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KOREA ELECTRIC POWER CORP
Form 6-K
September 02, 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 September 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

Non-consolidated Financial Statements

(Unaudited)

As of June 30, 2004

(With Independent Accountants' Review Report Thereon)

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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 June 30, 2004 and the related non-consolidated statements of income and cash flows for the three-month and six-month periods then ended. 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 review. We did not review the financial statements of Korea Southern Power Co., Ltd., Korea Midland Power Co., Ltd. and Korea South-East Power Co., Ltd. whose total assets constituted 10.7% of the total non-consolidated assets as of June 30, 2004, and whose total income constituted 13.9% of non-consolidated income before income tax for the six-month period then ended. These financial statements were reviewed by other accountants whose reports have been furnished to us, and our report, insofar as it relates to the amounts included for Korea Southern Power Co., Ltd., Korea Midland Power Co., Ltd. and Korea South-East Power Co., Ltd., is based solely on the reports of the other accountants.

We conducted our review 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 review and the reports of the other accountants, 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 the Financial Accounting Standards, as established by the Financial Supervisory Commission of the Republic of Korea.

The accompanying non-consolidated statements of income and cash flows for the three-month and six-month periods ended June 30, 2003, presented for comparative purpose, were reviewed by other accountants, whose report dated August 1, 2003 stated that they were not aware of any material modifications that should have been made to the financial statements in order for them to be in conformity with the Korea Electric Power Corporation Act, the Accounting Regulations for Government Invested Enterprises and the Financial Accounting Standards as established by the Financial Supervisory Commission of the Republic of Korea.

The accompanying non-consolidated balance sheet of the Company as of December 31, 2003 and the related non-consolidated statements of income, changes in stockholders' equity and cash flows for the year then ended, which are not accompanying this report were audited by other accountants and their report thereon, dated February 11, 2004, expressed an unqualified opinion. The accompanying non-consolidated balance sheet of the Company as of December 31, 2003, presented for comparative purposes is not different from the above-stated balance sheet audited by other accountants in all material respects.

The accompanying financial statements have been translated into United States

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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 financial statements:

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

As discussed in Note 26, sales and purchases with related parties, including the six power generation subsidiaries, amounted to KRW160,912 million and KRW7,545,116 million, respectively, for the six-month period ended June 30, 2004. Related receivables and payables amounted to KRW31,571 million and KRW1,098,593 million, respectively, as of June 30, 2004. In addition, the Company is providing debt guarantees to its foreign subsidiaries in amounts not exceeding US\$ 265,308 thousand including KEPCO Ilijan Co.

The Company and its six power generation companies including Korea Hydro & Nuclear Power Co., Ltd. are jointly and severally liable for outstanding debts as of June 30, 2004 assumed by each company at the time of spin-off on April 2, 2001 under the Commercial Code of the Republic of Korea. The Company is providing joint and several liability guarantee for debts of its six power generation companies amounting to KRW1,584,466 million and the six power generation companies are providing such a guarantee for debts of the Company amounting to KRW354,702 million. The Company is also provided with guarantees for its certain foreign currency debt by the Korea Development Bank, one of its major shareholders.

KPMG Samjong Accounting Corp.
Seoul, Korea
August 4, 2004

This report is effective as of August 4, 2004, 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 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

June 30, 2004 and December 31, 2003

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(Unaudited)

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

Assets	Won		U.S.
-----	2004	2003	2004
Property, Plant and Equipment (notes 1, 3, 5 and 16):			
Utility plant	KRW 37,993,048	37,235,281	\$ 32,965
Less: accumulated depreciation	(8,283,089)	(7,472,373)	(7,187)
Less: construction grants	(2,951,648)	(2,758,789)	(2,561)
	26,758,311	27,004,119	23,217
Construction in-progress	2,950,196	2,266,928	2,559
	29,708,507	29,271,047	25,777
Investments and others:			
Investment securities (note 6)	24,031,361	23,865,370	20,851
Long-term loans (note 7)	153,794	142,368	133
Long-term other accounts receivable, less discount on present value of KRW 6,625 in 2004 and KRW 35,576 in 2003 and allowance for doubtful accounts of KRW15,500 in 2004 and 2003 (note 19)	235,375	213,924	204
Currency and interest rate swaps (note 21)	205,585	124,345	178
Intangibles, net (note 4)	137,480	144,367	119
Other non-current assets (notes 8 and 17)	150,571	143,110	130
	24,914,166	24,633,484	21,617
Current assets:			
Cash and cash equivalents (notes 9 and 17)	383,136	366,817	332
Trade receivables, less allowance for doubtful accounts of KRW 30,300 in 2004 and KRW 27,787 in 2003 (notes 17 and 26)	1,405,631	1,501,949	1,219
Other account receivables, less allowance for doubtful accounts of KRW14,185 in 2004 and KRW14,184 in 2003 and present value discount of KRW18,229 in 2004 (notes 17, 19 and 26)	356,927	434,648	309
Short-term financial instruments (note 10)	46,000	61,000	39
Inventories (note 11)	79,028	78,796	68
Other current assets (notes 7 and 12)	154,644	121,921	134
	2,425,366	2,565,131	2,104
 Total assets	 KRW 57,048,039	 56,469,662	 \$ 49,499

