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KOREA ELECTRIC POWER CORP

Form 6-K

October 15, 2003

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 6-K

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

For the Month of October, 2003

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

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

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

Form 20-F ☒ Form 40-F

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

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

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

Yes No ☒

--- ---

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

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

KOREA ELECTRIC POWER CORPORATION

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AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
AS OF JUNE 30, 2002 AND 2003

KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

AS OF DECEMBER 31, 2002 AND JUNE 30, 2003

	Korean won		Transl U.S. Dol
	2002	2003	
	(In millions)		(In
ASSETS			
Utility plant (Notes 3 and 5)	W 75,588,054	W 78,746,061	\$
Less: Accumulated depreciation	(11,963,081)	(14,415,743)	(
Construction grants	(2,321,219)	(2,521,038)	
	61,303,754	61,809,280	
Investments and others:			
Long-term investment securities (Note 6)	1,353,308	1,440,696	
Long-term loans (Note 7)	257,098	271,617	
Deferred income tax assets	1,261,813	1,349,745	
Currency and interest rate swaps (Note 13)	324,093	334,157	
Intangibles (Note 4)	459,202	480,819	
Other non-current assets (Note 12)	638,359	622,456	
	4,293,873	4,499,490	
Current assets:			
Cash and cash equivalents (Note 12)	1,997,480	1,258,208	
Trade receivables, net of allowance for doubtful accounts (Notes 12 and 17)	1,534,847	1,456,732	
Accounts receivable-other, net of allowance for doubtful accounts (Notes 12 and 17)	310,497	231,892	
Short-term investment securities (Note 6)	23,136	133,870	
Short-term financial instruments (Note 12)	137,852	156,705	
Short-term loans (Note 7)	14,661	14,231	
Inventories (Notes 5 and 8)	721,556	876,777	
Prepayments	1,992	11,340	
Other current assets	172,471	237,305	
	4,914,492	4,377,060	

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Total assets	W 70,512,119	W 70,685,830	\$
	=====	=====	=====

(continued)

KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (CONTINUED) (UNAUDITED)

AS OF DECEMBER 31, 2002 AND JUNE 30, 2003

	Korean won		Transl U.S. Dol
	2002	2003	
	(In millions)		(In t
Stockholders' Equity and Liabilities			
Stockholders' Equity (Notes 6 and 9):			
Common stock	W 3,200,504	W 3,200,504	\$
Capital surplus	14,483,121	14,486,093	1
Retained earnings	18,419,413	19,193,592	1
Capital adjustments	(137,973)	(327,297)	
Minority interest in consolidated subsidiaries	108,073	118,344	
Total stockholders' equity	36,073,138	36,671,236	3
Long-term Liabilities:			
Long-term debt (Note 10)	17,665,355	16,449,334	1
Accrued severance indemnities, net (Note 2)	454,326	522,536	
Reserve for decommissioning cost (Note 2)	4,417,934	4,719,860	
Reserve for self-insurance	82,536	82,011	
Currency and interest swaps (Note 13)	479,295	408,657	
Financing lease liabilities (Note 11)	5,366	2,330	
Deferred income tax liabilities	1,346,043	1,496,622	
Other long-term liabilities	393,321	348,423	
	24,844,176	24,029,773	2
Current Liabilities:			
Trade payables (Notes 12 and 17)	734,437	638,635	
Accounts payable-other (Notes 12 and 17)	931,892	753,139	
Short-term borrowings (Note 10)	157,733	447,928	
Current portion of long-term debt (Note 10)	5,653,428	6,320,093	
Income tax payable	1,270,664	857,814	
Accrued expenses	264,685	327,532	
Dividends payable	2,474	1,751	

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Other current liabilities	579,492	637,929	
	-----	-----	-----
	9,594,805	9,984,821	
	-----	-----	-----
Total liabilities	34,438,981	34,014,594	2
	-----	-----	-----
Total stockholders' equity and liabilities	W 70,512,119	W 70,685,830	\$ 5
	=====	=====	=====

See accompanying notes to consolidated financial statements.

KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2002 AND 2003

	Korean Won		Translation U.S. Dollars
	2002	2003	2003
	-----	-----	-----
	(In millions, except per share amounts)		(In thousands per share a
OPERATING REVENUES: (Note 17)			
Sale of electricity	W 9,517,966	W 10,425,992	\$ 8,7
Other operating revenues	620,946	469,331	3
	-----	-----	-----
	10,138,912	10,895,323	9,1
OPERATING EXPENSES (Notes 4, 14, 15, 17 and 19):			
Power generation, transmission and distribution	6,283,114	6,987,408	5,8
Purchased power	522,854	743,397	6
Other operating costs	310,393	189,745	1
Selling and administrative expenses	545,748	588,659	4
	-----	-----	-----
	7,662,109	8,509,209	7,1
	-----	-----	-----
OPERATING INCOME	2,476,803	2,386,114	1,9
OTHER INCOME (EXPENSE):			
Interest income	43,584	49,599	
Interest expense	(526,741)	(434,665)	(3
Gain on foreign currency transactions and			

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translation, net	567,720	59,884	
Gain on valuation using the equity method of accounting (Note 6)	72,863	75,318	
Donations (Note 21)	(10,469)	(41,490)	
Valuation gain on currency and interest rate swaps, net (Note 13)	52,506	1,571	
Gain (loss) on disposal of investments, net	(184)	45,243	
Other, net	181,443	103,647	
	-----	-----	-----
	380,722	(140,893)	(1
	-----	-----	-----
ORDINARY INCOME	2,857,525	2,245,221	1,8
EXTRAORDINARY ITEM	--	--	
INCOME BEFORE INCOME TAX EXPENSE			
	-----	-----	-----
	2,857,525	2,245,221	1,8
INCOME TAX EXPENSE (Note 16)	(1,159,118)	(947,881)	(7
	-----	-----	-----
INCOME BEFORE MINORITY INTERESTS	1,698,407	1,297,340	1,0
	-----	-----	-----
MINORITY INTERESTS	(5,260)	(11,811)	
	-----	-----	-----
NET INCOME	W 1,693,147	W 1,285,529	\$ 1,0
	=====	=====	=====
ORDINARY INCOME PER SHARE (Note 2)	W 2,650	W 2,036	\$
	=====	=====	=====
EARNINGS PER SHARE (Note 2)	W 2,650	W 2,036	\$
	=====	=====	=====

See accompanying notes to consolidated financial statements.

KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)

FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2002 AND 2003

	Korean Won (In millions)			
	Common Stock	Capital Surplus	Retained Earnings	Capital Adjustments
	-----	-----	-----	-----
Balance at January 1, 2002	W 3,200,504	W 14,905,237	W 14,947,359	W (43,465)
Net income	--	--	1,693,147	--

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Gain on disposal of treasury stock	--	2,005	--	--
Changes in capital adjustments	--	--	--	(21,809)
Changes in minority interests	--	--	--	--
	-----	-----	-----	-----
Balance at June 30, 2002	W 3,200,504	W 14,907,242	W 16,640,506	W (65,274)
	=====	=====	=====	=====
Balances at January 1, 2003	W 3,200,504	W 14,483,121	W 18,419,413	W (137,973)
Net income	--	--	1,285,529	--
Dividends declared	--	--	(511,350)	--
Gain on disposal of treasury stock	--	2,972	--	--
Changes in capital adjustments	--	--	--	(189,324)
Changes in minority interests	--	--	--	--
	-----	-----	-----	-----
Balances at June 30, 2003	W 3,200,504	W 14,486,093	W 19,193,592	W (327,297)
	=====	=====	=====	=====
Translation into U.S. Dollars (In thousands) (Note 2)	\$ 2,676,007	\$ 12,112,118	\$ 16,048,154	\$ (273,660)
	=====	=====	=====	=====

See accompanying notes to consolidated financial statements.

KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2002 AND 2003

	Korean Won		Translation
	2002	2003	U.S. Dollars (
	-----	-----	-----
	(In millions)		(In thousa
Cash flows from operating activities:			
Net income	W 1,693,147	W 1,285,529	\$ 1,074,8
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	2,219,249	2,281,237	1,907,3
Amortization of nuclear fuel and heavy water	192,753	210,054	175,6
Utility plant removal cost	88,112	90,891	75,9
Provision for severance and retirement benefits	67,952	79,038	66,0
Provision for decommissioning costs	276,501	312,756	261,5
Allowance for doubtful accounts	12,414	9,158	7,6
Interest expense (income), net	8,398	(949)	(7
Gain on foreign currency translation	(521,234)	(64,541)	(53,9
Loss (gain) on disposal of investment	184	(45,243)	(37,8

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Gain on valuation using the equity method of accounting	(72,863)	(75,318)	(62,9
Valuation gain on currency and interest rate swaps, net	(52,506)	(1,571)	(1,3
Increase in deferred income tax assets	(74,130)	(88,778)	(74,2
Decrease (increase) in accounts receivable	(120,613)	62,251	52,0
Decrease in accounts receivable-other	3,154	78,884	65,9
Increase in inventories	(60,607)	(113,274)	(94,7
Decrease (increase) in prepayments	22,524	(28,462)	(23,7
Increase in deferred income tax liabilities	186,609	150,579	125,9
Decrease in trade payables	(231,682)	(95,138)	(79,5
Decrease in accounts payable-other	(97,145)	(180,408)	(150,8
Increase (decrease) in income tax payable	457,533	(410,935)	(343,5
Increase (decrease) in accrued expenses	(43,545)	71,415	59,7
Payment of severance and retirement benefits	(8,787)	(7,744)	(6,4
Payment of decommissioning costs	(5,961)	(10,557)	(8,8
Payment of self-insurance	(456)	(526)	(4
Other, net	(63,604)	5,895	4,9
Net cash provided by operating activities	3,875,397	3,514,243	2,938,3

(continued)

KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED) (UNAUDITED)

FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2002 AND 2003

	Korean Won		Transla U.S. Dolla
	2002	2003	20
	(In millions)		(In th
Cash flows from investing activities:			
Disposal of utility plant	W 50,350	W 32,375	\$
Disposal of non-utility plant	2,631	--	
Additions to utility plant	(3,046,311)	(3,496,445)	(2,9
Additions to non-utility plant	(85,293)	--	
Receipt of construction grants	259,539	280,086	2
Proceeds from disposal of investment securities, net	8,299	77,168	
Payment of long-term loans, net	(32,341)	(25,751)	(
Increase in intangibles, net	(6,495)	(9,228)	
Decrease (increase) in other non-current assets	(27,910)	12,903	
Withdrawal (acquisition) of short-term financial instruments, net	191,116	(18,853)	(
Decrease in short-term loans, net	10,595	8,364	
Proceeds from sale (acquisition) of short-term investment securities	11	(110,816)	(

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Net cash used in investing activities	(2,675,809)	(3,250,197)	(2,7
Cash flows from financing activities:			
Proceeds from long-term debt	1,482,891	3,070,357	2,5
Payment of long-term debt	(507,715)	(627,333)	(5
Payment of current portion of long-term debt	(3,279,177)	(2,936,848)	(2,4
Proceed from (Payment of) in short-term borrowings, net	(3,567)	292,805	2
Cash dividends	(331,228)	(512,073)	(4
Acquisition of treasury stock	--	(180,120)	(1
Other, net	(14,678)	(90,300)	(
Net cash provided by financing activities	(2,653,474)	(983,512)	(8
Net decrease in cash and cash equivalents from changes in consolidated subsidiaries	--	(19,806)	(
Net decrease in cash and cash equivalents	(1,453,886)	(739,272)	(6
Cash and cash equivalents at beginning of the period	2,303,954	1,997,480	1,6
Cash and cash equivalents at end of the period	W 850,068	W 1,258,208	\$ 1,0
	=====	=====	=====

See accompanying notes to consolidated financial statements.

KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2002 AND 2003
(UNAUDITED)

1. GENERAL:

(1) The Company

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

As of June 30, 2003, the Government of the Republic of Korea, Korea Development Bank and foreign investors hold 32.35 percent, 21.57 percent and 25.47 percent, respectively, of KEPCO's shares.

KEPCO spun off its power generation division on April 2, 2001, resulting in the establishment of six new power generation subsidiaries. The Company has been considering the gradual privatization of its power generation subsidiaries and distribution business in accordance with the Restructuring Plan, dated January 21, 1999, of the electricity industry in the Republic of Korea announced by the Ministry of Commerce, Industry and Energy ("Restructuring Plan"). This Restructuring Plan, which is intended to introduce a competitive system in the

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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 consolidated 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) Consolidated Subsidiaries

Subsidiaries	Year of establishment	Ownership percentage (%)		
		2002	2003	
Korea Hydro & Nuclear Power Co., Ltd.	2001	100.0	100.0	Power
Korea South-East Power Co., Ltd.	2001	100.0	100.0	Power
Korea Midland Power Co., Ltd.	2001	100.0	100.0	Power
Korea Western Power Co., Ltd.	2001	100.0	100.0	Power
Korea Southern Power Co., Ltd.	2001	100.0	100.0	Power
Korea East-West Power Co., Ltd.	2001	100.0	100.0	Power
Korea Power Engineering Co., Ltd.	1977	97.9	97.9	Engin
Korea Plant Services & Engineering Co., Ltd.	1984	100.0	100.0	Utili
KEPCO Nuclear Fuel Co., Ltd.	1982	96.4	96.4	Nucle
Korea Electric Power Data Network Co., Ltd.	1992	100.0	100.0	Infor
Korea Electric Power Industrial Development Co., Ltd. (*)	1990	100.0	49.0	Dispo elec

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Subsidiaries	Year of establishment	Ownership percentage (%)		
		2002	2003	
KEPCO International Hong Kong Ltd.	1995	100.0	100.0	Holdi
KEPCO International Philippines Inc.	2000	100.0	100.0	Holdi
KEPCO Philippines Corporation	1995	100.0	100.0	Utili oper Inte
KEPCO Ilijan Corporation	1997	51.0	51.0	Const plan Inte

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(*) KEPCO sold a portion of its investment in Korea Electric Power Industrial Development Co., Ltd. during 2003, which reduced its ownership interest to 49% and losing its status as the major shareholder. Accordingly, KEPCO has begun to account for Korea Electric Power Industrial Development Co., Ltd using the equity method from 2003.

(3) The affiliates accounted for using the equity method

Subsidiaries	Year of establishment	Ownership percentage (%)		
		2002	2003	
Korea Gas Corporation	1983	24.5	24.5	Sales
Korea District Heating Co., Ltd.	1985	26.1	26.1	Provi
Powercomm Corporation	2000	44.0	43.1	Comm
Korea Electric Power Industrial Development Co., Ltd.	1990	100.0	49.0	Dispo
YTN	1993	21.4	21.4	met Broad

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

(1) Basis of Consolidated Financial Statement Presentation

KEPCO maintains its official accounting records in Korean won and prepares the consolidated financial statements in the Korean language (Hangul) in conformity with the Accounting Regulations for Government Invested Enterprises, which have been approved by the Korean Ministry of Finance and Economy and, in the absence of specialized accounting regulations for utility companies, the accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, the accompanying financial statements are intended for use by 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 U.S. dollar amounts presented in these financial statements were computed by translating the Korean won into U.S. dollars at the rate of W1,196.00 to US\$1.00, the noon buying rate in the City of New York for cable transfers in won as certified for customs purposes by the Federal Reserve Bank of New York on June 30, 2003, solely for the convenience of the reader. These convenience translations into U.S. dollars should not be construed as representations that the Korean won amounts have been, could have been, or could in the future be, converted at this or any other rate of exchange.

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In 2003, the Company adopted Statements of Korean Financial Accounting Standards ("SKAS") No 2, 3, 4, 5, 6, 7, 8 and 9, which are effective from January 1, 2003. Those statements provide accounting and reporting standards for the interim financial statements, intangible assets, revenue recognition, tangible assets, events occurring after the balance sheet date, capitalization of interest costs, marketable securities and convertible securities. The prior year financial statements, which are presented for comparative purposes, were restated to conform to the provisions of those standards. As a result of the adoption of SKAS No. 6 - "Events Occurring After the Balance Sheet Date", shareholders' equity increased and current liabilities decreased by ₩511,350 million as of December 31, 2002.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual result could differ from those estimates.

(2) Principles of Consolidation

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

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

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

(3) Property, Plant and Equipment

Property, plant and equipment are stated at cost except for assets revalued upward in accordance with the KEPCO Act and the Assets Revaluation Law of Korea. Expenditures, as incurred after the acquisition of the property, plant and equipment, that increases the future economic benefits beyond the property's most recently measured performance, are capitalized as additions to property, plant and equipment.

According to SKAS No. 5 "Tangible Assets", when the estimated cost of

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dismantling and removing the asset, and restoring the site, after the termination of the asset's useful life, meets the criteria for recognition of provisions, the present value of the estimated cost are capitalized as part of the carrying amount of the tangible assets and the same amounts are recognized as a liability. Those capitalized assets shall be depreciated using the systematic and rational method over the asset's useful life and the liability shall be increased by the effective interest rate method. The Company applies this accounting treatment to tangible assets acquired after January 1, 2003.

The Company capitalizes interest and other borrowing costs on debt issued to finance capital expenditures as part of the acquisition cost of major facilities and equipment. For the six-month periods ended June 30, 2002 and 2003, the amounts of capitalized interest was W220,116 million and W252,639 million, respectively.

