

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) | | |
|---|-------------------------|----------------|-----------------|------------|
| | | 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) |
|--|----------------------|------------------------|------------|----------------------|

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 | Won (millions) | | | | | Total |
|-------------|---------------------------------|----------------------|-----------------------|-----------------------|---------------------------------|------------|
| | Local currency borrowings | Electricity bonds | Foreign debentures | Exchangeable bonds | Capital lease obligations | |
| December 31 | | | | | | |
| 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 |
| Overhead expenses: | | |
| Employee benefits | 84,006 | 61,140 |
| Taxes and dues | 16,782 | 16,199 |
| Rent | 23,321 | 21,258 |
| Depreciation | 1,650,692 | 1,546,209 |
| Maintenance | 738,430 | 775,661 |
| Commission and consultation fees | 97,560 | 80,318 |
| Compensation expense | 14,538 | 42,665 |
| Ordinary development expenses | 136,992 | 115,053 |
| Utility plant removal costs | 197,970 | 243,177 |
| Others | 80,419 | 80,785 |
| | W 3,040,710 | 2,982,465 |
| | W 3,687,105 | 3,560,513 |

(25) Selling and Administrative Expenses

Details of selling, general and administrative expenses for the years ended December 31, 2004 and 2003 are as follows:

| | Won (millions) | |
|-------------------------------|----------------|---------|
| | 2004 | 2003 |
| Salaries | W 392,200 | 357,918 |
| Employee benefits | 65,609 | 42,150 |
| Taxes and dues | 20,291 | 16,580 |
| Rent | 11,482 | 13,996 |
| Depreciation and amortization | 35,072 | 33,457 |
| Maintenance | 17,399 | 25,517 |

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| | | |
|----------------------------------|-------------|---------|
| Commission and consultation fees | 63,307 | 73,255 |
| Service measurement costs | 298,292 | 280,051 |
| Ordinary development | 22,770 | 16,492 |
| Promotion | 21,230 | 19,276 |
| Bad debts | 19,530 | 13,658 |
| Communication | 27,850 | 25,860 |
| Insurance | 1,265 | 12,296 |
| Rewards | 2,971 | 6,807 |
| Others | 61,780 | 54,802 |
| | W 1,061,048 | 992,115 |

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued(26) Income Taxes

- (a) The Company is subject to a number of income taxes based on taxable at the following normal tax rates:

| Taxable earnings | Prior to 2005 | Thereafter |
|--------------------|------------------|------------|
| Up to W100 million | 16.5% | 14.3% |
| Over W100 million | 29.7% | 27.5% |

In December 2003, the Korean government reduced the corporate income tax rate beginning in 2005. Specifically, effective from January 1, 2005, the income tax rate will be reduced from 29.7% to 27.5%.

The components of income tax expense for the years ended December 31, 2004 and 2003 are summarized as follows:

| | Won (millions) | |
|-----------------------------|----------------|---------|
| | 2004 | 2003 |
| Current income tax expense | W 943,116 | 577,750 |
| Deferred income tax expense | 164,877 | 205,870 |
| | W 1,107,993 | 783,620 |

- (b) The provision for income taxes calculated using the normal tax rates differs from the actual provision for the year ended December 31, 2004 for the following reasons:

| | Won (millions) 2004 |
|---|------------------------|
| Provision for income taxes at normal tax rates | W 1,184,649 |
| Tax effects of permanent differences, primarily dividend income | (81,803) |
| Tax credit | (3,767) |
| Other, net | 8,914 |
| Actual provision for income taxes | W 1,107,993 |

As described note 28, the tax effect of the cumulative effect on prior year arising from the accounting change of Korea Hydro & Nuclear Power Co., Ltd. was directly charged to the beginning balance of retained earnings by W 189,024 million.

The effective tax rates, after adjustments for certain differences between amounts reported for financial accounting and income tax purposes, were approximately 27.78 % and 25.28 % for the years ended December 31, 2004 and 2003, respectively.

