with the report of other accountants on their review of the financial statements of Korea Hydro & Nuclear Power Co., Ltd. and 3 other power generating subsidiaries, investments which constituted 30.1 percent of the total non-consolidated assets as of June 30, 2002, and gain on equity method which constituted 35.5 percent of non-consolidated income before income tax for the six-month period then ended.

We conducted our review in accordance with standards for review of interim financial statements in the Republic of Korea. These standards require that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review of interim financial statements consists principally of applying analytical procedures to financial data and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of Korea, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review and the reports of other accountants, we are not aware of any material modifications that should be made to such financial statements referred above, for them to be 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.

We have previously audited, in accordance with auditing standards generally accepted in the Republic of Korea, the non-consolidated balance sheet of the Company as of December 31, 2002, which is presented in this report, and the related non-consolidated statements of income, appropriations of retained earnings and cash flows for the year then ended (not presented herein); and in our report dated February 7, 2003, we expressed an unqualified opinion on those financial statements. In our opinion, the information set forth in the accompanying balance sheet as of December 31, 2002 is fairly stated, in all material respects, in relation to the non-consolidated balance sheet from which it has been derived.

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

As discussed in Note 17, sales and purchases to and from related parties, including the six power generation subsidiaries, amounted to Won166,053 million and Won7,468,532 million, respectively, for the six-month period ended June 30,

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2003 and Won208,766 million and Won6,623,278 million, respectively, for the six-month period ended June 30, 2002. Related receivables and payables amounted to Won14,661 million and Won1,008,581 million, respectively, as of June 30, 2003 and Won31,954 million and Won1,172,012 million, respectively, as of December 31, 2002.

As discussed in Note 1, the Company has been considering the gradual privatization of the Company's 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 Korean Financial 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 statements, intangible assets, revenue recognition, tangible assets, events occurring after the balance sheet date, capitalization of interest costs, marketable 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", shareholders' equity increased and current liabilities decreased by Won511,350 million as of December 31, 2002.

Accounting principles and review 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, the 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 review 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, review standards and their application in practice as well as the Korea Electric Power Corporation Act and the Accounting Regulations for Government Invested Enterprises.

By: /s/ Anjin & Co.

Anjin & Co.
(An Associate Member Firm of Deloitte Touche Tohmatsu)

Seoul, Korea
August 1, 2003

KOREA ELECTRIC POWER CORPORATION

NON-CONSOLIDATED BALANCE SHEETS

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AS OF JUNE 30, 2003 AND DECEMBER 31, 2002
(See Independent Accountants' Review Report)

	Korean Won	
	2003	2002
	(In millions)	
ASSETS		
Property, Plant and Equipment (Notes 3 and 5):		
Utility plant	Won35,359,639	Won34,432,036
Less: accumulated depreciation	(6,696,170)	(5,939,624)
construction grants	(2,521,039)	(2,321,138)
	-----	-----
	26,142,430	26,171,274
Construction in-progress	2,837,045	1,986,138
	-----	-----
	28,979,475	28,157,412
	-----	-----
Investments and others:		
Investment securities (Note 6)	22,996,074	22,239,278
Long-term loans (Note 7)	137,059	128,656
Long-term other account receivables	388,836	388,924
Currency and interest rate swaps (Note 13)	315,056	320,641
Intangibles (Note 4)	90,897	94,874
Other non-current assets (Note 12)	135,088	130,074
	-----	-----
	24,063,010	23,302,447
	-----	-----
Current assets:		
Cash and cash equivalents (Note 12)	358,236	610,056
Trade receivables, net of allowance for doubtful accounts of Won24,001 million in 2003 and Won21,588 million in 2002 (Notes 12 and 17)	1,313,364	1,400,411
Other account receivables, net of allowance for doubtful accounts of Won3,323 million in 2003 and Won3,007 million in 2002 (Notes 12 and 17)	210,121	228,101
Short-term financial instruments	79,000	79,000
Short-term loans (Note 7)	8,188	8,450
Inventories (Note 8)	68,031	65,217
Other current assets (Note 6)	112,029	94,519
	-----	-----
	2,148,969	2,485,754
	-----	-----
Total Assets	Won55,191,454	Won53,945,613
	=====	=====

(continued)

KOREA ELECTRIC POWER CORPORATION

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NON-CONSOLIDATED BALANCE SHEETS (CONTINUED)

AS OF JUNE 30, 2003 AND DECEMBER 31, 2002
(See Independent Accountants' Review Report)

	Korean Won	
	2003	2002
	(In millions)	
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity (Notes 6 and 9):		
Common stock	Won 3,200,504	Won 3,200,504
Capital surplus	14,314,549	14,311,579
Retained earnings		
Appropriated	17,899,939	15,351,474
Unappropriated (Net income of 1,283,226 million for the six-month period ended June 30, 2003 and Won3,059,815 million for the year ended December 31, 2002)	1,283,226	3,059,815
Capital adjustments:	(156,890)	35,707
Total Shareholders' Equity	36,541,328	35,959,079
Long-term liabilities:		
Long-term debt (Note 10)	9,546,644	9,973,313
Accrued severance indemnities, net (Note 2)	253,397	226,609
Reserve for self insurance	82,011	82,537
Currency and interest rate swaps (Note 13)	386,567	468,900
Financial lease liabilities (Note 11)	2,228	4,993
Deferred income tax liabilities (Note 16)	1,502,398	1,354,128
Other long-term liabilities	323,508	325,533
	12,096,753	12,436,013
Current liabilities:		
Trade payables (Note 17)	1,081,181	1,238,749
Other accounts payable (Note 17)	524,804	552,350
Current portion of long-term debt (Note 10)	3,954,999	2,454,722
Current portion of financial lease liabilities (Note 11)	6,532	8,538
Income tax payable	309,167	682,777
Accrued expenses	169,139	166,144
Dividends payable	1,751	2,153
Other current liabilities	505,800	445,088
	6,553,373	5,550,521
Total Liabilities	18,650,126	17,986,534
Total Shareholders' Equity and Liabilities	Won55,191,454	Won53,945,613

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See accompanying notes to non-consolidated financial statements.

