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KOREA ELECTRIC POWER CORP
Form 6-K
October 25, 2004

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 2004

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
AND SUBSIDIARIES

Consolidated Financial Statements

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(Unaudited)

As of June 30, 2003 and 2004

Korea Electric Power Corporation and Subsidiaries

Consolidated Balance Sheets

December 31, 2003 and June 30, 2004

(Unaudited)

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

| | Won | | U.S. dolla |
|---|----------------|--------------|---------------|
| | 2003 | 2004 | 2003 |
| Assets | | | |
| Property, Plant and Equipment (notes 1, 3 and 5): | | | |
| Utility plant | KRW 71,997,749 | 73,342,425 | \$ 62,281,790 |
| Less: accumulated depreciation | (16,875,523) | (19,227,726) | (14,598,203) |
| Less: construction grants | (2,758,789) | (2,951,648) | (2,386,496) |
| | 52,363,437 | 51,163,051 | 45,297,091 |
| Construction in-progress | 9,550,651 | 11,006,765 | 8,261,809 |
| | 61,914,088 | 62,169,816 | 53,558,900 |
| Investments and others: | | | |
| Long-term investment securities (note 6) | 1,529,120 | 1,519,956 | 1,322,768 |
| Long-term loans (note 7) | 287,139 | 305,353 | 248,390 |
| Long-term other accounts receivable, less allowance for doubtful accounts of KRW 16,013 in 2003 and KRW 15,500 in 2004 and present value discount of KRW 35,576 in 2003 and KRW 6,625 in 2004 (note 18) | 214,044 | 235,375 | 185,159 |
| Deferred income tax assets | 1,352,449 | 1,439,358 | 1,169,939 |
| Currency and interest rate swaps (note 20) | 131,429 | 207,530 | 113,693 |
| Intangibles, net (note 4) | 515,993 | 493,419 | 446,361 |
| Other non-current assets (notes 8 and 16) | 242,094 | 260,854 | 209,424 |
| | 4,272,268 | 4,461,845 | 3,695,734 |
| Current assets: | | | |
| Cash and cash equivalents (note 16) | 2,050,636 | 1,415,678 | 1,773,907 |
| Trade receivables, less allowance for doubtful accounts of KRW 33,732 in 2003 and KRW 31,604 in 2004 (notes 16 and 25) | 1,605,355 | 1,551,948 | 1,388,715 |
| Other account receivables, less allowance for doubtful accounts of KRW 14,521 in 2003 and KRW 14,586 in 2004 and present value discount of KRW 18,229 in 2004 (notes 16, 18 and 25) | 458,360 | 378,381 | 396,505 |

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| | | | |
|---|----------------|------------|---------------|
| Short-term investment securities (note 6) | 161,596 | 51,471 | 139,789 |
| Short-term financial instruments | 119,000 | 117,574 | 102,941 |
| Inventories (note 9) | 904,933 | 1,154,735 | 782,814 |
| Other current assets (notes 7 and 10) | 241,036 | 310,018 | 208,509 |
| | ----- | ----- | ----- |
| | 5,540,916 | 4,979,805 | 4,793,180 |
| | ----- | ----- | ----- |
| Total assets | KRW 71,727,272 | 71,611,466 | \$ 62,047,814 |
| | ===== | ===== | ===== |

Korea Electric Power Corporation and Subsidiaries

Consolidated Balance Sheets, Continued

December 31, 2003 and June 30, 2004

(Unaudited)

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

| | Won | | U.S. dollars (no | |
|--|---------------|------------|------------------|------------|
| | 2003 | 2004 | 2003 | 2004 |
| | ----- | ----- | ----- | ----- |
| Liabilities and Shareholders' Equity | | | | |
| Stockholders' equity: | | | | |
| Common stock of KRW 5,000 par value | | | | |
| Authorized - 1,200,000,000 shares Issued | | | | |
| and outstanding - 640,748,573 shares | KRW 3,203,743 | 3,203,743 | \$ 2,771,404 | 2,771,404 |
| Capital surplus (note 11) | 14,544,520 | 14,541,496 | 12,581,765 | 12,581,765 |
| Retained earnings (note 12) | 20,231,488 | 21,031,869 | 17,501,287 | 18,111,287 |
| Capital adjustments (note 13) | (325,384) | (339,833) | (281,474) | (281,474) |
| Minority interest in consolidated subsidiaries | 127,569 | 123,428 | 110,354 | 110,354 |
| | ----- | ----- | ----- | ----- |
| Total shareholders' equity | 37,781,936 | 38,560,703 | 32,683,336 | 33,305,336 |
| | ----- | ----- | ----- | ----- |
| Long-term liabilities: | | | | |
| Long-term borrowings (notes 15 and 25) | 15,813,509 | 15,467,709 | 13,679,506 | 13,679,506 |
| Reserve for retirement and severance benefits, net (note 17) | 635,049 | 707,317 | 549,350 | 635,049 |
| Reserve for decommissioning cost | 5,091,070 | 5,399,206 | 4,404,040 | 4,604,040 |
| Reserve for self-insurance | 87,926 | 87,603 | 76,061 | 87,926 |
| Currency and interest rate swaps (note 20) | 215,100 | 163,220 | 186,073 | 163,220 |
| Deferred income tax liabilities | 1,446,570 | 1,476,055 | 1,251,358 | 1,476,055 |
| Other long-term liabilities | 515,839 | 546,570 | 446,228 | 515,839 |
| | ----- | ----- | ----- | ----- |
| | 23,805,063 | 23,847,680 | 20,592,616 | 20,605,680 |
| | ----- | ----- | ----- | ----- |
| Current liabilities: | | | | |
| Trade payables (notes 16 and 25) | 755,248 | 654,452 | 653,329 | 755,248 |
| Other accounts payable (notes 16 and 25) | 870,919 | 747,668 | 753,390 | 870,919 |
| Short-term borrowings (notes 14 and 15) | 210,169 | 428,186 | 181,807 | 210,169 |
| Current portion of long-term debt (note 15) | 6,625,916 | 5,605,948 | 5,731,761 | 4,805,948 |
| Income tax payable | 809,479 | 892,063 | 700,241 | 809,479 |

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| | | | | |
|---|------------|------------|------------|-------|
| Accrued expenses (note 16) | 317,868 | 294,738 | 274,972 | 2 |
| Dividends payable | 2,324 | 1,780 | 2,010 | |
| Other current liabilities (notes 16 and 19) | 548,350 | 578,248 | 474,352 | 5 |
| | ----- | ----- | ----- | ----- |
| | 10,140,273 | 9,203,083 | 8,771,862 | 7,9 |
| | ----- | ----- | ----- | ----- |
| Total liabilities | 33,945,336 | 33,050,763 | 29,364,478 | 28,5 |
| | ----- | ----- | ----- | ----- |

Commitments and contingencies (note 26)

| | | | | |
|--|----------------|------------|--------------|-------|
| Total shareholders' equity and liabilities | KRW 71,727,272 | 71,611,466 | \$62,047,814 | 61,9 |
| | ===== | ===== | ===== | ===== |

See accompanying notes to consolidated financial statements.

Korea Electric Power Corporation and Subsidiaries

Consolidated Statements of Income

For the six-month periods ended June 30, 2003 and 2004

(Unaudited)

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

| | Won | | U.S. dollars (n | |
|---|----------------|------------|-----------------|-------|
| | 2003 | 2004 | 2003 | |
| | ----- | ----- | ----- | ----- |
| Operating revenues: | | | | |
| Sale of electricity (note 25) | KRW 10,425,992 | 11,005,352 | \$9,019,024 | 9,5 |
| Other operating revenues | 469,331 | 369,411 | 405,996 | 3 |
| | ----- | ----- | ----- | ----- |
| | 10,895,323 | 11,374,763 | 9,425,020 | 9,8 |
| | ----- | ----- | ----- | ----- |
| Operating expenses (notes 21, 22 and 25): | | | | |
| Power generation, transmission and distribution | 6,987,408 | 7,653,505 | 6,044,471 | 6,6 |
| Purchased power | 743,397 | 680,722 | 643,077 | 5 |
| Other operating costs | 189,745 | 166,819 | 164,139 | 1 |
| Selling and administrative expenses | 588,659 | 583,744 | 509,221 | 5 |
| | ----- | ----- | ----- | ----- |
| | 8,509,209 | 9,084,790 | 7,360,908 | 7,8 |
| | ----- | ----- | ----- | ----- |
| Operating income | 2,386,114 | 2,289,973 | 2,064,112 | 1,9 |
| Other income (expense): | | | | |
| Interest income | 49,599 | 53,518 | 42,906 | |
| Interest expense | (434,665) | (393,222) | (376,008) | (3 |
| Gain (loss) on foreign currency transactions and translation, net | 59,884 | 303,774 | 51,803 | 2 |

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| | | | | |
|--|-----------|-----------|-----------|-----|
| Donations | (41,490) | (87,958) | (35,891) | (|
| Equity income of affiliates (note 6) | 75,318 | 95,912 | 65,154 | |
| Gain on disposal of investments, net | 45,243 | 7,472 | 39,138 | |
| Gain (loss) on disposal of utility plant, net | (13,627) | 340 | (11,788) | |
| Valuation gain on currency and interest rate swaps, net (note 20) | 1,571 | (14,798) | 1,359 | (|
| Other, net | 117,274 | 70,433 | 101,447 | |
| | ----- | ----- | ----- | --- |
| | (140,893) | 35,471 | (121,880) | |
| | ----- | ----- | ----- | --- |
| Income before income taxes | 2,245,221 | 2,325,444 | 1,942,232 | 2,0 |
| Income taxes (note 23) | (947,881) | (850,792) | (819,966) | (7 |
| | ----- | ----- | ----- | --- |
| Income before minority interest | 1,297,340 | 1,474,652 | 1,122,266 | 1,2 |
| Minority interest in earnings of consolidated subsidiaries | (11,811) | (12,734) | (10,217) | (|
| | ----- | ----- | ----- | --- |
| Net income | 1,285,529 | 1,461,918 | 1,112,049 | 1,2 |
| | ===== | ===== | ===== | === |
| Basic earnings per share (note 24) | 2,036 | 2,321 | 1.76 | |
| | ===== | ===== | ===== | === |
| Diluted earnings per share (note 24) | KRW 2,036 | 2,287 | \$ 1.76 | |
| | ===== | ===== | ===== | === |

See accompanying notes to consolidated financial statements.

Korea Electric Power Corporation and Subsidiaries

Consolidated Statements of Stockholders' Equity

For the six-month periods ended June 30, 2003 and 2004

(Unaudited)

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

| | | Won | | | | |
|---------------------------------------|-----|-----------------|--------------------|----------------------|------------------------|-------------------|
| | | Common stock | Capital surplus | Retained earnings | Capital adjustments | Minori interes |
| | | ----- | ----- | ----- | ----- | ----- |
| Balances at January 1, 2003 | KRW | 3,200,504 | 14,483,121 | 18,419,413 | (137,973) | 108,07 |
| 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 | | -- | -- | -- | -- | 10,27 |
| | | ----- | ----- | ----- | ----- | ----- |

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| | | | | | |
|---------------------------------------|---------------|------------|------------|-----------|--------|
| Balances at June 30, 2003 | 3,200,504 | 14,486,093 | 19,193,592 | (327,297) | 118,34 |
| | ===== | ===== | ===== | ===== | ===== |
| Balances at January 1, 2004 | 3,203,743 | 14,544,520 | 20,231,488 | (325,384) | 127,56 |
| Net income | -- | -- | 1,461,918 | -- | -- |
| Dividends declared | -- | -- | (661,537) | -- | -- |
| Gain on disposal of treasury stock | -- | (3,024) | -- | -- | -- |
| Changes in capital adjustments | -- | -- | -- | (14,449) | -- |
| Changes in minority interests | -- | -- | -- | -- | (4,14 |
| | ----- | ----- | ----- | ----- | ----- |
| Balances at June 30, 2004 | KRW 3,203,743 | 14,541,496 | 21,031,869 | (339,833) | 123,42 |
| | ===== | ===== | ===== | ===== | ===== |
| U.S. dollars (note 2) | \$2,771,404 | 12,579,149 | 18,193,658 | (293,973) | 106,77 |
| | ===== | ===== | ===== | ===== | ===== |

See accompanying notes to consolidated financial statements.

