

KOREA ELECTRIC POWER CORP
Form 6-K
November 20, 2006

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 November 2006

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-_____.

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

KOREA ELECTRIC POWER CORPORATION

Non-consolidated Financial Statements

(Unaudited)

As of September 30, 2006 and 2005

(With Independent Accountants' Review Report Thereon)

Independent Accountants Review Report

Based on a report originally issued in Korean

The Board of Directors and Stockholders

Korea Electric Power Corporation:

We have reviewed the accompanying non-consolidated balance sheet of Korea Electric Power Corporation (the Company) as of September 30, 2006, and the related non-consolidated statements of income and cash flows for the three-month and nine-month periods ended September 30, 2006 and 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our reviews.

We conducted our reviews in accordance with the Review Standards for Semiannual Financial Statements established by the Securities and Futures Commission of the Republic of Korea. These standards require that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review consists principally of inquiries of company personnel and analytical procedures applied to financial data and, thus, provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our reviews, nothing has come to our attention that causes us to believe that the financial statements referred to above are not presented fairly, in all material respects, in accordance with the Korea Electric Power Corporation Act, the Accounting Regulations for Government Invested Enterprises and accounting principles generally accepted in the Republic of Korea.

The accompanying non-consolidated balance sheet of the Company as of December 31, 2005 and the related statements of income and cash flows for the year then ended, which are not accompanying this report were audited by us and our report thereon, dated January 27, 2006, expressed an unqualified opinion. The accompanying non-consolidated balance sheet of the Company as of December 31, 2005, presented for comparative purposes, is not different from that audited by us in all material respects.

The accompanying non-consolidated financial statements as of and for the three-month and nine-month period ended September 30, 2006 have been translated into United States dollars solely for the convenience of the reader and have been translated on the basis set forth in note 2 to the non-consolidated financial statements.

The following matters may be helpful to the readers in their understanding of the non-consolidated financial statements:

As discussed in note 1(b) to the non-consolidated financial statements, accounting principles and review standards and their application in practice vary among countries. The accompanying non-consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than the Republic of Korea. In addition, the procedures and practices utilized in the Republic of Korea to review such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying financial statements are intended for use only by those knowledgeable about Korean accounting principles, the Korea Electric Power Corporation Act, the Accounting Regulations for Government Invested Enterprises, and Korean accounting procedures and review standards and their application in practice.

As discussed in note 1(b) to the non-consolidated financial statements, effective January 1, 2006, the Company adopted Statement of Korea Accounting Standards No. 20, *Related Party Disclosures*. The adoption of these standards did not have a significant impact on accompanying non-consolidated financial statements.

As discussed in note 26 to the non-consolidated financial statements, the Company had sales and purchases with related parties, including its six power generation subsidiaries for the nine-month period ended September 30, 2006 and related receivables and payables as of September 30, 2006. Also, as of

September 30, 2006, the Company had long-term borrowings (including current portion) from Korea Development Bank (KDB). The Company has provided debt guarantees to a foreign subsidiary. In addition, KDB, one of the Company's major shareholders, has provided guarantees for a portion of the Company's foreign currency debt.

/s/ KPMG Samjong Accounting Corp.

Seoul, Korea

October 27, 2006

This report is effective as of October 27, 2006, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying non-consolidated financial statements and notes thereto. Accordingly, the readers of the review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Korea Electric Power Corporation

Non-consolidated Balance Sheets

September 30, 2006 and December 31, 2005

(Unaudited)

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

		Won		U.S. dollars (note 2) 2006
	2006	2005		
Assets				
Property, plant and equipment (notes 3 and 5)	Won 44,777,561	43,163,840	\$	47,373,636
Less: accumulated depreciation	(12,094,557)	(10,854,375)		(12,795,765)
Less: construction grants	(4,041,491)	(3,640,966)		(4,275,805)
	28,641,513	28,668,499		30,302,066
Construction-in-progress	2,534,930	2,118,540		2,681,898
	31,176,443	30,787,039		32,983,964
Investments and other assets:				
Investment securities (note 6)	27,441,541	26,797,485		29,032,524
Long-term loans (note 7)	199,289	180,084		210,843
Currency and interest rate swaps (note 21)		549,668		
Intangible assets (note 4)	212,887	235,040		225,230
Other non-current assets (notes 8 and 18)	152,634	151,854		161,482
	28,006,351	27,914,131		29,630,079
Current assets:				
Cash and cash equivalents (notes 9 and 18)	507,793	208,513		537,235
Trade receivables, less allowance for doubtful accounts of Won50,723 in 2006 and Won44,330 in 2005 (note 26)	2,197,512	2,041,366		2,324,917
Other accounts receivable, less allowance for doubtful accounts of Won5,897 in 2006 and Won5,232 in 2005 (notes 18 and 26)	261,991	263,041		277,181
Short-term financial instruments (note 10)	25,000	38,000		26,450
Short-term currency swaps (note 21)	484,919			513,033
Inventories (note 11)	134,970	92,741		142,796
Deferred income tax assets (note 24)	184,154	207,860		194,831
Other current assets (notes 7, 12 and 18)	128,003	74,150		135,422
	3,924,342	2,925,671		4,151,865
Total assets	Won 63,107,136	61,626,841	\$	66,765,908

See accompanying notes to non-consolidated financial statements.

Korea Electric Power Corporation

Non-consolidated Balance Sheets, Continued

September 30, 2006 and December 31, 2005

(Unaudited)

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

	2006	Won	2005	U.S. dollars (note 2) 2006
Liabilities and Shareholders Equity				
Stockholders' equity:				
Common stock of Won5,000 par value				
Authorized - 1,200,000,000 shares				
Issued - 641,567,712 shares in 2006 and 2005 (note 13)	Won	3,207,839	3,207,839	\$ 3,393,820
Capital surplus (notes 3 and 13)	14,438,849		14,422,727	15,275,973
Retained earnings:				
Appropriated (note 14)	23,922,207		22,209,291	25,309,149
Unappropriated	2,098,743		2,444,451	2,220,422
Capital adjustments (note 15)	(80,023)		(78,646)	(84,663)
Total shareholders' equity	43,587,615		42,205,662	46,114,701
Long-term liabilities:				
Long-term debt, net (notes 17 and 26)	9,819,105		10,430,342	10,388,389
Accrual for retirement and severance benefits, net (note 19)	504,562		450,422	533,816
Reserve for self insurance	97,357		98,618	103,001
Currency and interest rate swaps (note 21)	6,454		56,388	6,828
Deferred income tax liabilities (note 24)	2,393,932		2,300,950	2,532,726
Other long-term liabilities	351,841		401,270	372,239
	13,173,251		13,737,990	13,936,999
Current liabilities:				
Trade payables (note 26)	1,368,709		2,103,862	1,448,063
Other accounts payable (note 26)	198,786		358,007	210,311
Short-term borrowings (note 16)	431,948		71,000	456,992
Current portion of long-term debt, net (note 17)	3,264,522		2,328,206	3,453,790
Income tax payable	411,203		97,189	435,043
Accrued interest expense	108,702		81,749	115,004
Other current liabilities (note 20)	562,400		643,176	595,005
	6,346,270		5,683,189	6,714,208
Total liabilities	19,519,521		19,421,179	20,651,207
Commitments and contingencies (note 28)				
Total shareholders' equity and liabilities	Won 63,107,136		61,626,841	\$ 66,765,908

See accompanying notes to non-consolidated financial statements.

Korea Electric Power Corporation

Non-consolidated Statements of Income

For the three-month and nine-month periods ended September 30, 2006 and 2005

(Unaudited)

(In millions of Korean Won, except earnings per share)

	2006		2005	
	three-month period	nine-month period	three-month period	nine-month period
Operating revenues:				
Sale of electricity (note 26)	Won 7,561,144	20,402,101	Won 7,010,772	18,802,382
Other operating revenues (note 26)	3,791	15,713	30,959	88,171
	7,564,935	20,417,814	7,041,731	18,890,553
Operating expenses (notes 26 and 28):				
Power transmission and distribution costs (note 22)	1,030,111	3,006,060	992,263	2,764,836
Purchased power	4,784,794	15,113,491	4,584,064	13,397,387
Other operating costs	4,896	20,448	31,305	90,680
Selling and administrative expenses (note 23)	304,329	858,444	308,398	826,508
	6,124,130	18,998,443	5,916,030	17,079,411
Operating income	1,440,805	1,419,371	1,125,701	1,811,142
Other income (expense):				
Interest income	4,523	10,883	2,231	11,820
Interest expense (note 26)	(134,786)	(408,559)	(122,465)	(356,639)
Gain (loss) on foreign currency transactions and translation, net	53,868	192,032	(27,924)	133,062
Donations (note 29)	(92,884)	(99,625)	(4,456)	(102,186)
Rental income	31,859	101,516	31,430	96,706
Equity income of affiliates, net (note 6)	310,854	1,405,793	355,792	1,623,728
Gain (loss) on disposal of property, plant and equipment, net	(485)	5,311	3,995	20,276
Valuation gain (loss) on currency and interest rate swaps, net (note 21)	5,984	(23,838)	24,847	102,944
Other, net	36,672	62,390	(3,546)	23,370
	215,605	1,245,903	259,904	1,553,081
Income before income taxes	1,656,410	2,665,274	1,385,605	3,364,223
Income taxes (note 24)	(449,854)	(567,211)	(368,421)	(776,898)
Net income	Won 1,206,556	2,098,063	Won 1,017,184	2,587,325
Basic earnings per share (note 25)	Won 1,893	3,292	Won 1,615	4,109
Diluted earnings per share (note 25)	Won 1,885	3,277	Won 1,592	4,050

See accompanying notes to non-consolidated financial statements.