Korea Electric Power Corporation

NON-CONSOLIDATED BALANCE SHEETS, CONTINUED

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June 30, 2004 and December 31, 2003

(Unaudited)

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

	Won		U.S.
Liabilities and Shareholders' Equity	2004	2003	2004
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	\$ 2,779
Capital surplus (notes 3 and 13)	14,370,357	14,373,779	12,468
Retained earnings (note 14)			
Appropriated	19,554,340	17,899,939	16,966
Unappropriated	1,464,442	2,315,938	1,270
Capital adjustments (note 15)	(175,428)	(150,681)	(152)
Total shareholders' equity	38,417,454	37,642,718	33,334
Long-term liabilities:			
Long-term borrowings (notes 16 and 26)	10,110,053	9,641,037	8,772
Reserve for retirement and severance benefits, net (note 18)	341,935	316,408	296
Reserve for self insurance	87,603	87,926	76
Currency and interest rate swaps (note 21)	139,954	178,283	121
Deferred income tax liabilities (note 24)	1,492,557	1,462,016	1,295
Other long-term liabilities	461,477	486,981	400
	12,633,579	12,172,651	10,961
Current liabilities:			
Trade payables (note 26)	1,142,326	1,256,526	991
Other accounts payable (note 26)	493,286	571,772	428
Short-term borrowings	-	16,245	
Current portion of long-term debt (note 16)	3,271,208	4,030,652	2,838
Income tax payable	442,880	164,170	384
Accrued expenses	156,070	146,094	135
Dividends payable	1,781	2,324	1
Other current liabilities (note 20)	489,455	466,510	424
	5,997,006	6,654,293	5,203
Total liabilities	18,630,585	18,826,944	16,165
Commitments and contingencies (note 27)			
Total shareholders' equity and liabilities	KRW 57,048,039	56,469,662	\$ 49,499

See accompanying notes to non-consolidated financial statements.

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Korea Electric Power Corporation

NON-CONSOLIDATED STATEMENTS OF INCOME

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

(Unaudited)

(In millions of Won, except earnings per share)

	2004				
	three-month period	six-month period	three-month period		
Operating revenues:					
Sale of electricity (note 26)	KRW 5,261,558	11,114,608	KRW 5,016,800		
Other operating revenues (note 27)	51,546	64,695	80,000		
	5,313,104	11,179,303	5,096,800		
Operating expenses (notes 22, 23 and 26):					
Power generation, transmission and distribution	875,235	1,593,881	872,000		
Purchased power	3,897,412	8,116,992	3,755,000		
Other operating costs	51,552	63,504	80,000		
Selling and administrative expenses	245,225	467,148	232,000		
	5,069,424	10,241,525	4,940,000		
Operating income	243,680	937,778	156,800		
Other income (expense):					
Interest income	9,602	19,546	9,000		
Interest expense	(146,465)	(298,721)	(156,000)		
Gain (loss) on foreign currency transactions and translation, net	53,423	241,433	335,000		
Donations	(64,583)	(70,454)	(5,000)		
Rental income	31,011	63,081	29,000		
Equity income of affiliates (note 6)	288,282	991,731	541,000		
Gain on disposal of investments, net	-	7,472	-		
Gain (loss) on disposal of utility plant, net	251	742	(1,000)		
Valuation gain on currency and interest rate swaps, net (note 21)	23,643	36,846	22,000		
Other, net	12,599	6,446	31,000		
	207,763	998,122	806,000		
Income before income taxes	451,443	1,935,900	962,800		
Income taxes (note 24)	(34,931)	(471,458)	(233,000)		
Net income	KRW 416,512	1,464,442	KRW 729,800		
Basic earnings per share (note 25)	KRW 661	2,325	KRW 1,000		

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Diluted earnings per share (note 25)	KRW	652	2,291	KRW	1
	=====		=====	=====	

See accompanying notes to non-consolidated financial statements.

