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KOREA ELECTRIC POWER CORP

Form 6-K

March 12, 2003

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 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 March, 2003

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

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

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

Form 20-F ☒ Form 40-F ☐

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

Yes ☐ No ☒

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

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

KOREA ELECTRIC POWER CORPORATION

NON-CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2002 AND 2001 TOGETHER WITH
INDEPENDENT PUBLIC ACCOUNTANTS' REPORT

(as proposed to be approved at the Annual General Meeting of Shareholders
on March 21, 2003)

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

English Translation of a Report Originally Issued in Korean

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

We have audited the accompanying non-consolidated balance sheets of Korea Electric Power Corporation (the "Company") as of December 31, 2002 and 2001, and the related non-consolidated statements of income, appropriations of retained earnings, and cash flows for the years then ended, all expressed in Korean Won. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Korea Hydro & Nuclear Power Co., Ltd. and 3 other power generation subsidiaries, which statements reflect 30.4 percent of the total non-consolidated assets as of December 31, 2002 and 35.1 percent of non-consolidated income before income tax for the year ended. Also, we did not audit the financial statements of Korea Hydro & Nuclear Power Co., Ltd and 4 other power generating subsidiaries, which amounted to 32.8 percent of the total non-consolidated assets as of December 31,

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2001 and 39.3 percent of non-consolidated income before income tax for the year ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to amounts included for those entities, is based solely on the reports of the other auditors.

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

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2002 and 2001 and the results of its operations, changes in its retained earnings and its cash flows for the years then ended in conformity with the Korea Electric Power Corporation Act, the Accounting Regulations for Government Invested Enterprises and the Financial Accounting Standards as established by the Financial Supervisory Commission of the Republic of Korea (see Note 2).

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

As discussed in Note 20, the Company spun off its power generation division on April 2, 2001, in accordance with the approval of the shareholders on March 16, 2001, which resulted in establishing six new power generation subsidiaries, Korea Hydro & Nuclear Power Co., Ltd., Korea South-East Power Co., Ltd., Korea Midland Power Co., Ltd., Korea Western Power Co., Ltd., Korea Southern Power Co., Ltd. and Korea East-West Power Co., Ltd. As of April 2, 2001, their combined assets and liabilities were Won 35,131,773 million and Won 17,646,157 million, respectively.

As discussed in Note 18, sales and purchases to and from related parties, including the six power generation subsidiaries, amounted to Won 371,643 million and Won 13,713,243 million, respectively, for the year ended December 31, 2002 and Won 287,358 million and Won 10,638,837 million, respectively, for the year ended December 31, 2001. Related receivables and payables amount to Won 31,954 million and Won 1,172,012 million, respectively, as of December 31, 2002 and Won 27,600 million and Won 1,117,322 million as of December 31, 2001, respectively.

As discussed in Note 1, the Company will gradually privatize its power generation subsidiaries and distribution business by 2009, which is in accordance with the restructuring plan, dated January 21, 1999, of the electricity industry in the Republic of Korea announced by the Ministry of Commerce, Industry and Energy ("Restructuring Plan"). This Restructuring Plan, which is intended to introduce a competitive system in the electricity industry, is expected to affect the determination of utility rates, result in changes in management structure, related laws and regulations, and affect electricity supply and demand policy.

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

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accordance with accounting principles and practices generally accepted in countries other than the Republic of Korea. The Company's financial statements are prepared in accordance with the Korea Electric Power Corporation Act, Accounting Regulations for Government Invested Enterprises as well as generally accepted accounting principles in the Republic of Korea. In addition, the procedures and practices utilized in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying financial statements are for use by those knowledgeable about Korean accounting procedures and auditing standards and their application in practice as well as the Korea Electric Power Corporation Act and Accounting Regulations for Government Invested Enterprises.

By:/s/ Anjin & Co.

Anjin & Co.

Seoul, Korea
February 7, 2003

Notice to Readers

This report is effective as of February 7, 2003, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modifications to the auditors' report.

KOREA ELECTRIC POWER CORPORATION

NON-CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31, 2002 AND 2001

	KOREAN WON		
	2002	2001	

	(IN MILLIONS)		
ASSETS			

Property, Plant and Equipment (Notes 3 and 4):			
Utility plant	Won 34,432,036	Won 30,829,593	\$
Less: accumulated depreciation	(5,939,624)	(4,503,772)	
Less: construction grants	(2,321,138)	(1,844,359)	

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	26,171,274	24,481,462	
Construction in-progress	1,986,138	2,677,439	
	28,157,412	27,158,901	
Investments and others:			
Investment securities (Note 5)	22,239,278	20,846,317	
Long-term loans (Note 6)	128,656	114,707	
Long-term other account receivables	388,924	--	
Currency and interest rate swaps (Note 13)	320,641	216,162	
Intangibles (Note 16)	94,874	92,236	
Other non-current assets (Note 12)	130,074	145,308	
	23,302,447	21,414,730	
Current assets:			
Cash and cash equivalents (Note 12)	610,056	559,871	
Trade receivables, net of allowance for doubtful accounts of Won 21,588 million in 2002 and Won 18,548 million in 2001 (Notes 12 and 18)	1,400,411	1,300,665	
Other account receivables, net of allowance for doubtful accounts of Won 3,007 million in 2002 and Won 2,383 million in 2001 (Notes 12 and 18)	228,101	187,816	
Short-term financial instruments	79,000	119,587	
Short-term loans (Note 6)	8,450	7,701	
Inventories (Note 7)	65,217	68,885	
Other current assets	94,519	82,559	
	2,485,754	2,327,084	
Total Assets	Won 53,945,613	Won 50,900,715	\$

(continued)

KOREA ELECTRIC POWER CORPORATION

NON-CONSOLIDATED BALANCE SHEETS (CONTINUED)

AS OF DECEMBER 31, 2002 AND 2001

	KOREAN WON		
	2002	2001	
SHAREHOLDERS' EQUITY AND LIABILITIES	(IN MILLIONS)		

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Shareholders' equity (Note 8):

Common stock	Won	3,200,504	Won	3,200,504	\$
Capital surplus		14,311,579		14,311,890	
Retained earnings					
Appropriated		17,899,939		15,351,474	
Unappropriated (Net income of Won 3,059,815 million in 2002 and Won 1,778,306 million in 2001)		--		--	
Capital adjustments:		35,707		130,887	
		-----		-----	
Total Shareholders' Equity		35,447,729		32,994,755	
		-----		-----	

Long-term liabilities:

Long-term debt (Note 10)		9,973,313		11,702,675	
Accrued severance indemnities, net (Note 2)		226,609		134,056	
Reserve for self insurance		82,537		78,243	
Currency and interest rate swaps (Note 13)		468,900		448,486	
Financial lease liabilities (Note 11)		4,993		13,590	
Deferred income tax liabilities (Note 17)		1,354,128		1,018,506	
Other long-term liabilities		325,533		232,757	
		-----		-----	
		12,436,013		13,628,313	
		-----		-----	

Current liabilities:

Trade payables (Note 18)		1,238,749		1,155,868	
Other accounts payable (Note 18)		552,350		456,707	
Current portion of long-term debt (Note 10)		2,454,722		1,358,240	
Current portion of financial lease liabilities (Note 11)		8,538		9,522	
Income tax payable		682,777		274,079	
Accrued expenses		166,144		199,057	
Dividends payable (Note 9)		513,503		353,610	
Other current liabilities		445,088		470,564	
		-----		-----	
		6,061,871		4,277,647	
		-----		-----	
Total Liabilities		18,497,884		17,905,960	
		-----		-----	

Total Shareholders' Equity and Liabilities	Won	53,945,613	Won	50,900,715	\$
		=====		=====	

See accompanying notes to non-consolidated financial statements.