Korea Electric Power Corporation

Non-consolidated Statements of Income, Continued

For the three-month and nine-month periods ended September 30, 2006

(Unaudited)

(In thousands of U.S. dollars, except earnings per share)

	2006	
	three-month period	nine-month period
Operating revenues:		
Sale of electricity (note 26)	\$ 7,999,518	21,584,956
Other operating revenues (note 26)	4,011	16,624
	8,003,529	21,601,580
Operating expenses (notes 26 and 28):		
Power transmission and distribution costs (note 22)	1,089,834	3,180,343
Purchased power	5,062,203	15,989,728
Other operating costs	5,179	21,633
Selling and administrative expenses (note 23)	321,974	908,214
	6,479,190	20,099,918
Operating Income	1,524,339	1,501,662
Other income (expense):		
Interest income	4,786	11,515
Interest expense (note 26)	(142,601)	(432,246)
Gain on foreign currency transactions and translation, net	56,991	203,166
Donations (note 29)	(98,270)	(105,401)
Rental income	33,707	107,401
Equity income of affiliates, net (note 6)	328,877	1,487,297
Gain (loss) on disposal of property, plant and equipment, net	(514)	5,618
Valuation gain (loss) on currency and interest rate swaps, net (note 21)	6,331	(25,221)
Other, net	38,798	66,009
	228,105	1,318,138
Income before income taxes	1,752,444	2,819,800
Income taxes (note 24)	(475,935)	(600,097)
Net income	\$ 1,276,509	2,219,703
Basic earnings per share (note 25)	\$ 2.00	3.48
Diluted earnings per share (note 25)	\$ 1.99	3.47

See accompanying notes to non-consolidated financial statements.

Korea Electric Power Corporation

Non-consolidated Statements of Cash Flows

For the three-month and nine-month periods ended September 30, 2006 and 2005

(Unaudited)

(In millions of Korean Won)

	2006		2005	
	three-month period	nine-month period	three-month period	nine-month period
Cash flows from operating activities:				
Net income	Won 1,206,556	2,098,063	Won 1,017,184	2,587,325
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	460,852	1,376,680	464,228	1,358,898
Property, plant and equipment removal cost	62,073	153,808	32,702	107,969
Provision for severance and retirement benefits	15,113	67,864	37,381	79,751
Reversal of bad debt expense				(15,066)
Bad debt expense	8,724	17,889	7,146	14,278
Interest income				(4,262)
Interest expense	2,835	8,539	3,520	10,525
Loss (gain) on foreign currency transaction and translation, net	(53,892)	(182,644)	31,925	(64,814)
Equity income of affiliates, net	(310,854)	(1,405,793)	(355,792)	(1,623,728)
Loss (gain) on disposal of property, plant and equipment, net	485	(5,311)	(3,995)	(20,276)
Deferred income tax expense	61,318	132,718	83,890	258,265
Valuation loss (gain) on currency and interest rate swaps, net	(5,984)	23,838	(24,847)	(102,944)
Changes in assets and liabilities:				
Trade receivables	(522,941)	(174,035)	(179,535)	(176,531)
Other accounts receivable	(34,620)	(1,132)	(24,245)	277,823
Inventories	(17,990)	31,051	9,345	44,534
Other current assets	5,186	(150,117)	5,421	(103,148)
Trade payables	78,032	(735,153)	29,854	(102,790)
Other accounts payable	7,122	(159,220)	(32,827)	(164,787)
Income tax payable	364,207	319,215	(111,379)	(556,440)
Accrued interest expenses	16,649	21,207	(3,333)	(30,054)
Other current liabilities	(1,790)	7,087	(73,014)	55,553
Other long-term liabilities	(26)	(79)	(204)	(606)
Payment of severance and retirement benefits	(1,247)	(11,707)	(1,423)	(7,001)
Deposit of severance and retirement benefits	(3,703)	(2,017)	(99,980)	(99,980)
Payment of self-insurance	(366)	(1,261)	(445)	(1,209)
Other, net	3,706	7,375	13,610	39,232
Net cash provided by operating activities	1,339,445	1,436,865	825,187	1,760,517

See accompanying notes to non-consolidated financial statements.

Korea Electric Power Corporation

Non-consolidated Statements of Cash Flows, Continued

For the three-month and nine-month periods ended September 30, 2006 and 2005

(Unaudited)

(In millions of Korean Won)

	2006		2005	
	three-month period	nine-month period	three-month period	nine-month period
Cash flows from investing activities:				
Proceeds from disposal of property, plant and equipment	Won 8,648	22,010	Won 5,949	60,128
Additions to property, plant and equipment	(1,018,757)	(2,559,117)	(637,792)	(2,781,029)
Receipt of construction grants	194,211	593,465	167,900	483,567
Proceeds from disposal of investment securities		765,172	8,507	658,624
Acquisition of investment securities	(21,277)	(44,102)	(2,770)	(5,553)
Collection of loans	4,499	15,958	4,211	13,402
Increase in long-term loans	(16,565)	(37,070)	(14,845)	(34,356)
Acquisition of intangible assets	(9,418)	(21,840)	(4,806)	(10,187)
Proceeds from short-term financial instruments		38,000		41,000
Additions to short-term financial instruments		(25,000)		(38,000)
Other, net	(2,850)	597	(352)	(4,320)
Net cash used in investing activities	(861,509)	(1,251,927)	(473,998)	(1,616,724)
Cash flows from financing activities:				
Proceeds from short-term borrowings		366,090		
Proceeds from long-term debt		2,057,330	857,440	2,735,165
Repayment of long-term debt	(276,953)	(1,525,518)	(644,334)	(1,866,098)
Repayment of short-term debt	(30,000)		(463,470)	(46,172)
Dividends paid	(19)	(731,984)	(24)	(724,650)
Receipts under currency and interest rate swap contract, net	(62,459)	(51,573)	(91,110)	(204,413)
Payment of stock issue cost, net		(3)		
Net cash provided by (used in) financing activities	(369,431)	114,342	(341,498)	(106,168)
Net increase in cash and cash equivalents (note 27)	108,505	299,280	9,691	37,625
Cash and cash equivalents, at beginning of the period	399,288	208,513	473,797	445,863
Cash and cash equivalents, at end of the period	Won 507,793	507,793	Won 483,488	483,488

See accompanying notes to non-consolidated financial statements.

Korea Electric Power Corporation

Non-consolidated Statements of Cash Flows, Continued

For the three-month and nine-month periods ended September 30, 2006

(Unaudited)

(In thousands of U.S. dollars (note 2))

	2006	
	three-month period	nine-month period
Cash flows from operating activities:		
Net income	\$ 1,276,509	2,219,703
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	487,571	1,456,496
Property, plant and equipment removal cost	65,672	162,725
Provision for severance and retirement benefits	15,989	71,799
Reversal of bad debt expense		
Bad debt expense	9,230	18,926
Interest income		
Interest expense	2,999	9,034
Gain on foreign currency transaction and translation, net	(57,017)	(193,233)
Equity income of affiliates, net	(328,876)	(1,487,297)
Loss (gain) on disposal of property, plant and equipment, net	514	(5,618)
Deferred income tax expense	64,873	140,413
Valuation loss (gain) on currency and interest rate swaps, net	(6,331)	25,221
Changes in assets and liabilities:		
Trade receivables	(553,259)	(184,125)
Other accounts receivable	(36,628)	(1,198)
Inventories	(19,033)	32,851
Other current assets	5,486	(158,821)
Trade payables	82,556	(777,775)
Other accounts payable	7,535	(168,452)
Income tax payable	385,322	337,722
Accrued interest expenses	17,615	22,436
Other current liabilities	(1,894)	7,498
Other long-term liabilities	(28)	(84)
Payment of severance and retirement benefits	(1,319)	(12,386)
Deposit of severance and retirement benefits	(3,918)	(2,134)
Payment of self-insurance	(387)	(1,335)
Other, net	3,922	7,804
Net cash provided by operating activities	1,417,103	1,520,170

See accompanying notes to non-consolidated financial statements.