Korea Electric Power Corporation

NON-CONSOLIDATED STATEMENTS OF INCOME, CONTINUED

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

(Unaudited)

(In thousands of U.S. dollars (note 2), except earnings per share)

	2004		
	three-month period	six-month period	three-mon period
	-----	-----	-----
Operating revenues:			
Sale of electricity (note 26)	\$ 4,565,343	9,643,911	\$ 4,352
Other operating revenues (note 27)	44,726	56,135	69
	-----	-----	-----
	4,610,069	9,700,046	4,422
	-----	-----	-----
Operating expenses (notes 22, 23 and 26):			
Power generation, transmission and distribution	759,423	1,382,977	756
Purchased power	3,381,702	7,042,943	3,258
Other operating costs	44,730	55,101	69
Selling and administrative expenses	212,777	405,336	201
	-----	-----	-----
	4,398,632	8,886,357	4,286
	-----	-----	-----
Operating income	211,437	813,689	135
Other income (expense):			
Interest income	8,331	16,959	7
Interest expense	(127,085)	(259,194)	(135)
Gain (loss) on foreign currency transactions and translation, net	46,354	209,486	290
Donations	(56,038)	(61,132)	(5)
Rental income	26,908	54,734	26
Equity income of affiliates (note 6)	250,136	860,504	469
Gain on disposal of investments, net	-	6,483	
Gain (loss) on disposal of utility plant, net	218	644	(1)
Valuation gain on currency and interest rate swaps, net (note 21)	20,515	31,971	19
Other, net	10,932	5,595	27
	-----	-----	-----
	180,271	866,050	700
	-----	-----	-----
Income before income taxes	391,708	1,679,739	835

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Income taxes (note 24)	(30,310)	(409,074)	(202,310)
Net income	\$ 361,398	1,270,665	\$ 632,310
Basic earnings per share (note 25)	\$ 0.57	2.02	\$ 0.57
Diluted earnings per share (note 25)	\$ 0.57	1.99	\$ 0.57

See accompanying notes to non-consolidated financial statements.

Korea Electric Power Corporation

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

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

(Unaudited)

(In millions of Won)

	2004		2003
	three-month period	six-month period	
Cash flows from operating activities:			
Net income	KRW 416,512	1,464,442	KRW 700,000
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	409,405	811,024	300,000
Utility plant removal cost	46,763	70,912	100,000
Provision for severance and retirement benefits	18,462	30,922	100,000
Bad debt expense	2,939	8,184	100,000
Interest income	(5,364)	(10,722)	100,000
Interest expense	4,211	8,593	100,000
Gain on foreign currency translation, net	(41,847)	(214,698)	(300,000)
Equity income of affiliates	(288,282)	(991,731)	(500,000)
Gain on disposal of investments, net	-	(7,472)	100,000
Loss (gain) on disposal of utility plant, net	(251)	(742)	100,000
Deferred income tax expense (benefit)	(158,415)	30,541	(100,000)
Valuation gain on currency and interest rate swaps	(23,643)	(36,846)	(100,000)
Changes in assets and liabilities:			
Decrease in trade receivables	92,585	88,116	100,000
Decrease (increase) in other accounts receivable	35,173	66,956	100,000
Decrease (increase) in inventories	25,159	30,840	100,000
Increase in other current assets	(2,136)	(32,476)	(100,000)
Decrease in trade payables	(79,553)	(114,200)	(100,000)
Increase (decrease) in other accounts payable	169,479	(78,491)	100,000
Increase (decrease) in income tax payable	87,255	278,710	(100,000)

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Increase (decrease) in accrued expenses	31,439	9,976	
Increase (decrease) in other current liabilities	(11,167)	22,944	
Decrease in other long-term liabilities	(202)	(25,503)	
Payment of severance and retirement benefits	(3,463)	(5,395)	
Payment of self-insurance	(143)	(323)	
Other, net	(2,628)	(3,678)	
Net cash provided by operating activities	722,288	1,399,883	1

Korea Electric Power Corporation

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS, CONTINUED

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

(Unaudited)