KOREA ELECTRIC POWER CORPORATION

NON-CONSOLIDATED STATEMENTS OF INCOME

FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2003 AND 2002
(See Independent Accountants' Review Report)

	Korea	
	2003	
	Three-month	Six-month
	(In millions, except	
OPERATING REVENUES (Note 17):		
Sale of electricity	Won5,016,238	Won10,552,070
Other operating revenues	80,163	156,036
	5,096,401	10,708,106
OPERATING EXPENSES (Notes 14, 15, 17 and 18):		
Power generation, transmission, distribution	872,183	1,589,093
Purchased power	3,755,413	7,927,836
Other operating costs	80,201	155,405
Selling and administrative expenses	232,532	437,688
	4,940,329	10,110,022
OPERATING INCOME	156,072	598,084
OTHER INCOME (EXPENSES):		
Interest income	9,061	19,595
Interest expense	(156,110)	(304,176)
Gain on foreign currency transactions and translation, net	335,241	50,865
Donations	(5,819)	(7,534)
Rent	29,972	55,845
Gain on valuation using the equity method of accounting (Note 6)	541,170	1,251,307
Gain (loss) on disposal of investments, net (Note 6)	587	45,214
Loss on disposal of utility plant, net	(1,589)	(5,474)
Valuation gain on currency and interest rate swaps, net (Note 13)	22,453	5,131
Other, net	31,865	45,688
	806,831	1,156,461
ORDINARY INCOME	962,903	1,754,545
INCOME TAX EXPENSE (Note 16)	(233,720)	(471,319)
NET INCOME	Won 729,183	Won 1,283,226

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ORDINARY INCOME PER SHARE (Note 2)	=====	=====
	Won 1,159	Won 2,032
EARNINGS PER SHARE (Note 2)	=====	=====
	Won 1,159	Won 2,032
	=====	=====

(continued)

KOREA ELECTRIC POWER CORPORATION

NON-CONSOLIDATED STATEMENTS OF INCOME (CONTINUED)

FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2003 AND 2002
(See Independent Accountants' Review Report)

	Translation into U.S.	

	2003	
	-----	-----
	Three-month	Six-month
	-----	-----
	(In thousands, except	
OPERATING REVENUES (Note 17):		
Sale of electricity	\$4,204,373	\$8,844,246
Other operating revenues	67,189	130,782
	-----	-----
	4,271,562	8,975,028
	-----	-----
OPERATING EXPENSES (Notes 14, 15, 17 and 18):		
Power generation, transmission, distribution	731,022	1,331,902
Purchased power	3,147,609	6,644,737
Other operating costs	67,222	130,253
Selling and administrative expenses	194,897	366,850
	-----	-----
	4,140,750	8,473,742
	-----	-----
OPERATING INCOME	130,812	501,286
OTHER INCOME (EXPENSES):		
Interest income	7,594	16,424
Interest expense	(130,844)	(254,946)
Gain on foreign currency transactions and translation, net	280,983	42,633
Donations	(4,877)	(6,315)
Rent	25,121	46,806
Gain on valuation using the equity method of accounting (Note 6)	453,583	1,048,787
Gain (loss) on disposal of investments, net (Note 6)	492	37,896
Loss on disposal of utility plant, net	(1,332)	(4,588)
Valuation gain on currency and interest rate swaps, net (Note 13)	18,819	4,300
Other, net	26,709	38,294

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	-----	-----
	676,248	969,291
	-----	-----
ORDINARY INCOME	807,060	1,470,577
INCOME TAX EXPENSE (Note 16)	(195,893)	(395,037)
	-----	-----
NET INCOME	\$ 611,167	\$1,075,540
	=====	=====
ORDINARY INCOME PER SHARE (Note 2)	\$ 0.97	\$ 1.70
	=====	=====
EARNINGS PER SHARE (Note 2)	\$ 0.97	\$ 1.70
	=====	=====

See accompanying notes to non-consolidated financial statements.

KOREA ELECTRIC POWER CORPORATION

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2003
(See Independent Accountants' Review Report)

	Korean Won	
	-----	-----
	Three-month	Six-month
	-----	-----
	(In millions)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	Won 729,183	Won 1,283,226
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	384,535	760,587
Utility plant removal cost	49,689	90,890
Provision for severance and retirement benefits	23,528	30,407
Allowance for doubtful accounts	2,614	5,722
Interest income, net	(3,130)	(6,292)
Gain on foreign currency translation, net	(335,491)	(55,778)
Gain on valuation using the equity method of accounting	(541,170)	(1,251,307)
Gain on disposal of investment, net	(587)	(45,214)
Loss on disposal of utility plant, net	1,589	5,474
Valuation gain on currency and interest rate swaps	(22,453)	(5,131)
Decrease in trade receivables	69,638	81,310
Decrease (increase) in other account receivables	(2,840)	17,387
Decrease (increase) in inventories	(159)	25,509
Increase in other current assets	(15,087)	(49,628)
Decrease in trade payables	(92,548)	(157,568)
Increase (decrease) in other accounts payable	110,310	(27,546)
Decrease in income tax payable	(132,642)	(373,610)
Increase (decrease) in accrued expenses	(18,815)	2,995
Increase in other current liabilities	15,495	60,715

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Increase (decrease) in deferred income tax liabilities	(25,785)	148,270
Decrease in other long-term liabilities	(1,013)	(2,025)
Payment of severance and retirement benefits	(3,630)	(4,374)
Payment of self-insurance	(191)	(526)
Others	4,414	6,258
Net cash provided by operating activities	195,454	539,751

(continued)

KOREA ELECTRIC POWER CORPORATION

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2003
(See Independent Accountants' Review Report)

	Korean Won	
	Three-month	Six-month
	(In millions)	
CASH FLOWS FROM INVESTING ACTIVITIES:		
Disposal of utility plant	Won 10,072	Won 28,501
Additions to utility plant	(1,189,596)	(1,975,701)
Receipt of construction grants	156,222	279,460
Proceeds from disposal of investment securities	478,571	542,961
Acquisition of investment securities	(4,750)	(12,750)
Decrease in long-term other account receivables	10,729	10,729
Collection of long-term loans	1,501	2,389
Increase of long-term loans	(1,742)	(14,745)
Acquisition of intangibles	(1,159)	(3,685)
Collection of short-term loans	2,105	4,215
Increase in other non-current assets	(6,733)	(5,015)
Net cash used in investing activities	(544,780)	(1,143,641)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term debt	1,143,692	1,573,390
Payment of long-term debt	(309,215)	(444,318)
Acquisition of treasury stock	-	(180,120)
Cash dividends	(511,744)	(511,753)
Other, net	(1,787)	(85,129)
Net cash provided by financing activities	320,946	352,070
NET DECREASE IN CASH AND CASH EQUIVALENTS	(28,380)	(251,820)
CASH AND CASH EQUIVALENTS,		

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BEGINNING OF THE PERIOD	386,616	610,056
	-----	-----
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	Won 358,236	Won 358,236
	=====	=====

See accompanying notes to non-consolidated financial statements.