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued(26) Income Taxes, Continued

- (c) The tax effects of temporary differences that result in significant portions of the deferred income tax assets and liabilities as of December 31, 2004 and 2003 are presented below:

| | Won (millions) | |
|--|----------------|-------------|
| | 2004 | 2003 |
| Deferred tax assets: | | |
| Loss on valuation of derivatives | W 143,407 | 124,234 |
| Retirement and severance benefits | 72,135 | 52,380 |
| Deferred foreign exchange translation loss | 11,139 | 15,701 |
| Accounts payable purchase of electricity | 167,132 | 188,913 |
| Other | 81,831 | 150,129 |
| Total deferred tax assets | 445,644 | 531,357 |
| Deferred tax liabilities: | | |
| Gain on valuation of derivatives | 127,534 | 93,194 |
| Deferred foreign exchange translation gain | 27,243 | 39,555 |
| Reserve for social overhead capital investment | 133,439 | 222,093 |
| Equity income of affiliates | 1,979,941 | 1,638,531 |
| Total deferred tax liabilities | 2,268,157 | 1,993,373 |
| Net deferred tax liabilities | W (1,822,513) | (1,462,016) |

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued**(27) Earnings Per Share**

Earnings per common share are calculated by dividing net earnings by the weighted-average number of shares of common stock outstanding.

| | Won (millions) | |
|--|----------------|-------------|
| | 2004 | 2003 |
| Net income | W 2,880,770 | 2,315,938 |
| Weighted-average number of common shares outstanding | 629,868,023 | 630,372,064 |
| Earnings per common share in Won | W 4,574 | 3,674 |

Diluted earnings per share is calculated by dividing diluted net income by the weighted average number of shares of common equivalent stock outstanding.

| | Won (millions) | |
|---|----------------|-------------|
| | 2004 | 2003 |
| Net income | W 2,880,770 | 2,315,938 |
| Exchangeable bond interest | 3,204 | 496 |
| | 2,883,974 | 2,316,434 |
| Weighted-average number of common shares and diluted securities outstanding | 639,867,870 | 631,933,684 |
| Diluted earnings per share in Won | W 4,507 | 3,666 |

(28) Accounting Change of Affiliated Company

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.

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(29) Transactions and Balances with Related Companies

(a) Transactions with related parties for the years ended December 31, 2004 and 2003 are as follows:

| Related party | Transaction | Won (millions) | |
|--|---|----------------|------------|
| | | 2004 | 2003 |
| Sales and other income: | | | |
| Korea Hydro & Nuclear Power Co., Ltd. | Sales of electricity and others | W 129,617 | 92,380 |
| Korea South-East Power Co., Ltd. | | 39,630 | 49,124 |
| Korea Midland Power Co., Ltd. | | 17,844 | 26,749 |
| Korea Western Power Co., Ltd. | | 37,456 | 34,025 |
| Korea Southern Power Co., Ltd. | | 16,100 | 18,604 |
| Korea East-West Power Co., Ltd. | | 28,486 | 35,817 |
| Others | | 98,015 | 86,327 |
| | | W 367,148 | 343,026 |
| Purchases and others: | | | |
| Korea Hydro & Nuclear Power Co., Ltd. (*) | Purchase of electricity and others | W 5,077,306 | 5,065,317 |
| Korea South-East Power Co., Ltd. (*) | | 1,654,792 | 1,454,157 |
| Korea Midland Power Co., Ltd. (*) | | 1,897,358 | 1,781,897 |
| Korea Western Power Co., Ltd. (*) | | 2,049,316 | 2,122,901 |
| Korea Southern Power Co., Ltd. (*) | | 2,738,995 | 2,048,591 |
| Korea East-West Power Co., Ltd. (*) | | 2,058,906 | 1,867,833 |
| Korea Power Engineering Co., Inc. | Designing of the power plant and others | 12,220 | 40,396 |
| Korea Plant Service & Engineering Co., Ltd. | Utility plant maintenance | 39,615 | 40,251 |
| Korea Electric Power Data Network, Co., Ltd. | Maintenance of computer system | 212,053 | 203,074 |
| Others | Commissions for service and others | 180,838 | 168,552 |
| | | W 15,921,399 | 14,792,969 |

(*) The Company has purchased electricity from its power generation subsidiaries through Korea Power Exchange.

In addition, as described in note 13(a), 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.

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued(29) Transactions and Balances with Related Companies, Continued