Korea Electric Power Corporation

Non-consolidated Statements of Cash Flows, Continued

For the three-month and nine-month periods ended September 30, 2006

(Unaudited)

(In thousands of U.S. dollars (note 2))

	2006	
	three-month period	nine-month period
Cash flows from investing activities:		
Proceeds from disposal of property, plant and equipment	\$ 9,150	23,286
Additions to property, plant and equipment	(1,077,822)	(2,707,487)
Receipt of construction grants	205,471	627,873
Proceeds from disposal of investment securities		809,535
Acquisition of investment securities	(22,511)	(46,659)
Collection of loans	4,760	16,883
Increase in long-term loans	(17,525)	(39,220)
Acquisition of intangible assets	(9,964)	(23,107)
Proceeds from short-term financial instruments		40,203
Additions to short-term financial instruments		(26,449)
Other, net	(3,015)	633
Net cash used in investing activities	(911,456)	(1,324,509)
Cash flows from financing activities:		
Proceeds from short-term borrowings		387,315
Proceeds from long-term debt		2,176,608
Repayment of short-term debt	(31,739)	
Repayment of long-term debt	(293,010)	(1,613,963)
Dividends paid	(20)	(774,422)
Receipts under currency and interest rate swap contract, net	(66,081)	(54,563)
Payment of stock issue cost, net		(3)
Net cash provided by (used in) financing activities	(390,850)	120,972
Net increase in cash and cash equivalents (note 27)	114,797	316,633
Cash and cash equivalents, at beginning of the period	422,438	220,602
Cash and cash equivalents, at end of the period	\$ 537,235	537,235

See accompanying notes to non-consolidated financial statements.

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements

September 30, 2006 and 2005

(Unaudited)

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

(a) Organization and Description of Business

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

As of September 30, 2006, the Government of the Republic of Korea, Korea Development Bank (KDB), which is wholly owned by the Korean Government, and foreign investors held 24.07%, 29.95% and 28.22%, respectively, of the Company's shares.

In accordance with the restructuring plan by the Ministry of Commerce, Industry and Energy on January 21, 1999, the Company spun off its power generation division on April 2, 2001, resulting in the establishment of six power generation subsidiaries. The Company purchases substantially all of its electricity from the power generation subsidiaries. In addition, the Company has been contemplating the gradual privatization of the Company's power generation subsidiaries. The privatization of the power generation subsidiaries may result in a change in pricing of electric power, operation organization, related regulations and general policies for supply and demand of energy.

In addition, the Company was also planning to privatize its distribution business but was discontinued according to the recommendation by the Korea Tripartite Commission on June 30, 2004.

(b) Basis of Presenting Financial Statements

The Company maintains its accounting records in Korean Won and prepares statutory financial statements in the Korean language (Hangul) in conformity with the Korea Electric Power Corporation Act (KEPCO Act), the Accounting Regulations for Government Invested Enterprises, which have been approved by the Korean Ministry of Finance and Economy, and, in the absence of specialized accounting regulations for utility companies, 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 in Korean accounting principles and practices, KEPCO Act and Accounting Regulations for Government Invested Enterprises. The accompanying non-consolidated financial statements have been condensed, restructured and translated into English (with certain expanded descriptions) from the Korean language non-consolidated financial statements.

Certain information included in the Korean language non-consolidated 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 non-consolidated financial statements.

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(Unaudited)

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

(b) Basis of Presenting Financial Statements, Continued

Effective January 1, 2006, the Company adopted Statement of Korea Accounting Standards (SKAS) No. 20, *Related Party Disclosures*. The adoption of these standards did not have a significant impact on accompanying non-consolidated financial statements.

(c) Property, Plant and Equipment

Property, plant and equipment are stated at cost, except in the case of revaluations made in accordance with the KEPCO Act and the then Assets Revaluation Law of Korea. 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 costs and other financial charges on borrowings 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 translation differences arising from foreign currency 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.

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

	Estimated useful lives (years)
Buildings	8, 15, 30
Structures	8, 15, 30
Machinery	16
Ships	9
Vehicles	4
Others	4

The Company 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 non-consolidated financial statements as deductions from the assets acquired under such grants and are offset against depreciation expense over the estimated useful lives of the related assets.

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(Unaudited)

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

(d) Investment Securities

Securities are recognized initially at cost using the weighted average method. The cost includes the market value of the consideration given and incidental expenses.

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

On a continuous basis, the Company evaluates available-for-sale securities for possible other-than-temporary impairment at the balance sheet date. Factors considered in assessing whether an indication of other-than-temporary impairment exists include: the degree of change in the ratio of market price per share to book value per share at the date of evaluation compared to that at the date of acquisition, the financial condition and prospects of each investee company, industry conditions in which the investee company operates, the fair value of an available-for-sale security relative to the cost basis of the investment, the period of time the fair value of an available-for-sale security has been below the cost basis of the investment and other relevant factors. The Company evaluates at the balance sheet date the cost basis of a held-to-maturity security for possible impairment by taking into consideration the financial condition, business prospects and credit worthiness of the issuer.

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

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(Unaudited)

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

(d) Investment Securities, Continued

For non-marketable equity securities accounted for at acquisition cost, the impairment loss is equal to the difference between the recoverable amount and the carrying amount.

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

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

(e) Investment Securities under the Equity Method of Accounting

For investments in companies, whether or not publicly held, under the Company's significant influence, the Company utilizes the equity method of accounting. Significant influence is generally deemed to exist if the Company can exercise influence over the operating and financial policies of an investee. The ability to exercise that influence may be indicated in several ways, such as the Company's representation on its board of directors, the Company's participation in its policy making processes, material transactions with the investee, interchange of managerial personnel, or technological dependency. Also, if the Company owns directly or indirectly 20% or more of the voting stock of an investee, the Company generally presumes that the investee is under its significant influence. The change in the Company's share of an investee's net equity resulting from a change in an investee's net equity is reflected in current operations, retained earnings, and capital adjustment depending on whether the change was derived from the investee's net income (loss), changes in retained earnings or changes in capital surplus and capital adjustments.

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 investee income and reduced to reflect the Company's share of investee losses or dividends received. The Company does not record its share of losses of an affiliate when such losses would make the Company's investment in such entity less than zero unless the Company has guaranteed obligations of the investee or is otherwise committed to provide additional financial support.

Assets and liabilities of foreign-based companies accounted for using the equity method are translated at the current rate of exchange at the balance sheet date while profit and loss items in the statement of income are translated at the average rate and the capital account at the historical rate. The translation gains and losses arising from collective translation of the foreign currency financial statements of foreign-based companies are offset and the balance is accumulated as a capital adjustment.

Certain affiliates apply different accounting methods for cost of inventory and the depreciation method of fixed assets and intangible assets than those of the Company since the effect of using different accounting methods is not considered material.

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(Unaudited)

(1) Summary of Significant Accounting Policies and Basis of Presenting Financial Statements, Continued(e) Investment Securities under the Equity Method of Accounting, Continued(i) Cost of Inventory

Company	Raw materials	Supplies	Others
KEPCO	Weighted-average	Moving-average	Specific identification
Korea Hydro & Nuclear Power Co., Ltd.	Moving-average	Moving-average	Moving-average
Korea Western Power Co., Ltd.	Weighted-average	Weighted-average	Weighted-average
Korea Power Engineering Co., Ltd.	Weighted-average	FIFO	FIFO
Korea Plant Service & Engineering Co., Ltd.	Weighted-average	FIFO	Specific identification
KEPCO Nuclear Fuel Co., Ltd.	Weighted-average	Weighted-average	Specific identification
Korea Electric Power Data Network Co., Ltd.	Moving-average	Moving-average	Moving-average
KEPCO Philippines Corporation (Subsidiary of KEPCO International Hong Kong Ltd.)	Weighted-average	Weighted-average	Weighted-average
KEPCO Ilijan Corporation (Subsidiary of KEPCO International Philippines Inc.)	Weighted-average	Weighted-average	Weighted-average

(ii) Depreciation Methods

Company	Machinery	Vehicles	Others	Computer software
KEPCO	Declining-balance	Declining-balance	Declining-balance	Straight-line
Korea Hydro & Nuclear Power Co., Ltd.	Declining-balance	Declining-balance	Declining-balance	Declining-balance
Korea Plant Service & Engineering Co., Ltd.	Declining-balance Straight-line	Declining-balance Straight-line	Declining-balance Straight-line	Declining-balance Straight-line

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KEPCO Nuclear Fuel
Co., Ltd.

Korea Electric Power
Data Network Co.,
Ltd.

Straight-line

Straight-line

Straight-line

Straight-line

KEPCO Philippines
Corporation
(Subsidiary of
KEPCO International
Hong Kong Ltd.)

Straight-line

Straight-line

Straight-line

Straight-line

KEPCO Ilijan
Corporation
(Subsidiary of
KEPCO International
Philippines Inc.)