Korea Electric Power Corporation and Subsidiaries

Consolidated Statements of Cash Flows

For the six-month periods ended June 30, 2003 and 2004

(Unaudited)

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

| | Won | | U.S. dollars |
|--|---------------|-----------|--------------|
| | 2003 | 2004 | 2003 |
| | ----- | ----- | ----- |
| Cash flows from operating activities: | | | |
| Net income | KRW 1,285,529 | 1,461,918 | \$1,112,049 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 2,281,237 | 2,203,247 | 1,973,388 |
| Amortization of nuclear fuel and heavy water | 210,054 | 181,342 | 181,708 |
| Utility plant removal cost | 90,891 | 78,249 | 78,625 |
| Provision for severance and retirement benefits | 79,038 | 79,141 | 68,372 |
| Provision for decommissioning costs | 312,756 | 313,585 | 270,550 |
| Bad debt expense | 9,158 | 8,672 | 7,922 |
| Interest income, net | (949) | 2,865 | (821) |
| Gain on foreign currency translation, net | (64,541) | (263,763) | (55,831) |
| Equity income of affiliates | (75,318) | (95,912) | (65,154) |
| Gain on disposal of investments, net | (45,243) | (7,472) | (39,138) |
| Gain on disposal of utility plant, net | (117,274) | (340) | (101,448) |
| Deferred income tax expense (benefit), net | 61,801 | (57,424) | 53,461 |
| Valuation loss (gain) on currency and interest rate swaps | (1,571) | 14,798 | (1,359) |

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| | | | |
|--|---------------|-----------|-------------|
| Changes in assets and liabilities: | | | |
| Decrease in trade receivables | 62,251 | 32,044 | 53,850 |
| Decrease in other accounts receivable | 78,884 | 60,440 | 68,239 |
| Increase in inventories | (113,274) | (174,724) | (97,988) |
| Increase in other current assets | (115,343) | (68,366) | (99,778) |
| Decrease in trade payables | (95,138) | (100,207) | (82,299) |
| Decrease in other accounts payable | (180,408) | (141,345) | (156,062) |
| Increase (decrease) in income tax payable | (410,935) | 82,584 | (355,480) |
| Increase (decrease) in accrued expenses | 71,415 | (28,921) | 61,778 |
| Increase (decrease) in other current liabilities | 66,121 | 29,897 | 57,198 |
| Decrease in other long-term liabilities | (3,533) | (29,430) | (3,056) |
| Payment of severance and retirement benefits | (7,744) | (7,190) | (6,699) |
| Payment of decommissioning costs | (10,557) | (5,449) | (9,132) |
| Payment of self-insurance | (526) | (323) | (455) |
| Other, net | 147,462 | (7,098) | 127,562 |
| Net cash provided by operating activities | KRW 3,514,243 | 3,560,818 | \$3,040,002 |

Korea Electric Power Corporation and Subsidiaries

Consolidated Statements of Cash Flows, Continued

For the six-month periods ended June 30, 2003 and 2004

(Unaudited)

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

| | Won | | U.S. dollars (no | |
|--|-------------|-------------|------------------|-------------|
| | 2003 | 2004 | 2003 | 2004 |
| Cash flows from investing activities: | | | | |
| Proceeds from disposal of utility plant | KRW 32,375 | 65,033 | \$ 28,006 | |
| Additions to utility plant | (3,496,445) | (3,083,330) | (3,024,606) | (2,600,000) |
| Receipt of construction grants | 280,086 | 282,919 | 242,289 | 242,289 |
| Proceeds from disposal of investment securities, | 103,193 | 54,570 | 89,267 | |
| Acquisition of investment securities | (26,025) | (12,368) | (22,513) | |
| Decrease (increase) in long-term loans | (25,751) | 45,769 | (22,276) | |
| Acquisition of intangibles | (9,228) | (9,725) | (7,983) | |
| Decrease (increase) in other non-current assets | 12,903 | (22,011) | 11,162 | |
| Withdrawal (acquisition) of short-term financial instruments, net | (18,853) | 1,425 | (16,309) | |
| Decrease in short-term loans, net | 8,364 | 26,375 | 7,235 | |
| Proceeds from sale (acquisition) of short-term investment securities | (110,816) | 174,439 | (95,862) | 174,439 |
| Net cash used in investing activities | (3,250,197) | (2,476,904) | (2,811,590) | (2,100,000) |
| Cash flows from financing activities: | | | | |

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| | | | | |
|---|---------------|-------------|--------------|-------------|
| Proceeds from long-term debt | 3,070,357 | 3,044,085 | 2,656,018 | 2,656,018 |
| Repayment of long-term debt | (3,564,181) | (4,223,211) | (3,083,202) | (3,083,202) |
| Proceeds from (repayment of) in short-term borrowings, net | 292,805 | 220,558 | 253,292 | 253,292 |
| Acquisition of treasury stock | (180,120) | -- | (155,813) | (155,813) |
| Dividends paid | (512,073) | (672,162) | (442,970) | (442,970) |
| Other, net | (90,300) | (88,142) | (78,114) | (78,114) |
| | ----- | ----- | ----- | ----- |
| Net cash used in financing activities | (983,512) | (1,718,872) | (850,789) | (850,789) |
| | ----- | ----- | ----- | ----- |
| Net increase in cash and cash equivalents from change in consolidated subsidiaries | (19,806) | -- | (17,133) | (17,133) |
| Net decrease in cash and cash equivalents | (739,272) | (634,958) | (639,510) | (639,510) |
| Cash and cash equivalents, at beginning of the period | 1,997,480 | 2,050,636 | 1,727,924 | 1,727,924 |
| | ----- | ----- | ----- | ----- |
| Cash and cash equivalents, at end of the period | KRW 1,258,208 | 1,415,678 | \$ 1,088,414 | 1,088,414 |
| | ===== | ===== | ===== | ===== |

See accompanying notes to consolidated financial statements.

Korea Electric Power Corporation

Notes to Consolidated Financial Statements

June 30, 2004 and 2003

(Unaudited)

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

(a) Description of Business

Korea Electric Power Corporation (KEPCO or the "Company") was incorporated on January 1, 1982 in accordance with the Korea Electric Power Corporation Act (the "KEPCO Act") to engage in the generation, transmission and distribution of electricity and development of electric power resources in the Republic of Korea. KEPCO was given a status of government-invested enterprise 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, 2004, the Government of the Republic of Korea, Korea Development Bank and foreign investors hold 27.03%, 26.93% and 29.61%, 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 the Company's power generation subsidiaries and distribution business, which is in accordance with the restructuring plan, dated January 21, 1999, of the electricity industry in the Republic of Korea announced by the Ministry of Commerce, Industry and Energy ("Restructuring Plan"). This Restructuring Plan, which is intended to introduce a competitive system in the electricity

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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.

(b) Basis of Presenting Consolidated Financial Statements

KEPCO maintains its accounting records in Korean Won and prepares the consolidated financial statements in the Korean language (Hangul) in conformity with the Korea Electric Power Corporation Act ("KEPCO Act"), the Accounting Regulations for Government Invested Enterprises, which have been approved by the Korean Ministry of Finance and Economy and, in the absence of specialized accounting regulations for utility companies, the accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these financial statements are intended for use only by those who are informed about Korean accounting principles and practices, KEPCO Act and Accounting Regulations for Government Invested Enterprises. The accompanying financial statements have been condensed, restructured and translated into English (with certain expanded descriptions) from the Korean language financial statements.

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

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Korea Electric Power Corporation

Notes to Consolidated Financial Statements

(Unaudited)

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

(b) Basis of Presenting Consolidated Financial Statements, Continued

Effective January 1, 2004, the Company adopted Statements of Korea Accounting Standards No. 10, 12 and 13. The adoption of these standards did not have any impact on the accompanying financial statements.

The consolidated financial statements include the accounts of KEPCO and controlled subsidiaries (collectively referred to as the "Company") as of December 31, 2003 and June 30, 2004. Controlled subsidiaries include majority-owned entities be either the Company or controlled subsidiaries and other entities where the Company or its controlled subsidiary owns more than 30% of total outstanding common stock and is the largest shareholder. 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 % of the investee's voting shares unless there is evidence to the contrary.

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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 within twenty 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.

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Korea Electric Power Corporation

Notes to Consolidated Financial Statements

(Unaudited)

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

(b) Basis of Presenting Consolidated Financial Statements, Continued

- i) The Company's ownership percentages of the companies which were consolidated at December 31, 2003 and June 30, 2004 are summarized as follows:

| Subsidiaries | Year of establishment | Ownership percentage (%) | | Pr |
|--|-----------------------|--------------------------|-------|-------------|
| | | 2003 | 2004 | |
| Korea Hydro & Nuclear Power Co., Ltd. (*) | 2001 | 100.0 | 100.0 | Power gener |
| Korea South-East Power Co., Ltd. (*) | 2001 | 100.0 | 100.0 | Power gener |
| Korea Midland Power Co., Ltd. (*) | 2001 | 100.0 | 100.0 | Power gener |
| Korea Western Power Co., Ltd. (*) | 2001 | 100.0 | 100.0 | Power gener |
| Korea Southern Power Co., Ltd. (*) | 2001 | 100.0 | 100.0 | Power gener |
| Korea East-West Power Co., Ltd. (*) | 2001 | 100.0 | 100.0 | Power gener |
| Korea Power Engineering Co., Ltd. | 1977 | 97.9 | 97.9 | Engineering |
| Korea Plant Services & Engineering Co., Ltd. | 1984 | 100.0 | 100.0 | Utility pla |
| KEPCO Nuclear Fuel Co., Ltd. | 1982 | 96.4 | 96.4 | Nuclear fue |
| Korea Electric Power Data Network Co., Ltd. | 1992 | 100.0 | 100.0 | Information |
| KEPCO International Hong Kong Ltd. | 1995 | 100.0 | 100.0 | Holding Com |
| KEPCO International Philippines Inc. | 2000 | 100.0 | 100.0 | Holding Com |

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| | | | | |
|-------------------------------|------|-------|-------|--|
| KEPCO Philippines Corporation | 1995 | 100.0 | 100.0 | Utility plant and operation of KEPCO Hong Kong |
| KEPCO Ilijan Corporation | 1997 | 51.0 | 51.0 | Construction operation (Subsidiary) Internat |

(*) Six new power generation subsidiaries were established on April 2, 2001 by the spin-off of KEPCO's power generation division in accordance with the Restructuring Plan.

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Korea Electric Power Corporation

Notes to Consolidated Financial Statements

(Unaudited)

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

(b) Basis of Presenting Consolidated Financial Statements, Continued

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

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

(2) Details of the spin-off

- . KEPCO spun off its power generation business as stipulated by the Commercial Code of the Republic of Korea.
- . Registration date of the spin off: April 2, 2001
- . Date of resolution of stockholders: March 16, 2001
- . Date of resolution of Board of Directors: February 24, 2001

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(3) Assets and liabilities of the spun off divisions

. Assets and liabilities of the spun off divisions as of the date of the spin off

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

. Assets and liabilities of the spun off divisions as of December 31, 2000

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

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Korea Electric Power Corporation

Notes to Consolidated Financial Statements

(Unaudited)

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

(b) Basis of Presenting Consolidated Financial Statements, Continued

. Result of operations of the spun off divisions (From January 1, 2001 to April 1, 2001)

| | | Won (millions) | | | | | |
|--|--|----------------|---------|--------|---------|-------|-------|
| | | KHNP | KOSEPCO | KOMIPO | KOWEPCO | KOSPO | KEWES |

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| | | | | | | |
|--------------------|---------------|---------|---------|---------|---------|-------|
| Net sales | KRW 1,097,586 | 410,195 | 345,771 | 406,931 | 413,058 | 481,7 |
| Cost of goods sold | 875,074 | 360,346 | 280,101 | 380,139 | 401,384 | 460,8 |
| Gross profit | KRW 222,512 | 49,849 | 65,670 | 26,792 | 11,674 | 20,8 |

ii) The Company's ownership percentages of affiliated companies which were accounted for by the equity method at December 31, 2003 and June 30, 2004 are summarized as follows:

| Subsidiaries | Year of establishment | Ownership percentage (%) | | Primary |
|---|-----------------------|--------------------------|------|---------------------------------|
| | | 2003 | 2004 | |
| Korea Gas Corporation | 1983 | 24.5 | 24.5 | Sales of liquef |
| Korea District Heating Co., Ltd. | 1985 | 26.1 | 26.1 | Providing of he |
| Powercomm Corporation | 2000 | 43.1 | 43.1 | Communication l |
| Korea Electric Power Industrial Development Co., Ltd. | 1990 | 49.0 | 49.0 | Disposal of pow and electric |
| YTN | 1993 | 21.4 | 21.4 | Broadcasting |

(c) Property, Plant and Equipment

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

The Company capitalizes interest cost and other financial charges on borrowing associated with the manufacture, purchase, or construction of property, plant and equipment, incurred prior to completing the acquisition, as part of the cost of such assets. The calculation of capitalized interest includes exchange differences arising from foreign borrowings to the extent that they are regarded as an adjustment to interest costs, which is limited to the extent of interest cost calculated by the weighted average interest rate of local currency borrowings. For the six-month periods ended June 30, 2003 and 2004, the amounts of capitalized interest were KRW 252,639 million and KRW 160,619 million, respectively. The foreign currency transactions and translation gains excluded from the calculation of capitalized interest rate amounted to KRW 124,520 million and foreign currency transaction and translation loss added to the calculation of capitalized interest rate amounted to KRW 24,323 million for the six-month period ended June 30, 2004.

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Notes to Consolidated Financial Statements

(Unaudited)

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

(c) Property, Plant and Equipment, Continued

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

| | Estimated useful life |
|------------|-----------------------|
| | ----- |
| Buildings | 8~ 30 |
| Structures | 8~ 30 |
| Machinery | 16 |
| Vehicles | 4 |
| Others | 4, 9 |

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

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

Construction grants are initially recorded and presented in the accompanying financial statements as deductions from the assets acquired under such grants and are offset against depreciation expense during the estimated useful lives of the related assets. The Company received KRW 280,086 million and KRW 282,616 million of construction grants, and offset KRW 61,993 million and KRW 71,424 million against depreciation expense, and KRW 18,274 million and KRW 18,333 million against utility plant removal cost for the six-month periods ended June 30, 2003 and 2004, respectively.

(d) Leases

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

- . Ownership of the leased property shall be transferred to the lessee at the end of the lease term without additional payment or for a contract price.
- . The lease has a bargain purchase option.
- . The lease term is equal to 75% or more of the estimated economic useful life of the leased property.
- . The present value at the beginning of the lease term of the

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minimum lease payments equals or exceeds 90% of the fair value of the leased property.

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

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Korea Electric Power Corporation

Notes to Consolidated Financial Statements

(Unaudited)

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

(e) Investments in Securities

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

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

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

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

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assets. Likewise, held-to-maturity securities whose maturity dates are due within one year from the balance sheet date are classified as current assets.

(f) Investment Securities under the Equity Method of Accounting

Investments in affiliated companies owned 20% or more or of which the Company is able to exercise significant influence over the operating and financial policies are stated at an amount as determined using the equity method. Under the equity method of accounting, the Company's initial investment is recorded at cost and is subsequently increased to reflect the Company's share of the investee income and reduced to reflect the Company's share of the investee losses or dividends received. Any excess in the Company's acquisition cost over the Company's share of the investee's identifiable net assets is generally recorded as goodwill or other intangibles and amortized by the straight-line method over the estimated useful life. The amortization of goodwill is recorded against the equity income of affiliates. When events or circumstances indicate that carrying amount may not be recoverable, the Company reviews goodwill for any impairment.

Under the equity method of accounting, the Company does not record its share of losses of affiliate companies when such losses would make the Company's investment in such entity less than zero.

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Korea Electric Power Corporation

Notes to Consolidated Financial Statements

(Unaudited)

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

(g) Intangible Assets

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

(i) Research and Development Costs

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

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

(ii) Other Intangible Assets

Other intangible assets, which consist of industrial rights, land rights and others, are stated at cost less accumulated amortization and impairment losses. Such intangible assets are

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amortized using the straight-line method over a reasonable period, from 4 years to 50 years, based on the nature of the asset.