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

	2004		
	three-month period	six-month period	three-m perio
Cash flows from operating activities:			
Net income	\$ 361,398	1,270,665	\$ 6
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	355,232	703,708	3
Utility plant removal cost	40,552	61,529	
Provision for severance and retirement benefits	16,019	26,830	
Bad debt expense	2,550	7,101	
Interest income	(4,655)	(9,303)	
Interest expense	3,655	7,456	
Gain on foreign currency translation, net	(36,310)	(186,289)	(2)
Equity income of affiliates	(250,136)	(860,504)	(4)
Gain on disposal of investments, net	-	(6,483)	
Loss (gain) on disposal of utility plant, net	(218)	(644)	
Deferred income tax expense (benefit)	(137,453)	26,500	(
Valuation gain on currency and interest rate swaps	(20,515)	(31,971)	(
Changes in assets and liabilities:			
Decrease in trade receivables	80,334	76,456	
Decrease (increase) in other accounts receivable	30,519	58,096	
Decrease (increase) in inventories	21,830	26,759	
Increase in other current assets	(1,853)	(28,179)	(
Decrease in trade payables	(69,026)	(99,089)	(
Increase (decrease) in other accounts payable	147,053	(68,105)	
Increase (decrease) in income tax payable	75,709	241,831	(1

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Increase (decrease) in accrued expenses	27,279	8,656	(
Increase (decrease) in other current liabilities	(9,689)	19,908	
Decrease in other long-term liabilities	(175)	(22,128)	
Payment of severance and retirement benefits	(3,005)	(4,681)	
Payment of self-insurance	(124)	(280)	
Other, net	(2,257)	(3,189)	
Net cash provided by operating activities	626,714	1,214,650	1

Korea Electric Power Corporation

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS, CONTINUED

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

(Unaudited)

(In millions of Won)

	2004		
	three-month period	six-month period	three-month period
Cash flows from investing activities:			
Proceeds from disposal of utility plant	KRW 2,846	3,882	KRW
Additions to utility plant	(1,069,409)	(1,624,289)	(1,1
Receipt of construction grants	165,123	282,616	1
Proceeds from disposal of investment securities	786,492	806,941	4
Acquisition of investment securities	(1,869)	(1,892)	
Increase in long-term loans	(4,423)	(16,301)	
Acquisition of intangibles	(3,505)	(3,677)	
Collection of short-term loans	2,314	4,623	
Decrease in other non-current assets	14,603	7,531	
Net cash used in investing activities	(107,828)	(540,566)	(5
Cash flows from financing activities:			
Proceeds from long-term debt	1,511,265	1,881,446	1,1
Repayment of short-term borrowings	-	(16,245)	
Repayment of long-term debt	(1,768,436)	(1,965,267)	(3
Acquisition of treasury stock	-	-	
Dividends paid	(661,524)	(661,537)	(5
Payments under currency swap contracts	-	(81,395)	
Net cash provided by (used in) financing activities	(918,695)	(842,998)	3
Net increase (decrease) in cash and cash equivalents	(304,235)	16,319	(
Cash and cash equivalents,			

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at beginning of the period	687,371	366,817	3
Cash and cash equivalents, at end of the period	KRW 383,136	383,136	KRW 3

See accompanying notes to non-consolidated financial statements.

Korea Electric Power Corporation

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS, CONTINUED

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

(Unaudited)

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

	2004		
	three-month period	six-month period	three-m period
Cash flows from investing activities:			
Proceeds from disposal of utility plant	\$ 2,469	3,368	\$
Additions to utility plant	(927,904)	(1,409,361)	(1,0
Receipt of construction grants	143,274	245,220	1
Proceeds from disposal of investment securities	682,423	700,166	4
Acquisition of investment securities	(1,622)	(1,642)	
Increase in long-term loans	(3,657)	(14,144)	
Acquisition of intangibles	(3,041)	(3,190)	
Collection of short-term loans	2,008	4,011	
Decrease in other non-current assets	12,670	6,534	
Net cash used in investing activities	(93,560)	(469,038)	(4
Cash flows from financing activities:			
Proceeds from long-term debt	1,311,293	1,632,491	9
Repayment of short-term borrowings	-	(14,095)	
Repayment of long-term debt	(1,534,435)	(1,705,221)	(2
Acquisition of treasury stock	-	-	
Dividends paid	(573,990)	(574,002)	(4
Payments under currency swap contracts	-	(70,625)	
Net cash provided by (used in) financing activities	(797,132)	(731,452)	2
Net increase (decrease) in cash and cash equivalents	(263,978)	14,160	(
Cash and cash equivalents, at beginning of the period	596,417	318,279	3
Cash and cash equivalents, at end of the period	\$ 332,439	332,439	\$ 3

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See accompanying notes to non-consolidated financial statements.