KOREA ELECTRIC POWER CORPORATION

NON-CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

KOREAN WON

2002 2001

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	(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)		
OPERATING REVENUES (Note 18):			
Sale of electricity	Won 20,716,297	Won 19,453,003	\$
Other operating revenues	331,577	367,576	
	21,047,874	19,820,579	
OPERATING EXPENSES (Notes 14, 15, 16, 18 and 22):			
Power generation, transmission, distribution	3,365,041	6,042,913	
Purchased power	14,532,830	10,602,206	
Other operating costs	327,226	322,273	
Selling and administrative expenses	940,016	891,024	
	19,165,113	17,858,416	
OPERATING INCOME	1,882,761	1,962,163	
OTHER INCOME (EXPENSES):			
Interest income	23,710	31,475	
Interest expense	(627,954)	(805,688)	
Gain (loss) on foreign currency transactions and translation, net	398,544	(16,775)	
Gain on valuation using the equity method of accounting (Note 5)	2,178,492	1,309,848	
Gain (loss) on valuation of investments, net	(1,244)	22,602	
Gain on disposal of investment, net (Note 5)	433,151	162,384	
Loss on disposal of utility plant, net	(16,671)	(16,352)	
Gain (loss) on repayment of bonds	14,151	(97,680)	
Valuation gain (loss) on currency and interest rate swaps, net (Note 13)	63,158	(132,008)	
Donations (Note 23)	(76,825)	(103,003)	
Rent	108,439	116,061	
Other, net	(51,419)	92,859	
	2,445,532	563,723	
ORDINARY INCOME	4,328,293	2,525,886	
INCOME TAX EXPENSE (Note 17)	1,268,478	747,580	
NET INCOME	Won 3,059,815	Won 1,778,306	\$
ORDINARY INCOME PER SHARE (Note 2)	Won 4,788	Won 2,783	\$
EARNINGS PER SHARE (Note 2)	Won 4,788	Won 2,783	\$

See accompanying notes to non-consolidated financial statements.

KOREA ELECTRIC POWER CORPORATION

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NON-CONSOLIDATED STATEMENTS OF APPROPRIATIONS OF RETAINED EARNINGS

FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	KOREAN WON		
	2002	2001	
	(IN MILLIONS)		
RETAINED EARNINGS BEFORE			
APPROPRIATIONS:			
Unappropriated retained earnings carried			
over from prior years	Won --	Won --	\$
Net income	3,059,815	1,778,306	
	-----	-----	
	3,059,815	1,778,306	
	-----	-----	
APPROPRIATIONS OF RETAINED			
EARNINGS:			
Business rationalization reserve	--	1,000	
Reserve for business expansion	2,368,465	1,165,874	
Reserve for investment in social overhead			
capital	120,000	200,000	
Reserve for research and human development	60,000	60,000	
Cash dividends (Note 9)	511,350	351,432	
	-----	-----	
	3,059,815	1,778,306	
	-----	-----	
UNAPPROPRIATED RETAINED EARNINGS			
TO BE CARRIED FORWARD TO			
SUBSEQUENT YEAR	Won --	Won --	\$
	=====	=====	=====

See accompanying notes to non-consolidated financial statements.

KOREA ELECTRIC POWER CORPORATION

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

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	KOREAN WON		
	2002	2001	
	(IN MILLIONS)		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	Won 3,059,815	Won 1,778,306	\$
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	1,741,967	2,558,682	
Provision for severance and retirement benefits	92,915	80,532	
Provision for decommissioning costs and self-insurance	5,465	140,383	
Allowance for doubtful accounts	15,514	2,377	
Interest expense	8,650	7,834	
Loss (gain) on foreign currency transactions and translation, net	(370,872)	15,521	
Gain on valuation using the equity method of accounting	(2,178,492)	(1,309,848)	
Loss (gain) on valuation of investments, net	1,244	(22,602)	
Gain on disposal of investment, net	(433,151)	(162,384)	
Loss on disposal of utility plant, net	16,671	16,352	
Loss (gain) on repayment of bonds	(14,151)	97,680	
Valuation loss (gain) on currency and interest rate swaps	(63,158)	132,008	
Decrease (increase) in trade receivables	(109,221)	148,183	
Decrease (increase) in other account receivables	(20,915)	24,803	
Decrease in inventories	43,910	146,032	
Increase in other current assets	(58,614)	(24,230)	
Increase in deferred income tax assets	--	(827,282)	
Increase in trade payables	82,880	551,358	
Increase (decrease) in other accounts payable	95,643	(616,948)	
Increase in income tax payable	408,698	121,732	
Decrease in accrued expenses	(30,317)	(191,053)	
Increase (decrease) in other current liabilities	(21,504)	49,723	
Increase in deferred income tax liabilities	335,622	1,018,506	
Increase in other long-term liabilities	92,774	121,189	
Payment of severance and retirement benefits	(6,692)	(8,159)	
Payment of self-insurance	(1,171)	(1,736)	
Other, net	(6,126)	5,046	
Net cash provided by operating activities	2,687,384	3,852,005	

(continued)

KOREA ELECTRIC POWER CORPORATION

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

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FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	KOREAN WON		
	2002	2001	
	(IN MILLIONS)		
CASH FLOWS FROM INVESTING ACTIVITIES:			
Disposal of utility plant	Won 72,311	Won 55,426	\$
Additions to utility plant	(3,461,672)	(4,790,220)	
Receipt of construction grants	624,527	560,246	
Disposal of marketable securities	--	20,002	
Proceeds from disposal of investment securities	746,633	311,805	
Acquisition of investment securities	(31,621)	(399,349)	
Collection of long-term loans	--	57,887	
Extension of long-term loans	(22,567)	(98,443)	
Acquisition of intangibles	(30,790)	(3,183)	
Withdrawal of short-term financial instruments	119,587	102,640	
Acquisition of short-term financial instruments	(79,000)	(94,304)	
Collection of short-term loans	7,868	24,542	
Decrease (increase) in other non-current assets	8,096	(31,744)	
Net cash used in investing activities	(2,046,628)	(4,284,695)	
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from long-term debt	1,909,246	5,640,253	
Payment of current portion of long-term debt	(1,358,240)	(4,263,766)	
Payment of long-term debt	(760,084)	--	
Payment of short-term borrowings	--	(222,121)	
Cash dividends	(351,065)	(333,358)	
Other, net	(30,428)	(6,433)	
Net cash provided by (used in) financing activities	(590,571)	814,575	
NET INCREASE IN CASH AND CASH EQUIVALENTS	50,185	381,885	
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD (Note 21)	559,871	177,986	
CASH AND CASH EQUIVALENTS, END OF THE PERIOD (Note 21)	Won 610,056	Won 559,871	\$

See accompanying notes to non-consolidated financial statements.

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KOREA ELECTRIC POWER CORPORATION.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2002 AND 2001

1. THE COMPANY:

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

As of December 31, 2002, the Government of the Republic of Korea, Korea Development Bank and foreign investors hold 32.35 percent, 21.57 percent and 25.07 percent of the Company's shares, respectively.

The Company spun off its power generation division on April 2, 2001, resulting in the establishment of six new power generation subsidiaries. The Company will gradually privatize its power generation subsidiaries and distribution business by 2009, which is in accordance with the restructuring plan, dated January 21, 1999, of the electricity industry in the Republic of Korea announced by the Ministry of Commerce, Industry and Energy ("Restructuring Plan"). This Restructuring Plan, which is intended to introduce a competitive system in the electricity industry, is expected to affect the determination of utility rates, result in changes in management structure, related laws and regulations, and affect electricity supply and demand policy.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Financial Statement Presentation

The Company maintains its official accounting records in Korean won and prepares statutory non-consolidated financial statements in the Korean language (Hangul) in conformity with the Accounting Regulations for Government Invested Enterprises, which have been approved by the Korean Ministry of Finance and Economy and, in the absence of specialized accounting regulations for utility companies, the accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Company that conform with

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financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, the accompanying financial statements are intended for use by those who are informed about Korean accounting principles and practices, Korea Electric Power Corporation Act and Accounting Regulations for Government Invested Enterprises. The accompanying financial statements have been condensed, restructured and translated into English (with certain expanded descriptions) from the Korean language financial statements. Certain information included in the Korean language financial statements, but not required for a fair presentation of the Company's financial position and results of operations, is not presented in the accompanying financial statements.