(h) Cash Equivalents

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

(i) Financial Instruments

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

(j) Allowance for Doubtful Accounts

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

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Korea Electric Power Corporation

Notes to Consolidated Financial Statements

(Unaudited)

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

(k) Inventories

Inventories are stated at the lower of cost or net realizable value, cost being determined using the weighted average method for raw materials, moving average method for supplies and specific identification method for other inventories. The Company maintains perpetual inventory records, which are adjusted through physical counts at the end of year.

Effective January 1, 2004, the Company adopted Statement of Korea Accounting Standards No. 10, "Inventories". Through 2003, a valuation loss incurred when the market value of inventory falls below its carrying amount was reported as non-operating expense. In 2004, in accordance with SKAS No. 10, the Company included inventory valuation loss in operating expenses.

(l) Long-Lived Assets

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

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In 2001, the Company recognized an impairment loss on property, plant and equipment in the Youngwol an Busan thermal plant amounting to KRW 11,206 million, which is the difference between the carrying amount and recoverable value considering future cash flows.

(m) Valuation of Receivables and Payables at Present Value

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

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

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Korea Electric Power Corporation

Notes to Consolidated Financial Statements

(Unaudited)

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

(n) Convertible Bonds

When issuing convertible bonds or bonds with stock purchase warrants, the values of the conversion rights or stock warrants shall be recognized separately. Considerations for conversion rights or stock warrants shall be measured by deducting the present value of ordinary or straight debt securities from the gross proceeds of the convertible bonds or bonds with stock purchase warrants received at the date of issue.

The value of the common shares issued pursuant to the exercise of the conversion rights shall be measured as the sum of the carrying amount, at the time of conversion, and the amount of consideration received for such rights, at the time of issuance, of those convertible bonds that are actually related to the exercise.

(o) Discount (Premium) on Debentures

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

(p) Retirement and Severance Benefits

Employees and directors who have been with the Company for more than one year are entitled to lump-sum payments based on current rates of pay and length of service when they leave the Company. The Company's

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estimated liability under the plan which would be payable if all employees left on the balance sheet date is accrued in the accompanying balance sheets. A portion of the liability is covered by an employees' severance benefit insurance where the employees have a vested interest in the deposit with the insurance company. Therefore, such deposit for severance benefit insurance amounting to KRW 82,771 million and KRW 82,456 million as of December 31, 2003 and June 30, 2004 are reflected in the accompanying consolidated balance sheets as a deduction of the liability for retirement and severance benefits.

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

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Korea Electric Power Corporation

Notes to Consolidated Financial Statements

(Unaudited)

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

(q) Reserve for Decommissioning Costs and Self-Insurance

Under the Korean Electricity Business Act (EBA) Article 94, the Company is required to accrue for the decommissioning of nuclear facilities and dismantling of radioactive waste. In addition, under the Korean Atomic Energy Act (AEAC), an entity which constructs and operates a nuclear power reactor and related facilities must obtain permission from the Korean Minister of Science and Technology (MOST).

The Company accrues for estimated decommissioning costs of nuclear facilities based on engineering studies and the expected decommissioning dates of the nuclear power plant. The expected decommissioning date is approximately 25 years from initial operation. However, the service period of the nuclear power plant is dependent upon the economy and safety of plant operation and supervision of MOST with periodic safety inspections and safety review.

As of December 31, 2003 and June 30, 2004, the Company has accrued KRW 5,091,070 million and KRW 5,399,206 million for the costs of dismantling and decontaminating existing nuclear power plants, consisting of dismantling costs of nuclear plant and dismantling costs of spent fuel and radioactive waste. 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 KRW 312,756 million and KRW 313,585 million as the reserve for decommissioning costs for the six-month period ended June 30, 2003 and 2004, respectively.

The Company estimates its reserve for decommissioning costs based on

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engineering studies provided by a third party and applies it prospectively. As a result of changes of estimates, for the year ended December 31, 2003, the provision for decommissioning costs increased by KRW 72,888 million and operating income and net income decreased by KRW 72,888 million and KRW 52,844 million, respectively.

In accordance with SKAS No. 5 - "Tangible Assets", the Company is required to recognize the fair value of a liability for an asset retirement obligation (e.g., dismantlement or restoration costs) in the period in which it is incurred. The fair value could be estimated based on the present value of the estimated future cash outflows required to satisfy the liabilities and would be discounted using a current credit risk-adjusted interest rate. The accretion of the liability due to the passage of time is recognized each period as expense until the settlement of the liability. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost shall be capitalized by increasing the carrying amount of the related tangible asset by the same amount as the liability. That asset retirement cost is allocated to expense using a systematic and rational method over its useful life. As permitted under SKAS No. 5, the Company applies the accounting for asset retirement obligation only to assets acquired after December 31, 2002.

In accordance with the Accounting Regulations for Government Invested Enterprises, KEPCO provides a self-insurance reserve for loss from accident and liability to third parties that may arise in connection with KEPCO's non-insured facilities. Payments made to settle applicable claims and damages are charged to this reserve.

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Korea Electric Power Corporation

Notes to Consolidated Financial Statements

(Unaudited)

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

(r) Foreign Currency Translation

KEPCO and its domestic subsidiaries maintain their 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 denominated in foreign currencies are translated into Korean Won at the balance sheet date, with the resulting gains and losses recognized in current results of operations. Monetary assets and liabilities denominated in foreign currencies are translated into Korean Won at KRW1,152.5 to US\$1, the rate of exchange on June 30, 2004 that is permitted by the Financial Accounting Standards. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into Korean Won at the foreign exchange rate ruling at the date of the transaction.

Foreign currency assets and liabilities of foreign-based operations and the Company's overseas subsidiaries are translated at current rate of exchange at the balance sheet date while profit and loss items in the statement of income are translated at average rate and capital

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account at historical rate. The translation gains and losses arising from collective translation of the foreign currency financial statements of foreign-based operations and the Company's overseas subsidiaries are offset and the balance is accumulated as a capital adjustment.

(s) Derivatives

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 designed 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 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.

(t) Contingent Liabilities

Contingent losses are generally recognized as a liability when probable and reasonably estimable.

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Korea Electric Power Corporation

Notes to Consolidated Financial Statements

(Unaudited)

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

(u) Revenue Recognition

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

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power and revenue on long-term contracts is recognized when the Company's revenue-earning activities have been substantially completed, the amount of revenue can be measured reliably, and it is probable that the economic benefits associated with the transaction will flow to the Company.

(v) Income Taxes

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

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

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

(w) Dividends payable

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

(x) Prior Period Adjustments

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

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Korea Electric Power Corporation

Notes to Consolidated Financial Statements

(Unaudited)

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

(y) Earnings Per Share

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

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(z) Minority Interest in Consolidated Subsidiaries

Minority interest in consolidated subsidiaries is presented as a separate component of stockholders' equity in the consolidated balance sheets.

(aa) Use of Estimates

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

(2) Basis of Translating Consolidated Financial Statements

The consolidated financial statements are expressed in Korean Won and, solely for the convenience of the reader, the consolidated financial statements as of and for the six-month ended period June 30, 2004, have been translated into United States dollars at the rate of KRW1,156.0 to US\$1, 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 as of June 30, 2004. The translation should not be construed as a representation that any or all of the amounts shown could be converted into U.S. dollars at this or any other rate.

(3) Property, Plant and Equipment

(a) Asset revaluation

KEPCO 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), and recorded a revaluation gain of KRW12,552,973 million as a reserve for asset revaluation, a component of capital surplus.

(b) Officially Declared Value of Land

The officially declared value of land at June 30, 2004, as announced by the Minister of Construction and Transportation, is as follows:

| Purpose | Won (millions) | |
|-----------------------|----------------|----------------|
| | Book value | Declared value |
| Site of utility plant | KRW 5,600,947 | 5,470,791 |

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

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(3) Property, Plant and Equipment, Continued

(c) Utility plant

Utility plants and accumulated depreciation as of December 31, 2003 and June 30, 2004 are as follows:

(i) Cost

| | | Won (millions) | |
|--------------------------|-----|----------------|------------|
| | | 2003 | 2004 |
| | | ----- | ----- |
| | | 2003 | 2004 |
| | | ----- | ----- |
| Land | KRW | 5,593,520 | 5,600,947 |
| Buildings | | 8,695,733 | 8,784,243 |
| Structures | | 27,768,348 | 28,351,248 |
| Machinery | | 25,687,747 | 26,188,262 |
| Nuclear fuel | | 2,620,230 | 2,820,124 |
| Vehicles | | 76,213 | 76,713 |
| Others | | 1,555,958 | 1,520,888 |
| | | ----- | ----- |
| | | 71,997,749 | 73,342,425 |
| Construction in-progress | | 9,550,651 | 11,006,765 |
| | | ----- | ----- |
| | | 81,548,400 | 84,349,190 |
| | | ===== | ===== |

(ii) Accumulated depreciation

| | | Won (millions) | |
|--------------|-----|----------------|------------|
| | | 2003 | 2004 |
| | | ----- | ----- |
| | | 2003 | 2004 |
| | | ----- | ----- |
| Buildings | KRW | 1,477,211 | 1,736,698 |
| Structures | | 4,077,230 | 4,535,505 |
| Machinery | | 9,676,715 | 11,075,014 |
| Nuclear fuel | | 1,016,517 | 1,196,363 |
| Vehicles | | 58,287 | 59,228 |
| Others | | 569,563 | 624,918 |
| | | ----- | ----- |
| | | KRW 16,875,523 | 19,227,726 |
| | | ===== | ===== |

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Korea Electric Power Corporation

Notes to Consolidated Financial Statements

(Unaudited)

(4) Intangibles

Changes in intangibles for the six-month period ended June 30, 2004 are as follows:

Won (millions)

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| | December 31 2003 | Acquisition and transfers | Amortization | June 30, 2004 |
|---------------------------|---------------------|------------------------------|--------------|------------------|
| | ----- | ----- | ----- | ----- |
| Development costs | KRW 140,354 | 32,200 | 21,838 | 150,716 |
| Port facility usage right | 159,997 | 547 | 8,081 | 152,463 |
| Water usage right | 121,794 | -- | 8,400 | 113,394 |
| Dam usage right | 6,832 | -- | 72 | 6,760 |
| Electricity usage right | 28,698 | -- | 2,623 | 26,075 |
| Others | 58,318 | 10,133 | 24,440 | 44,011 |
| | ----- | ----- | ----- | ----- |
| | KRW 515,993 | 42,880 | 65,454 | 493,419 |
| | ===== | ===== | ===== | ===== |

In addition, the Company expensed ordinary development expenses amounting to KRW 125,212 million and KRW 157,346 million for the six-month periods ended June 30, 2003 and 2004, respectively.

(5) Insured Assets

Insured assets as of June 30, 2004 are as follows:

| Insured assets | Insurance type | Won (millions) | |
|---------------------------|----------------------------|----------------|-----------|
| | | ----- | |
| ----- | ----- | ----- | |
| | | Insured value | |
| ----- | ----- | ----- | |
| Buildings and machinery | Fire insurance | KRW | 2,948,861 |
| Buildings and machinery | Construction insurance | | 1,225,801 |
| Buildings and machinery | Nuclear property insurance | | 587,775 |
| Buildings | General insurance | | 167,554 |
| Construction in progress | Construction insurance | | 455,729 |
| Inventories and machinery | Shipping insurance | | 3,026,882 |

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

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Korea Electric Power Corporation

Notes to Consolidated Financial Statements

(Unaudited)

(6) Investment securities

(a) Investments in securities as of December 31, 2003 and June 30, 2004 are summarized as follows:

| Won (millions) | |
|----------------|------|
| ----- | |
| 2003 | 2004 |

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| | | | |
|----------------------------------|-----|-----------|-----------|
| Short-term investment securities | | | |
| Available-for-sale securities | KRW | 141,585 | 51,453 |
| Held-to-maturity securities | | 20,011 | 18 |
| | | ----- | ----- |
| | | 161,596 | 51,471 |
| | | ----- | ----- |
| Long-term investment securities | | | |
| Available-for-sale securities | | 230,744 | 158,004 |
| Held-to-maturity securities | | 2,197 | 2,398 |
| Investments in affiliates | | 1,296,179 | 1,359,554 |
| | | ----- | ----- |
| | | 1,529,120 | 1,519,956 |
| | | ----- | ----- |
| | KRW | 1,690,716 | 1,571,427 |
| | | ===== | ===== |

Available-for-sale securities are funds for debt securities and Held-to-maturity securities are debt securities including government and municipal bonds.

- (b) Long-term investments other than those under the equity method as of December 31, 2003 and June 30, 2004 are summarized as follows:

| | 2003 | | 2004 | |
|--------------------------------|------------------|---------------|------------------|-------------------|
| | Ownership (%) | Book value | Ownership (%) | Acquisiti cost |
| | ----- | ----- | ----- | ----- |
| Available-for-sale: | | | | |
| Equity securities: | | | | |
| Securities Market | | | | |
| Stabilization Fund | 7.57 | KRW 7,763 | -- | -- |
| Energy Savings | | | | |
| Investment Cooperatives | | | | |
| (*3) | 25.0~48.0 | 5,000 | 25.0~48.0 | 5,000 |
| Korea Power Exchange(*3) | 100.0 | 125,213 | 100.0 | 128,952 |
| Hwan Young Steel | | | | |
| Co., Ltd. (*1,*3) | 0.14 | 120 | 0.14 | 1,364 |
| Investment securities | | | | |
| in treasury stock fund (*2,*3) | -- | 17,581 | -- | 18,271 |
| Other equity securities | -- | 1,051 | -- | 6,845 |
| Debt securities | | 74,016 | | 5,149 |
| | | ----- | | ----- |
| | | 230,744 | | 165,581 |
| | | ----- | | ----- |
| Held-to-maturity: | | | | |
| Government and municipal | | | | |
| bonds | | 2,197 | | 2,398 |
| | | ----- | | ----- |
| Total | | KRW 232,941 | | 167,979 |
| | | ===== | | ===== |

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Notes to Consolidated Financial Statements

(Unaudited)

(6) Investments, Continued

(*1) The Company recognized an impairment loss of KRW1,244 million that was deemed as an other-than-temporary decline.

(*2) The Company has an investment in a treasury stock fund composed of treasury stock and other investment securities. The other investment securities are recorded as available-for-sale securities and are non-marketable equity securities and stated at cost due to the lack of information to determine the fair value. The treasury stock is recorded as a capital adjustment (note 13). Losses on valuation of these available-for-sale securities recorded as a capital adjustment, amount to KRW6,504 million and KRW8,714 million as of June 30, 2004 and December 31, 2003, respectively.