Korea Electric Power Corporation

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2004 and 2003

(Unaudited)

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

(a) Description of Business

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

As of 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 the Company's shares.

The Company spun off its power generation division on April 2, 2001, resulting in the establishment of six new power generation subsidiaries. The Company has been 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 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 Financial Statements

The Company maintains its accounting records in Korean Won and prepares statutory financial statements in the Korean language (Hangul) in conformity with the Korea Electric Power Corporation Act ("KEPCO Act"), the Accounting Regulations for Government Invested Enterprises, which have been approved by the Korean Ministry of Finance and Economy and, in the absence of specialized accounting regulations for utility companies, the accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with

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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.

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Korea Electric Power Corporation

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

(b) Basis of Presenting Financial Statements, Continued

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

The accompanying financial statements include only the accounts of the Company, and do not include the accounts of any of its subsidiaries. Instead, these entities are accounted for under the equity method of accounting (note 6).

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

(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, 2004 and 2003, the amounts of capitalized interest were

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KRW32,529 million and KRW45,897 million, respectively. The net foreign currency transactions and translation gains excluded from the calculation of capitalized interest rate amounted to KRW 112,962 million and nil, respectively for the six-month periods ended June 30, 2004 and 2003.

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Korea Electric Power Corporation

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

(c) Property, Plant and Equipment, Continued

The impact on the Company's financial position as of and for the six-month period ended June 30, 2004, if the interest and other borrowing costs were expensed instead of being capitalized, is as follows.

	Won (millions)			
	Construction in-progress	Total assets	Interest expense	Income before income taxes
Capitalized	KRW 2,950,197	57,048,039	298,721	1,935,900
Expensed	2,917,668	57,015,510	331,250	1,903,371
	KRW 32,529	32,529	(32,529)	32,529

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

	Estimated useful life
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

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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 KRW282,616 million and KRW279,460 million of construction grants, and offset KRW71,424 million and KRW61,285 million against depreciation expense, and KRW18,333 million and KRW18,274 million against utility plant removal cost for the six-month periods ended June 30, 2004 and 2003, respectively.

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Korea Electric Power Corporation

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

(d) Leases

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

- Ownership of the leased property shall be transferred to the lessee at the end of the lease term without additional payment or for a contract price.
- The lease has a bargain purchase option.
- The lease term is equal to 75% or more of the estimated economic useful life of the leased property.
- The present value at the beginning of the lease term of the minimum lease payments equals or exceeds 90% of the fair value of the leased property.

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

(e) Investments in Securities

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

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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.

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Korea Electric Power Corporation

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

(e) Investments in Securities, Continued

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

(f) Investment Securities under the Equity Method of Accounting

Investments in affiliated companies owned 20% or more or over which the Company has significant management control are stated at an amount as determined using the equity method.

Under the equity method of accounting, the Company's initial investment is recorded at cost and is subsequently increased to reflect the Company's share of the investee income and reduced to reflect the Company's share of the investee losses or dividends received. Any excess in the Company's acquisition cost

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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.

(g) Intangible Assets

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

(i) Research and Development Costs

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

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

(ii) Other Intangible Assets

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

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Korea Electric Power Corporation

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

(h) Cash Equivalents

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

(i) Financial Instruments

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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, restricted bank deposits.

(j) Allowance for Doubtful Accounts

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

(k) Inventories

Inventories are stated at the lower of cost or net realizable value, cost being determined using the weighted average method for raw materials, moving average method for supplies and specific identification method for other inventories. The Company maintains perpetual inventory records, which are adjusted through physical counts at the end of year. In accordance with the Company's policy for physical inventory counts, the Company did not perform a physical count of the inventory as of June 30, 2004 and 2003.

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 its power generation, transmission and distribution costs ("a component of 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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Korea Electric Power Corporation

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

(m) Valuation of Receivables and Payables at Present Value

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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.

(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.

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.

(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 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 estimated liability under the plan which would be payable if all employees left on the balance sheet date is accrued in the accompanying balance sheets.