Straight-line

Straight-line

Straight-line

Straight-line

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(Unaudited)

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

(f) Intangible Assets

Intangible assets, which consist of computer software, industrial rights, land rights and others, are stated at cost less accumulated amortization and impairment losses. Such intangible assets are amortized using the straight-line method over a reasonable period, from 4 years to 20 years, based on the nature of the asset.

(g) Asset Impairment

When the book value of assets exceeds their recoverable value due to obsolescence, physical damage or sharp decline in market value, the impaired assets are recorded at the estimated recoverable value and the resulting impairment loss is charged to current operations. If the recoverable value exceeds the adjusted book value of the assets in subsequent periods, the excess is recognized as a gain in subsequent periods until the net realizable value equals the book value of the assets before the losses were recognized.

The Company evaluates long-lived assets for impairment when events or changes in circumstances indicate, in management's judgment, that the carrying value of such assets may not be recoverable. These computations utilize judgments and assumptions inherent in management's estimate of undiscounted future cash flows to determine the recoverability of an asset. If management's assumptions about these assets change as a result of events or circumstances, and management believes the assets may have declined in value, then the Company may record impairment charges. Management uses its best estimate in making these evaluations and considers various factors, including the future prices of energy, fuel costs and operating costs. However, actual market prices and operating costs may vary from those used in impairment evaluations, and the impact of such variations could be material.

(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 which will mature within one year, including time deposits, installment savings deposits, repurchase agreement (or Repos) and restricted bank deposits. Long-term financial instruments are financial instruments not included in current assets.

(j) Allowance for Doubtful Accounts

The allowance for doubtful accounts is estimated based on an analysis of individual accounts and past experience of collection. Smaller-balance homogeneous receivables are evaluated considering current economic conditions and trends, prior charge-off experience and delinquencies.

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(Unaudited)

(1) Summary of Significant Accounting Policies and Basis of Presenting 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 each year.

(l) Convertible Bonds

When issuing convertible bonds, the values of the conversion rights are recognized separately. Considerations for conversion rights are measured by deducting the present value of ordinary or straight debt securities from the gross proceeds of the convertible bonds received at the date of issuance. The amortization of the premium and conversion right adjustment is recorded as a component of interest expense.

The value of common shares issued pursuant to any exercise of conversion rights is 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 the convertible bonds, at the balance sheet date. Convertible bonds are not subject to foreign currency translation as convertible bonds are regarded as non-monetary foreign currency liabilities in accordance with accounting principles generally accepted in the Republic of Korea.

(m) Discount (Premium) on Debentures

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

(n) 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 salary rates and length of service when they leave the Company. The Company's estimated liability under the plan which would be payable if all employees left on the balance sheet date is accrued in the accompanying non-consolidated balance sheets.

Funding of the retirement and severance benefits is not required; however, tax deductions are limited if the liability is not funded. During 2005, the Company purchased severance insurance deposits, which meet the funding requirement for tax deduction purposes. These consist of individual severance insurance deposits, in which the beneficiary is the respective employee, with a balance of Won100,917 million as of September 30, 2006. Such amounts are presented as a deduction from the accrual of retirement and severance benefits.

Through March 1999, under the National Pension Scheme of Korea, the Company transferred a portion of retirement allowances for 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 non-consolidated financial statements as a reduction to the retirement and severance benefit liability. However, due to the new regulation applied since April 1999, such transfers to the National Pension Fund are no longer required.

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(Unaudited)

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

(o) Reserve for Self-Insurance

In accordance with the Accounting Regulations for Government Invested Enterprises, the Company provides a self-insurance reserve for loss from accident and liability to third parties that may arise in connection with the Company's non-insured facilities. The self-insurance reserve is recorded until the amount meets a certain percentage of non-insured buildings and machinery. Payments made to settle applicable claims are charged to this reserve.

(p) Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into Korean Won at the balance sheet date, with the resulting gains and losses recognized in current results of operations. Monetary assets and liabilities denominated in foreign currencies are translated into Korean Won at Won945.2 to US\$1, the rate of exchange on September 30, 2006 as permitted by the Financial Accounting Standards. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into Korean Won at the foreign exchange rate ruling at the date of the transaction.

Foreign currency assets and liabilities of foreign-based operations and companies accounted for using the equity method are translated at current rate of exchange at the balance sheet date while profit and loss items in the statement of income are translated at average rate and capital accounts at historical rate. Translation gains and losses arising from collective translation of foreign currency financial statements of foreign-based operations are offset and the balance is accumulated as a capital adjustment.

(q) 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 designated as hedging the exposure to changes in the fair value of an asset or a liability or a firm commitment (hedged item) that is attributable to a particular risk. The gain or loss both on the hedging derivative instruments and on the hedged item attributable to the hedged risk is reflected in current operations.

Cash flow hedge accounting is applied to a derivative instrument designated as hedging the exposure to variability in expected future cash flows of an asset or a liability or a forecasted transaction that is attributable to a particular risk. The effective portion of gain or loss on a derivative instrument designated as a cash flow hedge is recorded as a capital adjustment and the ineffective portion is recorded in current operations.

The effective portion of gain or loss recorded as a capital adjustment is reclassified to current earnings in the same period during which the hedged forecasted transaction affects earnings. If the hedged transaction results in the acquisition of an asset or the incurrence of a liability, the gain or loss in capital adjustment is added to or deducted from the asset or the liability.

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(Unaudited)

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

(r) Provisions, Contingent Assets and Contingent Liabilities

Provisions are recognized when all of the following are met: (1) an entity has a present obligation as a result of a past event, (2) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and (3) a reliable estimate can be made of the amount of the obligation. Contingent losses are generally recognized as a liability when probable and reasonably estimable. In cases where an obligation is settled, the Company recognizes the amount reimbursable from a third party as a separate asset when it is virtually certain that the reimbursement will be received. In such cases, income, if any, recognized on receipt of the reimbursement is presented net of the charges made in connection with the provision.

(s) Revenue Recognition

The Company recognizes revenue from the sale of electric power based on meter readings made on a monthly basis. The Company does not accrue revenue for power sold after the meter readings but prior to the end of the accounting period. The Company recognizes revenue on long-term contracts, which are related to the construction of power plants in the Democratic People's Republic of Korea (North Korea), based on the percentage-of-completion method. Revenue other than sale of electric power and revenue on long-term contracts is recognized when the Company's revenue-earning activities have been substantially completed, the amount of revenue can be reliably measured, and it is probable that the Company will receive the economic benefits associated with the transaction.

(t) Income Taxes

Income tax on the income or loss for the year is comprised of current and deferred tax. Income tax is recognized in the statement of income. Deferred income tax is recognized in the statement of income except to the extent that it relates to items recognized directly in 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.

A deferred tax asset is recognized only to the extent that it is probable that future taxable income 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.

(u) Dividends Payable

Annual dividends are recorded when resolved by the board of directors and approved by the shareholders.

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(Unaudited)

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

(v) Prior Period Adjustments

Cumulative prior period adjustments resulting from other than fundamental errors are charged or credited to results of operations for the current period. 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. Prior period adjustments resulting from fundamental errors are charged or credited to the beginning balance of retained earnings, and the financial statements of the prior year are restated.

(w) Earnings Per Share

Basic earnings per common share are calculated by dividing net earnings available to common stockholders by the weighted-average number of shares of common stock outstanding during each period. Diluted earnings per share are calculated by dividing net earnings available to common stockholders plus interest expense, net of tax, of convertible notes by the weighted-average number of shares of common stock outstanding adjusted to include the potentially dilutive effect of the convertible notes.

(x) Use of Estimates

The preparation of non-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 non-consolidated financial statements and related notes. Actual results could differ from those estimates.

(2) Basis of Translating Financial Statements

The non-consolidated financial statements are expressed in Korean Won and, solely for the convenience of the reader, the non-consolidated financial statements as of and for the three-month and nine month period ended September 30, 2006, have been translated into United States dollars at the rate of Won945.2 to US\$1, the basic exchange rate on September 30, 2006. 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

The Company revalued its property, plant and equipment in accordance with the KEPCO Act and the then Asset Revaluation Law (the latest revaluation date was on January 1, 1999), and recorded a revaluation gain of Won12,552,973 million as a reserve for asset revaluation, a component of capital surplus.

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(Unaudited)

(3) Property, Plant and Equipment, Continued

(b) Officially Declared Value of Land

The officially declared value of land at September 30, 2006, as announced by the Minister of Construction and Transportation, was as follows:

Purpose	Won (millions)	
	Book value	Declared value
Land - transmission and distribution sites and other	Won 3,386,289	5,049,201

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

(c) Capitalized Interest

For the nine-month periods ended September 30, 2006 and 2005, the amount of capitalized interest was Won46,794 million and Won44,640 million, respectively. The net foreign currency transactions and translation gains excluded from the calculation of capitalized interest amounted to Won102,861 million and Won150,753 million, respectively, for the nine-month periods ended September 30, 2006 and 2005.