KOREA ELECTRIC POWER CORPORATION.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2003 AND 2002

(See Independent Accountants' Review Report)

1. THE COMPANY:

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. The Company was given a government investment status 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 June 30, 2003, the Government of the Republic of Korea, Korea Development Bank and foreign investors hold 32.35 percent, 21.57 percent and 25.47 percent, respectively, of the Company's shares.

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 considering the gradual privatization of the Company's 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.

In response to general unstable economic conditions, the Korean government and the private sector have been implementing structural reforms to historical business practices. Implementation of these reforms is progressing slowly, particularly in the areas of restructuring private enterprises and reforming the banking industry. The Korean government continues to apply pressure to Korean companies to restructure into more efficient and profitable firms. The Company may be either directly or indirectly affected by these general unstable economic conditions and the reform program described above. The accompanying financial statements reflect management's current assessment of the impact to date of the economic situation on the financial position of the Company. Actual results may differ materially from management's current assessment

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Financial Statement Presentation

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The Company maintains its official accounting records in Korean won and prepares statutory non-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 not presented in the accompanying financial statements.

In 2003, the Company adopted Statements of Korean Financial 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 statements, intangible assets, revenue recognition, tangible assets, events occurring after the balance sheet date, capitalization of interest costs, marketable 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", shareholders' equity increased and current liabilities decreased by Won511,350 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 based on the Bank of Korea Basic Rate of Won1,193.10 to US \$1.00 at June 30, 2003, solely for the convenience of the reader. This convenience translation 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.

The significant accounting policies followed by the Company in the preparation of its non-consolidated financial statements are summarized below.

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. Expenditures, as 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 six-month periods ended June 30, 2003 and 2002, the amounts of capitalized interest was Won45,897 million and Won30,029 million, respectively, and net foreign currency transactions and translation gains deducted from the capitalized interest amounted to Won26,250 million for the six-month period ended June 30, 2002.

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The impact on the Company's financial position as of and for the six month period ended June 30, 2003, if the interest and other borrowing costs were expensed instead of being capitalized, are shown below (won in millions).

	Construction in-progress -----	Total assets -----	Interest expense -----	Income before Income tax expense -----
Capitalized	Won2,837,045	Won55,191,454	Won 304,176	Won1,754,545
Expensed	2,791,148	55,145,557	350,073	1,708,648
	-----	-----	-----	-----
	Won 45,897	Won 45,897	Won (45,897)	Won 45,897
	=====	=====	=====	=====

Depreciation is computed using the declining-balance method (straight-line method for buildings and structures) 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:

	Years -----
Buildings	15, 30
Structures	15, 30
Machinery	16
Ships	9
Vehicles	4
Others	4

-2-

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.

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

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

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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 Won279,460 million of construction grants, and offset Won61,285 million against depreciation expense, and Won18,274 million against utility plant removal cost for the six-month period ended June 30, 2003.

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 leases. 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.

Investment Securities other than those Accounted for Using the Equity Method

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.

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

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an active market, fair values refers 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 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 marketable equity security, 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.

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 method.

Investment 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.

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 20 years, of related assets.

If the recoverable amount of an intangible asset becomes less than its carrying amount as a result of obsolescence, sharp decline in market value or other causes of impairment, the carrying amount of an intangible asset is reduced to its recoverable amount and the reduced amount is recognized as impairment loss. If the recoverable amount of a previously impaired intangible asset exceeds its carrying amount in subsequent periods, an amount equal to the excess shall be recorded as reversal of impairment loss; however, it cannot exceed the carrying amount that would have been determined had no impairment loss were recognized in prior years.

Allowance for Doubtful Accounts

The Company provides an allowance for doubtful accounts based on management's estimated loss on uncollectible accounts and prior year collection experience.

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.

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.

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 Won253,492 million and Won226,708 million as of June 30, 2003 and December 31, 2002, respectively. Actual severance payments were Won4,374 million and Won3,387 million for the six-month periods ended June 30, 2003 and 2002, respectively.

Before April 1999, the Company and its employees paid 3 percent and 6 percent, respectively, of monthly pay (as defined) to the National Pension Fund in accordance with the National Pension Law of Korea. 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 Won95 million and Won99 million as of June 30, 2003 and December 31, 2002, respectively, are presented as a deduction from accrued severance indemnities. Starting April 1999, the Company and its employees each pay 4.5 percent of monthly pay to the Fund under the revised National Pension Law of Korea.

Reserve for Self-Insurance

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The Company provides a self-insurance reserve for liability to third parties that may arise in connection with the Company's non-insured facilities. Payments made to settle applicable claims are charged to this reserve.

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Foreign Currency Transactions and Translation

The Company maintains its 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 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 Won1,193.10 and Won1,200.40 to US\$ 1.00 at June 30, 2003 and December 31, 2002, respectively. The translation gains or losses are reflected in current operations.

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 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.

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 Peoples Republic of Korea (North Korea), based on the percentage-of-completion method.

Income Tax Expense

The Company recognizes deferred income taxes arising from temporary differences between pretax accounting income and taxable income. Accordingly, the provision

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for income tax expense consists of the corporate income tax and resident tax surcharges currently payable, and the changes in deferred income tax 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 actual tax rate in effect at each balance sheet date.

Ordinary Income Per Share and Earnings Per Share

Ordinary income per share and earnings per share are computed by dividing ordinary income (after deduction for tax effect) 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 629,259,682 shares and 639,008,899 shares for the three-month periods ended June 30, 2003 and 2002, respectively, and 631,387,812 shares and 638,988,360 shares for the six-month periods ended June 30, 2003 and 2002, respectively.