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

Korea Electric Power Corporation

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

(q) Reserve for Self-Insurance

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

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

(s) Derivatives

Derivative instruments are presented as assets or liabilities valued principally at the fair value of rights or obligations associated with the derivative contracts. The unrealized gain or loss from derivative transactions is recognized in current operations.

However, for derivative instruments with the purpose of hedging the exposure to variability in expected future cash flows of a forecasted transaction, the hedge-effective portion of the derivative's gain or loss is deferred as a capital adjustment, a component of stockholder's equity. The ineffective portion of the gain or loss is charged or credited to current results of operations.

(t) Contingent Liabilities

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

(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 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.

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Korea Electric Power Corporation

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

(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

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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.

(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.

(z) Use of Estimates

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

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Korea Electric Power Corporation

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(2) Basis of Translating Financial Statements

The financial statements are expressed in Korean Won and, solely for the convenience of the reader, have been translated into U.S. dollars at the rate of KRW1,152.5 to US\$1, the basic exchange rate on June 30, 2004. These translations should not be construed as a representation that any or all of the amounts shown could be converted into U.S. dollars at this or any other rate.

(3) Property, Plant and Equipment

(a) Asset revaluation

The Company revalued its property, plant and equipment in accordance with the KEPCO Act and the Asset Revaluation Law (the latest revaluation date was 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:

Won (millions)

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Purpose	Book value	Declared value
Transmission and distribution sites and other	KRW 3,333,030	3,429,396

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

(c) Utility plant

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

(i) Cost

	Won (millions)	
	2004	2003
Land	KRW 3,333,030	3,327,851
Buildings	2,362,522	2,323,204
Structures	24,665,148	24,120,887
Machinery	7,290,030	7,136,620
Vehicles	57,850	59,011
Ships	252	252
Others	284,216	267,456
	37,993,048	37,235,281
Construction in-progress	2,950,196	2,266,928
	40,943,244	39,502,209

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Korea Electric Power Corporation

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(3) Property, Plant and Equipment, Continued

(c) Utility Plant, Continued

(ii) Accumulated depreciation

Won (millions)	
2004	2003

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Buildings	KRW	530,130	465,338
Structures		4,068,600	3,686,719
Machinery		3,405,495	3,055,912
Vehicles		46,111	46,313
Ships		211	205
Others		232,542	217,886
	KRW	8,283,089	7,472,373

(4) Intangibles

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

Won (millions)				
	December 31, 2003	Acquisition and transfers	Amortization	June 30, 2004
Development costs				
Others	KRW 106,834	12,253	18,004	101,083
	37,533	6,362	7,498	36,397
	KRW 144,367	18,615	25,502	137,480

In addition, the Company expensed ordinary development expenses amounting to KRW45,738 million and KRW39,848 million for the six-month periods ended June 30, 2004 and 2003, respectively.

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Korea Electric Power Corporation

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(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 386,458	Samsung Ins and others
Buildings	General insurance	145,383	Dongyang In and others
Construction in progress	Assemble insurance	365,312	LG Fire Ins

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Construction in progress	Construction insurance	90,417	and others Hyundai Marine Co., Ltd.
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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.

(6) Investments

(a) Investments other than those under the equity method as of June 30, 2004 and December 31, 2003 are summarized as follows:

		Won (millions)		
		2004		
	%	Acquisition cost	Unrealized holding losses	Fair value
Available-for-sale:				
Equity securities:				
Energy Savings				
Investment Cooperatives	25.0~48.0	KRW 5,000	-	
Korea Power Exchange	50.0	64,476	-	
Hwan Young Steel Co., Ltd. (*2)	0.14	1,364	-	
Investment securities in treasury stock fund (*3)	-	18,271	6,504	
		89,111	6,504	
Held-to-maturity:				
Government bonds		58	-	
Total		KRW 89,169	6,504	

(*1) Fair values are not available

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

(*3) 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. The treasury stock is recorded as a capital adjustment (note 15).

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Korea Electric Power Corporation

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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.