The US dollar amounts presented in these financial statements were computed by translating the Korean won into US dollars based on the Bank of Korea Basic Rate of Won 1,200.40 to US \$1.00 at December 31, 2002, solely for the convenience of the reader. This convenience translation into US dollars should not be construed as representations that the Korean won amounts have been, could have been, or could in the future be, converted at this or any other rate of exchange.

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

Property, Plant and Equipment

Property, plant and equipment are stated at cost, except for assets revalued upward in accordance with the KEPCO Act and the Assets Revaluation Law of Korea, net of depreciation. Expenditures that result in the enhancement of the value or extension of the useful life of the utility plants involved are capitalized as additions to property, plant and equipment. The Company capitalizes interest and other borrowing costs on debt issued to finance capital expenditures as part of the acquisition cost of major facilities and equipment. For the years ended December 31, 2002 and 2001, the amount of capitalized interest was Won 74,382 million and Won 376,815 million, respectively, of which foreign currency transactions and translation gains deducted from the capitalized interest amounted to Won 53,382 million and Won 68,388 million, respectively, and foreign currency transactions and translation losses added to the capitalized interest amounted to Won 1,850 million and Won 135,635 million, respectively.

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

	YEARS

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

The Company records the following funds and materials, which relate to the

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construction of transmission and distribution facilities as construction grants:

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

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 Won 624,527 million and Won 560,246 million of construction grants, and offset Won 140,346 million and Won 65,629 million against depreciation expense for the years ended December 31, 2002 and 2001, respectively.

Accounting for Leases

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

-2-

Valuation of Marketable Securities and Investment Securities

Marketable securities are recorded at purchase price cost plus incidental costs. However, if the fair value differs from the book value determined using the weighted average method, the securities are stated at fair value and the valuation gain or loss is reflected in current operations.

Investments in equity securities (excluding those accounted for using the equity method discussed in the next paragraph) that are not actively traded (unlisted security) are stated at acquisition cost, determined using the weighted average method. Actively quoted (listed) securities, including those traded over-the-counter, are stated at fair value, with valuation gain or loss reported as a capital adjustment within shareholders' equity. If the fair value of a listed equity security or the net equity value of an unlisted security held for investment declines compared to acquisition cost and is not expected to recover (impaired investment security), the carrying value of the equity security is adjusted to fair value or net equity value, with the resulting valuation loss charged to current operations. If the net equity value or fair value subsequently recovers, in the case of an unlisted security, the increase in value is recorded in current operations, up to the amount of the previously recognized impairment loss, and in the case of a listed security, the increase in value is accounted for as a valuation gain in capital adjustment within shareholders' equity.

Investments in equity securities of companies in which the Company is able to exercise significant influence over the operating and financial policies of the investees are accounted for using the equity method. The change in the Company's share of an investee's net equity resulting from a change in an investee's net

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equity is reflected in current operations, retained earnings, and capital adjustment in accordance with the causes of the change which consist of the investee's net income (loss), changes in retained earnings and changes in capital surplus and capital adjustments.

Investments in debt securities are classified as either held-to-maturity investment debt securities or available for sale investment debt securities at the time of purchase. Held-to-maturity investment debt securities are stated at acquisition cost, as determined using the weighted average method. When the face value of a held-to-maturity investment debt security differs from its acquisition cost, the effective interest method is applied to amortize the difference over the remaining term of the security. Available-for-sale investment debt securities are stated at fair value, with the resulting valuation gain or loss recorded as a capital adjustment. If the fair value of a held-to-maturity or an available-for-sale investment debt security declines compared to the acquisition cost and is not expected to recover (impaired investment security), the carrying value of the debt security is adjusted to fair value, with the resulting valuation gain or loss charged to current operations. If the fair value of the security subsequently recovers, in the case of a held-to maturity debt security, the increase in value is recorded in current operations, up to the amount of the previously recognized impairment loss, and in the case of an available-for-sale debt security, the increase in value is accounted for as a valuation gain in capital adjustment within shareholders' equity.

The lower of the acquisition cost of investments in the treasury stock funds and the fair value of treasury stock included in a fund is recorded as treasury stock in capital adjustment.

Intangibles

Intangible assets are stated at cost, net of accumulated amortization computed using the straight-line method over the estimated useful lives, from 4 years to 20 years, of related assets.

Allowance for Doubtful Accounts

The Company provides an allowance for doubtful accounts based on management's estimate of the collectibility of individual accounts and prior year collection experience.

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.

-3-

Discount on Debentures

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

Accrued Severance Indemnities

Employees and directors with more than one year of service are entitled to

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receive a lump-sum payment upon termination of their service with the Company, based on their length of service and rate of pay at the time of termination. The accrued severance indemnities that would be payable assuming all eligible employees were to resign are Won 226,708 million and Won 134,173 million as of December 31, 2002 and 2001, respectively. Actual severance payments were Won 6,692 million and Won 8,159 million for the years ended December 31, 2002 and 2001, respectively.

Before April 1999, the Company and its employees paid 3 percent and 6 percent, respectively, of monthly pay (as defined) to the National Pension Fund in accordance with the National Pension Law of Korea. The Company paid half of the employees' 6 percent portion and is paid back at the termination of service by offsetting the receivable against the severance payments. Such receivables, with a balance of Won 99 million and Won 117 million as of December 31, 2002 and 2001, respectively, are presented as a deduction from accrued severance benefits. Starting April 1999, the Company and its employees each pay 4.5 percent of monthly pay to the Fund under the revised National Pension Law of Korea.

In 2001, accrued severance indemnities of Won 58,063 million for the directors and employees who were transferred to the power generation subsidiaries were transferred to those subsidiaries.

Reserve for Self-Insurance

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

Foreign Currency Transactions and Translation

The Company maintains its accounts in Korean won. Transactions in foreign currencies are recorded in Korean won based on the prevailing rates of exchange on the transaction date. Monetary assets and liabilities with balances denominated in foreign currencies are recorded and reported in the accompanying financial statements at the exchange rates prevailing at the balance sheet date. The balances have been translated using the Bank of Korea Basic Rate, which was Won 1,200.40 and Won 1,326.10 to US\$ 1.00 at December 31, 2002 and 2001, respectively. The translation gains or losses are reflected in current operations.

Accounting for Derivative Instruments

All derivative instruments are accounted for at fair value with the valuation gain or loss recorded as an asset or liability. If the derivative instrument is not part of a transaction qualifying as a hedge, the adjustment to fair value is reflected in current operations. The accounting for derivative transactions that are part of a qualified hedge based both on the purpose of the transaction and on meeting the specified criteria for hedge accounting differs depending on whether the transaction is a fair value hedge or a cash flow hedge. Fair value hedge accounting is applied to a derivative instrument designated as hedging the exposure to changes in the fair value of an asset or a liability or a firm commitment (hedged item) that is attributable to a particular risk. The gain or loss both on the hedging derivative instruments and on the hedged item attributable to the hedged risk is reflected in current operations. Cash flow hedge accounting is applied to a derivative instrument designated as hedging the exposure to variability in expected future cash flows of an asset or a liability or a forecasted transaction that is attributable to a particular risk. The effective portion of gain or loss on a derivative instrument designated as a cash flow hedge is recorded as a capital adjustment and the ineffective portion is recorded in current operations. The effective portion of gain or loss recorded as a capital adjustment is reclassified to current earnings in the same

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period during which the hedged forecasted transaction affects earnings. If the hedged transaction results in the acquisition of an asset or the incurrence of a liability, the gain or loss in capital adjustment is added to or deducted from the asset or the liability.