Comparative Presentation

The Company does not present cash flows for the three-month and six-month periods ended June 30, 2002 for comparative purposes in accordance with transitional provision of SKAS No. 2 - "Interim Financial Statements".

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3. PROPERTY, PLANT AND EQUIPMENT:

(1) Asset revaluation

The Company 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). The gain from the asset revaluation was Won12,552,973 million.

(2) Publicly announced land prices

The published price of the Company's land as of June 30, 2003, as announced by the Korean Government, is as follows (won in millions):

Purpose	Area (Square meters)	Book value
Transmission and distribution sites and other	16,216,336	Won3,309,168

(3) Utility plant

Utility plant as of June 30, 2003 and December 31, 2002 is as follows (won in millions):

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	March 31, 2003	December 31, 2002
	-----	-----
Land	Won 3,309,168	Won 3,321,378
Buildings	2,170,378	2,135,878
Structures	23,090,240	22,415,717
Machinery	6,487,444	6,266,774
Vehicles	53,465	55,334
Ships	252	266
Others	248,692	236,689
	-----	-----
	Won35,359,639	Won34,432,036
	=====	=====

(4) Changes of utility plant

Changes of cost of utility plant, accumulated depreciation and construction grants for the six-month period ended June 30, 2003 are shown below (won in millions):

<Cost >

	December 31, 2002	Increase		Decrease	
		Acquisition	Other	Disposal	Other
	-----	-----	-----	-----	-----
Land	Won 3,321,378	Won -	Won 18,736	Won 30,946	Won -
Buildings	2,135,878	-	41,069	6,025	544
Structures	22,415,717	-	802,372	94,233	33,616
Machinery	6,266,774	-	259,093	32,751	5,672
Vehicles	55,334	-	1,713	3,582	-
Ships	266	-	-	14	-
Others	236,689	-	13,614	1,611	-
Construction in- progress	1,986,138	1,975,701	892	-	1,125,686
	-----	-----	-----	-----	-----
	Won36,418,174	Won1,975,701	Won1,137,489	Won169,162	Won1,165,518
	=====	=====	=====	=====	=====

<Accumulated depreciation >

	December 31, 2002	Increase		Decrease	
		Depreciation	Other	Disposal	Other
	-----	-----	-----	-----	-----
Buildings	Won 344,790	Won 53,077	Won 5,926	Won 1,495	Won-
Structures	2,984,483	354,686	19,728	22,227	-
Machinery	2,371,808	323,390	35,732	21,915	-
Vehicles	45,307	2,991	5	3,575	-
Ships	196	9	-	10	-
Others	193,040	11,725	42	1,543	-

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----- Won5,939,624 -----	----- Won745,878 -----	----- Won61,433 -----	----- Won50,765 -----	----- Won- -----	----- W -----
--------------------------------	------------------------------	-----------------------------	-----------------------------	------------------------	---------------------

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<Construction grants >

	December 31, 2002	Increase		Decrease	
	-----	Received from customers	Other	Offset against depreciation	Offset against removal cost
	-----	-----	-----	-----	-----
Construction grants	Won2,321,138	Won279,460	Won-	Won61,285	Won18,274

4. INTANGIBLES:

(1) Intangibles as of June 30, 2003 are shown below (won in millions):

	Cost	Accumulated amortization	Impairment	Book value
	-----	-----	-----	-----
Development cost	Won 97,661	Won 39,215	Won-	Won58,446
Others	115,635	83,184	-	32,451
	-----	-----	-----	-----
	Won213,296	Won122,399	Won-	Won90,897
	=====	=====	=====	=====

(2) Changes of intangibles for the six-month period ended June 30, 2003 are shown below (won in millions):

	December 31, 2002	Increase		Decrease	
	-----	Merger	Other	Amortization	Other
	-----	-----	-----	-----	-----
Development cost	Won63,659	Won-	Won 4,392	Won 9,605	Won -
Others	31,215	-	6,463	5,104	123
	-----	-----	-----	-----	-----

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Won94,874 Won- Won10,855 Won14,709 Won123 Wo
 ===== ===== ===== ===== ===== ==

(3) Ordinary development expenses for the three-month and six-month periods ended June 30, 2003 and 2002 are as follows (won in millions):

	2003		2002	
	Three-month	Six-month	Three-month	Six-
Ordinary development expenses	Won25,346	Won39,848	Won19,511	Won3

5. INSURED ASSETS:

Insured assets as of June 30, 2003 are as follows (won in millions):

Insured assets	Insurance type	Insured value	Insur
Buildings and machinery	Fire insurance	Won325,670	LG insurance Co
Buildings and machinery	Assemble insurance	365,312	LG insurance Co
Buildings	General insurance	144,011	Samsung fire in and others
Construction in progress	Construction insurance	119,424	Samsung fire in and others

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

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6. INVESTMENT SECURITIES:

(1) Investment securities as of June 30, 2003 and December 31, 2002 are as follows (won in millions):

June 30, 2003	December 31, 2002
-----	-----

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Other current assets			
Held-to-maturity securities	Won	5	Won -
Investment securities			
Available-for-sale-securities		102,690	86,492
Held-to-maturity securities		37	55
Securities subject to equity method		22,893,347	22,152,731
		-----	-----
		22,996,074	22,239,278
		-----	-----
	Won	22,996,079	Won22,239,278
		=====	=====

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

- (2) Available-for-sale securities as of June 30, 2003 and December 31, 2002 are as follows (won in millions):

Company name	June 30, 2003		
	Ownership (%)	Acquisition cost	Book value
-----	-----	-----	-----
Securities market stabilization fund	7.57	Won 20,744	Won 20,744
Energy savings investment cooperative	40.6	5,000	5,000
Korea Power Exchange	50.0	62,606	62,606
Hwan Young Steel Co., Ltd.	-	1,364	120
Investment securities in treasury stock fund	-	23,830	14,220
		-----	-----
		Won113,544	Won102,690
		=====	=====

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 adjustment, amount to Won9,610 million and Won8,509 million as of June 30, 2003 and December 31, 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 June 30, 2003 and December 31, 2002 are as follows (won in millions):