(b) Receivables arising from related parties transactions as of December 31, 2004 and 2003 are as follows:

| | Won (millions) | | Total |
|---------------------------------------|----------------------|----------------------|--------|
| | Trade receivables | Other receivables | |
| Related party | | | |
| Korea Hydro & Nuclear Power Co., Ltd. | W | 7,185 | 7,185 |
| Korea South-East Power Co., Ltd. | 1,984 | 1,130 | 3,114 |
| Korea Midland Power Co., Ltd. | 183 | 9,808 | 9,991 |
| Korea Western Power Co., Ltd. | 2,115 | 114 | 2,229 |
| Korea Southern Power Co., Ltd. | 1,242 | 199 | 1,441 |
| Korea East-West Power Co., Ltd. | 2,306 | 101 | 2,407 |
| Others | 4,790 | 9,903 | 14,693 |
| | W 12,620 | 28,440 | 41,060 |

| | Won (millions) | | Total |
|---------------------------------------|----------------------|----------------------|--------|
| | Trade receivables | Other receivables | |
| Related party | | | |
| Korea Hydro & Nuclear Power Co., Ltd. | W | 319 | 319 |
| Korea South-East Power Co., Ltd. | 1,778 | 367 | 2,145 |
| Korea Midland Power Co., Ltd. | 1,107 | 2,232 | 3,339 |
| Korea Western Power Co., Ltd. | 1,940 | 248 | 2,188 |
| Korea Southern Power Co., Ltd. | 1,157 | 360 | 1,517 |
| Korea East-West Power Co., Ltd. | 1,978 | 213 | 2,191 |
| Others | 1,990 | 9,607 | 11,597 |
| | W 9,950 | 13,346 | 23,296 |

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Notes to Non-consolidated Financial Statements, Continued**(29) Transactions and Balances with Related Companies, Continued**

(c) Payables arising from related parties transactions as of December 31, 2004 and 2003 are as follows:

| | Won (millions) | | |
|---|----------------|----------------|-----------|
| | 2004 | | Total |
| | Trade payables | Other payables | |
| Related party | | | |
| Korea Hydro & Nuclear Power Co., Ltd. (*) | W 403,299 | 48 | 403,347 |
| Korea South-East Power Co., Ltd. (*) | 153,429 | 111 | 153,540 |
| Korea Midland Power Co., Ltd. (*) | 146,735 | 8,458 | 155,193 |
| Korea Western Power Co., Ltd. (*) | 169,362 | 117 | 169,479 |
| Korea Southern Power Co., Ltd. (*) | 227,978 | 84 | 228,062 |
| Korea East-West Power Co., Ltd. (*) | 160,231 | 126 | 160,357 |
| Korea Power Engineering Co., Inc. | | 1,515 | 1,515 |
| Korea Plant Service & Engineering Co., Ltd. | | 6,275 | 6,275 |
| Korea Electric Power Data Network Co., Ltd. | | 43,845 | 43,845 |
| Others | 1,044 | 17,453 | 18,497 |
| | W 1,262,078 | 78,032 | 1,340,110 |

(*) The Company has purchased electricity from its power generation subsidiaries through Korea Power Exchange. The above trade payables represent the substantial amount payable to the power generation subsidiaries.

| | Won (millions) | | |
|---|----------------|----------------|-----------|
| | 2003 | | Total |
| | Trade payables | Other payables | |
| Related party | | | |
| Korea Hydro & Nuclear Power Co., Ltd. (*) | W 379,121 | 1,954 | 381,075 |
| Korea South-East Power Co., Ltd. (*) | 117,954 | 4,411 | 122,365 |
| Korea Midland Power Co., Ltd. (*) | 145,548 | 9,387 | 154,935 |
| Korea Western Power Co., Ltd. (*) | 167,876 | 140 | 168,016 |
| Korea Southern Power Co., Ltd. (*) | 179,803 | 93 | 179,896 |
| Korea East-West Power Co., Ltd. (*) | 142,776 | 223 | 142,999 |
| Korea Power Engineering Co., Inc. | | 5,909 | 5,909 |
| Korea Plant Service & Engineering Co., Ltd. | | 5,509 | 5,509 |
| Korea Electric Power Data Network Co., Ltd. | | 56,334 | 56,334 |
| Others | 4,363 | 19,619 | 23,982 |
| | W 1,137,441 | 103,579 | 1,241,020 |

(*) The Company has purchased electricity from its power generation subsidiaries through Korea Power Exchange. The above trade payables represent the substantial amount payable to the power generation subsidiaries.