-4-

Revenue Recognition

The Company recognizes revenue from the sale of electric power based on meter readings made on a monthly basis. The Company does not accrue revenue for power sold after the meter readings but prior to the end of the accounting period. The Company recognizes revenue on long-term contracts, which are related to the construction of power plants in the Democratic Peoples Republic of Korea (North Korea), based on the percentage-of-completion method.

Income Tax Expense

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

Ordinary Income Per Share and Earnings Per Share

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

3. PROPERTY, PLANT AND EQUIPMENT:

(1) Asset revaluation

The Company has revalued its property, plant and equipment in accordance with the KEPCO Act and the Asset Revaluation Law (the latest revaluation date was January 1, 1999). The gain from the asset revaluation was Won 12,552,973 million (See Note 8).

(2) Publicly announced land prices

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

PURPOSE	AREA (SQUARE METERS)	BOOK VALUE	LA
Transmission and distribution sites and other	16,846,287	Won 3,321,377	Won

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(3) Utility plant

Utility plant as of December 31, 2002 and 2001 is as follows (won in millions):

	2002	2001
	-----	-----
Land	Won 3,321,377	Won 3,372,285
Buildings	2,135,878	1,951,033
Structures	22,415,717	20,220,976
Machinery	6,266,774	5,019,457
Ships	266	266
Vehicles	55,334	51,454
Others	236,690	214,122
	-----	-----
	Won 34,432,036	Won 30,829,593
	=====	=====

-5-

4. INSURED ASSETS:

Insured assets as of December 31, 2002 are as follows (won in millions):

INSURED ASSETS	INSURANCE TYPE	INSURED VALU
-----	-----	-----
Buildings and machinery	Fire insurance	Won 325,67
Buildings and machinery	Assemble insurance	365,31
Buildings	General insurance	147,18
Construction in progress	Construction insurance	141,40

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

5. INVESTMENT SECURITIES:

(1) Investment securities as of December 31, 2002 and 2001 are as follows (won in millions):

	2002	2001
	-----	-----
Securities subject to equity method	Won 22,152,733	Won 20,755,1
Non-listed equity securities	75,598	83,4
Others	10,947	7,7
	-----	-----

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Won 22,239,278
=====

Won 20,846,3
=====

(2) Securities subject to the equity method as of December 31, 2002 and 2001 are as follows (won in millions):

COMPANY NAME	2002			
	OWNERSHIP (%)	ACQUISITION COST	NET ASSET VALUE	VALUE PER EQUITY METHOD
Korea Hydro & Nuclear Power Co., Ltd.	100.0	Won 9,364,799	Won 10,577,527	Won 10,577,5
Korea South-East Power Co., Ltd.	100.0	1,232,004	1,679,117	1,679,1
Korea Midland Power Co., Ltd.	100.0	1,325,891	1,781,127	1,781,1
Korea Western Power Co., Ltd.	100.0	1,442,638	1,772,973	1,772,9
Korea Southern Power Co., Ltd.	100.0	1,797,378	1,953,743	1,953,7
Korea East-West Power Co., Ltd.	100.0	2,322,905	2,373,207	2,373,2
Korea Power Engineering Co., Ltd.	97.9	4,991	171,466	51,9
Korea Plant Service & Engineering Co., Ltd.	100.0	6,000	238,947	238,9
KEPCO Nuclear Fuel Co., Ltd.	96.4	89,757	150,100	134,5
Korea Electric Power Data Network Co., Ltd.	100.0	64,000	120,476	118,0
Korea Electric Power Industrial Development, Ltd.	100.0	16,300	40,730	40,7
Korea Gas Corporation	24.5	94,500	690,705	690,7
Korea District Heating Co.	26.1	5,660	147,898	147,8
Powercomm Corporation (*)	44.0	329,965	359,090	359,0
KEPCO International Hong Kong Ltd.	100.0	15,102	124,809	124,8
KEPCO International Philippines Inc. (*)	100.0	103,610	108,256	108,2
		-----	-----	-----
		Won 18,215,500	Won 22,290,171	Won 22,152,7
		=====	=====	=====

(*) The Company used draft financial statement of Powercomm Corporation and KEPCO International Philippines Inc. for equity method valuation.

-6-

If the difference between the cost of acquisition and the book value of the subsidiary is a positive goodwill, the difference is amortized using the straight-line method over five years from the year it was acquired, and if it is a negative goodwill, the difference related to the depreciable assets is amortized over the weighted average useful life of related assets from the year it was acquired and the difference related to the non-depreciable assets is amortized at the time assets are disposed of. Unrealized income from intercompany transactions is eliminated.

The Company eliminates the unrealized gains arising from the transactions with affiliates in equity method valuation. The eliminated gain arising from the transaction with Korea Power Engineering Co., Ltd, KEPCO Nuclear Fuel Co., Ltd.

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and Korea Electric Power Data Network Co., Ltd. amounted to Won 119,475 million, Won 15,562 million and Won 2,401 million, respectively, as of December 31, 2002 and Won 112,463 million, Won 17,877 million and Won 5,845 million, respectively, as of December 31, 2001.

In 2002, the Company has disposed some of its investments in Powercomm Corporation, with the gain on disposal of investment of Won 433,335 million.

As KEPCO International Hong Kong Ltd. owns 100 percent of the shares of KEPCO Philippines Corporation ("KEPHILCO") and KEPCO International Philippines Inc. holds 51 percent of the shares of KEPCO Ilijan Corporation ("KEILCO"), the Company applied the equity method for KEPCO International Hong Kong Ltd. and KEPCO International Philippines Inc., reflecting the changes in the net equity of KEPHILCO and KEILCO. In 2002, the Company acquired additional share of KEPCO International Philippines Inc. amounting to Won 12,453 million.

The Company recorded Won 2,178,492 million and Won 1,309,848 million as valuation gain using the equity method for the years ended December 31, 2002 and 2001, respectively.

Details of valuation using the equity method are as follows (won in millions):

COMPANY NAME	2002			
	BOOK VALUE AS OF JANUARY 1, 2002	GAIN ON VALUATION USING THE EQUITY METHOD OF ACCOUNTING	OTHERS (*)	BOOK VALUE AS OF DECEMBER 31, 2002
Korea Hydro & Nuclear Power Co., Ltd.	Won 9,930,683	Won 816,577	Won (169,733)	Won 10,577,527
Korea South-East Power Co., Ltd.	1,398,275	305,795	(24,953)	1,679,117
Korea Midland Power Co., Ltd.	1,482,997	321,073	(22,943)	1,781,127
Korea Western Power Co., Ltd.	1,573,395	229,494	(29,916)	1,772,973
Korea Southern Power Co., Ltd.	1,813,187	146,893	(6,337)	1,953,743
Korea East-West Power Co., Ltd.	2,295,361	73,621	4,225	2,373,207
Korea Power Engineering Co., Ltd.	46,352	30,623	(24,984)	51,991
Korea Plant Service & Engineering Co., Ltd.	212,431	33,116	(6,600)	238,947
KEPCO Nuclear Fuel Co., Ltd.	119,555	14,983	--	134,538
Korea Electric Power Data Network Co., Ltd.	112,209	14,911	(9,045)	118,075
Korea Electric Power Industrial Development, Ltd.	34,879	8,751	(2,900)	40,730
Korea Gas Corporation	698,164	63,370	(70,829)	690,705
Korea District Heating Co.	134,955	14,154	(1,211)	147,898