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

	Construction in-progress	Total assets	Interest expense	Income before Income tax expense
	-----	-----	-----	-----
Capitalized	\$ 9,101,695	\$ 70,685,830	\$ 434,665	\$ 2,245,221
Expensed	8,849,056	70,433,191	687,304	1,992,582
	-----	-----	-----	-----
	\$ 252,639	\$ 252,639	\$ (252,639)	\$ 252,639
	=====	=====	=====	=====

Depreciation is computed using the declining-balance method (straight-line method for buildings, structures and heavy water, units of production method for nuclear fuel) 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	8~30
Structures	8~30
Heavy water	30
Machinery	16
Ships	9
Vehicles	4
Others	4

The Company assesses any possible recognition of impairment loss when there is an indication that expected future economic benefits of a tangible asset is considerably less than its carrying amount as a result of technological obsolescence or rapid decline in market value. When it is determined that a

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tangible asset may have been impaired and that its estimated total future cash flows from continued use or disposal is less than its carrying amount, the carrying amount of a tangible asset is reduced to its recoverable amount and the difference is recognized as an impairment loss. If the recoverable amount of the impaired asset exceeds its carrying amount in subsequent reporting period, the amount equal to the excess is treated as reversal of the impairment loss; however, it cannot exceed the carrying amount that would have been determined had no impairment loss were recognized.

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

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

Construction grants are initially recorded and presented in the accompanying consolidated 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 W255,168 million and W280,086 million of construction grants, and offset W93,232 million and W80,267 million against depreciation expense and utility plant removal cost for the six-month periods ended June 30, 2002 and 2003, respectively.

(4) 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.

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(5) Investment Securities other than those Accounted for Using the Equity Method

Classification of Securities

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

Valuation of Securities

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

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those of the acquired securities are available, the acquisition cost is measured at the best estimates of its fair value.

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

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

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

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

(6) Investment Securities Using the Equity Method

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

(7) Intangibles

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

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

(8) Allowance for Doubtful Accounts

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

(9) 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.

(10) 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.

(11) Accrued Severance Indemnities

Employees and directors with more than one year of service are entitled to receive a lump-sum payment upon termination of their service with the Company, based on their length of service and rate of pay at the time of termination. The accrued severance indemnities that would be payable assuming all eligible employees were to resign are W520,891 million and W579,207 million as of December 31, 2002 and June 30, 2003, respectively. Actual severance payments were W8,787 million and W7,744 million for the six-month periods ended June 30, 2002 and 2003, respectively.

Before April 1999, the Company and its employees paid 3 percent and 6 percent,

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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 W116 million and W101 million as of December 31, 2002 and June 30, 2003, respectively, are presented as a deduction from accrued severance indemnities. Starting April 1999, the Company and its employees each pay 4.5 percent of monthly pay to the Fund under the revised National Pension Law of Korea.

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Funding of the severance indemnities are not required, however, tax deductions are limited if the liability is not funded. The Company has purchased severance insurance deposits, which meet the funding requirement for tax deduction purposes. These consist of individual severance insurance deposits, in which the beneficiary is the respective employee, with a balance of W66,449 million and W56,570 million as of December 31, 2002 and June 30, 2003, respectively, which are presented as deduction from accrued severance indemnities.

(12) Reserve for Self-Insurance

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

(13) Reserve for Decommissioning Costs

As discussed in Note 2 (3) Property, Plant and Equipment, for the tangible assets acquired after January 1, 2003, the Company recognizes the present value of the estimated cost of dismantling and removing the asset, and restoring the site as a liability. For the assets acquired before January 1, 2003, the Company accrues expenses for estimated decommissioning costs of nuclear facilities based on engineering studies prepared in 1992. These expenses are included in operating expenses in the accompanying statements of income. Annual additions to the reserve are in amounts such that the current costs would be fully accrued for at estimated dates of decommissioning on a straight-line basis, reflecting the inflation rate. The Company accrued W276,501 million and W312,756 million as a reserve for decommissioning costs for the six-month periods ended June 30, 2002 and 2003, respectively. The accounting for decommissioning costs for nuclear power plants involves significant estimates related to costs to be incurred many years in the future. Changes in these estimates could significantly impact the Company's financial position, results of operations and cash flows.

(14) 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 W1,200.40 and W1,193.10 to US\$ 1.00 at December 31, 2002 and June 30, 2003, respectively. The translation gains or losses are reflected in current operations.

(15) Accounting for Derivative Instruments

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

(16) Revenue Recognition

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

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(17) Income Tax Expense

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

(18) 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 638,988,360 shares and 631,387,812 shares for the six-month periods ended June 30, 2002 and 2003, respectively. Ordinary income per share and earnings per share of the Company for 2002 is W4,770.

3. PROPERTY, PLANT AND EQUIPMENT:

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- (1) Asset revaluation KEPCO has revalued its property, plant and equipment in accordance with the KEPCO Act and the Asset Revaluation Law (the latest revaluation date was January 1, 1999). The gain from the asset revaluation was W12,552,973 million.
- (2) Publicly announced land prices The published price of the Company's land as of June 30, 2003, as announced by the Korean Government, is as follows (won in millions):

Purpose	Book value	Land prices
-----	-----	-----
Sites of utility plant	W 5,547,553	W 4,804,123

- (3) Utility plant

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

	December 31, 2002	June 30, 2003
	-----	-----
Land	W 5,557,943	W 5,547,553
Buildings	8,493,206	8,515,386
Structures	25,944,743	26,749,266
Machinery	24,034,908	24,828,026
Nuclear fuel and heavy water	2,262,641	2,450,771
Vehicles	71,199	70,341
Ships	385	372
Construction in progress	7,776,506	9,101,695
Others	1,446,522	1,482,651
	-----	-----
	W 75,588,053	W 78,746,061
	=====	=====

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- (4) Changes of utility plant

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

	Increase		Decrease	
December 31, 2002	Acquisition	Other	Disposal	Other (*)
-----	-----	-----	-----	-----

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Land	W	5,557,943	W	450	W	22,270	W	33,005	W	105
Buildings		7,514,099		6,221		107,182		13,403		64,692
Structures		22,720,502		--		934,655		104,977		428
Machinery		17,470,324		56,037		833,029		17,234		49,815
Nuclear fuel and heavy water		1,578,172		177,534		4,986		--		--
Vehicles		15,601		656		2,794		24		86
Ships		137		--		--		4		--
Others		991,689		48,772		9,292		193		18,409
Construction in-progress		7,776,506		3,206,775		38,656		--		1,920,242
Construction grants		(2,321,219)		--		(280,086)		--		(18,274)
	W	61,303,754	W	3,496,445	W	1,672,778	W	168,840	W	2,035,503
	=====		=====		=====		=====		=====	

(*) Other includes utility plants of Korean Electric Power Industrial Development Co., Ltd., which was excluded from the consolidation from 2003.

4. INTANGIBLES:

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

	December 31, 2002	Increase		Decrease	
		Increase	Other	Amortization	Other
Patents-industrial	W 1,045	W --	W 264	W 97	W
Land rights	572	--	--	137	
Port facility usage rights	182,146	--	3,053	5,076	
Water facility usage rights	137,531	--	--	8,334	
Others	137,908	9,228	46,519	18,293	4
	W 459,202	W 9,228	W 49,836	W 31,937	W 5
	=====	=====	=====	=====	=====

- (2) Ordinary development expenses for the six-month periods ended June 30, 2002 and 2003 are W122,991 million and W125,212 million, respectively.

5. INSURED ASSETS:

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

Insured assets	Insurance type	Insured value
Buildings and machinery	Fire insurance	W 2,134,309
Buildings and machinery	Assemble insurance	4,826,907
Buildings and machinery	Nuclear property insurance	1,801,581
Inventories and machinery	Shipping insurance	881,892
Buildings	General insurance	144,011

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Construction in progress

Construction insurance

119,424

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

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6. SECURITIES:

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

	December 31, 2002	June 30, 2003
	-----	-----
Short-term investment securities		
Available-for-sale securities	W 19,881	W 133,865
Held-to-maturity securities	3,255	5
	-----	-----
	23,136	133,870
	-----	-----
Long-term investment securities		
Available-for-sale securities	137,497	166,371
Held-to-maturity securities	1,540	1,878
Securities subject to equity method	1,214,271	1,272,447
	-----	-----
	1,353,308	1,440,696
	-----	-----
	W 1,376,444	W 1,574,566
	=====	=====

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

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

	December 31, 2002		June 30, 2003	
	-----		-----	
Company name	Ownership (%)	Book value	Ownership (%)	Book value
-----	-----	-----	-----	-----
Short-term investment securities				
Beneficiary certificates	--	W 19,881	--	W 19,881
Corporate bonds	--	--	--	--
		-----		-----
		19,881		19,881
		-----		-----

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Long-term investment securities

Securities Market Stabilization Fund	7.57	W	20,744	7.57	W
Energy Savings Investment Cooperative	40.6		5,000	40.6	
Korea Power Exchange	100.0		99,709	100.0	
Hwan Young Steel Co., Ltd.	--		120	--	
Investment securities in treasury stock fund	--		10,772	--	
Other	--		1,152	--	

			137,497		

		W	157,378		W
			=====		=====

The Company entered into a treasury stock fund, composed of treasury stock and other investment securities and recorded other investment securities in long-term investment securities. Losses on valuation of available for sale securities in the treasury stock fund, which are recorded in capital adjustment, amount to W8,509 million and W9,610 million as of December 31, 2002 and June 30, 2003, respectively.