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Korea Electric Power Corporation

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(6) Investments, Continued

		Won (millions)		
		2003		
%	Acquisition cost	Unrealized holding losses	F v	
Available-for-sale:				
Equity securities:				
Securities Market				
	Stabilization Fund	7.64	KRW 7,763	-
Energy Savings				
	Investment Cooperatives	25.0~48.0	5,000	-
	Korea Power Exchange	50.0	62,606	-
	Hwan Young Steel Co., Ltd.	0.14	1,364	-
Investment securities in				
	Treasury stock fund	-	26,295	8,714
		-----	103,028	8,714
Held-to-maturity:				
	Government bonds		36	-
	Total		KRW 103,064	8,714
			=====	=====

(*) Fair values are not available

(b) Investments in affiliated companies accounted for using the equity method as of June 30, 2004 are as follows:

Won (mill

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Affiliate	Percentage of ownership	Acquisition Cost
Korea Hydro & Nuclear Power Co., Ltd. (*1)	100.0	KRW 9,364,799
Korea South-East Power Co., Ltd. (*1)	100.0	1,232,004
Korea Midland Power Co., Ltd. (*1)	100.0	1,325,891
Korea Western Power Co., Ltd. (*1)	100.0	1,442,638
Korea Southern Power Co., Ltd. (*1)	100.0	1,797,378
Korea East-West Power Co., Ltd. (*1)	100.0	2,322,905
Korea Power Engineering Co., Ltd. (*1)	97.9	4,991
Korea Plant Service & Engineering Co., Ltd. (*1)	100.0	6,000
KEPCO Nuclear Fuel Co., Ltd. (*1)	96.4	89,757
Korea Electric Power Data Network Co., Ltd. (*1)	100.0	64,000
Korea Electric Power Industrial Development, Ltd. (*1)	49.0	7,987
Powercomm Corporation (*1)	43.1	323,470
Korea Gas Corporation (*1)	24.5	94,500
Korea District Heating Co. (*1)	26.1	5,660
KEPCO International Hong Kong Ltd. (*1, *2)	100.0	20,000
KEPCO International Philippines Inc. (*1, *2)	100.0	91,716
		KRW 18,193,696 =====

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Korea Electric Power Corporation

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(6) Investments, Continued

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

The Company eliminated the unrealized gains arising from the transactions with the above affiliates. The eliminated unrealized gain arising from transactions with Korea Power Engineering Co., Ltd., KEPCO Nuclear Fuel Co., Ltd. and Korea Electric Power Data Network Co., Ltd. amounted to KRW137,054 million, KRW13,512 million and KRW24,328 million, respectively, for the six-month period ended June 30, 2004

(*2) As KEPCO International Hong Kong Ltd. owns 100 percent of the shares of KEPCO Philippines Corporation ("KEPHILCO") and KEPCO International Philippines Inc. holds 51 percent of the shares of KEPCO Ilijan Corporation ("KEILCO"), when applying the equity method, the Company accounts for equity incomes from KEPCO International Hong Kong Ltd. and KEPCO International Philippines Inc., that include the changes in the net equity of KEPHILCO and KEILCO, respectively.

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Investments in affiliated companies accounted for using equity method as of December 31, 2003 are as follows:

	Won (millions)	
	2003	
Affiliate	Percentage of ownership	Acquisition Cost
Korea Hydro & Nuclear Power Co., Ltd.	100.0	KRW 9,364,799
Korea South-East Power Co., Ltd.	100.0	1,232,004
Korea Midland Power Co., Ltd.	100.0	1,325,891
Korea Western Power Co., Ltd.	100.0	1,442,638
Korea Southern Power Co., Ltd.	100.0	1,797,378
Korea East-West Power Co., Ltd.	100.0	2,322,905
Korea Power Engineering Co., Ltd.	97.9	4,991
Korea Plant Service & Engineering Co., Ltd.	100.0	6,000
KEPCO Nuclear Fuel Co., Ltd.	96.4	89,757
Korea Electric Power Data Network Co., Ltd.	100.0	64,000
Korea Electric Power Industrial Development, Ltd.	49.0	7,987
Powercomm Corporation	43.1	323,470
Korea Gas Corporation	24.5	94,500
Korea District Heating Co.	26.1	5,660
KEPCO International Hong Kong Ltd.	100.0	20,000
KEPCO International Philippines Inc.	100.0	91,716
		KRW 18,193,696
		=====

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Korea Electric Power Corporation

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(6) Investments, Continued

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

	Won (millions)			
	2004			
Affiliate	Book value as of January 1, 2004	Equity income (loss)	Capital adjustment	Oth
Korea Hydro & Nuclear				