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Powercomm Corporation	718,126	35,400	(394,436)	359,090
KEPCO International Hong Kong Ltd.	87,647	55,409	(18,247)	124,809
KEPCO International Philippines Inc.	96,922	14,322	(2,988)	108,256
	-----	-----	-----	-----
	Won 20,755,138	Won 2,178,492	Won (780,897)	Won 22,152,733
	=====	=====	=====	=====

2001

COMPANY NAME	GAIN ON VALUATION USING THE EQUITY METHOD OF ACCOUNTING			OTHERS (*)
	BOOK VALUE AS OF JANUARY 1, 2001			
-----	-----	-----	-----	-----
Korea Hydro & Nuclear Power Co., Ltd.	Won --	Won 565,884	Won 9,364,799	
Korea South-East Power Co., Ltd.	--	166,271	1,232,004	
Korea Midland Power Co., Ltd.	--	157,106	1,325,891	
Korea Western Power Co., Ltd.	--	130,757	1,442,638	
Korea Southern Power Co., Ltd.	--	15,808	1,797,379	
Korea East-West Power Co., Ltd.	--	(27,544)	2,322,905	
Korea Power Engineering Co., Ltd.	30,973	18,579	(3,200)	
Korea Plant Service & Engineering Co., Ltd.	182,694	63,952	(34,215)	
KEPCO Nuclear Fuel Co., Ltd.	108,166	10,101	1,288	
Korea Electric Power Data Network Co., Ltd.	108,369	9,913	(6,073)	
Korea Electric Power Industrial Development, Ltd.	27,462	10,087	(2,670)	
Korea Gas Corporation	584,137	163,517	(49,490)	
Korea District Heating Co.	176,643	(40,844)	(844)	
Powercomm Corporation	684,484	20,630	13,012	
KEPCO International Hong Kong Ltd.	79,168	39,394	(30,915)	
KEPCO International Philippines Inc.	106,542	6,237	(15,857)	
	-----	-----	-----	
	Won 2,088,638	Won 1,309,848	Won 17,356,652	
	=====	=====	=====	

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

(3) Non-listed equity securities as of December 31, 2002 and 2001 are as follows (won in millions):

COMPANY NAME	2002			OWNERSHIP (%)
	ACQUISITION COST	BOOK VALUE		
Securities Market Stabilization Fund	Won 20,743	Won 20,743		7.57
Energy Savings Investment Cooperative	5,000	5,000		40.6
Korea Power Exchange	49,855	49,855		50.0
	Won 75,598	Won 75,598		

The Company invested in Korea Power Exchange, which was established to facilitate the electricity transactions between the Company and the power generation subsidiaries.

(4) Other investments as of December 31, 2002 and 2001 are as follows (won in millions):

	2002		
	FACE VALUE	BOOK VALUE	
Government and municipal bonds	Won 55	Won 55	Won
Hwan Young Steel Co., Ltd.	1,364	120	
Investment securities in Treasury Stock Fund	--	10,772	
	Won 1,419	Won 10,947	Won

The Company entered into a Treasury Stock Fund, composed of treasury stock and other investment securities. Investment securities other than treasury stock in the fund and its related losses on valuation of investment, which are recorded in capital adjustment, amount to Won 10,772 million and Won 8,509 million, respectively, as of December 31, 2002 and Won 7,653 million and Won 3,998 million, respectively, as of December 31, 2001.

(5) Gain on valuation of investment, which are recorded in capital adjustment as of December 31, 2002 and 2001 are as follows (won in millions):

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	2002	2001
	-----	-----
Valuation using the equity method	Won 60,886	Won 159,494
Investment securities in Treasury Stock Fund	(8,509)	(3,998)
	-----	-----
	Won 52,377	Won 155,496
	=====	=====

6. LOANS TO EMPLOYEES:

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

	2002	2001
	-----	-----
Short-term loans	Won 8,450	Won 7,701
Long-term loans	128,656	114,707
	-----	-----
	Won 137,106	Won 122,408
	=====	=====

-8-

7. INVENTORIES:

Inventories as of December 31, 2002 and 2001 consist of the following (won in millions):

	2002	2001
	-----	-----
Raw materials	Won 1,291	Won 1,509
Supplies	57,169	60,602
Other	6,757	6,774
	-----	-----
	Won 65,217	Won 68,885
	=====	=====

8. SHAREHOLDERS' EQUITY:

(1) Capital

The Company has 1,200,000,000 authorized shares of Won 5,000 par value common stock, of which 640,100,876 shares are issued as of December 31, 2002.

(2) Capital Surplus

Capital surplus as of December 31, 2002 and 2001 is as follows (won in millions):

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	2002		2001	
	-----		-----	
Paid-in capital in excess of par value	Won	799,876	Won	799,876
Reserves for asset revaluation		12,552,973		12,552,973
Other capital surplus		958,730		959,041
	-----		-----	
	Won	14,311,579	Won	14,311,890
	=====		=====	

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 Won 12,552,973 million as a reserve for asset revaluation. The reserve for asset revaluation may be credited to paid-in capital or offset against any accumulated deficit by resolution of the shareholders.

(3) Retained earnings

Appropriated retained earnings as of December 31, 2002 and 2001 consist of the following (won in millions):

	2002		2001	
	-----		-----	
Legal reserve	Won	1,600,252	Won	1,600,252
Reserve for business rationalization		31,900		31,900
Reserve for business expansion		10,925,338		8,556,873
Reserve for investment on social overhead capital		5,012,449		4,892,449
Reserve for research and human development		120,000		60,000
Voluntary reserve		210,000		210,000
	-----		-----	
	Won	17,899,939	Won	15,351,474
	=====		=====	

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. In accordance with the Tax Incentive Control Law, the amount of tax benefit associated with certain exemptions and tax credits must be appropriated as a reserve for business rationalization.

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

The 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.

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

(4) Capital adjustments

Capital adjustments as of December 31, 2002 and 2001 are as follows (won in millions):

	2002	2001
	-----	-----
Treasury stock	Won (16,670)	Won (24,609)
Gain on valuation of investments	52,377	155,496
	-----	-----
	Won 35,707	Won 130,887
	=====	=====

The Company has shares held as treasury stock amounting to Won 16,670 million (913,375 shares) and Won 24,609 million (1,134,053 shares) as of December 31, 2002 and 2001, respectively, for the purpose of stock price stabilization. This treasury stock is included in the Treasury Stock Fund.

9. DIVIDENDS:

Dividends as of December 31, 2002 and 2001 are as follows (won in millions, except per share data):

(1) Earnings available for dividend

	2002	2001
	-----	-----
Retained earnings before appropriation	Won 3,059,815	Won 1,778,306
Transfer from the voluntary reserve	--	--
Appropriation of the legal reserve and others	(2,548,465)	(1,426,874)
Other appropriation of retained earnings	--	--
	-----	-----
Earnings available for dividends	Won 511,350	Won 351,432
	=====	=====

(2) Dividend

	OUTSTANDING STOCKS	DIVIDEND RATE	DIVIDEND PER SHARE	TOTAL DIVID
	-----	-----	-----	-----
2002:				
Outstanding stocks other than treasury stock	639,187,501	16%	Won 800	Won 511,3

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Treasury stock	913,375	--	--	-----

	640,100,876			Won 511,3
	=====			=====
2001:				
Outstanding stocks other than treasury stock	638,966,823	11%	Won 550	Won 351,4
Treasury stock	1,134,053	--	--	-----

	640,100,876			Won 351,4
	=====			=====

(3) Dividend to net income ratio (won in millions)