Available-for-sales securities other than investment securities in treasury stock fund and Hwan Young Steel Co., Ltd, which is recorded by its net asset value, are non-marketable equity securities and stated at cost due to the lack of information to determine the fair value.

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- (3) Securities subject to the equity method as of December 31, 2002 and June 30, 2003 are as follows (won in millions):

Company name	December 31, 2002		June 30, 2003	
	Ownership (%)	Book value	Ownership (%)	Acquisition Cost
Korea Gas Corporation	24.5	W 690,705	24.5	W 94,500
Korea District Heating Co.	26.1	147,716	26.1	5,660
Powercomm Corporation	44.0	352,235	43.1	323,470
Korea Electric Power Industrial Development, Ltd.	--	--	49.0	7,987
YTN	21.4	23,615	21.4	59,000
		-----		-----
		W 1,214,271		W 490,617
		=====		=====

The Company used draft financial statements of Korea Electric Power Industrial Development, Ltd., Korea District Heating Co., and YTN using the equity method valuation.

If the difference between the cost of acquisition and the book value of the subsidiary is a positive goodwill, the difference is amortized using the straight-line method within twenty 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

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from the year it was acquired and the difference related to the non-depreciable assets is amortized at the time assets are disposed of. As of June 2003, there are no positive or negative goodwill.

In 2003, the Company has disposed some of its investments in Korea Electric Power Industrial Development, Ltd. and recognized gain on disposal of investment of W44,104 million. As a result, the Company lost its status as the major shareholder of Korea Electric Power Industrial Development, Ltd. and has begun to account for it using the equity method from 2003.

Loss on valuation of investment in relation to equity method, which are recorded in capital adjustment as of December 31, 2002 and June 30, 2003, are W30,079 million and W30,148 million, respectively.

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

Company name	December 31, 2002	Gain on valuation	Other changes (*)	June 31, 2003
-----	-----	-----	-----	-----
Korea Gas Corporation	W 690,705	W 55,977	W (29,204)	W 717,478
Korea District Heating Co.	147,716	7,352	(1,782)	153,286
Powercomm Corporation	352,235	10,944	(5,197)	357,982
Korea Electric Power Industrial Development, Ltd.	--	780	18,965	19,745
YTN	23,615	265	76	23,956
	-----	-----	-----	-----
	W 1,214,271	W 75,318	W (17,142)	W 1,272,447
	=====	=====	=====	=====

(*) Other changes are composed of acquisition (disposal) amounts of investment securities, dividends and others and include the book value of Korea Electric Power Industrial Development, Ltd at the time of disposal of the investment.

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7. LOANS TO EMPLOYEES:

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

	December 31, 2002	June 30, 2003
	-----	-----
Short-term loans	W 14,661	W 14,231
Long-term loans	228,124	242,161
	-----	-----
	W 242,785	W 256,392
	=====	=====

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8. INVENTORIES:

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

	December 31, 2002	June 30, 2003
	-----	-----
Raw materials	W 243,198	W 277,953
Supplies	422,508	457,616
Other	55,850	141,208
	-----	-----
	W 721,556	W 876,777
	=====	=====

9. SHAREHOLDERS' EQUITY:

(1) Capital

The Company has 1,200,000,000 authorized shares of W5,000 par value common stock, of which 640,100,876 shares are issued as of June 30, 2003.

(2) Capital Surplus

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

	December 31, 2002	June 30, 2003
	-----	-----
Paid-in capital in excess of par value	W 799,876	W 799,876
Reserves for asset revaluation	12,552,973	12,552,973
Other capital surplus	1,130,272	1,133,244
	-----	-----
	W 14,483,121	W 14,486,093
	=====	=====

KEPCO 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.

(3) Retained earnings

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

	December 31, 2002	June 30, 2003
	-----	-----
Legal reserve	W 1,600,252	W 1,600,252
Reserve for business expansion	8,556,873	10,925,338

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Reserve for investment on social overhead capital	4,892,449	5,012,449
Reserve for research and human development	60,000	120,000
Voluntary reserve and other	3,309,839	1,535,553
	-----	-----
	W 18,419,413	W 19,193,592
	=====	=====

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

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

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

(4) Capital adjustments

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

	December 31, 2002	June 30, 2003
	-----	-----
Treasury stock	W (16,669)	W (195,208)
Overseas operation translation	(82,971)	(87,196)
Valuation gain (loss) on currency and interest rate swaps	255	(5,135)
Loss on valuation of equity method securities	(30,079)	(30,148)
Loss on valuation of available for sale securities	(8,509)	(9,610)
	-----	-----
	W (137,973)	W (327,297)
	=====	=====

The Company has shares held as treasury stock amounting to W16,669 million (913,375 shares) and W 195,208 million (10,798,355 shares) as of December 31, 2002 and June 30, 2003, respectively, for the purpose of stock price stabilization.

10. BORROWINGS AND DEBENTURES:

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

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Financial institution	Type	Annual interest rate (%)	December 31, 2002
Local currency loan			
National Agricultural Cooperative Federation and others	General	4.28~4.42	W
Foreign currency loan			
Korea Exchange Bank and others	Usance and others	Libor+0.25~0.50	157,73
			W 157,73

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

Financial institution	Type	Annual interest rate (%)
Local currency loan		
Korea Development Bank	Facility	4.75~9.00
Kookmin Bank	General	6.07~6.16
Chohung Bank	Facility	5.50
	Rural area development	
Koram Bank		4.00
National Agricultural Cooperative Federation	"	4.00
Others	General	5.50~6.00
Foreign currency loan		
Japan Bank of International Cooperation	Industrial facility	8.28
Barclays International Financial Services (Ireland) Ltd.	Commercial	6M Libor-1.00
Kredit Anstalt Fur Wieder Aufbau	Industrial facility	6.00
Asia Development Bank	"	6.00
National Agricultural Cooperative Federation	"	Libor+2.00
Korea Development Bank	General	Libor+0.30~1.75
	Purchase of nuclear fuel	
The Export-Import Bank of Korea		Libor+1.50~2.70
Korea Exchange Bank	Industrial facility	Libor+0.15~2.00
Kookmin Bank	"	Libor+1.40
Norinchukin Bank	"	Libor+0.19
Nippon Life Insurance	"	Libor+0.19
US-EXIM	"	Libor+0.25~0.30

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Less: Current portion

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

	Annual interest rate (%)	December 31, 2002	June 30, 2003
	-----	-----	-----
Domestic debentures			
Electricity bonds	4.70~12.43	W 7,125,700	W 5,829,363
Corporate bonds	4.78~7.75	2,558,703	3,038,867
		-----	-----
		9,684,403	8,868,230
		-----	-----

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	Annual interest rate (%)	December 31, 2002
	-----	-----
Foreign debentures		
FY-93	4.00~7.75	2,043,899
FY-95	6.91~7.68	420,342
FY-96	6M Libor +0.14	629,745
FY-97	6M Libor + (0.31, 0.60, 1.65)	1,159,764
FY-99	5.75	31,664
FY-00	2.10~8.25	663,981
FY-01	1.18~1.27	607,722
FY-02	1.04~1.18	1,080,360
Eurobond	1.33~4.75	180,060

		6,817,537

		16,501,940
Less: Discount on debentures issued		(52,474)
Current portion		(3,881,623)

		W 12,567,843
		=====

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- (4) Foreign currency debt, by currency, as of December 31, 2002 and June 30, 2003 is as follows (won in millions):

	December 31, 2002					
	Foreign currencies		Won equivalent			Foreign currencies
Short-term borrowings	US\$	131,400,198	W	157,733	US\$	149,1
Long-term borrowings	US\$	1,421,141,288		1,724,118	US\$	1,217,7
	EUR	143,104		180		
			W	1,724,298		
Debentures	US\$	4,130,542,219	W	4,965,644	US\$	4,629,8
	JPY	175,060,000,000		1,773,130	JPY	195,060,0
	EUR	25,183,000		31,664	EUR	25,1
	GBP	24,467,000		47,099	GBP	24,4
				6,817,537		
			W	8,699,568		

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

Year ended June 30	Long-term borrowings		Debentures		
	Local Currency	Foreign Currency	Local Currency	Foreign Currency	
2004	W 1,235,250	W 422,920	W 2,647,277	W 2,014,646	W 6
2005	1,291,449	265,179	2,991,433	1,459,633	6
2006	1,160,537	283,421	1,029,673	570,087	3
2007	665,264	94,441	1,009,847	49,736	1
Thereafter	578,996	399,054	1,190,000	3,463,298	5
	W 4,931,496	W 1,465,015	W 8,868,230	W 7,557,400	W 22

11. LEASES:

- (1) The Company entered into a financial lease agreement with Korea Development

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Leasing Corporation and others for certain computer systems, the acquisition cost of which is W35,655 million as of December 31, 2002 and June 30, 2003. Depreciation of the leased assets amounted to W570 million for the six-month periods ended June 30, 2003, respectively.