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June 30, 2003

Company name	Ownership (%)	Acquisition Cost	Net asset Value	Book Value
Korea Hydro & Nuclear Power Co., Ltd.	100.0	Won 9,364,799	Won10,798,504	Won10,798,504
Korea South-East Power Co., Ltd.	100.0	1,232,004	1,815,661	1,815,661
Korea Midland Power Co., Ltd.	100.0	1,325,891	1,932,746	1,932,746
Korea Western Power Co., Ltd.	100.0	1,442,638	1,859,252	1,859,252
Korea Southern Power Co., Ltd.	100.0	1,797,378	1,999,885	1,999,885
Korea East-West Power Co., Ltd.	100.0	2,322,905	2,402,167	2,402,167
Korea Power Engineering Co., Ltd. (*)	97.9	4,991	177,695	177,695
Korea Plant Service & Engineering Co., Ltd. (*)	100.0	6,000	257,789	257,789
KEPCO Nuclear Fuel Co., Ltd. (*)	96.4	89,757	151,152	151,152
Korea Electric Power Data Network Co., Ltd. (*)	100.0	64,000	123,416	123,416
Korea Electric Power Industrial Development, Ltd. (*)	49.0	7,987	19,745	19,745
Korea Gas Corporation	24.5	94,500	717,478	717,478
Korea District Heating Co. (*)	26.1	5,660	153,286	153,286
Powercomm Corporation	43.1	323,470	357,856	357,856
KEPCO International Hong Kong Ltd. (*)	100.0	15,102	146,108	146,108
KEPCO International Philippines Inc. (*)	100.0	103,610	117,920	117,920
		-----	-----	-----
		Won18,200,692	Won23,030,660	Won22,890,000
		=====	=====	=====

(*) The Company used draft financial statements of Korea Power Engineering Co., Ltd., Korea Plant Service & Engineering Co., Ltd., KEPCO Nuclear Fuel Co., Ltd., Korea Electric Power Data Network Co., Ltd., Korea Electric Power Industrial Development, Ltd., Korea District Heating Co., KEPCO International Hong Kong Ltd. and KEPCO International Philippines Inc. for equity method valuation.

If the difference between the cost of acquisition and the book value of the subsidiary is a positive goodwill, the difference is amortized using the straight-line method over five years from the year it was acquired, and if it is a negative goodwill, the difference related to the depreciable assets is amortized over the weighted average useful life of related assets from the year it was acquired and the difference related to the non-depreciable assets is amortized at the time assets are disposed of. As of June 2003, there are no positive or negative goodwill.

The Company eliminates the unrealized gains arising from the transactions with affiliates in equity method valuation. The eliminated gain arising from the transaction with Korea Power Engineering Co., Ltd, KEPCO Nuclear Fuel Co., Ltd. and Korea Electric Power Data Network Co., Ltd. amounted Won122,123 million, Won13,029 million and Won2,161 million, respectively, as of June 30, 2003 and Won119,475 million, Won15,562 million and Won2,401 million, respectively, as of December 31, 2002.

In 2003, the Company has disposed some of its investments in Korea Electric Power Industrial Development, Ltd., with the gain on disposal of investment of Won44,104 million.

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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"), the Company applied the equity method for KEPCO International Hong Kong Ltd. and KEPCO International Philippines Inc., reflecting the changes in the net equity of KEPHILCO and KEILCO.

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Details of valuation using the equity method for the six-month period ended June 30, 2003 are as follows (won in millions):

Company name	December 31, 2002	Gain on valuation		
		1st quarter	2nd quarter	Total
Korea Hydro & Nuclear Power Co., Ltd.	Won10,577,527	Won273,472	Won162,500	Won 435
Korea South-East Power Co., Ltd.	1,679,117	101,342	68,472	169
Korea Midland Power Co., Ltd.	1,781,127	104,872	92,632	197
Korea Western Power Co., Ltd.	1,772,973	64,345	68,740	133
Korea Southern Power Co., Ltd.	1,953,743	38,735	53,362	92
Korea East-West Power Co., Ltd.	2,373,207	34,682	25,519	60
Korea Power Engineering Co., Ltd.	51,991	14,264	1,071	15
Korea Plant Service & Engineering Co., Ltd.	238,947	7,977	19,864	27
KEPCO Nuclear Fuel Co., Ltd.	134,538	2,575	2,937	5
Korea Electric Power Data Network Co., Ltd.	118,075	2,777	4,903	7
Korea Electric Power Industrial Development, Ltd.	40,730	616	151	
Korea Gas Corporation	690,705	50,560	5,418	55
Korea District Heating Co.	147,898	7,528	(358)	7
Powercomm Corporation	359,090	(4,665)	8,627	3
KEPCO International Hong Kong Ltd.	124,808	5,242	22,860	28
KEPCO International Philippines Inc.	108,255	5,815	4,472	10
	----- Won22,152,731	----- Won710,137	----- Won541,170	----- Won1,251

(*) Other changes are composed of acquisition (disposal) amounts of investment securities, dividends and the changes in investment securities in capital adjustments.

(4) Gain on valuation of investment, which are recorded in capital adjustment as of June 30, 2003 and December 31, 2002 are as follows (won in millions):

	June 30, 2003	December 31, 2002
Valuation using the equity method	Won47,929	Won60,885
Valuation on available for sale securities	(9,610)	(8,509)

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-----	-----
Won38,319	Won52,376
=====	=====

7. LOANS TO EMPLOYEES:

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

	June 30, 2003	December 31, 2002
	-----	-----
Short-term loans	Won 8,188	Won 8,450
Long-term loans	137,059	128,656
	-----	-----
	Won145,247	Won137,106
	=====	=====

8. INVENTORIES:

Inventories as of June 30, 2003 and December 31, 2002 consist of the following (won in millions):

	June 30, 2003	December 31, 2002
	-----	-----
Raw materials	Won 1,770	Won 1,291
Supplies	60,421	57,169
Other	5,840	6,757
	-----	-----
	Won68,031	Won65,217
	=====	=====

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9. SHAREHOLDERS' EQUITY:

(1) Capital

The Company has 1,200,000,000 authorized shares of Won5,000 par value common stock, of which 640,100,876 shares are issued as of June 30, 2003.

(2) Capital Surplus

Capital surplus as of June 30, 2003 and December 31, 2002 is as follows (won in millions):

June 30, 2003	December 31, 2002
---------------	-------------------

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	-----	-----
Paid-in capital in excess of par value	Won 799,876	Won 799,876
Reserves for asset revaluation	12,552,973	12,552,973
Other capital surplus	961,700	958,730
	-----	-----
	Won14,314,549	Won14,311,579
	=====	=====

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 Won12,552,973 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.