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Notes to Non-consolidated Financial Statements, Continued**(29) Transactions and Balances with Related Companies, Continued**

(d) The guarantees the Company has provided for related companies as of December 31, 2004 are as follows:

| Type | Loan type | Guaranteed company | Financial institutions | Won (millions), US\$ (thousands) |
|-------------------------------------|--|---|--------------------------------------|-------------------------------------|
| Payment guarantee | Foreign currency loan | KEPCO International Hong Kong Ltd. | Nippon Life | US\$ 82,006 |
| | | | Insurance | |
| | | | Norinchukin Bank | 35,000 |
| | | | Korea Development Bank | 4,636 |
| Other(*1) | | KEPCO International Philippines Inc. KEPCO Ilijan Co. | Korea Development Bank | US\$ 27,261 |
| | | | | US\$ 105,000 |
| | | | | 253,903 |
| Joint liability on guarantee(*2) | Spin-off of power generation subsidiaries | six power generation subsidiaries | Korea Development Bank and others | W1,101,550 |

(*1) 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\$355,983 thousand in 2000 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 to the extent not exceeding US\$72,000 thousand for performance of the power generation business of KEPCO Ilijan Corporation as well as with the partial guarantees to the extent not exceeding US\$33,000 thousand for the repayment of that borrowing.

(*2) The Company has joint and several responsibilities with the generation subsidiaries to repay those debts, which were transferred and outstanding at the time of spin-off on April 2, 2001, under the Commercial Code of the Republic of Korea. The balance of the power generation subsidiaries' debts for which the Company has those joint and several responsibilities as of December 31, 2004 is W1,101,550 million.

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued**(29) Transactions and Balances with Related Companies, Continued**

(e) The guarantees provided by related companies for the Company as of December 31, 2004 are as follows:

| Won (millions), USD, JPY and GBP (thousands) | | | | | |
|--|-----------------------------------|----------|--------------------|-----------------------|--|
| Type | Related party | Currency | Guaranteed amounts | Type of borrowings | Balance of borrowing as of December, 31 2004 |
| Payment guarantee (*1) | Korea Development Bank | USD | 1,739,449 | Foreign currency bond | USD 1,401,865 |
| | | JPY | 104,212,253 | | JPY 102,500,000 |
| | | GBP | 30,706 | | GBP 24,467 |
| Joint liability on guarantee (*2) | Six power generation subsidiaries | KRW | 88,103 | Long-term debts | KRW 88,103 |
| | | KRW | 240,000 | Domestic debentures | KRW 240,000 |
| | | | | | |

(*1) Korea Development Bank has provided the repayment guarantee for some of foreign currency debentures of the Company, which existed at the time of spin-off, but not redeemed as of December 31, 2004, instead of the collective responsibilities of the power generation subsidiaries to facilitate the Restructuring Plan described in note 1(a).

(*2) As described note 29(d), the balance of the Company's borrowings for which six power generation subsidiaries have the joint and several responsibilities is W328,103 million as of December 31, 2004.

(30) Commitments and Contingencies

The Company is engaged in 211 lawsuits as a defendant and 41 lawsuits as a plaintiff. The total amount claimed against the Company is W96,759 million and the total amount claimed by the Company is W14,820 million as of December 31, 2004. The outcome of these lawsuits cannot presently be determined. In the opinion of management, the ultimate results of these lawsuits will not have a material adverse effect on the Company's financial position, results of operation, or liquidity.

Four banks including the National Agricultural Cooperative Federation have provided the Company credit (overdraft) lines amounting to W750,000 million as of December 31, 2004.

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. The construction projects have been suspended from December 1, 2003 due to the political environment surrounding the Korean peninsula. As of December 31, 2004, the project remains suspended.

The Company entered into power purchase agreements with LG Energy Co., Ltd. and other independent power producers for power purchases in accordance with the Electricity Business Act. The power purchased under these agreements amounted to W1,019,528 million and W1,055,081 million for the years ended December 31, 2004 and 2003.

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued(31) Employee Welfare and Contributions to Society

For employee welfare, the Company maintains a refectory, an infirmary, athletic facilities, a scholarship fund, workmen's accident compensation insurance, unemployment insurance and medical insurance. The Company donated W81,682 million and W125,090 million to the fund for the welfare of the Company's employees and others for the years ended December 31, 2004 and 2003, respectively.

(32) Financial Information for the 4th Quarter (Unaudited)

Financial information for the 4th quarter of 2004 and 2003 is as follows:

| | Won (millions except earnings per share amounts) | |
|---------------------------|--|-----------|
| | 2004 | 2003 |
| Operating revenue | W 5,756,772 | 5,571,580 |
| Net income | 183,173 | 26,882 |
| Earnings per share in Won | 291 | 43 |

(33) Approval of non-consolidated financial statements

Non-consolidated financial statements of the Company are scheduled to be approved at the shareholders meeting, which is scheduled to be held on March 18, 2005.

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/ Lee, Hi-Taek
Name: Lee, Hi-Taek
Title: Chief Financial Officer

Date: April 26, 2005