- (2) Annual payments under financial and operating lease agreements as of June 30, 2003 are as follows (won in millions):

Year ended June 30	Amount	
	Financial lease	Operating lease
2004	W 7,533	W 3,602
2005	2,339	222
2006	--	43
	9,872	3,867
Less: Interest	(408)	--
Current portion	(7,134)	--
	W 2,330	W 3,867
	=====	=====

12. FOREIGN CURRENCIES DENOMINATED ASSETS AND LIABILITIES:

Significant assets and liabilities of the Company (excluding foreign subsidiaries) denominated in foreign currencies other than those mentioned in Note 10 as of December 31, 2002 and June 30, 2003 are as follows (won in millions):

Account	December 31, 2002		Foreign Currencies
	Foreign Currencies(*)	Equivalent Korean Won	
Assets:			
Cash and cash equivalents	US\$ 20,051,047	W 24,069	US\$ 8,
"	--	--	JPY 11,906,
Short-term financial instruments	US\$ 616,908	741	
Trade receivables	US\$ 5,711,200	6,855	US\$ 6,
Accounts receivable-other	US\$ 21,013,291	25,224	US\$ 1,
Other non-current assets	US\$ 322,203	387	US\$
	JPY 5,859,783	59	JPY 5,
		W 57,335	
		=====	
Liabilities:			
Trade payables	US\$ 139,003,977	W 166,860	US\$ 99,
"	--	--	EUR 6,
Accrued expenses	--	--	US\$

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Accounts payable-other	US\$	2,125,135	2,551	US\$
	EUR	433,907	546	

			W 169,957	
			=====	

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

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13. SWAP TRANSACTIONS:

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

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

	Contract Year	Settlement Year	Contract amounts in millions			
			Pay		Receive	
The Sumitomo Bank Ltd.	1995	2005	US\$	286	JPY	27,000
The Fuji Bank, Ltd.	1995	2005	US\$	149	JPY	14,425
Union Bank of Switzerland	1995	2005	US\$	82	JPY	7,000
Canadian Imperial Bank of Commerce	1996	2006	US\$	97	JPY	9,865
J.P. Morgan Chase Bank	1996	2006	US\$	200	JPY	20,723
Deutsche Bank	1998	2004	JPY	1,705	US\$	55
(formerly Bankers Trust Co.)			DEM	25		
			CHF	20		
			CAD	20		
Deutsche Bank	1998	2004	JPY	2,945	US\$	95
(formerly Bankers Trust Co.)			DEM	43		
			CHF	35		
			CAD	34		
Union Bank of Switzerland	1998	2003	JPY	12,150	US\$	100
J.P. Morgan Chase Bank & Deutsche Bank (*)	2002	2009	JPY	76,700	US\$	650
Barclays Bank PLC, London	2002	2007	JPY	30,400	US\$	250
ABN AMRO (**)	2002	2008	KRW	181,500	US\$	150
ABN AMRO & Deutsche Bank (***)	2003	2008	KRW	181,550	US\$	100
J.P. Morgan Chase Bank & Deutsche Bank	2003	2008	JPY	23,770	US\$	200
CSFB	2003	2013	KRW	177,720	US\$	150

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

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derivatives is reflected in the valuation of the currency swap.

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

(***) The swaption, which has an interest pay rate of CD+0.15% and an interest receive rate of 5.30%, with the exercise date of March 2006, is embedded

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

	Notional amount in millions		Contract interest	
			Pay (%)	Re
Lehman Brothers Special Financing, Inc	US\$	150	Libor+0.25	
J.P. Morgan Securities Ltd.	US\$	149	6.91	Li
Woori Bank	US\$	150	6.10	L
Korea Development Bank	US\$	97	6.10	L
Barclays Bank PLC, London	US\$	225	6M Libor-1	L
Shinhan Bank	US\$	100	6.50	
Deutsche Bank	US\$	55	6.93	
	JPY	1,705		
	DEM	25		
	CHF	20		
	CAD	20		
Deutsche Bank	US\$	95	6.87	
	JPY	2,945		
	DEM	43		
	CHF	35		
	CAD	34		
Deutsche Bank	US\$	100	Max (6.074-Libor, 0)	Max (L
Deutsche Bank	US\$	100	Max (Libor-6.074,0)	Max (6
Union Bank of Switzerland	US\$	35	Libor+0.19	L
CSFB	KRW	100,000	3M CD+0.35	3
Deutsche Bank	KRW	100,000	6.09	3
CSFB	KRW	50,000	6.89	(5Y C
CSFB	KRW	50,000	6.89	
J.P. Morgan Chase Bank	KRW	50,000	CD-0.3	3
				3 ye
Deutsche Bank	KRW	50,000	4.98	
CSFB	KRW	30,000	6.09	1
				2 year: (
Citibank	KRW	50,000	CD-0.3	7
Koram Bank	KRW	10,000	CD-0.3	7
Deutsche Bank	KRW	20,000	CD-0.31	7
Deutsche Bank	KRW	40,000	CD-0.37	7
Kookmin Bank	KRW	20,000	5.995	
Deutsche Bank	KRW	100,000	5.995	

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- (*) If CD rate is equal to or lower than 6.75%, then 7.65% will be applied, otherwise, 2.50% will be applied.
- (3) The gains and losses on swap transactions for the six-month periods ended June 30, 2002 and 2003 are as follows (won in millions):

Other income (expense)		2002		2003
-----		-----		-----
Currency swap				
Gains	W	84,157	W	41,635
Losses		(33,042)		(43,646)
Interest rate swap				
Gains		10,099		11,375
Losses		(8,708)		(9,070)
Swaption				
Gains		--		1,277
		-----		-----
	W	52,506	W	1,571
		=====		=====

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14. POWER GENERATION, TRANSMISSION AND DISTRIBUTION EXPENSES:

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

		2002		2003
		-----		-----
Fuel	W	2,265,818	W	2,552,044
Labor		459,180		553,568
Amortization of nuclear fuel and heavy water		192,753		210,054
Depreciation		2,067,761		2,206,006
Maintenance		597,788		685,227
Ordinary development expenses		111,477		113,176
Provision for decommissioning costs		276,501		312,756
Others		311,836		354,577
		-----		-----
	W	6,283,114	W	6,987,408
		=====		=====

15. SELLING AND ADMINISTRATIVE EXPENSES:

Selling and administrative expenses for the six-month periods ended June 30,

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2002 and 2003 are as follows (won in millions):

	2002	
	-----	-----
Labor	W 184,886	W
Employee benefits	23,735	
Taxes and dues	3,372	
Rent	19,569	
Depreciation	40,980	
Maintenance	5,692	
Commission and consultation fees	59,301	
Ordinary development expenses	11,514	
Collection expense	110,582	
Promotion	9,225	
Bad debts	15,041	
Communication	12,960	
Insurance	5,793	
Rewards	1,999	
Others	41,099	
	-----	-----
	W 545,748	W
	=====	=====

16. INCOME TAX EXPENSE:

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

	2002	2003
	-----	-----
Income tax currently payable	W 514,396	W 309,167
Changes in deferred income taxes	190,704	162,152
	-----	-----
KEPCO's income tax expense	705,100	471,319
Income tax of subsidiaries	454,018	476,562
	-----	-----
Income tax expense	W 1,159,118	W 947,881
	=====	=====
Effective tax rate	40.6%	42.2%

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17. RELATED PARTY TRANSACTIONS:

(1) Transactions with related parties for the six-month periods ended June 30,

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2002 and 2003 are as follows (won in millions):

Related party	Transaction
Sales and other income:	
Korea Hydro & Nuclear Power Co., Ltd.	Sales of electricity and others
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.	"
Others	"
Purchases and others:	
Korea Hydro & Nuclear Power Co., Ltd.	Purchase of electricity and others
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.	"
Korea Power Engineering Co., Inc.	Designing of the power plant and others
Korea Plant Service & Engineering Co., Ltd.	Utility plant maintenance
Korea Electric Power Data Network Co., Ltd.	Maintenance of computer system
Others	Commissions for service and others