(*3) Fair values are not available.

(c) Investments in affiliated companies accounted for using the equity method as of December 31, 2003 and June 30, 2004 are as follows:

| | 2003 | | 2004 | | |
|---|------------------|---------------|------------------|---------------------|-----------|
| | Ownership (%) | Book value | Ownership (%) | Acquisition cost | Net va |
| Korea Gas Corporation (*1) | 24.5 | KRW 740,280 | 24.5 | 94,500 | 77 |
| Korea District Heating Co., Ltd. (*1) | 26.1 | 159,165 | 26.1 | 5,660 | 16 |
| Powercomm Corporation (*1) | 43.1 | 350,518 | 43.1 | 323,470 | 37 |
| Korea Electric Power Industrial Development Co., Ltd. (*1) | 49.0 | 22,072 | 49.0 | 7,987 | 2 |
| YTN (*1) | 21.4 | 24,144 | 21.4 | 59,000 | 2 |
| | | KRW 1,296,179 | | 490,617 | 1,36 |
| | | ===== | | ===== | ===== |

(*1) The Company used unaudited financial statements of the above affiliated companies when applying the equity method of accounting.

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

| 2003 | | |
|----------------------------------|---|--------|
| Book value as January 1, 2003 | Gain (loss) on valuation using the equity method on accounting | Others |
| | | |

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| | | | | |
|--|-----|-----------|--------|----------|
| Korea Gas Corporation | KRW | 690,705 | 73,329 | (23,754) |
| Korea District Heating Co. | | 147,716 | 13,486 | (2,037) |
| Powercomm Corporation | | 352,235 | 6,508 | (8,225) |
| Korea Electric Power Industrial Development Co., Ltd. | | -- | 3,107 | 18,965 |
| YTN | | 23,615 | 436 | 93 |
| | | ----- | ----- | ----- |
| | KRW | 1,214,271 | 96,866 | (14,958) |
| | | ===== | ===== | ===== |

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Korea Electric Power Corporation

Notes to Consolidated Financial Statements

(Unaudited)

(6) Investments, Continued

Changes in investments in affiliated companies under the equity method for the six-month period ended June 30, 2004 are as follows:

| | | 2004 | | |
|--|-----|----------------------------------|---|-------------|
| | | Book value as January 1, 2004 | Gain (loss) on valuation using the equity method on accounting | Others (*1) |
| | | ----- | ----- | ----- |
| Korea Gas Corporation | KRW | 740,280 | 65,287 | (26,743) |
| Korea District Heating Co. | | 159,165 | 10,887 | (1,056) |
| Powercomm Corporation (*2) | | 350,518 | 17,116 | (716) |
| Korea Electric Power Industrial Development Co., Ltd. | | 22,072 | 2,439 | (3,920) |
| YTN | | 24,144 | 183 | (102) |
| | | ----- | ----- | ----- |
| | KRW | 1,296,179 | 95,912 | (32,537) |
| | | ===== | ===== | ===== |

(*1) Others are composed of acquisition (disposal) of investment, dividends and the changes in values in equity due to the capital surplus and gain (loss) on investment securities in capital adjustments.

(*2) As of June 30, 2004, unrealized profits of KRW 7,471 million arisen from the transaction with Powercomm Corporation were eliminated.

The Company has recorded unrealized losses of KRW 25,560 million and KRW 21,042 million relating to the above affiliates as of December 31, 2003 and June 30, 2004, respectively, which have been accounted for a capital adjustment. These capital adjustments have been recorded as unrealized losses on equity securities of affiliates within stockholders' equity.

Korea Electric Power Corporation

Notes to Consolidated Financial Statements

(Unaudited)

(7) Loans to employees

The Company has provided housing and tuition loans to employees as follows as of December 31, 2003 and June 30, 2004:

| | | Won (millions) | |
|------------------|-----|----------------|---------|
| | | 2003 | 2004 |
| Short-term loans | KRW | 16,284 | 15,626 |
| Long-term loans | | 251,788 | 272,988 |
| | KRW | 268,072 | 288,614 |
| | | ===== | ===== |

(8) Other Non-current Assets

Other non-current assets as of December 31, 2003 and June 30, 2004 are as follows:

| | | Won (millions) | |
|---------------------------------|-----|----------------|---------|
| | | 2003 | 2004 |
| Long-term trade receivable, net | KRW | 9,588 | 5,419 |
| Deposit received | | 141,221 | 156,885 |
| Others | | 91,285 | 98,550 |
| | KRW | 242,094 | 260,854 |
| | | ===== | ===== |

(9) Inventories

Inventories as of December 31, 2003 and June 30, 2004 are summarized as follows:

| | | Won (millions) | |
|---------------|-----|----------------|-----------|
| | | 2003 | 2004 |
| Raw materials | KRW | 261,497 | 410,835 |
| Supplies | | 519,727 | 581,691 |
| Other | | 123,709 | 162,209 |
| | KRW | 904,933 | 1,154,735 |
| | | ===== | ===== |

Korea Electric Power Corporation

Notes to Consolidated Financial Statements

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(10) Other Current Assets

Other current assets at December 31, 2003 and June 30, 2004 are summarized as follows:

| | | Won (millions) | |
|--|-----|----------------|---------|
| | | 2003 | 2004 |
| | | ----- | ----- |
| Short-term loans to employees (note 7) | KRW | 16,284 | 15,626 |
| Accrued interest income | | 5,738 | 6,848 |
| Advance payments | | 3,875 | 18,293 |
| Prepaid expenses | | 39,143 | 82,132 |
| Other current assets | | 175,996 | 187,119 |
| | | ----- | ----- |
| | KRW | 241,036 | 310,018 |
| | | ===== | ===== |

(11) Capital Surplus

Capital surplus as of December 31, 2003 and June 30, 2004 are as follows:

| | | Won (millions) | |
|--|-----|----------------|------------|
| | | 2003 | 2004 |
| | | ----- | ----- |
| Paid-in capital in excess of par value | KRW | 811,301 | 811,296 |
| Reserves for asset revaluation | | 12,552,973 | 12,552,973 |
| Other capital surplus | | 1,180,246 | 1,177,227 |
| | | ----- | ----- |
| | KRW | 14,544,520 | 14,541,496 |
| | | ===== | ===== |

The Company revalued its property, plant and equipment in accordance with the KEPCO Act and the Asset Revaluation Law, and recorded a revaluation gain of KRW 12,552,973 million as a reserve for asset revaluation. The reserve for asset revaluation may be credited to paid-in capital or offset against any accumulated deficit by resolution of the shareholders.

(12) Appropriated Retained Earnings

Appropriated retained earnings as of December 31, 2003 and June 30, 2004 are summarized as follows:

| | | Won (millions) | |
|---|-----|----------------|------------|
| | | 2003 | 2004 |
| | | ----- | ----- |
| Legal reserve | KRW | 1,600,252 | 1,601,871 |
| Reserve for business rationalization | | 31,900 | 31,900 |
| Reserve for business expansion | | 10,925,338 | 12,438,120 |
| Reserve for investment on social overhead capital | | 5,012,449 | 5,092,449 |
| Reserve for research and human development | | 120,000 | 180,000 |
| | | ----- | ----- |
| | KRW | 17,689,939 | 19,344,340 |
| | | ===== | ===== |

Korea Electric Power Corporation

Notes to Consolidated Financial Statements

(Unaudited)

(12) Appropriated Retained Earnings, Continued

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.

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

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

(13) Capital Adjustments

Capital adjustments as of December 31, 2003 and June 30, 2004 are as follows:

| | Won (millions) | |
|--|----------------|-----------|
| | 2003 | 2004 |
| Treasury stock | KRW (195,379) | (199,985) |
| Loss on valuation of available- for-sale securities | (3,689) | (4,833) |
| Equity income of affiliates | (25,560) | (21,042) |
| Overseas operations translation | (97,939) | (113,090) |
| Gain on valuation of currency and Interest rate swaps | (2,817) | (883) |
| | KRW (325,384) | (339,833) |
| | ===== | ===== |

The Company has shares held as treasury stock amounting to KRW 195,379 million (10,713,050 shares) and KRW 199,985 million (11,068,050 shares) as of December 31, 2003 and June 30, 2004, respectively, for the purpose of stock price stabilization.

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Notes to Consolidated Financial Statements

(Unaudited)

(14) Short-term borrowings

Short-term borrowings as of December 31, 2003 and June 30, 2004 are as follows:

| Lender | Type | Annual interest rate (%) | Won (millions) | |
|---|-------------------|-----------------------------|----------------|---------|
| | | | 2003 | 2004 |
| Local currency borrowings | | | | |
| National Agricultural Cooperative Federation and others | General | 3.00~4.10 | KRW 53,245 | 165,000 |
| Foreign currency borrowings | | | | |
| Korea Exchange Bank and others | Usance and Others | Libor+0.25~0.35 | 156,924 | 263,180 |
| | | | KRW 210,169 | 428,180 |

(15) Long-term borrowings

Long-term borrowings as of December 31, 2003 and June 30, 2004 are as follows:

(a) Local currency long-term borrowings

| Lender | Type | Annual interest rate (%) | Won (mil) |
|--|------------------------|-----------------------------|---------------|
| | | | 2003 |
| Korea Development Bank | Industrial facility | 4.50~9.00 | KRW 4,951,239 |
| Koram Bank | Rural area development | 4.00 | 50,000 |
| National Agricultural Cooperative Federation | Rural area development | 4.00 | 50,000 |
| Korea Exchange Bank | Energy rationalization | 3.00 | 6,000 |
| Other | General | 5.50~6.00 | 29,935 |
| | | | 5,087,174 |
| Less: Current portion | | | (1,254,049) |
| | | | KRW 3,833,125 |

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Korea Electric Power Corporation

Notes to Consolidated Financial Statements

(Unaudited)

(15) Long-term borrowings, Continued

(b) Foreign currency long-term borrowings

| Lender | Type | Annual interest rate (%) | Won (m) | |
|---|-----------------------------|-----------------------------|---------|-----------|
| | | | 2003 | |
| Japan Bank of International Cooperation | Facility | 6.2~8.2 | KRW | 260,712 |
| Barclays International Financial Services (Ireland) Ltd. | Commercial | 6M Libor-1.00 | | 187,851 |
| National Agricultural Cooperative Federation | " | Libor+1.30 | | 12,833 |
| Korea Development Bank | General | Libor+0.30~1.50 | | 283,823 |
| The Export-Import Bank of Korea | Purchase of nuclear fuel | Libor+0.70~1.03 | | 202,454 |
| Korea Exchange Bank | Facility | Libor+0.15 | | 17,090 |
| Kookmin Bank | " | Libor+1.40 | | 15,970 |
| Norinchukin Bank | " | Libor+0.19 | | 41,923 |
| Nippon Life Insurance | " | Libor+0.19 | | 98,226 |
| US-EXIM | " | Govco+0.25~0.30 | | 141,219 |
| Others | " | 10.00 | | 1,199 |
| | | | | 1,263,300 |
| Less: Current portion | | | | (379,792) |
| | | | KRW | 883,508 |

(c) Debentures

| | Annual interest rate (%) | Won (millions) | |
|--------------------------------|-----------------------------|----------------|-----------|
| | | 2003 | 2004 |
| Local currency debentures | | | |
| Electricity bonds | 4.79~10.37 | KRW 6,334,359 | 4,626,759 |
| Corporate bonds | 4.32~7.75 | 3,039,030 | 3,442,793 |
| | | 9,373,389 | 8,069,552 |
| Foreign currency debentures(*) | | | |
| FY-93 | 7.75 | 419,230 | 403,375 |
| FY-95 | 3.4~4.15 | 464,634 | 441,572 |
| FY-96 | 3.8~8.278 | 660,547 | 630,692 |

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| | | | |
|-----------------------|----------------------|----------------|-------------|
| FY-97 | 6M libor+0.31~1.65 | 1,176,117 | 1,079,552 |
| FY-99 | 5.75 | 37,839 | 35,097 |
| FY-00 | 2.10~8.25 | 695,220 | 664,960 |
| FY-01 | 1.18~1.27 | 671,760 | 266,008 |
| FY-02 | 6M libor+0.75, 4.625 | 1,257,690 | 1,210,125 |
| FY-03(*) | 1.33~4.75 | 1,149,610 | 1,103,487 |
| FY-04 | 4.875~5.125 | -- | 806,750 |
| | | ----- | ----- |
| | | 6,532,647 | 6,641,618 |
| | | ----- | ----- |
| | | 15,906,036 | 14,711,170 |
| Less: Current portion | | (4,987,425) | (4,214,727) |
| Discount | | (76,533) | (77,550) |
| | | ----- | ----- |
| | | KRW 10,842,078 | 10,418,893 |
| | | ===== | ===== |

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Korea Electric Power Corporation

Notes to Consolidated Financial Statements

(Unaudited)

(15) Long-term borrowings, Continued

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

- . Maturity date: November 26, 2008
- . Qualifying Public Offering (QPO): QPO means the first listing on the Korea Stock Exchange, New York Stock Exchange or National Association of Securities Dealers Automated Quotations (NASDAQ) meeting certain requirements. It is not required that Powercomm Corporation must perform QPO prior to the maturity of the debentures, neither the Company guarantees the QPO of Powercomm Corporation.
- . Shares to be exchanged: Powercomm Corporations shares or Deposit Receipt (DR)
- . Exchangeable period: From 10th day after the listing of Powercomm Corporation to 10th day before its maturity - Exchange price: 120% of lower amount of market price on listing day or weighted average price for 10 days after its listing.
- . Early redemption: When certain conditions are met or after 3 years from the listing, outstanding debentures are redeemable at the guaranteed return of 2.88% (102.74% of issuance amount)
- . Repayment at the maturity: Repayment will be made with the guaranteed return of 3.68% (109.13% of issuance amounts).