	2002	2001
	-----	-----
Dividend	Won 511,350	Won 351,432
Net income	3,059,815	1,778,306
	-----	-----
Dividend to net income ratio	Won 16.71%	Won 19.76%
	=====	=====

(4) Dividend yield ratio

	2002	2001
	-----	-----
Dividend per share	Won 800	Won 550
Stock price at the end of year	Won 18,250	Won 21,700
	-----	-----
Dividend yield ratio	4.38%	2.53%
	=====	=====

-10-

10. BORROWINGS AND DEBENTURES:

(1) Long-term borrowings as of December 31, 2002 and 2001 are as follows
(won in millions):

(a) Long-term borrowings denominated in Korean Won

FINANCIAL INSTITUTION	TYPE	ANNUAL INTEREST RATE (%)	2002
-----	-----	-----	-----
Korea Development Bank	Industrial facility	5.42~9.00	Won 2,591,564

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Kookmin Bank	General	6.07~6.16	85,714
Korea National Oil Development Corporation	"	9.00	--
Others	"	5.50~6.00	37

			2,677,315
Less: Current portion			(629,522)

			Won 2,047,793
			=====

(b) Long-term borrowings denominated in foreign currency

FINANCIAL INSTITUTION	TYPE	ANNUAL INTEREST RATE (%)	2002
-----	-----	-----	-----
Japan Bank of International Cooperation	Commercial	2.27	Won --
Barclays International Financial Services (Ireland) Ltd.	"	6M Libor-1.00	376,482
Kredit Anstalt Fur Wieder Aufbau	Facility	6.00	180
Asia Development Bank	"	6.00	1,415

			378,077
Less: Current portion			(189,836)

			Won 188,241

(2) Debentures as of December 31, 2002 and 2001 are as follows (won in millions):

	ANNUAL INTEREST RATE (%)	2002		
	-----	-----		-----
Domestic debentures (Electricity bonds)	5.19~11.30	Won	2,755,000	Won
Foreign debentures	1.18~8.28		6,637,477	
			-----	-----
			9,392,477	
Less: Current portion			(1,635,364)	
Discount on debentures issued			(19,834)	
			-----	-----
		Won	7,737,279	Won
			-----	-----

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- (3) Foreign currency debts, by currency, as of December 31, 2002 and 2001 are as follows (won in millions):

	2002				2001			
	FOREIGN CURRENCY		WON EQUIVALENT		FOREIGN CURRENCY		WON EQUIVALENT	
Long-term borrowings	US\$	301,179,115	Won	377,897	US\$	301,695,125	Won	377,897
	EUR	143,104		180	JPY	92,038,852,176		115,000,000,000
					DEM	1,255,887,000		1,255,887,000
				378,077				
Debtentures	US\$	3,980,542,219		4,785,584	US\$	3,562,868,653		4,375,000,000
	JPY	175,060,000,000		1,773,130	JPY	205,060,000,000		2,050,600,000,000
	EUR	25,183,000		31,664	EUR	25,183,000		25,183,000
	GBP	24,467,000		47,099	GBP	24,467,000		24,467,000
					DEM	42,000,000		42,000,000
				6,637,477				
				7,015,554				

- (4) Aggregate maturities of the Company's long-term debt as of December 31, 2002 are as follows (won in millions):

YEAR ENDED DECEMBER 31	LOCAL CURRENCY BORROWINGS	FOREIGN CURRENCY BORROWINGS	ELECTRICITY BONDS	FOREIGN DEBENTURES	
2003	Won 629,522	Won 189,836	Won 10,000	Won 1,625,364	Won 2,444,722
2004	710,590	188,241	2,120,000	918,156	3,037,187
2005	689,441	-	240,000	1,201,766	2,531,207
2006	537,173	-	200,000	315,573	1,052,746
2007	93,371	-	185,000	1,240,924	1,519,295
Thereafter	17,218	-	-	1,335,694	1,352,912
	Won 2,677,315	Won 378,077	Won 2,755,000	Won 6,637,477	Won 11,847,869

11. LEASES:

- (1) The Company entered into a financial lease agreement with Korea Development Leasing Corporation for certain computer systems, of which the acquisition cost is Won 33,870 million and Won 34,111 million as of December 31, 2002 and 2001, respectively. Depreciation of the leased assets amounted to Won 10,235 million and Won 11,432 million for the years ended December 31, 2002 and 2001, respectively.

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- (2) Annual payments under these lease agreements as of September 30, 2002 are as follows (won in millions):

YEAR ENDING DECEMBER 31	AMOUNT			
	FINANCIAL LEASE		OPERATING LEASE	
2003	Won	9,292	Won	3,917
2004		2,106		1,164
2005		1,977		--
Thereafter		989		--
		14,364		5,081
Less: Interest		(833)		--
Current portion		(8,538)		--
	Won	4,993	Won	5,081
		=====		=====

-12-

12. FOREIGN CURRENCY DENOMINATED ASSETS AND LIABILITIES:

There are no significant liabilities denominated in foreign currency other than those mentioned in Note 10 and significant assets denominated in foreign currency as of December 31, 2002 and 2001 are as follows (won in millions):

ACCOUNT	2002				2001	
	FOREIGN CURRENCIES		EQUIVALENT KOREAN WON		FOREIGN CURRENCIES	
Cash and cash equivalents	US\$	16,395,438	Won	19,681	US\$	3,547,221
Trade receivables	US\$	3,497,537		4,198	US\$	17,563,698
Other account receivables	US\$	644,263		773	US\$	3,225,048
Other non-current assets	US\$	11,560		14	US\$	11,560
	JPY	5,859,783		59	JPY	5,859,783
			Won	24,725		
				=====		

13. SWAP TRANSACTIONS:

- (1) Currency swap contracts as of December 31, 2002 are as follows (foreign currency in millions):

CONTRACT	SETTLEMENT	CONTRACT AMOUNTS IN MILLIONS	CONTRACT
		-----	-----

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	YEAR	YEAR	PAY	RECEIVE	PAY
	-----	-----	-----	-----	-----
The Sumitomo Bank Ltd.	1995	2005	US\$ 286	JPY 27,000	7.
The Fuji Bank, Ltd.	1995	2005	US\$ 149	JPY 14,425	Libor+
Canadian Imperial Bank of Commerce	1996	2006	US\$ 97	JPY 9,865	Libor
J.P.Morgan Chase Bank	1996	2006	US\$ 200	JPY 20,723	Libor
Union Bank of Switzerland	1997	2007	US\$ 244	GBP 150	6.6
Union Bank of Switzerland	1997	2004	US\$ 30	JPY 3,360	6.
Union Bank of Switzerland	1997	2007	JPY 9,895	GBP 50	2.
Deutsche Bank	1998	2004	JPY 1,705	US\$ 55	6.
(formerly Bankers Trust Co.)			DEM 25		
			CHF 20		
			CAD 20		
Deutsche Bank	1998	2004	JPY 2,945	US\$ 95	6.
(formerly Bankers Trust Co.)			DEM 43		
			CHF 35		
			CAD 34		
Union Bank of Switzerland	1998	2003	JPY 12,150	US\$ 100	4.
Barclays Bank PLC, London	2002	2007	JPY 30,400	US\$ 250	1.
J.P. Morgan Securities Ltd.					
Deutsche	2002	2009	JPY 76,700	US\$ 650	1.