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

Related party	December 31, 2002		June 30
	Total	Trade receivables	Other a receiv and ot
Korea Hydro & Nuclear Power Co., Ltd.	W 8,020	W --	W
Korea South-East Power Co., Ltd.	3,639	1,883	
Korea Midland Power Co., Ltd.	382	1,546	
Korea Western Power Co., Ltd.	3,145	2,034	
Korea Southern Power Co., Ltd.	1,647	1,208	
Korea East-West Power Co., Ltd.	4,518	2,447	
Others	10,603	--	4
	W 31,954	W 9,118	W 5

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

Related party	December 31, 2002		June 30, 2003	
	Total	Trade payables	Other payables and other	
Korea Hydro & Nuclear Power Co., Ltd.	W 368,509	W 316,396	W	
Korea South-East Power Co., Ltd.	124,031	95,743		
Korea Midland Power Co., Ltd.	168,410	123,334		
Korea Western Power Co., Ltd.	176,816	132,051		
Korea Southern Power Co., Ltd.	130,181	142,262		
Korea East-West Power Co., Ltd.	142,017	132,354		
Korea Power Engineering Co., Inc.	7,108	--		
Korea Plant Service & Engineering Co., Ltd.	6,845	--		
Korea Electric Power Data Network Co., Ltd.	25,502	--		2
Others	22,593	358		1
	W 1,172,012	W 942,498	W	6

18. SEGMENT INFORMATION:

- (1) The following table provides business performance information for each operating segments for the six-month periods ended June 30, 2002 and 2003 (won in millions).

	June 30, 2002		
	Electric business		
	Transmission & distribution	Power generation(*)	All other
Unaffiliated revenues	W 9,517,966	W --	W 620,946
Inter-segment revenues	156,139	6,475,280	413,535
Total revenues	9,674,105	6,475,280	1,034,481
Cost of goods sold	(8,416,052)	(4,984,349)	(802,612)
Selling and administrative expenses	(405,483)	(72,504)	(66,946)
Operating income	852,570	1,418,427	164,923

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Interest income	11,914	24,248	8,581
Interest expense	(303,637)	(204,604)	(19,659)
Gain on valuation using the equity method of accounting (*1)	1,238,853	--	(661)
Other income, net	593,177	249,758	(6,593)
	-----	-----	-----
Earnings before income tax expense	2,392,877	1,487,829	146,591
Income tax expense	(705,100)	(422,068)	(32,511)
	-----	-----	-----
Segment earning before minority interests	W 1,687,777	W 1,065,761	W 114,080
	=====	=====	=====

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	June 30, 2002			

	Electric business			

	Transmission & distribution	Power generation(*)	All other	Co
	-----	-----	-----	-----
Unaffiliated revenues	W 10,425,992	W --	W 469,331	W
Inter-segment revenues	126,078	7,244,084	412,171	
	-----	-----	-----	
Total revenues	10,552,070	7,244,084	881,502	
Cost of goods sold	(9,516,928)	(5,526,515)	(659,243)	
Selling and administrative expenses	(437,688)	(74,067)	(76,993)	
	-----	-----	-----	
Operating income	597,454	1,643,502	145,266	
Interest income	19,595	20,357	10,277	
Interest expense	(304,176)	(111,750)	(19,369)	
Gain on valuation using the equity method of accounting (*1)	1,251,308	--	11,940	
Other income, net	189,734	(10,162)	(4,030)	
	-----	-----	-----	
Earnings before income tax expense	1,753,915	1,541,947	144,084	
Income tax expense	(471,319)	(454,068)	(24,275)	
	-----	-----	-----	
Segment earning before minority interests	W 1,282,596	W 1,087,879	W 119,809	W
	=====	=====	=====	=====

(*) Excluding power generation businesses in foreign countries.

(2) The following table provides asset information for each operating segments

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as of December 31, 2002 and June 30, 2003 (won in millions).

	Electric business			Con a
	Transmission & distribution	Power generation(*)	All other	
June 30, 2003				
Utility and non-utility plant	W 28,979,475	W 31,916,042	W 1,117,912	W
Total assets	32,298,107	36,405,824	2,551,583	
December 31, 2002				
Utility and non-utility plant	28,157,412	32,145,415	1,200,843	
Total assets	31,792,880	36,933,338	2,604,890	

19. CONTINGENT LIABILITIES:

- (1) The Company is engaged in 293 lawsuits as a defendant and 51 lawsuits as a plaintiff. The total amount claimed from the Company is W221,181 million and the total amount claimed by the Company is W115,009 million as of June 30, 2003. The outcome of these lawsuits cannot presently be determined. However, management believes that the ultimate disposition of those litigations will not have a materially adverse effect on the operations or financial position of the Company.
- (2) The Company's liabilities of W17,646,157 million, including borrowings of W13,825,884 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. Details of those outstanding borrowings of each company as of June 30, 2003 are as follows (won n millions).

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Company	Amounts
Korea Electric Power Corporation	W 1,151,422
Korea Hydro & Nuclear Power Co., Ltd.	1,722,286
Korea South-East Power Co., Ltd.	391,800
Korea Midland Power Co., Ltd.	179,089
Korea Western Power Co., Ltd.	249,259
Korea Southern Power Co., Ltd.	602,914
Korea East-West Power Co., Ltd.	812,261
	W 5,109,031

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

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

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

- (5) Korea Development Bank has provided the repayment guarantees of US\$228,044,114 for the Company's commercial borrowings. In addition, Korea Development Bank has also provided the repayment guarantee for some of foreign currency debentures of the Company, which existed at the time of spin-off, but not redeemed at June 30, 2003, instead of the collective responsibilities of the power generation subsidiaries to facilitate the Restructuring Plan. Guarantee amounts by currency are as follows.

	USD	JPY	EUR	
Guaranteed amounts (including interest)	3,686,080,502	44,747,400,000	28,083,012	32

- (6) Financial institutions including the National Agricultural Cooperative Federation has provided the Company a credit (overdraft) line amounting to W1,372,000 million as of June 30, 2003.
- (7) The Company entered into a turnkey contract with the Korea Peninsula Energy Development Organization (KEDO) on December 15, 1999, to construct two 1,000,000 KW-class pressurized light-water reactor units in North Korea. The contract amount is US\$ 4,182 million and subject to adjustment to cover any changes in the price level.
- (8) The Company entered into the Power Purchase Agreement with LG Energy Co., Ltd. and other independent power producers for power purchases in

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accordance with the Electricity Business Act and power purchased from those companies amounted to W522,854 million and W 570,707 million for the six-month periods ended June 30, 2002 and 2003, respectively.

- (9) The Company has provided 1 blank note to the Export-Import Bank of Korea in relation to the debt repayment guarantee and 1 promissory note of W1,771 million to Hyundai Heavy Industry, Co., Ltd. as guarantee for contract performance as of June 30, 2003.

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20. STATEMENT OF CASH FLOWS:

Cash flows from operating activities were presented using the indirect method. Transactions not involving cash flows for the six-month periods ended June 30, 2002 and 2003 are as follows (won in millions):

	2002 (Unreviewed)	
	-----	-----
Reclassification of long term loans to short-term loans	W 8,074	W
Reclassification of construction in-progress to utility plant	4,048,861	
Reclassification of debenture and long-term borrowings to current portions	2,723,332	

21. WELFARE PROGRAM AND CONTRIBUTIONS:

Details of welfare programs and contributions for the six-month periods ended June 30, 2002 and 2003 are as follows (won in millions):

	2002		2003
	-----		-----
Contributions to Welfare Funds	W --	W	31
Electrification of rural areas	8,693		6
Contributions to Korea Volleyball Association and others	1,776		3
	-----		-----
	W 10,469	W	41
	=====		=====

22. RECONCILIATION TO UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES:

Accounting practices used by the Company in preparing the accompanying consolidated financial statements conform with generally accepted accounting principles in the Republic of Korea ("Korean GAAP"), but do not conform with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The significant differences are described below. Other differences do not have a significant effect on either consolidated net earnings or stockholders' equity.

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(1) Asset Revaluation and Depreciation

Under U.S. GAAP, property, plant and equipment must be stated at cost less accumulated depreciation. The revaluation of property, plant and equipment and the resulting depreciation of revalued amounts are not included in consolidated financial statements prepared in accordance with U.S. GAAP. When assets are sold, any revaluation surplus related to those assets under Korean GAAP would be reflected in income as additional gain on sale of assets under U.S. GAAP. Additionally, special depreciation recognized through December 31, 1995 for certain energy saving and anti-pollution facilities and equipment is not recognized under U.S. GAAP. Accordingly, related depreciation costs would be reversed under U.S. GAAP.