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

(d) Exchangeable bonds

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| Description | Annual interest rate (%) | Won (millions) | |
|------------------------------------|-----------------------------|----------------|----------|
| | | 2003 | 2004 |
| Overseas exchangeable bonds | 0.00 | KRW 277,256 | 277,256 |
| Plus: Premium on debentures issued | | 20,987 | 18,870 |
| Less: Conversion right adjustment | | (43,817) | (39,398) |
| | | ----- | ----- |
| | | 254,426 | 256,728 |
| | | ===== | ===== |

On November 4, 2003, the Company issued overseas exchangeable bonds of Japanese Yen 28,245,468 thousand at a premium value. The details of the bonds are as follows:

- . Maturity date: November 4, 2008
- . Amount to be paid at maturity: JPY 25,935,061 thousand
- . Exchange period: From December 15, 2003 to 10th day prior to its maturity
- . Shares to be exchanged: Common stock held by the Company or its equivalent Deposit Receipt (DR).
- . Exchange price: (Won) 30,000 per share
- . Put option: Bond holders have the put option that they can request redemption at JPY 26,834,000 thousand on November 6, 2006.

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Korea Electric Power Corporation

Notes to Consolidated Financial Statements

(Unaudited)

(15) Long-term borrowings, Continued

(e) Leases

- (i) The Company entered into a capital lease agreement with Korea Development Leasing Corporation for certain computer systems, of which book value is KRW 1,904 million as of June 30, 2004. Depreciation of the leased assets amounted to KRW 2,162 million for the six-month period ended June 30, 2004.
- (ii) Annual payments under capital and operating lease agreements as of June 30, 2004 are as follows:

| Year ended June 30 | Won (millions) | |
|--------------------|----------------|-----------------|
| | Capital lease | Operating lease |
| 2005 | KRW 1,577 | 816 |

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| | | |
|-----------------|---------|-------|
| 2006 | -- | 222 |
| 2007 | -- | 111 |
| | ----- | ----- |
| | 1,577 | 1,149 |
| | ===== | ===== |
| Less : Interest | (30) | |
| Current portion | (1,547) | |
| | ----- | |
| | -- | |
| | ===== | |

(f) Foreign currency debts, by currency, as of December 31, 2003 and June 30, 2004 are as follows:

| | | Won (millions), US\$ JPY, EUR and GBP (thousands) | | | | | | | |
|-----------------------|------|---|-----|----------------|------|------------------|-----|----------------|--|
| | | 2003 | | | | 2004 | | | |
| | | Foreign currency | | Won equivalent | | Foreign currency | | Won equivalent | |
| | | ----- | | ----- | | ----- | | ----- | |
| Short-term borrowings | US\$ | 131,012 | KRW | 156,924 | US\$ | 228,361 | KRW | 263,000 | |
| | | | | ----- | | | | ----- | |
| Long-term borrowings | US\$ | 953,129 | | 1,151,340 | US\$ | 786,110 | | 907,000 | |
| | JPY | 10,000,000 | | 111,960 | JPY | 10,000,000 | | 106,000 | |
| | | | | ----- | | | | ----- | |
| Debentures | US\$ | 3,552,030 | | 4,258,819 | US\$ | 4,230,360 | | 1,014,000 | |
| | JPY | 195,060,000 | | 2,183,892 | JPY | 157,500,000 | | 4,879,000 | |
| | EUR | 25,183 | | 37,839 | EUR | 25,183 | | 1,675,000 | |
| | GBP | 24,467 | | 52,097 | GBP | 24,467 | | 35,000 | |
| | | | | ----- | | | | ----- | |
| Exchangeable bond | JPY | 25,935,061 | | 6,532,647 | JPY | 25,935,061 | | 6,641,000 | |
| | | | | 277,256 | | | | 277,000 | |
| | | | KRW | 8,230,127 | | | KRW | 8,196,000 | |
| | | | | ===== | | | | ===== | |

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Korea Electric Power Corporation

Notes to Consolidated Financial Statements

(Unaudited)

(15) Long-term borrowings, Continued

(g) Aggregate maturities of the Company's long-term debt as of June 30, 2004 are as follows:

Won (millions)

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| Year ended June 30 | | Local currency borrowings | Foreign currency borrowings | Domestic debentures | Foreign debentures | Exchangeable bonds | Capital lease obligation |
|-----------------------|-----|---------------------------------|-----------------------------------|------------------------|-----------------------|-----------------------|--------------------------------|
| 2005 | KRW | 1,187,995 | 204,208 | 3,052,872 | 1,161,855 | -- | 1,547 |
| 2006 | | 1,252,916 | 231,177 | 871,113 | 916,091 | -- | -- |
| 2007 | | 971,344 | 179,360 | 1,740,557 | 52,495 | -- | -- |
| 2008 | | 725,033 | 48,465 | 1,210,010 | 1,935,150 | -- | -- |
| Thereafter | | 1,032,875 | 350,918 | 1,195,000 | 2,576,027 | 277,256 | -- |
| | KRW | 5,170,163 | 1,014,128 | 8,069,552 | 6,641,618 | 277,256 | 1,547 |

(16) Assets and Liabilities Denominated in Foreign Currencies

Significant assets and liabilities of the Company (excluding foreign subsidiaries) denominated in foreign currencies other than those mentioned in Note 15(f) as of December 31, 2003 and June 30, 2004 are as follows:

| | Won (millions), US\$ JPY and EUR (thousands) | | | | | | | |
|---------------------------|--|---------|---------------------------------|---------|--|---------|---------------------------------|--------|
| | 2003 | | | | 2004 | | | |
| | Foreign currency (thousands) (*) | | Won equivalent (millions) | | Foreign currency (thousands) (*) | | Won equivalent (millions) | |
| Assets: | | | | | | | | |
| Cash and cash equivalents | US\$ | 5,617 | KRW | 6,728 | US\$ | 247 | KRW | 284 |
| | JPY | 653 | | 7 | JPY | 788,826 | | 8,394 |
| Trade receivables | US\$ | 7,549 | | 9,041 | US\$ | 398 | | 459 |
| Other account receivables | US\$ | 1,290 | | 1,545 | US\$ | 275 | | 317 |
| Other non-current assets | US\$ | 43 | | 52 | US\$ | 98 | | 112 |
| | JPY | 5,860 | | 66 | JPY | 9,706 | | 103 |
| | EUR | -- | | -- | EUR | 8 | | 11 |
| | | | KRW | 17,439 | | | KRW | 9,680 |
| | | | | ===== | | | | ===== |
| Liabilities: | | | | | | | | |
| Trade payables | US\$ | 122,963 | | 147,285 | US\$ | 69,050 | KRW | 79,422 |
| Other accounts payable | US\$ | 1,510 | | 1,809 | US\$ | 479 | | 551 |
| | EUR | 321 | | 483 | EUR | 227 | | 317 |
| | | | | | JPY | 85 | | 1 |
| Accrued expense | US\$ | 696 | | 833 | US\$ | 3,763 | | 4,337 |
| | | | | | JPY | 14,039 | | 149 |
| Other current liabilities | US\$ | 145 | | 173 | US\$ | -- | | -- |
| | | | KRW | 150,583 | | | KRW | 84,777 |
| | | | | ===== | | | | ===== |

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

Korea Electric Power Corporation

Notes to Consolidated Financial Statements

(Unaudited)

(17) Retirement and Severance Benefits

Changes in retirement and severance benefits for the year ended December 31, 2003 and for six-month period ended June 30, 2004 are summarized as follows:

| | Won (millions) | |
|---|----------------|----------|
| | 2003 | 2004 |
| Estimated severance liability at beginning of year | KRW 520,891 | 717,917 |
| Provision for retirement and severance benefits | 219,762 | 79,141 |
| Decrease arising from change in consolidated subsidiaries | (7,652) | -- |
| Payments | (15,084) | (7,190) |
| Estimated severance liability at end of year | 717,917 | 789,868 |
| Transfer to National Pension Fund | (97) | (95) |
| Deposit for severance benefit insurance | (82,771) | (82,456) |
| Net balance at end of year | KRW 635,049 | 707,317 |

(18) Receivables at Present Value

Present value discounts on receivables as of June 30, 2004 are as follows:

| | | | Won (millions) | |
|-------------------------------------|-------------------|-----------------|----------------|----------|
| | Interest rate (%) | Period | Nominal value | Discount |
| Other accounts receivable | 5.24, 6.00 | 2002.12~2005.12 | KRW 177,729 | 18,229 |
| Long-term other accounts receivable | 5.24, 6.00 | 2002.12~2005.12 | 257,500 | 6,625 |
| | | | KRW 435,229 | 24,854 |

(19) Other Current Liabilities

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Other current liabilities as of December 31, 2003 and June 30, 2004 are as follows:

| | | Won (millions) | |
|------------------|-----|----------------|---------|
| | | 2003 | 2004 |
| Advance received | KRW | 12,784 | 54,690 |
| Withholdings | | 177,806 | 158,945 |
| Unearned revenue | | 3,664 | 12,576 |
| Others | | 354,096 | 352,037 |
| | | ----- | ----- |
| | KRW | 548,350 | 578,248 |
| | | ===== | ===== |

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Korea Electric Power Corporation

Notes to Consolidated Financial Statements

(Unaudited)

(20) Derivative Instruments Transactions

The Company has entered into the various swap contracts to hedge risks involving exchange rate and interest rate of foreign currency debts.

(a) Currency swap contracts as of June 30, 2004 are as follows:

| | Contract Year | Settlement Year | Contract amounts in millions | | Contract Pay | |
|--|---------------|-----------------|------------------------------|--------------|--------------|------|
| | | | Pay | Receive | | |
| The Sumitomo Bank Ltd. Mizuho Co., Ltd. | 1995 | 2005 | US\$ | 286 JPY | 27,000 | 7 |
| (formerly The Fuji Bank, Ltd.) | 1995 | 2005 | US\$ | 149 JPY | 14,425 | Libo |
| Union Bank of Switzerland | 1995 | 2005 | US\$ | 82 JPY | 7,000 | Libo |
| Canadian Imperial Bank of Commerce | 1996 | 2006 | US\$ | 97 JPY | 10,000 | Libo |
| J.P. Morgan Chase Bank | 1996 | 2006 | US\$ | 200 JPY | 21,000 | Libo |
| Deutsche Bank | 1998 | 2004 | JPY | 1,705 US\$ | 55 | 6 |
| | | | EUR | 13 | | |
| | | | CHF | 20 | | |
| | | | CAD | 20 | | |
| Deutsche Bank | 1998 | 2004 | JPY | 2,945 US\$ | 95 | 6 |
| | | | EUR | 22 | | |
| | | | CHF | 35 | | |
| | | | CAD | 34 | | |
| J.P. Morgan Chase Bank & Deutsche Bank (*1, *3) | 2002 | 2007 | JPY | 76,700 US\$ | 650 | 1 |
| Barclays Bank PLC, London | 2002 | 2007 | JPY | 30,400 US\$ | 250 | 1 |
| ABN AMRO (*4) | 2002 | 2008 | KRW | 181,500 US\$ | 150 | 5 |
| Deutsche Bank(*2) | 2003 | 2013 | KRW | 178,350 US\$ | 150 | CD |

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| | | | | | | |
|--|------|------|-----|--------------|-----|--|
| Union Bank of Switzerland(*2) | 2003 | 2013 | KRW | 148,625 US\$ | 125 | CD |
| Credit Swiss First Boston(*2) | 2003 | 2013 | KRW | 89,175 US\$ | 75 | CD |
| ABN AMRO & Deutsche Bank(*5) | 2003 | 2008 | KRW | 185,550 US\$ | 150 | 5 |
| J.P. Morgan Chase Bank & Deutsche Bank | 2003 | 2008 | JPY | 23,770 US\$ | 200 | 1 |
| Credit Swiss First Boston | 2003 | 2013 | KRW | 177,720 US\$ | 150 | 5 |
| J.P. Morgan Chase Bank & Credit Swiss First Boston | 2004 | 2011 | KRW | 172,800 US\$ | 150 | Within 4.875 After 4.875- JPY/KR Spot r |

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

(*2) The Company has purchased call option in addition to these swaps, under which the Company can exchange each KRW 5,945 million with the amounts of KRW 5,000,000 multiplied by Spot FX rate (US\$/KRW) until December 22, 2004, and the valuation for this call option is considered in the valuation of the swaps.

(*3) The Company pays JPY 7,670 million which is 10% of the contract amount every March and September and will receive US\$ 650 million in September 2007.

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Korea Electric Power Corporation

Notes to Consolidated Financial Statements

(Unaudited)

(20) Derivative Instruments Transactions, Continued

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

(*5) The swaption has an interest pay rate of CD+0.15% and an interest receive rate of 5.30%, of which an exercise date is January 2006.

(b) Interest rate swap contracts as of June 30, 2004 are as follows:

| | Notional amount in millions | Contract interest rate per annum | |
|-----------------------------|--------------------------------|----------------------------------|-------------|
| | | Pay (%) | Receive (%) |
| J.P. Morgan Securities Ltd. | US\$ 149 | 6.91 | Libor+0.155 |
| Barclays Bank PLC, London | US\$ 150 | 6M Libor-1 | Libor+0.45 |
| Shinhan Bank | US\$ 100 | 6.50 | 6.75 |
| Deutsche Bank | US\$ 55 | 6.93 | |
| | JPY 1,705 | | 6.41 |
| | EUR 13 | | 6.41 |
| | CHF 20 | | 6.41 |
| | CAD 20 | | 6.41 |
| Deutsche Bank | US\$ 95 | 6.87 | |

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| | | | | |
|---------------------------|------|---------|----------------------|------------------------|
| | JPY | 2,945 | | 6.36 |
| | EUR | 22 | | 6.36 |
| | CHF | 35 | | 6.36 |
| | CAD | 34 | | 6.36 |
| Deutsche Bank | US\$ | 100 | Max (6.074-Libor, 0) | Max (Libor-6.074, 0) |
| Deutsche Bank | US\$ | 100 | Max (Libor-6.074, 0) | Max (6.074-Libor, 0) |
| Deutsche Bank | KRW | 178,350 | 5+2 x (JPY/W-11.03) | CD+3.3 |
| Union Bank of Switzerland | KRW | 148,625 | 5+2 x (JPY/W-11.03) | CD+3.3 |
| Credit Swiss First Boston | KRW | 89,175 | 5+2 x (JPY/W-11.03) | CD+3.3 |
| Union Bank of Switzerland | US\$ | 35 | Libor+0.19 | Libor+0.155 |
| Credit Swiss First Boston | KRW | 100,000 | 3M CD+0.35 | 3Y CMT+0.06 |
| Deutsche Bank | KRW | 100,000 | 6.09 | 3M CD+0.35 |
| Credit Swiss First Boston | KRW | 50,000 | 6.89 | (5Y CMT-CD) x 2+4.3 |
| Credit Swiss First Boston | KRW | 50,000 | 6.89 | 7.30 |
| J.P. Morgan Chase Bank | KRW | 50,000 | D-0.3 | 3 year : 7.75 |
| | | | | 3 year : 14.65-CD |
| Deutsche Bank | KRW | 50,000 | 4.98 | CD-0.3 |
| Credit Swiss First Boston | KRW | 30,000 | 6.09 | 1 year : 7.25 |
| | | | | 2 year : (5Y CMT-CD) x |
| | | | | 5+1.5 |
| Citibank | KRW | 50,000 | CD-0.3 | 7.65/2.50(*) |
| Koram Bank | KRW | 10,000 | CD-0.3 | 7.65/2.50(*) |
| Deutsche Bank | KRW | 20,000 | CD-0.31 | 7.65/2.50(*) |
| Deutsche Bank | KRW | 40,000 | CD-0.37 | 7.65/2.50(*) |
| Kookmin Bank | KRW | 20,000 | 5.995 | CD-0.325 |
| Deutsche Bank | KRW | 100,000 | 5.995 | CD-0.325 |

(*) If CD rate is equal or lower than 6.75%, then 7.65% will be applied, otherwise, 2.50% will be applied.