The impact on the Company's financial position as of and for the nine-month period ended September 30, 2006 if interest and other borrowing costs had been expensed instead of being capitalized would have been as follows:

	Construction- in-progress	Won (millions)		
		assets	Interest expense	Income before income taxes
Capitalized	Won 2,534,930	63,107,136	408,559	2,665,274
Expensed	2,488,136	63,060,342	455,353	2,618,480
	Won 46,794	46,794	(46,794)	46,794

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(Unaudited)

(3) Property, Plant and Equipment, Continued(d) Changes in Property, Plant and Equipment

Changes in property, plant and equipment and construction grants for the nine-month period ended September 30, 2006 were as follows:

	Won (millions) 2006					Book value as of September 30, 2006
	Book value as of January 1, 2006	Acquisitions	Disposals	Depreciation	Others	
Land	Won 3,359,398	2,023	(13,345)		38,213	3,386,289
Buildings	1,936,420	83	(988)	(80,080)	(1,844)	1,853,591
Structures	22,372,354	12,600		(733,460)	1,181,238	22,832,732
Machinery	4,566,636	6,469	(1,067)	(619,105)	589,854	4,542,787
Vehicles	19,143	3,121	(53)	(8,494)	(42)	13,675
Others	55,514	11,348	(8)	(23,278)	10,354	53,930
Construction-in-progress	2,118,540	2,523,473			(2,107,083)	2,534,930
Construction grants	(3,640,966)	(593,465)		140,936	52,004	(4,041,491)
	Won 30,787,039	1,965,652	(15,461)	(1,323,481)	(237,306)	31,176,443

The Company received Won593,465 million and Won483,567 million of construction grants, and offset Won140,936 million and Won125,262 million against depreciation expense, and Won52,000 million and Won31,335 million against property, plant and equipment removal cost for the nine-month periods ended September 30, 2006 and 2005, respectively.

Changes in property, plant and equipment and construction grants for the year ended December 31, 2005 were as follows:

	Won (millions) 2005					Book value as of December 31, 2005
	Book value as of January 1, 2005	Acquisitions	Disposals	Depreciation	Others	
Land	Won 3,347,702	9,711	(37,253)		39,238	3,359,398
Buildings	1,868,661	91	(4,070)	(142,871)	214,609	1,936,420
Structures	21,583,385	34,535		(897,449)	1,651,883	22,372,354
Machinery	4,143,156	16,885	(789)	(857,575)	1,264,959	4,566,636
Vehicles	17,792	14,680	(23)	(12,683)	(623)	19,143
Others	56,822	17,105	(8)	(37,540)	19,135	55,514
Construction-in-progress	2,110,396	3,550,074			(3,541,930)	2,118,540
Construction grants	(3,182,366)	(679,692)		166,773	54,319	(3,640,966)
	Won 29,945,548	2,963,389	(42,143)	(1,781,345)	(298,410)	30,787,039

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(Unaudited)

(4) Intangible Assets

Changes in intangible assets for the nine-month period ended September 30, 2006 were as follows:

	Won (millions) 2006				Book value as of September 30, 2006
	Book value as of January 1,				
	2006	Acquisitions	Amortization	Others	
Computer software	Won 167,879		(54,265)	20,141	133,755
Others	67,161	21,840	(9,647)	(222)	79,132
	Won 235,040	21,840	(63,912)	19,919	212,887

Changes in intangible assets for the year ended December 31, 2005 were as follows:

	Won (millions) 2005				Book value as of December 31, 2005
	Book value as of January 1,				
	2005	Acquisitions	Amortization	Others	
Computer software	Won 180,365		(58,577)	46,091	167,879
Others	52,651	25,459	(20,938)	9,989	67,161
	Won 233,016	25,459	(79,515)	56,080	235,040

In addition, the Company expensed research and development costs amounting to Won122,677 million and Won90,116 million for the nine-month periods ended September 30, 2006 and 2005, respectively.

(5) Insured Assets

Insured assets as of September 30, 2006 were as follows:

Insured assets	Insurance type	Won (millions) Insured value	Insurer
Buildings and machinery	Fire insurance	Won 653,504	Samsung Insurance Co., Ltd. and others
Buildings	General insurance	174,626	Green Fire & Marine Insurance Co., Ltd. and others

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Construction-in-progress	Construction insurance	34,954	Shindongah Fire & Marine Insurance Co., Ltd. and others
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Won 863,084

In addition, as of September 30, 2006, the Company carries marine cargo insurance for inventory damage for its light water nuclear reactor construction in North Korea, group general insurance for vehicles, casualty insurance for its employees and responsibility insurance for its directors.

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(Unaudited)

(6) Investment Securities

(a) Investments other than those under the equity method as of September 30, 2006 are summarized as follows:

	Ownership (%)	Won (millions) 2006			
		Acquisition cost	Unrealized holding gains	Fair value	Book value
Available-for-sale:					
Equity securities -					
Energy Savings Investment Cooperatives (*2)	25.0~48.5	Won 5,000		(*1)	5,000
Korea Power Exchange (*3)	50.0	63,920		(*1)	63,920
Hwan Young Steel Co., Ltd.	0.1	1,364		(*1)	120
Equity securities in treasury stock fund (*4)		12,667	2,324	14,991	14,991
Korean Consortium (*5)	15.0	16,719		(*1)	16,719
Others	5.6~10.0	4,600		(*1)	4,600
		104,270	2,324	14,991	105,350
Held-to-maturity:					
Government bonds		23		23	23
Total		Won 104,293	2,324	15,014	105,373

(*1) These available-for-sales securities are non-marketable equity securities and are stated at cost. The Company did not observe any events or changes in circumstances that would have had a significant adverse effect on the fair value of the investment.

(*2) As described in note 1(e), investment in affiliates in which the Company owns 20% or more of the voting stock should be stated using the equity method. However, if the difference between the equity method and cost was considered to be immaterial, and the Company recorded the investment within available-for-sale securities at cost.

(*3) Korea Power Exchange operates under the regulations for government affiliated organization, electric power market managerial regulations, and the Electricity Enterprises Act. Moreover, when the purpose of establishment and articles of incorporation of Korea Power Exchange are considered, the Company does not appear to have significant management control and thus recorded the investment within available-for-sale securities at cost.

(*4) In order to stabilize the price of the Company's common stock in the market, the Company entered into a treasury stock fund (the Fund) composed of treasury stock and other equity securities in December, 1992. The treasury stock (excluded from the above table) is recorded at fair value within capital adjustments. The other equity securities in the Fund are recorded at fair value within available-for-sale securities. As of September 30, 2006 and December 31, 2005, unrealized gains on the valuation of these available-for-sale securities in the Fund, which are recorded in capital adjustments, amounted to Won1,685 million and Won3,252 million, respectively, excluding the deferred tax effect.

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(Unaudited)

(6) Investment Securities, Continued

(*5) A consortium of Korean companies (the Korean Consortium) consisting of the Company, Korea National Oil Corporation and Daewoo Shipbuilding & Marine Engineering Co., Ltd., won a bid from the government of the Federal Republic of Nigeria (Nigeria) to explore, develop and operate two oil prospects in Nigeria. The Korean Consortium is expected to carry out this project together with other partners (collectively, the Group). The Company holds a 15% equity interest in the Korean Consortium, which controls 60% of the equity interest of the Group, resulting in a 9% equity interest in the Group.

Investments other than those under the equity method as of December 31, 2005 are summarized as follows:

	Ownership (%)	Won (millions) 2005			Book value
		Acquisition cost	Unrealized holding gains	Fair value	
Available-for-sale:					
Equity securities -					
Energy Savings Investment Cooperatives	25.0~48.5	Won 5,000		(*)	5,000
Korea Power Exchange	50.0	63,920		(*)	63,920
Hwan Young Steel Co., Ltd.	0.1	1,364		(*)	120
Equity securities in treasury stock fund		18,253	4,485	22,738	22,738
Korean Consortium	15.0	246		(*)	246
Other	10.0	2,000		(*)	2,000
		90,783	4,485	22,738	94,024
Held-to-maturity:					
Government bonds		23		23	23
Total		Won 90,806	4,485	22,761	94,047

(*) These available-for-sales securities are non-marketable equity securities and are stated at cost. The Company did not observe any events or changes in circumstances that would have had a significant adverse effect on the fair value of the investment.