(2) Accounting for Regulation

Regulations for the establishment of electric rates consider, in certain cases, certain income and expenses to be recognized in different years than they are recognized for financial reporting. In accordance with SFAS No. 71 - "Accounting for the Effects of Certain Types of Regulation" for regulated enterprises, a regulatory liability or regulatory asset is recognized on the consolidated balance sheet by a charge or credit to operations to match revenues and expenses. These assets or liabilities relate to the adjustments for foreign currency translation, reserve for self-insurance and deferred income taxes described below. And such adjustments exclude those relating to the non-regulated subsidiaries and affiliates of the Company. Regulatory assets and liabilities are established based on the current regulations and rate-making process. Accordingly, these assets and liabilities may be significantly changed due to the potential future deregulation or changes in the rate-making process.

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(3) Foreign Currency Translation

As discussed in Note 2, under Korean GAAP, the Company capitalizes certain foreign exchange transaction and translation gains and losses on the borrowings associated with property, plant and equipment during the construction period. Under U.S. GAAP, all foreign exchange transaction gains and losses (referred to as either transaction or translation gains and losses under Korean GAAP) are included in the results of operations for the current period. The amounts of foreign exchange transaction and translation gains and losses included in property, plant and equipment under Korean GAAP are reversed into results of operations for the current period under U.S. GAAP.

(4) Deferred Income Taxes

As discussed in Note 2, deferred tax assets and liabilities are recorded in the financial statements prepared in accordance with Korean GAAP, which is substantially the same as for U.S. GAAP. For U.S. GAAP purposes, the Company is required to recognize the deferred tax assets and liabilities resulting from differences between Korean GAAP and U.S. GAAP.

(5) Reversal of Eliminated Profit on Transactions with Subsidiaries and Affiliated Companies

Under Korean GAAP, KEPCO's share of the profit on transactions between KEPCO and its affiliated companies is eliminated in the preparation of the consolidated financial statements. No elimination of such profit is required in accordance with U.S. GAAP for regulated enterprises, where the sales prices is reasonable and it is probable that, through the rate making process, future revenues approximately equal to the sales price will result from KEPCO's use of the

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utility plant. KEPCO meets both of these criteria, and no elimination of profit is necessary for reporting under U.S. GAAP.

(6) Derivatives

Under SFAS No. 133 - "Accounting for Derivative Instruments and Hedging Activities", as amended by SFAS No. 138, the Company is required to recognize all derivatives on the consolidated balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through current operations. If derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged assets, liabilities or firm commitment through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's changes in fair value will be immediately recognized in current earnings. The Company recorded all derivatives on the consolidated balance sheet at fair value by Korean GAAP. The ineffective portion of a derivative's change in fair value will be immediately recognized in current earnings. The Company believes that there is no material impact on net income and stockholders' equity under U.S. GAAP since derivatives accounting under Korean GAAP is substantially the same as SFAS No. 133.

(7) Principles of Consolidation

Under Korean GAAP, minority interests in consolidated subsidiaries are disclosed within the shareholder's equity section of the balance sheet. Under U.S. GAAP, minority interests are presented between the liability section and the stockholders' equity section in the consolidated balance sheet.

(8) Reserve for self-insurance

The Company accrues a reserve for self-insurance for non-insured facilities in accordance with Accounting Regulations for Government Invested Enterprises. U.S. GAAP considers accidental damage to be a contingency that is only provided for when asset has been impaired or a liability has been incurred.

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(9) Asset retirement obligation

Under SFAS No. 143 - "Accounting for Asset Retirement Obligations", the Company is required to recognize an estimated liability for legal obligations associated with the retirement of tangible long-lived assets. The Company measures the liability at fair value when incurred and capitalize a corresponding amount as part of the book value of the related long-lived assets. The increase in the capitalized cost is included in determining depreciation expense over the estimated useful life of these assets. Since the fair value of the asset retirement obligations is determined using a present value approach, accretion of the liability due to the passage of time is recognized each period as expense until the settlement of the liability. The Company records a gain or loss when the liability is settled after retirement. This statement is effective for financial statements issued for fiscal years beginning after June 15, 2002 and it is to be applied to all existing long-lived assets including those acquired before January 1, 2003. Accounting for asset retirement obligations under Korean GAAP is substantially the same as SFAS No. 143, except for those assets acquired before January 1, 2003. Under Korean GAAP, such assets can be excluded from the application of the current "Accounting for Asset Retirement Obligation" standard in Korean GAAP. Accordingly, the Company's assets acquired before January 1, 2003 were excluded from the application of the current "Accounting for Asset

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Retirement Obligation" standard in Korean GAAP.

As explained in Note 2 (13) Reserve for Decommissioning Costs, the Company has accrued W4,719,860 million for the cost of dismantling and decontaminating of its existing nuclear power plants, consisting of dismantling costs of nuclear plant of W1,651,020 million and dismantling costs of spent fuel and radioactive waste of W3,068,840 million, as of June 30, 2003 in accordance with Korean GAAP.

As a result of the adoption of SFAS No. 143, the Company recognized W690,573 million additional pretax loss as a cumulative effect of accounting change on January 1, 2003.

Asset retirement obligation liability additionally recognized under U.S. GAAP as of June 30, 2003 is as follows (Korean won in millions)

	Amount

Asset retirement obligations as of January 1, 2003	W 3,271,784
Accretion expense	98,341

Asset retirement obligations as of June 30, 2003	3,370,125
Liability recognized under Korean GAAP as of	
June 30, 2003 (dismantling costs of nuclear plant)	(-) 1,651,020

Asset retirement obligation liability additionally	
recognized under U.S. GAAP as of June 30, 2003	W 1,719,105
	=====

As of June 30, 2003, capitalized asset retirement cost and its accumulated depreciation recognized under U.S. GAAP are W1,671,520 million and W675,494 million, respectively.

The pro-forma asset retirement obligation liability that the Company would have recognized additionally as of January 1, 2002, had the Company implemented SFAS No. 143 as of that date, was approximately W1,510,333 million, based on the information, assumptions and interest rate as of January 1, 2003. The pro-forma capitalized asset retirement cost and its accumulated depreciation recognized as of January 1, 2002, under U.S. GAAP are W1,439,334 million and W577,184 million, respectively.

(10) Comprehensive Income

Effective January 1, 1998, the Company adopted the provision of SFAS No.130 - "Reporting Comprehensive Income", which requires the reporting and display of comprehensive income and its components (revenues, expenses, gains and losses) for each period presented. Such a presentation is not required under Korean GAAP. Comprehensive income for the six month periods ended June 30, 2002 and 2003 is summarized as follows:

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	Korean Won		Translat
	2003	2002	U.S. Dolla
	(In millions)		(In th
Net income as adjusted in accordance with U.S. GAAP	W 2,149,554	W 1,230,961	\$ 1,0
Other comprehensive income, net of tax:			
Overseas operations translation	(12,718)	(2,970)	
Unrealized losses on investment securities	(4,371)	(823)	
Deferred gains (losses) on cash flow hedges	594	(3,789)	
Comprehensive income as adjusted in accordance with U.S. GAAP	W 2,133,059	W 1,223,379	\$ 1,0
	=====	=====	=====

Accumulated other comprehensive balances, net of tax, as of December 31, 2002 and June 30, 2003 is as follows

	Korean Won		Transl
	December 31, 2002	June 30, 2003	U.S. Do
	(In millions)		Jun
Overseas operations translation	W (58,329)	W (61,299)	\$
Unrealized losses on investment securities	(27,127)	(27,950)	
Deferred gains (losses) on cash flow hedges	179	(3,610)	
	W (85,277)	W (92,859)	\$
	=====	=====	=====

(11) Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments in which it is practicable to estimate that value:

- (i) Cash and cash equivalents, marketable securities, trade receivables, short-term borrowings, and trade payables: The carrying amount approximates fair value because of the nature or short maturity of those instruments.
- (ii) Investments. The fair value of market-traded investments is estimated based on quoted market prices for those or similar investments. For other investments for which there are no quoted market prices, a reasonable estimate of fair value could not be made without incurring excessive costs.
- (iii) Long-term debt The fair value of long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered for debt of the same remaining maturities.