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Korea Electric Power Corporation

Notes to Consolidated Financial Statements

(Unaudited)

(20) Derivative Instruments Transactions, Continued

(c) Valuation gains and losses on swap contracts recorded as other income or expense for the six-month periods ended June 30, 2003 and 2004 are as follows:

| | | Won (millions) | |
|--------------------|-----|----------------|----------|
| | | 2003 | 2004 |
| Currency swap | | | |
| Gains | KRW | 41,635 | 16,239 |
| Losses | | (43,646) | (86,538) |
| Interest rate swap | | | |
| Gains | | 11,375 | 56,517 |
| Losses | | (9,070) | (2,203) |
| Swaptions | | | |
| Gains | | 1,277 | 1,187 |

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| | | |
|-----|-------|----------|
| | ===== | ===== |
| KRW | 1,571 | (14,798) |
| | ===== | ===== |

(d) The losses on interest swap contract of KRW 2,817 million and the losses on interest swap contract of KRW 883 million, classified as cash flow hedge derivatives, are reflected in a capital adjustment for the year ended December 31, 2003 and for the six-month period ended June 30, 2004, respectively.

(21) Power Generation, Transmission and Distribution Expenses

Power generation, transmission and distribution expenses for the six-month periods ended June 30, 2003 and 2004 are as follows:

| | Won (millions) | |
|-------------------------------------|----------------|-----------|
| | 2003 | 2004 |
| | ----- | ----- |
| Fuel | KRW 2,552,044 | 3,179,720 |
| Labor | 553,568 | 596,157 |
| Depreciation and amortization | 2,416,060 | 2,319,709 |
| Maintenance | 685,227 | 732,636 |
| Provision for decommissioning costs | 312,756 | 313,585 |
| Ordinary development expenses | 113,176 | 129,661 |
| Others | 354,577 | 382,037 |
| | ----- | ----- |
| | KRW 6,987,408 | 7,653,505 |
| | ===== | ===== |

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Korea Electric Power Corporation

Notes to Consolidated Financial Statements

(Unaudited)

(22) Selling, General and Administrative Expenses

Details of selling, general and administrative expenses for the six-month periods ended June 30, 2003 and 2004 are as follows:

| | Won (millions) | |
|----------------------------------|----------------|---------|
| | 2003 | 2004 |
| | ----- | ----- |
| Salaries | KRW 195,935 | 214,926 |
| Employee benefits | 31,725 | 40,739 |
| Taxes and dues | 3,199 | 3,659 |
| Rent | 14,320 | 4,395 |
| Depreciation and amortization | 52,832 | 28,277 |
| Maintenance | 6,042 | 6,748 |
| Commission and consultation fees | 61,504 | 52,945 |
| Ordinary development expenses | 12,036 | 16,852 |
| Collection expense | 120,501 | 138,026 |
| Promotion | 8,636 | 9,694 |
| Bad debts | 9,158 | 8,672 |
| Communication | 13,668 | 15,281 |
| Insurance | 6,682 | 2,594 |

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| | | |
|---------|-------------|---------|
| Rewards | 1,416 | 1,800 |
| Others | 51,005 | 39,136 |
| | ----- | ----- |
| | KRW 588,659 | 583,744 |
| | ===== | ===== |

(23) Income Taxes

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

| Taxable earnings | Prior to 2005 | Thereafter |
|----------------------|---------------|------------|
| ----- | ----- | ----- |
| Up to KRW100 million | 16.5% | 14.3% |
| Over KRW100 million | 29.7% | 27.5% |

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

The components of income tax expense for the six-month periods ended June 30, 2003 and 2004 are summarized as follows:

| | Won (millions) | |
|------------------------------|----------------|---------|
| | 2003 | 2004 |
| | ----- | ----- |
| Current income tax expense | KRW 309,167 | 443,436 |
| Deferred income tax expense | 162,152 | 28,022 |
| | ----- | ----- |
| Income taxes of subsidiaries | 471,319 | 471,458 |
| | 476,562 | 379,334 |
| | ----- | ----- |
| Income taxes | KRW 947,881 | 850,792 |
| | ===== | ===== |
| Effective tax rate | KRW 42.2% | 36.6% |
| | ===== | ===== |

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Korea Electric Power Corporation

Notes to Consolidated Financial Statements.

(Unaudited)

(24) Earnings Per Share

Earnings per common share are calculated by dividing net earnings by the weighted-average number of shares of common stock outstanding for the six-month periods ended June 30, 2003 and 2004 as follows:

| | Won (millions) | |
|--|----------------|-------------|
| | 2003 | 2004 |
| | ----- | ----- |
| Net income in million Won | KRW 1,285,529 | 1,461,918 |
| Weighted-average number of common shares outstanding | 631,387,812 | 629,858,023 |
| | ----- | ----- |

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| | | | |
|----------------------------------|-----|-------|-------|
| Earnings per common share in Won | KRW | 2,036 | 2,321 |
| | | ===== | ===== |

Diluted earnings per share for the six-month periods ended June 30, 2003 and 2004 are calculated as follows:

| | | Won (millions) | |
|---|-----|----------------|-------------|
| | | 2003 | 2004 |
| | | ----- | ----- |
| Net income in million Won | KRW | 1,285,529 | 1,461,918 |
| Exchangeable bond interest in million Won | | -- | 1,617 |
| | | ----- | ----- |
| | | 1,285,529 | 1,463,535 |
| | | ----- | ----- |
| Weighted-average number of common shares and diluted securities outstanding | | 631,387,812 | 639,857,870 |
| | | ----- | ----- |
| Diluted earnings per share in Won | KRW | 2,036 | 2,287 |
| | | ===== | ===== |

(25) Transactions and Balances with Related Companies

(a) Transactions with related parties for the six-month periods ended June 30, 2003 and 2004 are as follows. These were eliminated in the consolidation:

| | | | Won (milli | |
|---------------------------------------|---------------------------------|-----|------------|-------|
| Related party | Transaction | | 2003 | |
| ----- | ----- | | ----- | ----- |
| Sales and other income: | | | | |
| Korea Hydro & Nuclear Power Co., Ltd. | Sales of electricity and others | KRW | 50,845 | 6 |
| Korea South-East Power Co., Ltd. | " | | 17,148 | 1 |
| Korea Midland Power Co., Ltd. | " | | 12,244 | |
| Korea Western Power Co., Ltd. | " | | 17,268 | 1 |
| Korea Southern Power Co., Ltd. | " | | 8,588 | |
| Korea East-West Power Co., Ltd. | " | | 19,290 | |
| Others | " | | 39,483 | 4 |
| | | | ----- | ----- |
| | | KRW | 164,866 | 16 |
| | | | ===== | ===== |

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(25) Transactions and Balances with Related Companies, Continued

| Related party | Transaction | Wo 200 |
|--|---|---------------------|
| Purchases and others: | | |
| Korea Hydro & Nuclear Power Co., Ltd. | Purchase of electricity and others | KRW 2,417, |
| Korea South-East Power Co., Ltd. | " | 735, |
| Korea Midland Power Co., Ltd. | " | 968, |
| Korea Western Power Co., Ltd. | " | 1,052, |
| Korea Southern Power Co., Ltd. | " | 1,000, |
| Korea East-West Power Co., Ltd. | " | 1,010, |
| Korea Power Engineering Co., Inc. | Designing of the power plant and others | 19, |
| Korea Plant Service & Engineering Co., Ltd. | Utility plant maintenance | 20, |
| Korea Electric Power Data Network, Co., Ltd. | Maintenance of computer system | 98, |
| Others | Commissions for service and others | 86, |
| | | KRW 7,409, ===== |

(b) Receivables arising from related parties transactions as of December 31, 2003 and June 30, 2004 are as follows. These were eliminated in the consolidation:

| Won (millions) | | | |
|---------------------------------------|----------------------|----------------------|--------|
| 2003 | | | |
| Related party | Trade receivables | Other receivables | Total |
| Korea Hydro & Nuclear Power Co., Ltd. | KRW -- | 319 | 319 |
| Korea South-East Power Co., Ltd. | 1,778 | 367 | 2,145 |
| Korea Midland Power Co., Ltd. | 1,107 | 2,232 | 3,339 |
| Korea Western Power Co., Ltd. | 1,940 | 248 | 2,188 |
| Korea Southern Power Co., Ltd. | 1,157 | 360 | 1,517 |
| Korea East-West Power Co., Ltd. | 1,978 | 213 | 2,191 |
| Others | 1,990 | 9,607 | 11,597 |
| | KRW 9,950 | 13,346 | 23,296 |
| | ===== | ===== | ===== |

| Won (millions) | | | |
|----------------|----------------------|----------------------|-------|
| 2004 | | | |
| Related party | Trade receivables | Other receivables | Total |

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| | | | | |
|---------------------------------------|-----|-------|--------|--------|
| Korea Hydro & Nuclear Power Co., Ltd. | KRW | -- | 369 | 369 |
| Korea South-East Power Co., Ltd. | | 1,731 | 672 | 2,403 |
| Korea Midland Power Co., Ltd. | | 1,288 | 10,146 | 11,434 |
| Korea Western Power Co., Ltd. | | 1,992 | 375 | 2,367 |
| Korea Southern Power Co., Ltd. | | 1,278 | 422 | 1,700 |
| Korea East-West Power Co., Ltd. | | 2,638 | 147 | 2,785 |
| Others | | 473 | 10,040 | 10,513 |
| | | ----- | ----- | ----- |
| | KRW | 9,400 | 22,171 | 31,571 |
| | | ===== | ===== | ===== |

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Korea Electric Power Corporation

Notes to Consolidated Financial Statements.

(Unaudited)

(25) Transactions and Balances with Related Companies, Continued

- (c) Payables arising from related parties transactions as of December 31, 2003 and June 30, 2004 are as follows. These were eliminated in the consolidation:

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

Won (millions)

2004

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| Related party | | Trade payables | Other payables | Total |
|---|-----|----------------|----------------|-----------|
| Korea Hydro & Nuclear Power Co., Ltd. | KRW | 351,023 | 8,210 | 359,233 |
| Korea South-East Power Co., Ltd. | | 91,968 | 122 | 92,090 |
| Korea Midland Power Co., Ltd. | | 117,440 | 5,713 | 123,153 |
| Korea Western Power Co., Ltd. | | 150,635 | 4,154 | 154,789 |
| Korea Southern Power Co., Ltd. | | 171,479 | 3,797 | 175,276 |
| Korea East-West Power Co., Ltd. | | 131,104 | 621 | 131,725 |
| Korea Power Engineering Co., Inc. | | -- | 7,129 | 7,129 |
| Korea Plant Service & Engineering Co., Ltd. | | -- | 6,630 | 6,630 |
| Korea Electric Power Data Network Co., Ltd. | | -- | 31,158 | 31,158 |
| Others | | -- | 17,410 | 17,410 |
| | | KRW 1,013,649 | 84,944 | 1,098,593 |

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Korea Electric Power Corporation

Notes to Consolidated Financial Statement

(Unaudited)

(25) Transactions and Balances with Related Companies, Continued

(d) The guarantees KEPCO has provided for related companies as of June 30, 2004 are as follows:

| Type | Loan type | Guaranteed company | Financial institutions | |
|----------------------------------|---|------------------------------------|-----------------------------------|------|
| Payment guarantee | Foreign currency loan | KEPCO International Hong Kong Ltd. | Nippon Life Insurance | US\$ |
| | | " | Norinchukin Bank | |
| | | " | Korea Development Bank | |
| | | KEPCO International | Korea Development Bank | |
| | | Philippines Inc. | | US\$ |
| Joint liability on guarantee (*) | Spin-off of power generation subsidiaries | six power generation subsidiaries | Korea Development Bank and others | KRW |

(*) The Company has the joint and several responsibilities with the subsidiaries to repay those debts, which were transferred and outstanding at the time of spin-off on April 2, 2001, under the Commercial Code of the Republic of Korea. The balance of the power

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generation subsidiaries' debts for which the Company has those joint and several responsibilities as of June 30, 2004 is KRW 1,584,466 million.

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\$ 374,721 thousand as project financing from Japan Bank of International Cooperation and others for that business. The Company has provided Japan Bank of International Cooperation and others with the guarantees to the extent not exceeding US\$ 72,000 thousand for performance of the power generation business of KEPCO Ilijan Corporation as well as with the partial guarantees to the extent not exceeding US\$ 33,000 thousand for the repayment of that borrowing.

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Korea Electric Power Corporation

Notes to Consolidated Financial Statement

(Unaudited)

(25) Transactions and Balances with Related Companies, Continued

- (e) The guarantees provided by related companies for KEPCO as of June 30, 2004 are as follows:

| Won (millions), USD, JPY, EUR and GBP (thousa | | | | | |
|---|-----------------------------------|----------|--------------------|-----------------------|-----|
| Type | Related party | Currency | Guaranteed amounts | Type of borrowings | bor |
| Payment guarantee (*1) | Korea Development Bank | USD | 75,634 | Commercial borrowings | USD |
| | | USD | 2,155,966 | Foreign currency bond | USD |
| | | JPY | 115,605,003 | " | JPY |
| | | EUR | 26,627 | " | EUR |
| | | GBP | 30,706 | " | GBP |
| Joint liability on guarantee (*2) | six power generation subsidiaries | KRW | 114,702 | Long-term debts | KRW |
| | | KRW | 240,000 | Domestic debentures | KRW |

(*1) 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 as of June 30, 2004, instead of the collective responsibilities of the power generation subsidiaries to facilitate the Restructuring Plan.