-13-

(2) Interest rate swap contracts as of December 31, 2002 are as follows:

	NOTIONAL AMOUNT IN MILLIONS	CONTRACT INTEREST RATE PER PAY (%)	RECEI
	-----	-----	-----
Lehman Brothers Special Financing, Inc.	US\$ 150	Libor+0.25	6.
J.P.Morgan Securities Ltd.	US\$ 149	6.91	Libor
Woori Bank (formerly Hanvit Bank)	US\$ 150	6.10	Libor
Korea Development Bank	US\$ 97	6.10	Libor
Union Bank of Switzerland	US\$ 70	6.33	Libor
Barclays Bank PLC, London	US\$ 300	6M Libor-1	Libor
Shinhan Bank	US\$ 100	6.50	6.
Deutsche Bank	US\$ 55	6.93	
(formerly Bankers Trust Co.)	JPY 1,705		6.
	DEM 25		6.
	CHF 20		6.
	CAD 20		6.
Deutsche Bank	US\$ 95	6.87	
(formerly Bankers Trust Co.)	JPY 2,945		6.
	DEM 43		6.
	CHF 35		6.
	CAD 34		6.
Deutsche Bank	US\$ 100	Max (6,074-Libor, 0)	Max (Libor
(formerly Bankers Trust Co.)			
Deutsche Bank	US\$ 100	Max (Libor-6.074,0)	Max (6.074
(formerly Bankers Trust Co.)			

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

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

	OTHER INCOME (EXPENSE)			
	2002		2001	
Currency swap				
Gains	Won	118,168	Won	79,913
Losses		(35,890)		(157,109)
Interest rate swap				
Gains		5,843		7,534
Losses		(24,963)		(62,346)
	Won	63,158	Won	(132,008)

-14-

14. POWER GENERATION, TRANSMISSION AND DISTRIBUTION EXPENSES:

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

	2002	2001
Material expenses:		
Coal	Won --	Won 366,085
Oil	9,836	317,772
LNG	--	569,010
Others	--	14,271
	9,836	1,267,138
Amortization of Nuclear fuel	--	129,641
Labor expenses:		
Salaries	166,705	194,985
Severance and retirement benefits	52,997	49,298
Others	288,728	307,284
	508,430	551,567
Overhead expenses:		
Employee benefits	52,137	61,870
Taxes and dues	15,708	156,943
Rent	20,010	19,494

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Depreciation	1,437,953	2,061,272
Maintenance	778,500	941,925
Commission and consultation fees	52,834	74,407
Compensation expense	63,532	84,081
Ordinary development expenses	93,943	139,336
Reserve for decommissioning costs	--	140,574
Impairment loss on utility plant	255,942	160,097
Others	76,216	254,568
	-----	-----
	2,846,775	4,094,567
	-----	-----
	Won 3,365,041	Won 6,042,913
	=====	=====

15. SELLING AND ADMINISTRATIVE EXPENSES:

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

	2002	2001
	-----	-----
Labor	Won 333,016	Won 284,909
Employee benefits	37,286	33,226
Taxes and dues	15,677	15,697
Rent	16,207	23,831
Depreciation	48,004	42,704
Maintenance	14,924	21,489
Commission and consultation fees	78,470	73,752
Ordinary development expenses	12,788	13,247
Collection expense	253,040	235,311
Promotion	18,881	49,689
Bad debts	14,380	2,323
Communication	27,788	24,045
Insurance	11,701	10,997
Rewards	4,296	10,329
Others	53,558	49,475
	-----	-----
	Won 940,016	Won 891,024
	=====	=====

-15-

16. RESEARCH AND DEVELOPMENT EXPENDITURES:

Research and development expenditures of the Company for the years ended December 31, 2002 and 2001 are as follows (won in millions):

2002	2001
-----	-----

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Intangibles	Won	20,065	Won	60,465
Ordinary development expenses		106,760		152,608
		-----		-----
	Won	126,825	Won	213,073
		=====		=====

17. INCOME TAX EXPENSE:

- (1) Income tax expense for the years ended December 31, 2002 and 2001 is as follows (won in millions):

		2002		2001
		-----		-----
Income tax currently payable	Won	928,844	Won	535,831
Changes in deferred income taxes		339,634		211,749
		-----		-----
Income tax expense	Won	1,268,478	Won	747,580
		=====		=====

- (2) Deferred income tax liabilities as of December 31, 2002 and 2001 are as follows (won in millions):

YEAR		ACCUMULATED TEMPORARY DIFFERENCES	TAX RATE (%)		DEFERRED INCOME TAX LIABILITIES
----		-----	-----		-----
2002	Won	(4,559,354)	29.7	Won	(1,354,128)
2001	Won	(3,429,313)	29.7	Won	(1,018,506)

18. RELATED PARTY TRANSACTIONS:

- (1) Transactions with related parties for the years ended December 31, 2002 and 2001 are as follows (won in millions):

RELATED PARTY	TRANSACTION	
-----	-----	-----
Sales and other income:		
Korea Hydro & Nuclear Power Co., Ltd.	Sales of electricity and others	Won 1
Korea South-East Power Co., Ltd.	"	
Korea Midland Power Co., Ltd.	"	
Korea Western Power Co., Ltd.	"	
Korea Southern Power Co., Ltd.	"	
Korea East-West Power Co., Ltd.	"	
Powercomm Corporation	"	
Others	"	

Won 3

=====

Purchases and others:

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Korea Hydro & Nuclear Power Co., Ltd.	Purchase of electricity and others	Won 4,6
Korea South-East Power Co., Ltd.	"	1,4
Korea Midland Power Co., Ltd.	"	1,5
Korea Western Power Co., Ltd.	"	2,0
Korea Southern Power Co., Ltd.	"	1,7
Korea East-West Power Co., Ltd.	"	1,8
Korea Power Engineering Co., Inc.	Designing of the power plant and others	

-16-

RELATED PARTY	TRANSACTION	20
Korea Plant Service & Engineering Co., Ltd.	Utility plant maintenance	Won
Korea Nuclear Fuel Co., Ltd.	Purchase of nuclear fuel	
Korea Electric Power Data Network Co., Ltd.	Maintenance of computer system	
Korea Electric Power Industrial Development, Ltd.	Commissions for service and others	
Korea Gas Corporation	Purchase of LNG	
Others	Commissions for service and others	
Total		Won 13, =====

- (2) Receivables arising from related parties transactions as of December 31, 2002 and 2001 are as follows (won in millions):

RELATED PARTY	2002		
	TRADE RECEIVABLES	OTHER ACCOUNT RECEIVABLES AND OTHER	TOTAL
Korea Hydro & Nuclear Power Co., Ltd.	Won 8,020	Won --	Won 8,020
Korea South-East Power Co., Ltd.	2,994	645	3,639
Korea Midland Power Co., Ltd.	--	382	382
Korea Western Power Co., Ltd.	2,722	423	3,145
Korea Southern Power Co., Ltd.	1,107	540	1,647
Korea East-West Power Co., Ltd.	3,897	621	4,518
Powercomm Corporation	--	5,731	5,731
Others	--	4,872	4,872
Total	Won 18,740	Won 13,214	Won 31,954
	=====	=====	=====

- (3) Payables arising from related parties transactions as of December 31, 2002

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and 2001 are as follows (won in millions):

RELATED PARTY	2002			
	TRADE PAYABLES		OTHER ACCOUNTS PAYABLE AND OTHER	
Korea Hydro & Nuclear Power Co., Ltd.	Won	366,226	Won	2,283
Korea South-East Power Co., Ltd.		123,918		113
Korea Midland Power Co., Ltd.		168,224		186
Korea Western Power Co., Ltd.		176,608		208
Korea Southern Power Co., Ltd.		130,101		80
Korea East-West Power Co., Ltd.		141,830		187
Korea Power Engineering Co., Inc.		--		7,108
Korea Plant Service & Engineering Co., Ltd.		--		6,845
Korea Nuclear Fuel Co., Ltd.		--		570
Korea Electric Power Data Network Co., Ltd.		--		25,502
Korea Electric Power Industrial Development, Ltd.		--		12,353
Others		4,924		4,746
Total	Won	1,111,831	Won	60,181