(3) Retained earnings

Appropriated retained earnings as of June 30, 2003 and December 31, 2002 consist of the following (won in millions):

	June 30, 2003	December 31, 2002
	-----	-----
Legal reserve	Won 1,600,252	Won 1,600,252
Reserve for business rationalization	31,900	31,900
Reserve for business expansion	10,925,338	8,556,800
Reserve for investment on social overhead capital	5,012,449	4,892,400
Reserve for research and human development	120,000	60,000
Voluntary reserve	210,000	210,000
	-----	-----
	Won17,899,939	Won15,351,400
	=====	=====

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.

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.

The reserve for the investment on social overhead capital and research and human development is 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.

(4) Capital adjustments

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Capital adjustments as of June 30, 2003 and December 31, 2002 are as follows (won in millions):

	June 30, 2003	December 31, 2002
Treasury stock	Won(195,209)	Won(16,669)
Gain on valuation of equity method securities	47,929	60,885
Loss on valuation of available for sale securities	(9,610)	(8,509)
	Won(156,890)	Won 35,707
	=====	=====

The Company has shares held as treasury stock amounting to Won195,209 million (10,798,355 shares) and Won16,669 million (913,375 shares) as of June 30, 2003 and December 31, 2002, respectively, for the purpose of stock price stabilization.

10. BORROWINGS AND DEBENTURES:

- (1) Long-term borrowings as of June 30, 2003 and December 31, 2002 are as follows (won in millions):

Financial institution	Type	Annual interest rate (%)	June 30, 2003
Local currency			
Korea Development Bank	Industrial facility	4.75~9.00	Won3,024,3
Kookmin Bank	General	6.07~6.16	
Others	"	5.50~6.00	
			3,024,3
Foreign currency			
Barclays International Financial Services (Ireland) Ltd.	Commercial	6M Libor-1.00	280,7
Kredit Anstalt Fur Wieder Aufbau	Facility	6.00	
Asia Development Bank	"	6.00	1,0
			281,7
			3,306,1
Less: Current portion			(860,1)
			Won2,445,9
			=====

- (2) Debentures as of June 30, 2003 and December 31, 2002 are as follows (won in millions):

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	Annual interest rate (%)	June 30, 2003	December 2002
		-----	-----
Domestic debentures (Electricity bonds)	4.70~11.30	Won 3,630,000	Won 2,7
Foreign debentures	1.04~8.25	6,582,603	6,6
		-----	-----
		10,212,603	9,3
Less: Current portion		(3,094,810)	(1,6
Discount on debentures issued		(17,095)	(
		-----	-----
		Won 7,100,698	Won 7,7
		=====	=====

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- (3) Foreign currency debts, by currency, as of June 30, 2003 and December 31, 2002 are as follows (won in millions):

	June 30, 2003		December 31, 2002	
	Foreign currencies	Won equivalent	Foreign currencies	Won equivalent
	-----	-----	-----	-----
Long-term borrowings	US\$ 225,893,057	Won 281,785	US\$ 301,179,115 EUR 143,104	Won 377
		-----		-----
		281,785		378
		-----		-----
Debentures	US\$ 3,979,875,632 JPY175,060,000,000 EUR 25,183,000 GBP 24,467,000	4,755,805 1,744,315 34,308 48,175	US\$ 3,980,542,219 JPY175,060,000,000 EUR 25,183,000 GBP 24,467,000	4,785 1,773 31 47
		-----		-----
		6,582,603		6,637
		-----		-----
		Won6,864,388		Won7,015
		=====		=====

- (4) Aggregate maturities of the Company's long-term debt as of June 30, 2003 are as follows (won in millions):

Year ended June 30	Local currency borrowings	Foreign currency borrowings	Electricity bonds	Foreign debentures	Total
-----	-----	-----	-----	-----	-----
2004	Won 671,977	Won188,212	Won1,080,000	Won2,014,810	Won 3,954,9
2005	728,175	93,573	1,290,000	1,459,633	3,571,3
2006	882,013	-	390,000	570,087	1,842,1

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2007	500,707	-	150,000	49,736	700,4
2008	225,603	-	600,000	1,186,527	2,012,1
Thereafter	15,875	-	120,000	1,301,810	1,437,6
	-----	-----	-----	-----	-----
	Won3,024,350	Won281,785	Won3,630,000	Won6,582,603	Won13,518,7
	=====	=====	=====	=====	=====

11. LEASES:

- (1) The Company entered into a financial lease agreement with Korea Development Leasing Corporation for certain computer systems, of which the acquisition cost is Won33,870 million as of June 30, 2003. Depreciation of the leased assets amounted to Won436 million for the six-month period ended June 30, 2003
- (2) Annual payments under financial and operating lease agreements as of June 30, 2003 are as follows (won in millions):

Year ended June 30	Amount	
	Financial lease	Operating lease
-----	-----	-----
2004	Won 6,892	Won3,300
2005	2,236	179
	-----	-----
	9,128	3,479
Less: Interest	(368)	-
Current portion	(6,532)	-
	-----	-----
	Won 2,228	Won3,479
	=====	=====

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12. FOREIGN CURRENCIES DENOMINATED ASSETS AND LIABILITIES:

There are no significant liabilities denominated in foreign currencies other than those mentioned in Note 10 and significant assets denominated in foreign currencies as of June 30, 2003 and December 31, 2002 are as follows (won in millions):

Account	June 30, 2003		December 31, 2002	
	Foreign Currencies	Equivalent Korean Won	Foreign Currencies	Equivalent Korean Won
-----	-----	-----	-----	-----
Cash and cash equivalents	US\$ 57,356	Won 68	US\$16,395,438	Won19,681
Trade receivables	US\$3,383,742	4,037	US\$ 3,497,537	4,198
Other account receivables	US\$ 583,785	697	US\$ 644,263	773
Other non-current assets	US\$ 11,560	14	US\$ 11,560	14
"	JPY5,859,783	58	JPY 5,859,783	59

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 Won4,874
 =====

 Won24,725
 =====

13. SWAP TRANSACTIONS:

The Company entered into the various swap contracts to hedge the fluctuation risk of exchange rate and interest rate of foreign currency debts.