(*2) As described note 25(d), the balance of KEPCO's borrowings for which six power generation subsidiaries have the joint and several responsibilities is KRW 354,702 million as of June 30, 2004.

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(26) Commitments and Contingencies

The Company is engaged 315 in lawsuits as a defendant and 46 lawsuits as a plaintiff. The total amount claimed against the Company is KRW 219,211million and the total amount claimed by the Company is KRW 18,429million as of June 30, 2004. The outcome of these lawsuits cannot presently be determined. In the opinion of management, the ultimate results of these lawsuits will not have a material adverse effect on the Company's financial position, results of operation, or liquidity.

The Company has been provided a credit (overdraft) line amounting to KRW 1,494,000million by banks including the National Agricultural Cooperative Federation as of June 30, 2004.

The Company has provided 1 promissory note of KRW 1,771 million to Hyundai Heavy Industry, Co., Ltd. as a guarantee for performance of contract.

The Company entered into a turnkey contract with the Korea Peninsula Energy Development Organization (KEDO) on December 15, 1999, to construct two 1,000,000 KW-class pressurized light-water reactor units in North Korea. The contract amount is US\$ 4,182 million and subject to adjustment to cover any changes in the price level. The construction projects have been temporarily suspended from December 1, 2003 due to the political environments surrounding the Korean peninsula.

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Korea Electric Power Corporation

Notes to Consolidated Financial Statement

(Unaudited)

(26) Commitments and Contingencies, Continued

The Company entered into the Power Purchase Agreement with LG Energy Co., Ltd. and other independent power producers for power purchases in accordance with the Electricity Business Act and power purchased from these companies amounted to KRW497,858 million for the six-month period ended June 30, 2004.

(27) Segment Information

(a) The following table provides information for each operating segment for the six-month period ended June 30, 2003.

| | Won (million) 2003 | | |
|-----------------------|--------------------------------|---------------------|-----------|
| | Electric business | | |
| | Transmission & distribution | Power generation | All other |
| Unaffiliated revenues | KRW 10,425,992 | -- | 469,331 |
| Intersegment revenues | 126,078 | 7,244,084 | 412,171 |

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| | | | |
|--|---------------|-------------|-----------|
| 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 | 1,251,308 | -- | 11,940 |
| Other income, net | 189,734 | (10,162) | (4,030) |
| Earnings before income tax | 1,753,915 | 1,541,947 | 144,084 |
| Income tax expense | (471,319) | (454,068) | (24,275) |
| Segment earning before minority interests | KRW 1,282,596 | 1,087,879 | 119,809 |

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Korea Electric Power Corporation

Notes to Consolidated Financial Statements

(Unaudited)

(27) Segment Information, Continued

The following table provides information for each operating segment for the six-month period ended June 30, 2004.

| | | Won (million) | | | |
|--|-----|--------------------------------|---------------------|-----------|----------------------------|
| | | 2004 | | | |
| | | Electric business | | | Consolidated adjustment |
| | | Transmission & distribution | Power generation | All other | |
| Unaffiliated revenues | KRW | 11,005,352 | -- | 369,411 | |
| Intersegment revenues | | 109,255 | 7,404,939 | 508,330 | (8,022) |
| Total revenues | | 11,114,607 | 7,404,939 | 877,741 | (8,022) |
| Cost of goods sold | | (9,710,873) | (6,157,073) | (635,215) | 8,002 |
| Selling and administrative expenses | | (467,148) | (89,247) | (43,676) | 16 |
| Operating income | | 936,586 | 1,158,619 | 198,850 | (4,022) |
| Interest income | | 19,546 | 23,448 | 10,991 | |
| Interest expense | | (298,721) | (76,028) | (19,473) | 1 |
| Gain on valuation using the equity method of accounting | | 991,731 | -- | 12,708 | (908) |

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| | | | | | |
|--|-----|-----------|-----------|----------|-------|
| Other income, net | | 285,566 | (20,300) | 543 | 13 |
| | | ----- | ----- | ----- | ----- |
| Earnings before income tax | | 1,934,708 | 1,085,739 | 203,619 | (898) |
| Income tax expense | | (471,458) | (358,707) | (22,143) | 1 |
| | | ----- | ----- | ----- | ----- |
| Segment earning before minority interests | KRW | 1,463,250 | 727,032 | 181,476 | (897) |
| | | ===== | ===== | ===== | ===== |

- (b) The following table provides asset information for each operating segments as of December 31, 2003 and June 30, 2004.

| | | Won (million) | | | |
|-------------------------------|-----|--------------------------------|---------------------|-----------|--------------------------|
| | | Electric business | | | Consolidati adjustmen |
| | | Transmission & distribution | Power generation | All other | |
| | | ----- | ----- | ----- | ----- |
| December 31, 2003 | | | | | |
| Utility and non-utility plant | KRW | 29,271,047 | 31,735,423 | 1,111,682 | (204,06 |
| Total assets | | 33,723,731 | 37,249,382 | 2,664,538 | (1,910,37 |
| June 30, 2004 | | | | | |
| Utility and non-utility plant | KRW | 29,708,506 | 31,665,702 | 1,022,493 | (226,88 |
| Total assets | | 57,048,039 | 36,561,986 | 2,538,127 | (24,536,68 |

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Korea Electric Power Corporation

Notes to Consolidated Financial Statements

(Unaudited)

(28) Employee Welfare and Contributions to Society

For employee welfare, the Company maintains a refectory, an infirmary, athletic facilities, a scholarship fund, workmen's accident compensation insurance, unemployment insurance and medical insurance.

The Company donated KRW 40,490 million and KRW 87,958 million to the fund for the welfare of the Company's employees and others for the six-month periods ended June 30, 2004 and 2003, respectively.

(29) Economic Environment

In common with other Asian countries, the economic environment in the Republic of Korea continues to be volatile. In addition, the Korean government and the private sector continue to implement structural reforms to historical business practices including corporate governance. The Company may be either directly or indirectly affected by these economic conditions and the reform program described above. The accompanying consolidated financial statements reflect management's assessment of the impact to date of the economic environment on the financial position and

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results of operations of the Company. Actual results may differ materially from management's current assessment.

(30) Reconciliation to United States Generally Accepted Accounting Principles

The accompanying consolidated financial statements are prepared in accordance with generally accepted accounting principles in the Republic of Korea ("Korean GAAP") which differ in certain respects from accounting principles generally accepted in the United States of America ("U.S. GAAP"). The significant differences between Korean GAAP and U.S. GAAP that affect the Company's financial statements are described below. Other differences do not have a significant effect on either consolidated net earnings or stockholders' equity.

(a) Asset Revaluation and Depreciation

Under Korean GAAP, assets revaluation was allowed before 2000. However, under U.S. GAAP, assets revaluation has not been allowed and accordingly property, plant and equipment must be stated at cost less accumulated depreciation. The effect of revaluation of property, plant and equipment and the resulting depreciation of revalued amounts are reversed out for U.S. GAAP reporting purposes.

(b) Special Depreciation

Under Korean GAAP, special depreciation, which was recognized prior to 1994, represents an acceleration of depreciation on certain energy saving and anti-pollution facilities and equipment. However, this is not in accordance with U.S. GAAP. Accordingly, U.S. GAAP reconciliation reflects the reversal of special depreciation effect.

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Korea Electric Power Corporation

Notes to Consolidated Financial Statements

(Unaudited)

(30) Reconciliation to United States Generally Accepted Accounting Principles, Continued

(c) Accounting for Regulation

Under U.S. GAAP 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.

The following table shows the components of regulated assets and liabilities as of December 31, 2003 and June 30, 2004.

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| | Won (million) | | U.S. dollars (note 2) (thousands) |
|------------------------------|---------------|-------------|--------------------------------------|
| | 2003 | 2004 | 2003 |
| Foreign currency translation | KRW 972,903 | 935,698 | \$ 809,427 |
| Reserve for self-insurance | (87,926) | (87,602) | (75,780) |
| Deferred income taxes | (1,550,939) | (1,695,974) | (1,467,106) |
| | KRW (665,962) | (847,878) | \$ (733,459) |
| | ===== | ===== | ===== |

As discussed below, such adjustments exclude those relating to the non-regulated subsidiaries and affiliates of the Company.

As discussed in Note 1, on April 2, 2001, six new power generation subsidiaries were established in accordance with the Restructuring Plan. Since the power generation subsidiaries' rates are determined by a competitive system that is not cost based, they no longer meet the criteria for application of SFAS No. 71. The power transmission and distribution divisions of KEPCO continue to meet the criteria for application of SFAS No. 71.

U.S. GAAP reconciliation summarized in note (30) (o) reflects the elimination of such regulation effects that was recognized as regulatory assets and liabilities pursuant to SFAS No 71. The effect of this change has been recognized in current operations, resulting in the increase in net income under U.S. GAAP of (Won) 423,146 million, in accordance with SFAS No. 101 - "Accounting for the Discontinuation of Application of SFAS No 71". However, in accordance with SFAS No. 101, the carrying amounts of property, plant and equipment measured and reported pursuant to SFAS No. 71 were not adjusted since they were not impaired under the provisions of SFAS No. 121 - "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of".

The Government of the Republic of Korea approves the rates that KEPCO charges to its customers. KEPCO's utility rates are designed to recover its reasonable costs plus a fair investment return. In June 2001, the Ministry of Commerce, Industry and Energy announced the revised guidelines for utility rate setting, stating that non-operating expenses should be excluded from reasonable costs while income tax expense (including deferred income taxes), instead of income tax payables, should be included for rate-making purposes. As a result of this guideline change and the deregulation of the power generation subsidiaries, only KEPCO's deferred income taxes caused by the difference between Korean GAAP and U.S. GAAP are subject to SFAS No. 71, to the extent that tax benefits or obligation will affect future allowable costs for rate-making purposes.

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(30) Reconciliation to United States Generally Accepted Accounting Principles, Continued

(c) Accounting for Regulation, Continued

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.

Korean GAAP does not have accounting standards specifying for regulated enterprises such as SFAS 71 under U.S. GAAP.

(d) 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 to be in accordance with U.S. GAAP for regulated enterprises, where the sales prices are 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 utility plant. KEPCO meets both of these criteria, and no elimination of profit on transactions between KEPCO and its affiliated companies is necessary for reporting under U.S. GAAP.

(e) Foreign Currency Translation

As discussed in Note 1, under Korean GAAP, the Company capitalizes certain foreign exchange transaction and translation gains and losses on borrowings denominated in foreign currency 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 (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.

Under Korean GAAP, the convertible bond denominated in a foreign currency are regarded as non-monetary liabilities since they have equity-like characteristics, and the Company does not recognize the associated foreign currency translation gain or loss.

Under U.S. GAAP, the convertible bond denominated in a foreign currency are translated at the rate of exchange on the balance sheet date, and the resulting foreign currency transaction gain or loss is included in the results of operations.

(f) Deferred Income Taxes

As discussed in note 1, deferred tax assets and liabilities are recorded in the financial statements prepared in accordance with Korean GAAP, which is substantially the same as U.S. GAAP. For U.S. GAAP purposes, the Company recognizes the deferred tax assets and liabilities on temporary differences resulting from differences between Korean GAAP and U.S. GAAP.

Korea Electric Power Corporation

Notes to Consolidated Financial Statements

(Unaudited)

(30) Reconciliation to United States Generally Accepted Accounting Principles, Continued

(g) Asset retirement obligation

Under SFAS No. 143 of U.S. GAAP. - "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 capitalizes a corresponding amount as part of the book value of the related long-lived assets. The increase in the capitalized cost is depreciated 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 that those assets acquired before January 1, 2003 can be excluded from the application of the accounting for asset retirement obligation under Korean GAAP. Accordingly, the Company's assets acquired before January 1, 2003 were excluded from the application of the accounting for asset retirement obligation under Korean GAAP.

As a result of the adoption of SFAS No. 143, the Company recognized (Won) 1,775,306 million additional pretax gain as a cumulative effect of accounting change on January 1, 2003.

As explained in Note 1 (q) "Reserve for Decommissioning Costs and Self-Insurance", under Korean GAAP the Company has accrued (Won) 5,091,070 million and (Won) 5,399,206 million for the cost of dismantling and decontaminating existing nuclear power plants as of December 31, 2003 and June 30, 2004 in accordance with the Korean Electricity Business Act.

For U.S. GAAP reporting purpose, the Company capitalizes asset retirement cost additionally and recognizes asset retirement obligation liability additionally as of December 31, 2003 and June 30, 2004 is as follows:

| Won (million) | | U.S. dollars (note 2) (thousands) |
|---------------|-------|--------------------------------------|
| 2003 | 2004 | 2003 |
| ----- | ----- | ----- |

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| | | | |
|---|---------------|-----------|-------------|
| Capitalized asset retirement cost, net of accumulated depreciation | KRW 1,751,755 | 1,656,971 | \$1,433,366 |
| Asset retirement obligation | (478,140) | (633,645) | (548,136) |
| | ----- | ----- | ----- |
| | KRW 2,229,895 | 2,290,616 | \$1,981,502 |
| | ===== | ===== | ===== |

As of December 31, 2003 and June 30, 2004, asset retirement obligation amounted to KRW 4,612,930 million and KRW 4,765,561 million under U.S. GAAP, respectively.

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Korea Electric Power Corporation

Notes to Consolidated Financial Statements

(Unaudited)

(30) Reconciliation to United States Generally Accepted Accounting Principles,
Continued

(g) Asset retirement obligation, continued

Changes of the Company's asset retirement obligation liability (after adoption of SFAS No. 143) for the six-month period ended June 30, 2004 under U.S. GAAP is as follows:

| | Won (million) | | U.S. dollars (note 2) (thousands) |
|-----------------------------|---------------|--|--------------------------------------|
| | ----- | | ----- |
| | 2004 | | 2004 |
| | ----- | | ----- |
| January 1, 2004 | KRW 4,612,930 | | \$3,990,424 |
| Liabilities incurred | 10,532 | | 9,111 |
| Accretion expense | 147,548 | | 127,637 |
| Payments | (5,449) | | (4,714) |
| | ----- | | ----- |
| Asset retirement obligation | KRW 4,765,561 | | \$4,122,458 |
| | ===== | | ===== |

(h) 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 do not qualify as a hedge must be adjusted to fair value through current operations. If derivatives qualify as 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. Derivatives accounting under Korea GAAP is

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substantially the same as SFSA No. 133.