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(Unaudited)

(6) Investment Securities, Continued

(b) Investments in affiliated companies accounted for using the equity method as of September 30, 2006 were as follows:

Affiliate (*1)	Ownership (%)	Won (millions)		Net asset value	Book value
		2006	Cost		
Listed:					
Korea Gas Corporation (*2)	24.5	Won	94,500	831,511	831,511
Unlisted:					
Korea Hydro & Nuclear Power Co., Ltd.	100.0		9,364,799	13,166,699	13,167,613
Korea South-East Power Co., Ltd.	100.0		1,232,004	2,027,126	2,028,004
Korea Midland Power Co., Ltd.	100.0		1,325,891	2,412,628	2,413,722
Korea Western Power Co., Ltd.	100.0		1,442,638	2,296,083	2,297,107
Korea Southern Power Co., Ltd.	100.0		1,797,378	2,378,081	2,379,427
Korea East-West Power Co., Ltd.	100.0		2,322,905	2,571,374	2,572,498
Korea Power Engineering Co., Ltd.	97.9		4,991	194,104	42,507
Korea Plant Service & Engineering Co., Ltd.	100.0		6,000	321,320	272,927
KEPCO Nuclear Fuel Co., Ltd.	96.4		89,757	185,191	164,993
Korea Electric Power Industrial Development, Ltd.	49.0		7,987	25,085	25,085
Korea Electric Power Data Network Co., Ltd.	100.0		64,000	166,474	133,664
Powercomm Corporation	43.1		323,470	384,684	384,684
Korea District Heating Co.	26.1		5,660	180,969	180,969
KEPCO International Hong Kong Ltd. (*3)	100.0		15,102	230,452	230,452
KEPCO International Philippines Inc. (*3)	100.0		104,832	166,865	166,865
KEPCO China International Ltd. (*4)	100.0		15,107	13,077	13,077
KEPCO Gansu International Ltd. (*5)	100.0		2,733	7,005	7,005
KEPCO Philippines Holdings Inc. (*6)	100.0		202	2,511	2,511
KEPCO Asia International Ltd.	58.0		674	674	674
KEPCO Lebanon SARL	100.0		292	5,269	5,269
KEPCO Neimenggu International Ltd. (*7)	100.0		15,593	15,604	15,604
			Won 18,236,515	27,582,786	27,336,168

(*1) The Company used unaudited financial results of the above affiliated companies when applying the equity method of accounting. In subsequent periods, the Company adjusts the difference between the unaudited and audited results. Historically, the differences have been immaterial.

(*2) The quoted market value (based on closing Korea Stock Exchange Price) of Korea Gas Corporation as of September 30, 2006 was Won717,255 million.

(*3) As KEPCO International Hong Kong Ltd. owns 100.0% of the shares of KEPCO Philippines Corporation (KEPHILCO) and KEPCO International Philippines Inc. holds 51.0% of the shares of KEPCO Ilijan Corporation (KEILCO), the Company accounts for the equity income from KEPCO International Hong Kong Ltd. and KEPCO International Philippines Inc., including the changes in the net equity of KEPHILCO and KEILCO

Under the project agreement between the National Power Corporation of Philippines and KEPCO, the cooperation period of KEPHILCO and KEILCO is for 15 years commencing September 15, 1995 and 20 years commencing June 5, 2002, respectively. At the end of the agreement period, the power plant complex will be transferred to the National Power Corporation of the Philippines free of any liens or encumbrances and without payment of compensation. KEPCO Ilijan Corporation's investment securities under the equity method held by KEPCO International

Philippines Inc. were pledged as collateral to Japan Bank of International Corporation and others.

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(Unaudited)

(6) Investment Securities, Continued

- (*4) As KEPCO China International Ltd. owns 77.0% of the shares of Jiaosuo KEPCO Power Co., Ltd., the Company accounts for the equity income from KEPCO China International Ltd. including the changes in the net equity of Jiaosuo KEPCO Power Co., Ltd.
- (*5) As KEPCO Gansu International Ltd. owns 55.1% of the shares of Gansu Datang Yumen Wind Power Co., Ltd., the Company accounts for the equity income from KEPCO Gansu International Ltd. including the changes in the net equity of Gansu Datang Yumen Wind Power Co., Ltd.
- (*6) As KEPCO Philippines Holdings Inc. owns 40.0% of the shares of Salcon Power Corporation, the Company accounts for the equity income from KEPCO Philippines Holdings Inc. including the changes in the net equity of Salcon Power Corporation.
- (*7) As KEPCO Neimenggu International Ltd. owns 40.0% of the shares of Datang Chifeng Renewable Co., Ltd., the Company accounts for the equity income from KEPCO Neimenggu International Ltd. including the changes in the net equity of Datang Chifeng Renewable Co., Ltd.

Investments in affiliated companies accounted for using the equity method as of December 31, 2005 were as follows:

Affiliate	Ownership (%)	Won (millions) 2005			Book value
		Cost	Net asset value		
Listed:					
Korea Gas Corporation (*)	24.5	Won 94,500	819,100		819,100
Unlisted:					
Korea Hydro & Nuclear Power Co., Ltd.	100.0	9,364,799	12,954,252		12,956,002
Korea South-East Power Co., Ltd.	100.0	1,232,004	1,984,138		1,985,715
Korea Midland Power Co., Ltd.	100.0	1,325,891	2,330,504		2,332,511
Korea Western Power Co., Ltd.	100.0	1,442,638	2,198,199		2,199,988
Korea Southern Power Co., Ltd.	100.0	1,797,378	2,217,965		2,220,258
Korea East-West Power Co., Ltd.	100.0	2,322,905	2,570,302		2,572,239
Korea Power Engineering Co., Ltd. (*)	97.9	4,991	196,086		55,602
Korea Plant Service & Engineering Co., Ltd. (*)	100.0	6,000	293,958		285,715
KEPCO Nuclear Fuel Co., Ltd. (*)	96.4	89,757	176,314		158,105
Korea Electric Power Industrial Development, Ltd. (*)	49.0	7,987	24,525		24,525
Korea Electric Power Data Network Co., Ltd. (*)	100.0	64,000	163,758		120,121
Powercomm Corporation (*)	43.1	323,470	407,666		407,666
Korea District Heating Co. (*)	26.1	5,660	176,173		176,173
KEPCO International Hong Kong Ltd. (*)	100.0	15,102	220,183		220,183
KEPCO International Philippines Inc. (*)	100.0	104,832	156,814		156,814
KEPCO China International Ltd. (*)	100.0	11,051	9,786		9,786
KEPCO Gansu International Ltd. (*)	100.0	2,733	2,733		2,733
KEPCO Philippines Holdings Inc. (*)	100.0	202	202		202
		Won 18,215,900	26,902,658		26,703,438

(*) The Company uses unaudited financial results of the above affiliated companies when applying the equity method of accounting. In subsequent periods, the Company adjusts the difference between the unaudited and audited results. Historically, the differences have been

immaterial.

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(Unaudited)

(6) Investment Securities, Continued

- (c) The Company eliminates unrealized gains arising from transactions with its affiliates and bad debt expense for receivables from its subsidiaries which for the nine-month period ended September 30, 2006 were as follows:

Affiliate	Won (millions)			
	PP&E(*1)	Intangible assets	Allowance for doubtful accounts	Total
Korea Hydro & Nuclear Power Co., Ltd.	Won (1,889)		2,803	914
Korea South-East Power Co., Ltd.			878	878
Korea Midland Power Co., Ltd.			1,094	1,094
Korea Western Power Co., Ltd.			1,024	1,024
Korea Southern Power Co., Ltd.			1,346	1,346
Korea East-West Power Co., Ltd.			1,124	1,124
Korea Power Engineering Co., Ltd.	(151,597)			(151,597)
Korea Plant Service & Engineering Co., Ltd.	(48,926)		533	(48,393)
KEPCO Nuclear Fuel Co., Ltd.	(20,199)		1	(20,198)
Korea Electric Power Data Network Co., Ltd.	(11,900)	(21,054)	144	(32,810)
	Won (234,511)	(21,054)	8,947	(246,618)

The eliminated unrealized gains arising from transactions with its affiliates and bad debt expense for receivables from its subsidiaries for the year ended December 31, 2005 were as follows:

Affiliate	Won (millions)			
	PP&E	Intangible assets	Allowance for doubtful accounts	Total
Korea Hydro & Nuclear Power Co., Ltd.	Won (1,889)		3,639	1,750
Korea South-East Power Co., Ltd.			1,577	1,577
Korea Midland Power Co., Ltd.			2,007	2,007
Korea Western Power Co., Ltd.			1,789	1,789
Korea Southern Power Co., Ltd.			2,293	2,293
Korea East-West Power Co., Ltd.			1,937	1,937
Korea Power Engineering Co., Ltd.	(140,484)			(140,484)
Korea Plant Service & Engineering Co., Ltd.	(8,940)		697	(8,243)
KEPCO Nuclear Fuel Co., Ltd.	(18,210)		1	(18,209)
Korea Electric Power Data Network Co., Ltd.	(14,579)	(29,262)	204	(43,637)
	Won (184,102)	(29,262)	14,144	(199,220)

(*1) PP&E : Property, plant and equipment

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(Unaudited)

(6) Investment Securities, Continued

- (d) Changes in investments in affiliated companies under the equity method for the nine-month period ended September 30, 2006 were as follows:

Affiliate	Won (millions)					Book value as of September 30, 2006
	Book value		2006			
	as of January 1, 2006	Equity income (loss)	Capital adjustments	Others(*)	September 30, 2006	
Korea Gas Corporation	Won 819,100	32,184	4,419	(24,192)	831,511	
Korea Hydro & Nuclear Power Co., Ltd.	12,956,002	700,835	(5,373)	(483,851)	13,167,613	
Korea South-East Power Co., Ltd.	1,985,715	74,141	2,417	(34,269)	2,028,004	
Korea Midland Power Co., Ltd.	2,332,511	156,301	(7,486)	(67,604)	2,413,722	
Korea Western Power Co., Ltd.	2,199,988	154,409	(266)	(57,024)	2,297,107	
Korea Southern Power Co., Ltd.	2,220,258	198,150	(3,193)	(35,788)	2,379,427	
Korea East-West Power Co., Ltd.	2,572,239	57,131	(21,521)	(35,351)	2,572,498	
Korea Power Engineering Co., Ltd.	55,602	(11,079)		(2,016)	42,507	
Korea Plant Service & Engineering Co., Ltd.	285,715	2,612		(15,400)	272,927	
KEPCO Nuclear Fuel Co., Ltd.	158,105	8,277		(1,389)	164,993	
Korea Electric Power Industrial Development, Ltd.	24,525	5,950		(5,390)	25,085	
Korea Electric Power Data Network Co., Ltd.	120,121	15,678	(257)	(1,878)	133,664	
Powercomm Corporation	407,666	(22,343)	8	(647)	384,684	
Korea District Heating Co.	176,173	5,454	(318)	(340)	180,969	
KEPCO International Hong Kong Ltd.	220,183	(4,499)	14,768		230,452	
KEPCO International Philippines Inc.	156,814	25,797	(10,395)	(5,351)	166,865	
KEPCO China International Ltd.	9,786	(517)	(249)	4,057	13,077	
KEPCO Gansu International Ltd.	2,733	(7)	(133)	4,412	7,005	
KEPCO Philippines Holdings Inc.	202	2,253	56		2,511	
KEPCO Asia International Ltd.				674	674	
KEPCO Lebanon SARL		5,070	(93)	292	5,269	
KEPCO Neimenggu International Ltd.		(4)	15	15,593	15,604	
	Won 26,703,438	1,405,793	(27,601)	(745,462)	27,336,168	

(*) Others represent dividends from the affiliates, additions to the investments and changes in investments in affiliated companies, which were reflected in retained earnings.

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(Unaudited)

(6) Investment Securities, Continued

Changes in investments in affiliated companies under the equity method for the year ended December 31, 2005 were as follows:

Affiliate	Won (millions)					Book value as of December 31, 2005
	2005					
	Book value as of January 1, 2005	Equity income (loss)	Capital adjustments	Others(*)		
Korea Gas Corporation	Won 787,842	63,604	7,344	(39,690)		819,100
Korea Hydro & Nuclear Power Co., Ltd.	12,290,606	1,011,290	(6,429)	(339,465)		12,956,002
Korea South-East Power Co., Ltd.	1,978,170	107,355		(99,810)		1,985,715
Korea Midland Power Co., Ltd.	2,170,337	218,815	(1,120)	(55,521)		2,332,511
Korea Western Power Co., Ltd.	2,059,733	182,343	1,384	(43,472)		2,199,988
Korea Southern Power Co., Ltd.	2,120,602	109,445	16,534	(26,323)		2,220,258
Korea East-West Power Co., Ltd.	2,472,368	104,337	21,048	(25,514)		2,572,239
Korea Power Engineering Co., Ltd.	59,875	(1,657)		(2,616)		55,602
Korea Plant Service & Engineering Co., Ltd.	277,932	22,483		(14,700)		285,715
KEPCO Nuclear Fuel Co., Ltd.	156,750	2,855		(1,500)		158,105
Korea Electric Power Industrial Development, Ltd.	23,315	5,534		(4,324)		24,525
Korea Electric Power Data Network Co., Ltd.	110,238	12,890	458	(3,465)		120,121
Powercomm Corporation	388,422	19,872	19	(647)		407,666
Korea District Heating Co.	169,527	7,664		(1,018)		176,173
KEPCO International Hong Kong Ltd.	196,751	22,992	15,150	(14,710)		220,183
KEPCO International Philippines Inc.	117,235	23,554	17,896	(1,871)		156,814
KEPCO China International Ltd.		(1,182)	(83)	11,051		9,786
KEPCO Gansu International Ltd.				2,733		2,733
KEPCO Philippines Holdings Inc.				202		202
	Won 25,379,703	1,912,194	72,201	(660,660)		26,703,438

(*) Others represent dividends from the affiliates, additions to the investments, and changes in investments in affiliated companies, which were reflected in retained earnings.

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(Unaudited)

(6) Investment Securities, Continued

- (e) Total assets, total liabilities, sales and net income (loss) of affiliated companies as of or for the nine-month period ended September 30, 2006 were as follows:

Affiliate	Total assets	Won (millions)		
		Total liabilities	Sales	Net income (loss)
Korea Gas Corporation	Won 10,629,348	7,229,195	9,202,081	124,064
Korea Hydro & Nuclear Power Co., Ltd.	22,223,204	9,056,505	4,201,954	701,671
Korea South-East Power Co., Ltd.	3,711,988	1,684,862	1,504,121	74,839
Korea Midland Power Co., Ltd.	3,425,410	1,012,782	1,903,714	157,214
Korea Western Power Co., Ltd.	3,560,551	1,264,468	1,768,436	155,174
Korea Southern Power Co., Ltd.	3,577,046	1,198,965	2,460,531	199,097
Korea East-West Power Co., Ltd.	4,457,024	1,885,650	1,892,388	57,943
Korea Power Engineering Co., Ltd.	274,905	76,717	239,515	35
Korea Plant Service & Engineering Co., Ltd.	431,691	110,371	442,467	42,762
KEPCO Nuclear Fuel Co., Ltd.	279,381	87,187	80,928	10,654
Korea Electric Power Industrial Development, Ltd.	152,438	101,243	143,557	12,297
Korea Electric Power Data Network Co., Ltd.	228,907	62,433	169,622	5,330
Powercomm Corporation	1,438,279	546,347	606,356	(51,805)
Korea District Heating Co.	1,421,564	727,464	414,289	20,891
KEPCO International Hong Kong Ltd.	230,461	9	12,858	(4,499)
KEPCO International Philippines Inc.	158,947	2,153	28,171	25,797
KEPCO China International Ltd.	13,077			(517)
KEPCO Gansu International Ltd.	7,005			(7)
KEPCO Philippines Holdings Inc.	23,106	20,595		2,253
KEPCO Asia International Ltd.	674			
KEPCO Lebanon SARL	13,344	8,075	10,334	5,070
KEPCO Neimenggu International Ltd.	15,604			(4)

(7) Loans to Employees

The Company provided housing and tuition loans to employees as of September 30, 2006 and December 31, 2005 as follows:

	Won (millions)	
	2006	2005
Short-term loans (note 12)	Won 14,422	12,514
Long-term loans	199,289	180,084
	Won 213,711	192,598

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(Unaudited)

(8) Other Non-current Assets

Other non-current assets as of September 30, 2006 and December 31, 2005 were as follows:

	Won (millions)	
	2006	2005
Deposits	Won 72,882	72,800
Others	79,752	79,054
	Won 152,634	151,854

(9) Cash and Cash Equivalents

Cash and cash equivalents as of September 30, 2006 and December 31, 2005 are summarized as follows:

	Won (millions)	
	2006	2005
Cash and cash equivalents:		
Cash on hand	Won 1,419	1,181
Passbook accounts (*)	506,374	207,332
	Won 507,793	208,513

(*) Passbook accounts restricted in use for expenditures for certain business purposes were Won58,175 million and Won70,217 million, respectively, as of September 30, 2006 and December 31, 2005.

(10) Short-term Financial Instruments

Short-term financial instruments as of September 30, 2006 and December 31, 2005 are summarized as follows:

	Won (millions)	
	2006	2005
Repurchase agreements	Won 25,000	38,000

(11) Inventories

Inventories as of September 30, 2006 and December 31, 2005 are summarized as follows:

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	Won (millions)	
	2006	2005
Raw materials	Won 4,896	4,297
Supplies	117,624	79,820
Other	12,450	8,624
	Won 134,970	92,741

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(Unaudited)

(12) Other Current Assets

Other current assets as of September 30, 2006 and December 31, 2005 are summarized as follows:

	Won (millions)	
	2006	2005
Held-to-maturity securities (*)	Won	33
Short-term loans to employees (note 7)	14,422	12,514
Accrued income	27,324	30,945
Advance payments	4,061	2,724
Prepaid expenses	13,995	2,703
Other current assets	68,201	25,231
	Won 128,003	74,150

(*) Held-to-maturity securities consist of government and municipal bonds.