The estimated fair values of the Company's financial instruments at December 31,

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2002 and June 30, 2003 are summarized as follow (Korean won in millions):

	December 31, 2002		
	Carrying Amount	Fair value	Ca A
Cash and cash equivalents	W 1,997,480	W 1,997,480	W
Short-term financial instruments	137,852	137,852	
Trade receivables and account receivables-other	1,845,344	1,845,344	
Investments:			
Practicable to estimate fair value	12,312	12,312	
Not practicable	126,725	N/A	
Short-term borrowings	(157,733)	(157,733)	
Trade payables and accounts payable-other	(1,666,329)	(1,666,329)	(
Long-term debt, including current portion	(23,385,808)	(24,141,001)	(2
Currency and interest swaps, net	(155,202)	(155,202)	

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(12) Recent Changes in U.S. GAAP

In June 2002, the FASB issued SFAS No. 146 - Accounting for Exit or Disposal Activities. SFAS No. 146 addresses significant issues regarding the recognition, measurement and reporting of costs that are associated with exit and disposal activities, including restructuring activities that are currently accounted for under EITF 94-3. The provisions of this Statement is effective for exit or disposal activities initiated after December 31, 2002, with early application encouraged. The Company does not believe the adoption of this statement to have a significant impact on its financial condition or result of operations.

In April 30, 2003, the FASB issued Statement No. 149 - "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." This statement amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under Statement 133. The new guidance amends statement 133 regarding implementation issues raised in relation to the application of the definition of a derivative, particularly regarding the meaning of an underlying and the characteristics of a derivative that contains financing components. The amendments set forth in statement 149 improve financial reporting by requiring that contracts with comparable characteristics be accounted for similarly. In particular, this statement clarifies under what circumstances a contract with an initial net investment meets the characteristic of a derivative as discussed in statement 133. In addition, it clarifies when a derivative contains a financing component that warrants special reporting in the statement of cash flows. The Company is still evaluating the impact of the adoption of this statement, but does not believe that the impact will be significant.

In November 2002, the FASB issued Interpretation No. (FIN) 45 - "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others". This Interpretation provides the disclosures to be made by a guarantor in interim and annual financial statements about obligations under certain guarantees. The Interpretation also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a

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liability for the fair value of the obligation. The initial recognition and measurement requirements are effective prospectively for guarantees issued or modified after December 31, 2002, while the disclosures are effective for financial statements of interim or annual periods ending after December 15, 2002. The Company does not believe the adoption of this statements to have a significant impact on its financial conditions or result of operations.

In January 2003, the FASB issued FIN 46 - "Consolidation of Variable Interest Entities", that addresses conditions when an entity should be consolidated based on variable interests rather than voting interests. Variable interests are ownership interests or contractual relationships that enable the holder to share in the financial risks and rewards resulting from the activities of a Variable Interest Entity (VIE). A VIE is a corporation, partnership, trust, or any other legal structure used for business purposes that either does not have equity investors with voting rights or has equity investors that do not provide sufficient financial resources for the entity to support its activities. This provision will be applied to every VIE created after January 31, 2003 and to VIE in which an enterprise obtains an interest after that date. It applies in the first year or interim period beginning after June 15, 2003, to VIE in which an enterprise holds a variable interest that it acquired before February 1, 2003. The Company does not believe the adoption of this statements to have a significant impact on its financial conditions or result of operations.

In May 2003, the FASB issued SFAS No. 150 - "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity". This statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. SFAS No. 150 is effective for interim periods beginning after June 15, 2003, for financial instruments entered into or modified after May 31, 2003. The Company does not believe the adoption of this statement to have a significant impact on its financial condition or result of operations.

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(13) Effect on Net Income and Stockholders' Equity

The effects of the significant adjustments to net income for the six month periods ended June 30, 2002 and 2003 that are required if U.S. GAAP were applied instead of Korean GAAP are summarized as follows:

	Korean Won	
	2003	2002
	-----	-----
	(In millions, except per share)	
Net income under Korean GAAP	W 1,693,147	W 1,285
Adjustments:		
Asset revaluation	309,552	300
Special depreciation	(12,123)	(10
Regulated operations	(25,051)	12
Capitalized foreign currency translation	144,407	107
Asset retirement obligation	--	(723

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Deferred income taxes	70,371	266
Reversal of eliminated profit on transactions with subsidiaries and affiliates	(31,206)	(7
Reserve for self-insurance	457	
	-----	-----
Net income as adjusted in accordance with U.S. GAAP	W 2,149,554	W 1,230
	=====	=====
Basic earnings per share as adjusted in accordance with U.S. GAAP	W 3,364	W 1
	=====	=====
Diluted earnings per share as adjusted in accordance with U.S. GAAP	W 3,364	W 1
	=====	=====

The effects of the significant adjustments to stockholders' equity at December 31, 2002 and June 30, 2003 that are required if U.S. GAAP were applied instead of Korean GAAP are summarized as follows:

	Korean Won	
	December 31, 2002	June 30, 2003
	-----	-----
	(In millions)	
Stockholders' equity under Korean GAAP	W 36,073,138	W 36,073,138
Adjustments:		
Asset revaluation	(9,044,919)	(8,044,919)
Special depreciation	59,305	59,305
Regulated operation	(836,887)	(836,887)
Capitalized foreign currency translation	(2,242,663)	(2,242,663)
Asset retirement obligation	--	--
Deferred income taxes	3,187,609	3,187,609
Reversal of eliminated profit on transactions with subsidiaries and affiliates	120,454	120,454
Minority interests	(108,073)	(108,073)
Reserve for self-insurance	82,536	82,536
	-----	-----
Stockholders' equity as adjusted in accordance with U.S. GAAP	W 27,290,500	W 27,290,500
	=====	=====

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The tax effects of temporary differences that resulted in significant portions of the deferred tax assets and liabilities at December 31, 2002 and June 30, 2003, computed under U.S. GAAP, and a description of the financial statement items that created these differences as follows:

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	Korean Won	
	December 31, 2002	June 30, 2003
	(In millions)	
Deferred tax assets adjustment:		
Asset revaluation	W 2,522,334	W 2,433,156
Regulated operation	248,556	244,908
Capitalized foreign currency translation	666,071	634,096
Asset retirement obligation	--	214,754
Decommissioning costs	1,312,126	1,401,798
	-----	-----
Total deferred tax assets adjustment	4,749,087	4,928,712
	-----	-----
Deferred tax liabilities adjustment:		
Special depreciation	17,614	14,486
Reversal of eliminated profit on transactions with subsidiaries and affiliates	35,775	33,526
Investment in social overhead capital	408,387	337,425
Reserve for self insurance	24,513	24,357
Others	987,969	1,211,250
	-----	-----
Total deferred tax liabilities adjustment	1,474,258	1,621,044
	-----	-----
Net deferred tax asset	W 3,274,829	W 3,307,668
	=====	=====
Allowance for deferred tax assets	(171,450)	--
Deferred tax liabilities under Korean GAAP	84,230	146,877
	-----	-----
U.S GAAP adjustments	W 3,187,609	W 3,454,545
	=====	=====

The reconciliation of utility plant and non-utility plant from Korean GAAP to U.S. GAAP at December 31, 2002 and June 30, 2003 is as follows:

	Korean Won	
	December 31, 2002	June 30, 2003
	(In millions)	
Utility plant and non-utility plant, net under Korean GAAP	W 61,303,754	W 61,809,280
Asset revaluation	(9,044,919)	(8,744,657)
Special depreciation	59,305	48,773
Capitalized foreign currency translation	(2,242,663)	(2,135,003)
Capitalized asset retirement cost, net (*)	1,029,011	996,026
Reversal of eliminated profit on transactions with subsidiaries and affiliates	120,454	112,883

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Utility plant and non-utility plant, net under
U.S. GAAP

W 51,224,942
=====

W 52,087,302
=====

(*)The pro-forma capitalized asset retirement cost and its accumulated depreciation, the Company would have recognized as of December 31, 2002, had the Company implemented SFAS No. 143 as of that date, was approximately W1,671,520 million and W642,509 million, respectively, based on the information, assumptions and interest rate discussed earlier.

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(14) Segment Information

Under U.S. GAAP, companies report segment information based on the management disaggregates the company for making operating decisions. Each of the Company's consolidated subsidiaries is an operating segment in accordance with SFAS No. 131 - "Disclosures about Segments of an Enterprise and Related Information". Operating segments that have similar economic characteristics and are similar in terms of the nature of their products and services, the nature of the production process, the type or class of customer, and methods of distribution have been aggregated into two reportable segments: transmission and distribution of electricity, and power generation, which are engaged in the transmission and sales of electricity, and production of electricity, respectively. Operating segments that do not meet the quantitative thresholds of SFAS No. 131 have been combined and disclosed in an "all other" category. All other revenues consist primarily of the revenues from the engineering and maintenance for utility plant, information services, sales of nuclear fuel, communication line leasing and others.

The accounting policies of the segments are the same as those described in Note 2 - Summary of Significant Accounting Policies and Note 22 - Reconciliation to United States Generally Accepted Accounting Principles. The Company evaluates performance based on net income. There are no revenues from transactions with a single external customer that amount to 10 percent or more of the consolidated revenues of the Company.

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 : October 15, 2003