-17-

19. CONTINGENT LIABILITIES:

- The Company is engaged in 232 lawsuits as a defendant and 41 lawsuits as a plaintiff. The total amount claimed from the Company is Won 98,069 million and the total amount claimed by the Company is Won 104,021 million as of December 31, 2002. The outcome of these lawsuits cannot presently be determined. However, management believes that the ultimate disposition of those litigations will not have a materially adverse effect on the operations or financial position of the Company.
- The Company's debts of Won 17,646,157 million, including borrowings of Won 13,825,884 million, were transferred to the power generation subsidiaries at the time of spin-off. The Company has the collective responsibility together with the subsidiaries to repay those debts, which were transferred and outstanding, under the Commercial Code of the Republic of Korea. The balance of debts subject to those collective responsibilities as of December 31, 2002 is Won 6,867,718 million.
- The Company has provided debt repayment guarantees for its related parties in connection with the related parties' borrowings as of December 31, 2002 as follows:

LOAN TYPE	GUARANTEED COMPANY	FINANCIAL INSTITUTIONS	
Foreign currency loan	KEPCO International Hong Kong Ltd. ' '	Nippon Life Insurance Norinchukin Bank	US\$

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''
KEPCO International Philippines Inc. Korea Development Bank
Korea Development Bank

US\$
=====

- (4) KEPCO Ilijan Corporation, which is the subsidiary of KEPCO International Philippines Inc., is engaged in the power generation business in the Philippines and borrowed US\$ 449,672,139 as project financing from Japan Bank of International Cooperation and others for that business. The Company has provided Japan Bank of International Cooperation and others with the guarantees for performance of the power generation business of KEPCO Ilijan Corporation as well as with the partial guarantees for the repayment of that borrowings.
- (5) The Company has provided debt repayment guarantees of US\$ 303,266,667 in relation to the commercial borrowings. Also, the Company entered into the contract with Korea Development Bank, under which Korea Development Bank would guarantee the repayment of the Company's foreign currency debentures arisen at the spin-off of the Company's power generation division on April 2, 2001.
- (6) Five banks including the National Agricultural Cooperative Federation has provided the Company a credit (overdraft) line amounting to Won 245,000 million as of December 31, 2002.
- (7) The Company entered into a turnkey contract with the Korea Peninsula Energy Development Organization (KEDO) on December 15, 1999, to construct two 1,000,000 KW-class pressurized light-water reactor units in North Korea. The contract amount is US\$ 4,182 million and subject to adjustment to cover any changes in the price level.
- (8) The Company entered into the Power Purchase Agreement with LG Energy Co., Ltd. and other independent power producers for power purchases in accordance with the Electricity Business Act and power purchased from those companies amounted to Won 1,140,810 million and Won 987,272 million for the years ended December 31, 2002 and 2001, respectively.

-18-

20. SPIN-OFF:

The Company spun off its power generation division during the first half of 2001 in accordance with the restructuring plan of the electricity industry in the Republic of Korea announced by the Ministry of Commerce, Industry and Energy on January 21, 1999.

- (1) The newly established power generation subsidiaries are primarily engaged in the sale of electricity to the Company through the Korea Power Exchange. Details of those subsidiaries are as follows:

NAME OF THE SUBSIDIARIES

MAJOR POWER PLANT

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Korea Hydro & Nuclear Power Co., Ltd. (KHNP)	Hydroelectric power plant and nuclear in Gori and others
Korea South-East Power Co., Ltd. (KOSEPCO)	Thermoelectric power plant in Samchonpo others
Korea Midland Power Co., Ltd. (KOMIPO)	Thermoelectric power plant in Boryung a
Korea Western Power Co., Ltd. (KOWEPCO)	Thermoelectric power plant in Tae-an a
Korea Southern Power Co., Ltd. (KOSPO)	Thermoelectric power plant in Hadong an
Korea East-West Power Co., Ltd. (KEWESPO)	Thermoelectric power plant in Dangjin a

(2) Details of the spin-off

- a) The Company spun off its power generation business as stipulated by the Commercial Code of the Republic of Korea.
- b) Registration date of spin off: April 2, 2001
- c) Date of resolution of shareholders: March 16, 2001
- d) Date of resolution of Board of Directors: February 24, 2001

(3) Assets and liabilities of the spun off division

- a) Assets and liabilities of the spun off division as of April 2, 2001, date of spin off (won in million)

	KHNP	KOSEPCO	KOMIPO	KOWEPCO	KOSPO
	-----	-----	-----	-----	-----
Assets	Won 18,791,413	Won 2,490,720	Won 2,662,209	Won 2,904,046	Won 3,627,985
Liabilities	9,426,614	1,258,716	1,336,317	1,461,408	1,830,607
	-----	-----	-----	-----	-----
Net assets	Won 9,364,799	Won 1,232,004	Won 1,325,892	Won 1,442,638	Won 1,797,378
	=====	=====	=====	=====	=====

- b) Assets and liabilities of the spun off division as of December 31, 2000 (won in million)

	KHNP	KOSEPCO	KOMIPO	KOWEPCO	KOSPO
	-----	-----	-----	-----	-----
Assets	Won 17,433,479	Won 2,688,953	Won 2,209,503	Won 2,943,194	Won 3,507,340
Liabilities	9,231,779	1,469,853	1,234,789	1,542,594	1,819,240
	-----	-----	-----	-----	-----
Net assets	Won 8,201,700	Won 1,219,100	Won 974,714	Won 1,400,600	Won 1,688,100
	=====	=====	=====	=====	=====

- c) Result of operations of the spun off division (From January 1, 2001 to April 1, 2001) (won in million)

KHNP	KOSEPCO	KOMIPO	KOWEPCO	KOSPO
-----	-----	-----	-----	-----

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Net sales	Won 1,097,586	Won 410,195	Won 345,771	Won 406,931	Won 413,058
Cost of goods sold	875,074	360,346	280,101	380,139	401,384
	-----	-----	-----	-----	-----
Gross profit	Won 222,512	Won 49,849	Won 65,670	Won 26,792	Won 11,674
	=====	=====	=====	=====	=====

-19-

21. STATEMENTS OF CASH FLOWS:

- (1) Cash flows from operating activities were presented using the indirect method. Transactions not involving cash flows for the years ended December 31, 2002 and 2001 are as follows (won in millions):

	2002	2001
	-----	-----
Increase of investment securities due to the spin-off	Won --	Won 17,111
Reclassification of long term loans to short-term loans	8,618	1
Reclassification of construction in-progress to utility plant	4,100,723	5,011
Reclassification of current portion of debentures	1,632,145	1,051
Reclassification of current portion of long term debt	811,349	35

22. SUPPLEMENTARY INFORMATION FOR COMPUTATION OF VALUE ADDED:

The accounts and amounts needed for calculation of value added for the years ended December 31, 2002 and 2001 are as follows (won in millions):

	2002	2001
	-----	-----
Salaries and wages	Won 776,847	Won 781,760
Provisions for severance indemnities	92,915	86,566
Employee benefits	92,486	96,897
Rent	36,425	43,472
Depreciation	1,485,956	2,466,884
Taxes and dues	31,453	172,712
	-----	-----
	Won 2,516,082	Won 3,648,291
	=====	=====

23. WELFARE PROGRAM FOR EMPLOYEES AND DONATIONS:

Details of the welfare program for employees and donations for the years ended December 31, 2002 and 2001 are as follows (won in millions):

	2002	2001
	-----	-----
Donation to Welfare fund	Won 50,000	Won 90,000

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Electrification of rural and fishing villages	24,892	11,399
Donation to Korea Volleyball association and others	1,933	1,604
	-----	-----
	Won 76,825	Won 103,003
	=====	=====

-20-

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/ Chung, Soo Eun

Name: Chung, Soo Eun

Title: Chief Financial Officer

Date : March 10, 2003