(13) Common Stock and Capital Surplus(a) Common Stock

The Company has 1,200,000,000 authorized shares of Won5,000 par value common stock, of which 641,567,712 shares had been issued as of September 30, 2006.

(b) Capital Surplus

Capital surplus as of September 30, 2006 and December 31, 2005 was as follows:

	Won (millions)	
	2006	2005
Paid-in capital in excess of par value	Won 835,139	835,142
Reserves for asset revaluation	12,552,973	12,552,973
Other capital surplus	1,050,737	1,034,612
	Won 14,438,849	14,422,727

The Company revalued its property, plant and equipment in accordance with the KEPCO Act and the then Asset Revaluation Law, and recorded a revaluation gain of Won12,552,973 million as a reserve for asset revaluation. The reserve for asset revaluation may be credited to paid-in capital or offset against any accumulated deficit by resolution of the shareholders.

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(Unaudited)

(14) Appropriated Retained Earnings

Appropriated retained earnings as of September 30, 2006 and December 31, 2005 are summarized as follows:

	Won (millions)	
	2006	2005
Involuntary:		
Legal reserve	Won 1,603,919	1,601,871
Voluntary:		
Reserve for investment in social overhead capital	5,217,449	5,152,449
Reserve for research and human resources development	270,000	210,000
Reserve for business rationalization	31,900	31,900
Reserve for business expansion	16,588,939	15,003,071
Reserve for dividend equalization	210,000	210,000
	22,318,288	20,607,420
	Won 23,922,207	22,209,291

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 (a component of capital surplus) or offset against accumulated deficit by resolution of the shareholders.

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

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

Until December 10, 2002 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 received 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 reserve for dividend equalization, which is considered a voluntary reserve, is appropriated by the Company to reduce fluctuation of dividend rate for the purpose of stabilizing the Company's stock price and credit rating.

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(Unaudited)

(15) Capital Adjustments

Capital adjustments as of September 30, 2006 and December 31, 2005 were as follows:

	Won (millions)	
	2006	2005
Treasury stock	Won (98,093)	(118,293)
Gain on valuation of available-for-sale securities, net (note 6(a))	1,685	3,252
Equity earnings of affiliates	133,262	122,502
Equity loss of affiliates	(116,877)	(86,107)
	Won (80,023)	(78,646)

The Company has shares held in the treasury amounting to Won98,093 million (4,253,058 shares) and Won118,293 million (5,450,062 shares) as of September 30, 2006 and December 31, 2005, respectively.

(16) Short-term Borrowings

Short-term borrowings as of September 30, 2006 and December 31, 2005 were as follows:

Lender	Type	Annual interest rate (%)	Won (millions)	
			2006	2005
Local currency:				
Woori Bank	Commercial paper	CD+0.3 (4.59 at September 30, 2006)	Won 150,000	71,000
Foreign currency:				
Korea Development Bank	Bridge loan	LIBOR + 0.09	281,948	
			Won 431,948	71,000

The Company entered into short-term credit facilities with five banks including Woori Bank with total commitment up to Won1,160,000 million. As of September 30, 2006 and December 31, 2005, borrowings under these facilities amounted to Won150,000 million and Won71,000 million, respectively.

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(Unaudited)

(17) Long-term Debt

Long-term debt as of September 30, 2006 and December 31, 2005 were as follows:

(a) Long-term Borrowings

Lender	Type	Maturity	Annual interest rate (%)	Won (millions)	
				2006	2005
Korea Development Bank	Industrial facility	2006	5.11-5.37	Won 43,750	371,875
Korea Development Bank	Industrial facility	2007	5.15-5.51	131,250	253,125
Korea Development Bank	Industrial facility	2008	5.16-5.39	981,250	1,327,083
Korea Development Bank and other	Industrial facility	2009	4.67-5.38	1,829,166	1,550,000
Korea Development Bank	Industrial facility	2010	4.96-5.01	1,100,000	1,100,000
Korea Development Bank and other	Industrial facility	2011	4.67-4.79	1,050,000	
The Export-import Bank of Korea	Industrial facility	2026	2.00	8,000	
Korea Development Bank and others	Rural area development	2006~2040		24,424	25,992
				5,167,840	4,628,075
Less: Current portion				(1,232,066)	(1,170,644)
				Won 3,935,774	3,457,431

(b) Debentures

Lender	Maturity	Annual interest rate (%)	Won (millions)	
			2006	2005
	2006	4.67-5.32	Won 500,000	890,000
	2007	4.11-4.96	885,000	885,000
Local currency debentures (Electricity bonds)	2008	3.43-5.29	1,810,000	1,720,000
	2009	3.61-5.25	1,050,000	630,000
	2010	4.14-4.24	490,000	490,000
	2011	4.98-5.08	140,000	
	2013	4.90	120,000	120,000
			4,995,000	4,735,000

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(Unaudited)

(17) Long-term Debt, Continued

Lender	Maturity	Annual	Won (millions)	
		Interest rate (%)	2006	2005
	2006	6M Libor + 0.13~0.14		266,612
	2007	0.51-8.50	1,144,303	1,222,642
	2008(*)	2.00	257,874	276,372
	2010	3.13	300,161	300,037
Foreign currency debentures	2013	7.75	330,820	354,550
	2026	6.00	66,769	71,558
	2027	6.75-7.00	301,912	323,569
	2034	5.13	283,560	303,900
	2096	8.28	177,439	190,837
			2,862,838	3,310,077
			7,857,838	8,045,077
Less: Current portion, net of discount of Won1,341 million in 2006 and Won386 million in 2005			(2,032,456)	(1,157,562)
Discount			(23,555)	(31,463)
			Won5,801,827	6,856,052

(*) In 2003, the Company issued overseas debentures to KEPCO Cayman Company Limited of US\$250 million and the right to exchange the debentures into shares of Powercomm Corporation held by the Company. KEPCO Cayman Company Limited issued overseas debentures of US\$250 million under substantially similar terms and conditions as the debentures issued by the Company to KEPCO Cayman Company Limited, the details of which are as follows:

Maturity date: November 26, 2008

Exchangeable upon 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. Powercomm Corporation is not required to complete a QPO prior to the maturity of the debentures. The Company does not guarantee the QPO of Powercomm Corporation.

Shares to be exchanged: Powercomm Corporation's shares or Deposit Receipt (DR)

Exchangeable period: From 10th day after the listing of Powercomm Corporation to 10th day before its maturity

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Exchange price: 120% of the lesser of market price on the listing day or weighted average price for 10 days after its listing.

Early redemption: When certain conditions are met or after 3 years from issuance, outstanding debentures are redeemable at the guaranteed return of 2.88% (102.74% of issuance amount)

Repayment at maturity: Repayment will be made with a guaranteed return of 3.68% (109.13% of issuance amounts).
The Company has unconditionally and irrevocably guaranteed full and timely repayment of principal and interest on the debentures.

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(Unaudited)

(17) Long-term Debt, Continued(c) Exchangeable Bonds

Description	Annual	Won (millions)	
	interest rate (%)	2006	2005
Overseas exchangeable bonds	0.00	Won 84,590	122,902
Plus: Premium on debentures issued		2,837	5,556
Less: Conversion right adjustment		(5,923)	(11,599)
		Won 81,504	116,859

On November 4, 2003, the Company issued overseas exchangeable bonds of JPY28,245,468,400 at a premium. During 2005, the bondholders converted JPY14,438,543,000 into 344,704 shares of common stock and 10,444,768 shares of DR (equivalent to 5,222,384 shares of common stock). During 2006, the bondholders converted JPY3,583,782,000 into 2,763,608 shares of DR (equivalent to 1,381,804 shares of common stock). As of September 30, 2006, the remaining number of common stock to be converted was 3,050,930 shares if the conversion rights are exercised. As of September 30, 2006, the details of the bonds were as follows:

Maturity date: November 4, 2008

Amount to be paid at maturity: JPY7,912,735,500

Exchange period: From December 15, 2003 to 10th day prior to its maturity

Shares to be exchanged: Common stock of the Company or its equivalent Deposit Receipt (DR)

Exchange price: Won30,000 per share

Put option: Bondholders have a put option that they can exercise for JPY 8,187,000,000 on November 6, 2006

In accordance with Article 17, *Issuance of Convertible Bonds*, and Article 11, *Calculation of Dividend for New Shares*, of the Articles of Incorporation of the Company, distribution of dividends on new shares resulting from conversion of exchangeable bonds are deemed to have been issued at the end of the immediately preceding fiscal year.

(d) Foreign currency debts, by currency, as of September 30, 2006 and December 31, 2005 were as follows:

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	2006		2005	
	Foreign currency (thousands)	Won equivalent (millions)	Foreign currency (thousands)	Won equivalent (millions)
Short-term borrowings	US\$ 118,913	Won 112,397		
	JPY 13,826,871	110,920		