(1) Currency swap contracts as of June 30, 2003 are as follows (foreign currency in millions):

	Contract Year	Settlement Year	Contract amounts in millions		Cont Pay (%)
			Pay	Receive	
The Sumitomo Bank Ltd.	1995	2005	US\$ 286	JPY27,000	7.68
The Fuji Bank, Ltd.	1995	2005	US\$ 149	JPY14,500	Libor+0.
Canadian Imperial Bank of Commerce	1996	2006	US\$ 97	JPY10,000	Libor+0.
J.P. Morgan Chase Bank	1996	2006	US\$ 200	JPY21,000	Libor+0.
Deutsche Bank (formerly Bankers Trust Co.)	1998	2004	JPY 1,705 DEM 25 CHF 20 CAD 20	US\$ 55	6.41
Deutsche Bank (formerly Bankers Trust Co.)	1998	2004	JPY 2,945 DEM 43 CHF 35 CAD 34	US\$ 95	6.36
Union Bank of Switzerland	1998	2003	JPY12,150	US\$ 100	4.00
J.P. Morgan Chase Bank & Deutsche Bank (*)	2002	2007	JPY76,700	US\$ 650	1.18
Barclays Bank PLC, London	2002	2007	JPY30,400	US\$ 250	1.04

(*) 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.

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(2) Interest rate swap contracts as of June 30, 2003 are as follows (foreign currency in millions):

	Notional amount in millions	Contract interest rate per annum	
		Pay (%)	Receive (%)
Lehman Brothers Special Financing, Inc.	US\$ 150	Libor+0.25	6.375
Woori Bank (formerly Hanvit Bank)	US\$ 150	6.10	Libor+0.25

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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\$	225	6M Libor-1	Libor+0.45
Shinhan Bank	US\$	100	6.50	6.75
Deutsche Bank	US\$	55	6.93	
(formerly Bankers Trust Co.)	JPY	1,705		6.41
	DEM	25		6.41
	CHF	20		6.41
	CAD	20		6.41
Deutsche Bank	US\$	95	6.87	
(formerly Bankers Trust Co.)	JPY	2,945		6.36
	DEM	43		6.36
	CHF	35		6.36
	CAD	34		6.36
Deutsche Bank	US\$	100	Max(6.074-	Max(Libor-
(formerly Bankers Trust Co.)			Libor, 0)	6.074, 0)
Deutsche Bank	US\$	100	Max(Libor-	Max(6.074-
(formerly Bankers Trust Co.)			6.074,0)	Libor, 0)

(3) The gains and losses on swap transactions for the three-month and six-month periods ended June 30, 2003 and 2002 are as follows (won in millions):

Other income (expense)	2003		2002	
	Three-month	Six-month	Three-month	Six-month
Currency swap				
Gains	Won28,113	Won 29,801	Won 93,067	Won 84,157
Losses	(9,562)	(27,347)	(35,149)	(33,042)
Interest rate swap				
Gains	9,250	11,205	7,451	7,928
Losses	(5,348)	(8,528)	(11,167)	(8,708)
	-----	-----	-----	-----
	Won22,453	Won 5,131	Won 54,202	Won 50,335
	=====	=====	=====	=====

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14. POWER GENERATION, TRANSMISSION AND DISTRIBUTION EXPENSES:

Power generation, transmission and distribution expenses for the three-month and six-month periods ended June 30, 2003 and 2002 are as follows (won in millions):

	2003		2002	
	Three-month	Six-month	Three-month	Six-month
Fuel	Won 2,686	Won 5,388	Won 2,305	Won
Labor	128,364	247,144	108,513	
Employee benefits	21,979	35,772	14,423	
Taxes and dues	599	1,700	1,993	
Rent	3,593	12,907	3,963	
Depreciation	374,206	740,485	350,372	

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Maintenance	224,738	339,814	204,000	
Commission and consultation fees	17,267	31,848	13,856	
Compensation expense	11,349	16,760	16,962	
Ordinary development expenses	21,305	33,531	15,275	
Utility plant removal cost	49,689	90,890	46,647	
Others	16,408	32,854	13,899	
	-----	-----	-----	-----
	Won872,183	Won1,589,093	Won792,208	Won1,-----
	=====	=====	=====	=====

15. SELLING AND ADMINISTRATIVE EXPENSES:

Selling and administrative expenses for the three-month and six-month periods ended June 30, 2003 and 2002 are as follows (won in millions):

	2003	
	Three-month	Six-month
	-----	-----
Labor	Won 80,041	Won156,205
Employee benefits	15,631	24,834
Taxes and dues	714	1,811
Rent	2,915	8,282
Depreciation	10,315	20,088
Maintenance	3,976	5,459
Commission and consultation fees	25,884	39,299
Ordinary development expenses	4,036	6,289
Collection expense	61,669	120,501
Promotion	4,875	8,636
Bad debts	2,614	5,722
Communication	6,056	12,153
Insurance	1,606	4,462
Rewards	157	296
Others	12,043	23,651
	-----	-----
	Won232,532	Won437,688
	=====	=====

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16. INCOME TAX EXPENSE:

(1) Income tax expense and effective tax rate for the three-month and six-month periods ended June 30, 2003 and 2002 are as follows (won in millions):

	2003		2002
	Three-month	Six-month	Three-month
	-----	-----	-----
Income tax currently payable	Won259,505	Won309,167	Won325,920
Changes in deferred income taxes	(25,785)	162,152	48,631
	-----	-----	-----
Income tax expense	Won233,720	Won471,319	Won374,551

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Effective tax rate	=====	=====	=====
	24.3%	26.9%	29.2%

- (2) Deferred income tax liabilities as of June 30, 2003 and December 31, 2002 are as follows (won in millions).

	June 30, 2003	December 31, 2002
	-----	-----
Accumulated temporary differences	Won(5,058,580)	Won(4,559,354)
Tax rate (%)	29.7	29.7
	-----	-----
Deferred income tax liabilities	Won(1,502,398)	Won(1,354,128)
	=====	=====

Accumulated temporary differences and deferred income tax liabilities as of December 31, 2002 were adjusted by Won46,741 million and Won13,882 million, respectively, due to the 2002 income tax return.