(i) Convertible bonds

Under U.S. GAAP, no portion of the proceeds from the issuance of convertible debt securities are accounted for as attributable to the conversion feature, while under Korean GAAP, the value of the conversion rights are recognized as capital surplus.

(j) Principles of Consolidation

Under Korean GAAP, minority interests in consolidated subsidiaries are presented as a component of shareholder's equity in the consolidated balance sheet.

Under U.S. GAAP, minority interests are presented between the liability section and the stockholders' equity section in the consolidated balance sheet.

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Korea Electric Power Corporation

Notes to Consolidated Financial Statements

(Unaudited)

(30) Reconciliation to United States Generally Accepted Accounting Principles, Continued

(k) 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.

(l) Comprehensive Income

Effective January 1, 1998, the Company adopted the provision of SFAS No.130 under U.S.GAAP - "Reporting Comprehensive Income", which requires the reporting and presentation 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, 2003 and 2004 is summarized as follows:

| | Won (million) | | U.S. dolla (thou |
|---|---------------|-----------|---------------------|
| | 2003 | 2004 | 20 |
| Net income as adjusted in accordance with U.S. GAAP | KRW 4,551,923 | 1,849,187 | \$1,59 |
| Other comprehensive income, net of tax: | | | |
| Overseas operations translation | (10,522) | (10,651) | (|

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| | | | |
|---|---------------|-----------|--------|
| Unrealized gains (losses) on investments | 6,565 | 2,372 | |
| Deferred gains (losses) on cash flow hedges | (2,159) | 1,359 | |
| | ----- | ----- | ----- |
| Comprehensive income as adjusted in accordance with U.S. GAAP | KRW 4,545,807 | 1,842,267 | \$1,59 |
| | ===== | ===== | ===== |
| | | | |
| Accumulated other comprehensive balances, net of tax: | | | |
| Overseas operations translation | (68,851) | (79,502) | (6 |
| Unrealized gains (losses) on investments | (20,562) | (18,190) | (1 |
| Deferred gains (losses) on cash flow hedges | (1,980) | (621) | |
| | ----- | ----- | ----- |
| | KRW (91,393) | (98,313) | \$ (8 |
| | ===== | ===== | ===== |

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Korea Electric Power Corporation

Notes to Consolidated Financial Statements

(Unaudited)

(30) Reconciliation to United States Generally Accepted Accounting Principles, Continued

(m) Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of significant financial instruments when it is practicable to estimate such value:

(i) Cash and cash equivalents, short term financial instruments, 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, 2003 and June 30, 2004 are summarized as follow (won in millions):

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| | | Won (million) | | |
|--|-----|--------------------|---------------|--------------------|
| | | 2003 | | 2002 |
| | | Carrying amount | Fair value | Carrying amount |
| Cash and cash equivalents | KRW | 2,050,636 | 2,050,636 | 1,415,678 |
| Short-term financial instruments | | 119,000 | 119,000 | 117,574 |
| Trade receivables and account receivables-other | | 2,063,715 | 2,063,715 | 1,930,329 |
| Investments: | | | | |
| Practicable to estimate fair value | | 19,778 | 19,778 | 14,165 |
| Not practicable | | 213,163 | N/A | 146,237 |
| Short-term borrowings | | (210,169) | (210,169) | (428,186) |
| Trade payables and accounts payable-other | | (1,626,167) | (1,626,167) | (1,402,120) |
| Long-term debt, including current portion | | (22,536,190) | (22,990,590) | (21,066,743) |
| Currency and interest swaps, net | | (83,671) | (83,671) | 44,310 |
| Other | | (1,617) | (1,617) | (431) |

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Korea Electric Power Corporation

Notes to Consolidated Financial Statements

(Unaudited)

(30) Reconciliation to United States Generally Accepted Accounting Principles,
Continued

(n) Recent changes in U.S. GAAP

In April 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 characteristics 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 does not believe that the impact will be significant.

In May 2003, the FASB issued SFAS No. 150-"Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity". SFAS No. 150 provides guidance on how an entity classifies and measures certain financial instruments with characteristics of

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both liabilities and equity. SFAS No. 150 is effective for financial instruments entered into, or monitored after, May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The Company does not believe that the adoption of this statement will have a significant impact on its financial condition or result of operations.

In January and December 2003, the FASB issued and then revised FIN No.46-"Consolidation of Variable Interest Entities", which is effective immediately for all variable interest entities created after January 31, 2003. FIN No.46 must be applied for the first fiscal year or interim period ending after March 15, 2004 for variable interest entities or the first quarter of 2004. FIN No.46 requires existing unconsolidated variable interest entities to be consolidated by their primary beneficiaries if the entities do not effectively disperse risks among the parties involved. A primary beneficiary absorbs the majority of the entity's losses or receives a majority of the entity's residual returns, if they occur, or both. Where it is reasonably possible that the information about the variable interest entity relationships must be disclosed or consolidated, the Company must disclose the nature, purpose, size and activity of the variable interest entity and the maximum exposure to loss as a result of the Company's involvement with the variable interest entity in all financial statements issued after January 31, 2003. The Company does not believe that the adoption of this statement will have a significant impact on its financial condition or result of operations.

In March 2004, the EITF reached a consensus regarding EITF 03-1, " The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments". The consensus provides guidance for evaluating whether an investment is other-than-temporarily impaired. The EITF 03-1 guidance for determining other-than-temporary will be effective beginning from the second half of 2004. The Company is currently evaluating the impact that EITF 03-1 may have on its consolidated financial statements.

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Korea Electric Power Corporation

Notes to Consolidated Financial Statements

(Unaudited)

(30) Reconciliation to United States Generally Accepted Accounting Principles,
Continued

(o) Effect on Net Income and Stockholders' Equity

The effects of the significant adjustments to net income and stockholders' equity that would be required if U.S. GAAP were applied instead of Korean GAAP are summarized as follows:

| | Won (million) | U.S. do (t |
|--|---------------|---------------|
| | 2003 | 2004 |

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| | | | |
|---|---------------|-----------|----|
| Net income under Korean GAAP | KRW 1,285,529 | 1,461,918 | \$ |
| Asset revaluation | 300,262 | 305,684 | |
| Special depreciation | (10,532) | (9,188) | |
| Regulated operations | 12,281 | (181,916) | |
| Capitalized foreign currency translation | 107,660 | 104,088 | |
| Reversal of eliminated profit on transactions with subsidiaries and affiliates | (7,571) | (4,877) | |
| Asset retirement obligation | (723,079) | 60,721 | |
| Reserve for self-insurance | (525) | (324) | |
| Convertible bonds | -- | 50,742 | |
| Deferred income taxes | 266,936 | 62,338 | |
| | ----- | ----- | |
| Net income as adjusted under U.S. GAAP | 1,230,961 | 1,849,186 | = |
| | ===== | ===== | |

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Korea Electric Power Corporation

Notes to Consolidated Financial Statements

(Unaudited)

(30) Reconciliation to United States Generally Accepted Accounting Principles,
Continued

(o) Effect on Net Income and Stockholders' Equity, continued

| | Won (million) | | U.S. d |
|---|----------------|-------------|--------|
| | 2003 | 2004 | (|
| | ----- | ----- | ----- |
| Stockholders' equity under Korean GAAP | KRW 37,781,936 | 38,560,703 | \$ |
| Adjustments: | | | |
| Utility plant | | | |
| Asset revaluation | (8,355,176) | (8,066,744) | |
| Capitalized asset retirement cost | 1,751,755 | 1,656,971 | |
| Special depreciation | 38,272 | 29,084 | |
| Capitalized foreign currency translation | (2,016,721) | (1,912,633) | |
| Reversal of eliminated profit on transactions with subsidiaries and affiliates | 103,371 | 98,494 | |
| Investment securities Asset revaluation | (121,977) | (104,725) | |
| Deferred income taxes | 2,252,961 | 2,315,299 | |
| Liabilities | | | |
| Asset retirement obligation | 478,140 | 633,645 | |
| Regulated operation | (665,962) | (847,878) | |
| Reserve for self-insurance | 87,926 | 87,602 | |
| Convertible bonds | (43,828) | 6,914 | |
| Minority interests | (127,569) | (123,428) | |

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| | | | |
|--------------------------------------|----------------|------------|----|
| Stockholders' equity under U.S. GAAP | KRW 31,163,128 | 32,333,304 | \$ |
| | ===== | ===== | |

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

| | Won (million) | | U.S. |
|--|----------------|-------------|-------|
| | 2003 | 2004 | |
| | ----- | ----- | ----- |
| Utility plant and non-utility plant, net under Korean GAAP | KRW 61,914,088 | 62,169,816 | |
| Asset revaluation | (8,355,176) | (8,066,744) | |
| Special depreciation | 38,272 | 29,084 | |
| Capitalized foreign currency translation | (2,016,721) | (1,912,633) | |
| Capitalized asset retirement cost, net | 1,751,755 | 1,656,971 | |
| Reversal of eliminated profit on transactions with subsidiaries and affiliates | 103,371 | 98,494 | |
| | ----- | ----- | |
| Utility plant and non-utility plant, net under U.S. GAAP | KRW 53,435,589 | 53,974,988 | |
| | ===== | ===== | |

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Korea Electric Power Corporation

Notes to Consolidated Financial Statements

(Unaudited)

(30) Reconciliation to United States Generally Accepted Accounting Principles, Continued

(o) Effect on Net Income and Stockholders' Equity, continued

The tax effects of temporary differences that resulted in significant portions of the deferred tax assets and liabilities as of December 31, 2003 and June 30, 2004, computed under U.S. GAAP, and a description of the financial statement items that created these differences are as follows:

| | Won (million) | | U.S. dollars (thousands) |
|--|---------------|-------|-----------------------------|
| | 2003 | 2004 | 2004 |
| | ----- | ----- | ----- |

Deferred tax assets:

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| | | | | |
|--|-----|-----------|-----------|-----------|
| Asset revaluation | KRW | 2,179,523 | 2,247,154 | \$1,943,9 |
| Convertible bond | | 12,053 | -- | |
| Regulated operation | | 183,140 | 233,166 | 201,7 |
| Capitalized foreign currency translation | | 554,598 | 525,974 | 454,9 |
| Decommissioning cost | | 1,400,318 | 1,484,782 | 1,284,4 |
| Others | | 244,811 | 300,153 | 259,6 |
| | | ----- | ----- | ----- |
| Total deferred asset adjustment | KRW | 4,574,443 | 4,791,229 | \$4,144,6 |
| | | ----- | ----- | ----- |
| Deferred tax liabilities: | | | | |
| Special depreciation | KRW | 10,525 | 7,998 | \$ 6,9 |
| Convertible bond | | -- | 1,901 | 1,6 |
| Reversal of eliminated profit on transactions with subsidiaries and affiliates | | 28,427 | 27,086 | 23,4 |
| Asset retirement obligation | | 613,221 | 629,919 | 544,9 |
| Investment in social overhead capital | | 222,093 | 249,467 | 215,8 |
| Reserve for self-insurance | | 24,180 | 24,091 | 20,8 |
| Long-term investment securities | | 1,517,157 | 1,572,165 | 1,360,0 |
| | | ----- | ----- | ----- |
| Total deferred tax liabilities | | 2,415,603 | 2,512,627 | 2,173,5 |
| | | ----- | ----- | ----- |
| Net deferred tax asset under U.S. GAAP | KRW | 2,158,840 | 2,278,602 | \$1,971,1 |
| | | ===== | ===== | ===== |
| Allowance for deferred tax assets | | -- | -- | |
| Deferred tax liabilities under Korean GAAP | | 94,121 | 36,697 | 31,7 |
| U.S. GAAP adjustments | KRW | 2,252,961 | 2,315,299 | \$2,002,8 |
| | | ===== | ===== | ===== |

Effectively January 1, 2005, the statutory tax rate, including resident surcharge, will be changed from 29.7% to 27.5%. Enacted future tax rate of 27.5% was applied to calculate the deferred income tax liabilities of which the tax effect will be realized after 2005.

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Korea Electric Power Corporation

Notes to Consolidated Financial Statements

(Unaudited)

(30) Reconciliation to United States Generally Accepted Accounting Principles, Continued

(o) Effect on Net Income and Stockholders' Equity, continued

Earning per share for the six-month period ended June 30, 2003 and 2004 under U.S. GAAP are as follows:

| | |
|--|-------------------------------------|
| Korea Won (In millions, except per share data) | U.S. dolla (In tho except per |
| ----- | ----- |

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| | | 2003 | 2004 | 2005 |
|--|-----|-------------|-------------|--------|
| | | ----- | ----- | ----- |
| Net income under U.S. GAAP | KRW | 1,230,961 | 1,849,186 | \$ 1,5 |
| Effect of dilutive securities | | -- | (1,427) | |
| Adjusted net income | KRW | 1,230,961 | 1,847,759 | \$ 1,5 |
| | | ===== | ===== | ===== |
| Weighted average number of shares | | 631,387,812 | 629,858,023 | 629,8 |
| Effect of dilutive securities | | -- | 9,999,847 | 9,9 |
| Adjusted average number of shares | | 631,387,812 | 639,857,870 | 639,8 |
| | | ===== | ===== | ===== |
| Basic earnings per share as adjusted in accordance with U.S. GAAP (in Won) | KRW | 1,950 | 2,936 | \$ |
| | | ===== | ===== | ===== |
| Diluted earnings per share as adjusted in accordance with U.S. GAAP (in Won) | KRW | 1,950 | 2,888 | \$ |
| | | ===== | ===== | ===== |

(p) Segment Information

Under U.S. GAAP, a company reports segment information based on the disaggregation of the company by management 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. Prior to the spin-off of the power generation division (see Note 1), the Company did not disaggregate the information for transmission and distribution of electricity, and power generation. Therefore, the reportable segments in 2000 were combined into one operating segment, the electric business. 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 1 - Summary of Significant Accounting Policies and Note 30 - 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% or more of the consolidated revenues of the Company.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the

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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, Do-Shik

Name: Lee, Do-Shik

Title: Head of Treasury Department

Date: Oct. 22, 2004