17. RELATED PARTY TRANSACTIONS:

- (1) Transactions with related parties for the three-month and six-month periods ended June 30, 2003 and 2002 are as follows (won in millions):

Related party	Transaction	2003	
		Three-month	Six-month
-----	-----	-----	-----
Sales and other income:			
Korea Hydro & Nuclear Power Co., Ltd.	Sales of electricity and others	Won 30,626	Won 50,84
Korea South-East Power Co., Ltd.	"	8,175	17,14
Korea Midland Power Co., Ltd.	"	7,316	13,43
Korea Western Power Co., Ltd.	"	14,561	17,26
Korea Southern Power Co., Ltd.	"	4,338	8,58
Korea East-West Power Co., Ltd.	"	9,004	19,29
Others	"	16,510	39,48
		-----	-----
		Won 90,530	Won 166,05
		=====	=====
Purchases and others:			
Korea Hydro & Nuclear Power Co., Ltd.	Purchase of electricity and others	Won1,129,354	Won2,417,16
Korea South-East Power Co., Ltd.	"	316,352	735,50
Korea Midland Power Co., Ltd.	"	438,601	968,80
Korea Western Power Co., Ltd.	"	475,900	1,052,70
Korea Southern Power Co., Ltd.	"	525,422	1,000,02
Korea East-West Power Co., Ltd.	"	507,892	1,010,23
Korea Power Engineering Co., Inc.	Designing of the power plant and others	68,809	78,91
Korea Plant Service & Engineering Co., Ltd.	Utility plant maintenance	11,667	20,59
Korea Electric Power Data Network Co.,	Maintenance of	78,265	98,09

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Ltd.	computer system		
Others	Commissions for service and others	73,463	86,48
		-----	-----
		Won3,625,725	Won7,468,53
		=====	=====

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- (2) Receivables arising from related parties transactions as of June 30, 2003 and December 31, 2002 are as follows (won in millions):

Related party	June 30, 2003		
	Trade receivables	Other account receivables and other	Total
Korea Hydro & Nuclear Power Co., Ltd.	Won -	Won 193	Won 193
Korea South-East Power Co., Ltd.	1,883	236	2,119
Korea Midland Power Co., Ltd.	1,546	381	1,927
Korea Western Power Co., Ltd.	2,034	105	2,139
Korea Southern Power Co., Ltd.	1,208	315	1,523
Korea East-West Power Co., Ltd.	2,447	199	2,646
Others	-	4,114	4,114
	-----	-----	-----
	Won9,118	Won5,543	Won14,661
	=====	=====	=====

- (3) Payables arising from related parties transactions as of June 30, 2003 and December 31, 2002 are as follows (won in millions):

Related party	June 30, 2003		
	Trade payables	Other accounts payable and other	Total
Korea Hydro & Nuclear Power Co., Ltd.	Won316,396	Won 816	Won 317,212
Korea South-East Power Co., Ltd.	95,743	110	95,853
Korea Midland Power Co., Ltd.	123,334	170	123,504
Korea Western Power Co., Ltd.	132,051	116	132,167
Korea Southern Power Co., Ltd.	142,262	58	142,320
Korea East-West Power Co., Ltd.	132,354	699	133,053
Korea Power Engineering Co., Inc.	-	7,330	7,330
Korea Plant Service & Engineering Co., Ltd.	-	7,384	7,384
Korea Electric Power Data Network Co., Ltd.	-	29,647	29,647
Others	358	19,753	20,111
	-----	-----	-----
	Won942,498	Won66,083	Won1,008,581
	=====	=====	=====

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18. CONTINGENT LIABILITIES:

- (1) The Company is engaged in 237 lawsuits as a defendant and 47 lawsuits as a plaintiff. The total amount claimed from the Company is Won88,811 million and the total amount claimed by the Company is Won110,263 million as of June 30, 2003. The outcome of these lawsuits cannot presently be determined. However, management believes that the ultimate disposition of those litigations will not have a materially adverse effect on the operations or financial position of the Company.
- (2) The Company's liabilities of Won17,646,157 million, including borrowings of Won13,825,884 million, were transferred to the power generation subsidiaries at the time of spin-off. The Company has the collective responsibility together with the subsidiaries to repay those debts, which were transferred and outstanding, under the Commercial Code of the Republic of Korea. The balance of borrowings subject to those collective responsibilities as of June 30, 2003 is Won5,109,031 million (including the Company's borrowings of Won1,151,422 million).

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- (3) The Company has provided debt repayment guarantees for its related parties in connection with the related parties' borrowings as of June 30, 2003 as follows:

Loan type	Guaranteed company	Financial institutions
Foreign currency loan	KEPCO International Hong Kong Ltd. " " KEPCO Philippines Co.	Nippon Life Insurance Norinchukin Bank Korea Development Bank Korea Development Bank

- (4) KEPCO Ilijan Corporation, which is the subsidiary of KEPCO International Philippines Inc., is engaged in the power generation business in the Philippines and borrowed US\$ 412,196,437 as project financing from Japan Bank of International Cooperation and others for that business. The Company has provided Japan Bank of International Cooperation and others with the guarantees for performance of the power generation business of KEPCO Ilijan Corporation as well as with the partial guarantees for the repayment of those borrowings.
- (5) Korea Development Bank has provided the repayment guarantees of US\$228,044,114 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 at June 30, 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
-----	-----	-----	-----

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Guaranteed amounts (including interest)	3,686,080,502	44,747,400,000	28,083,012	32,785,780
--	---------------	----------------	------------	------------

- (6) Five banks including the National Agricultural Cooperative Federation has provided the Company a credit (overdraft) line amounting to Won245,000 million as of June 30, 2003.
- (7) 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.
- (8) 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 Won570,707 million for the six-month period ended June 30, 2003.

19. STATEMENT OF CASH FLOWS:

Cash flows from operating activities were presented using the indirect method. Transactions not involving cash flows for the three-month and six-month periods ended June 30, 2003 are as follows (won in millions):

	2003	
	Three-month	S
Reclassification of long term loans to short-term loans	Won 1,642	Wo
Reclassification of construction in-progress to utility plant	711,429	
Reclassification of debenture to current portion	1,466,432	
Reclassification of long-term borrowings to current portion	261,061	

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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/ Hi-Taek Lee

Name: Hi-Taek Lee

Title: Chief Financial Officer

Date : September 1, 2003