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Power Co., Ltd.	KRW	11,014,714	427,426	-	(
Korea South-East Power Co., Ltd.		1,990,715	107,010	-	(
Korea Midland Power Co., Ltd.		2,080,695	84,861	(53)	(
Korea Western Power Co., Ltd.		1,988,052	88,322	(2,717)	
Korea Southern Power Co., Ltd.		2,092,460	77,930	335	
Korea East-West Power Co., Ltd.		2,424,164	48,916	1,018	
Korea Power Engineering Co., Ltd.		69,038	6,849	-	
Korea Plant Service & Engineering Co., Ltd.		267,041	20,326	-	
KEPCO Nuclear Fuel Co., Ltd.		145,098	7,881	-	
Korea Electric Power Data Network Co., Ltd.		115,382	(3,741)	420	
Korea Electric Power Industrial Development, Ltd.		22,092	2,419	-	
Powercomm Corporation		363,687	11,418	578	
Korea Gas Corporation		740,280	65,287	4,441	
Korea District Heating Co.		159,165	10,887	(1)	
KEPCO International Hong Kong Ltd.		173,629	23,497	(10,213)	
KEPCO International Philippines Inc.		126,052	12,443	(16,158)	
		-----	-----	-----	-----
	KRW	23,772,264	991,731	(22,350)	(
		=====	=====	=====	=====

(*) Others represent dividends from the affiliates.

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Korea Electric Power Corporation

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(6) Investments, Continued

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

Affiliate	Won (millions)			
	Book value as of January 1, 2003	Equity income	Capital adjustment	Ot
Korea Hydro & Nuclear Power Co., Ltd.	KRW 10,577,527	652,182	-	
Korea South-East Power Co., Ltd.	1,679,117	345,669	(801)	
Korea Midland Power Co., Ltd.	1,781,127	345,230	223	
Korea Western Power Co., Ltd.	1,772,973	254,077	5,002	
Korea Southern Power Co., Ltd.	1,953,743	182,849	(261)	
Korea East-West Power Co., Ltd.	2,373,207	84,995	(3,298)	
Korea Power Engineering Co., Ltd.	51,991	28,800	-	
Korea Plant Service & Engineering Co., Ltd.	238,947	37,094	-	

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KEPCO Nuclear Fuel Co., Ltd.	134,538	12,487	-
Korea Electric Power Data Network Co., Ltd.	118,075	1,807	-
Korea Electric Power Industrial Development, Ltd.	40,730	3,114	-
Powercomm Corporation	359,090	10,421	1,188
Korea Gas Corporation	690,705	73,329	4,596
Korea District Heating Co.	147,898	13,304	(1,358)
KEPCO International Hong Kong Ltd.	124,808	56,817	(7,996)
KEPCO International Philippines Inc.	108,255	21,343	(4,769)
	-----	-----	-----
KRW	22,152,731	2,123,518	(7,474)
	=====	=====	=====

(*) Other are composed of acquisition (disposal) amounts of investment securities and dividends from the affiliates.

(7) Loans to employees

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

	Won (millions)	
	2004	2003
	-----	-----
Short-term loans	KRW 9,518	9,267
Long-term loans	153,794	142,368
	-----	-----
	KRW 163,312	151,635
	=====	=====

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Korea Electric Power Corporation

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(8) Other Non-current Assets

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

	Won (millions)	
	2004	2003
	-----	-----
Long-term trade receivable, net	KRW 2,509	2,509
Deposit received	65,976	58,135
Others	82,086	82,466
	-----	-----
	KRW 150,571	143,110
	=====	=====

(9) Cash and Cash Equivalents

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Cash and cash equivalents as of June 30, 2004 and December 31, 2003 are summarized as follows:

	Won (millions)	
	2004	2003
Cash and cash equivalents:		
Cash on hand	KRW 81	71
Sundry deposits	335,500	366,558
Cash equivalents (*)	47,555	188
	-----	-----
	383,136	366,817
	=====	=====

(*) Cash equivalents consist of money market funds, money market deposit accounts and time deposits with maturities of three months or less at the acquisition date.

(10) Short-term financial Instruments

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

	Won (millions)	
	2004	2003
Time Deposits	-	13,000
Trust accounts	-	43,000
Repurchase agreements	46,000	5,000
	-----	-----
	46,000	61,000
	=====	=====

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Korea Electric Power Corporation

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(11) Inventories

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

	Won (millions)	
	2004	2003
Raw materials	KRW 3,240	1,991
Supplies	70,021	73,066
Other	5,767	3,739
	-----	-----
	KRW 79,028	78,796
	=====	=====

(12) Other Current Assets

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

	Won (millions)	
	2004	2003
Held-to-maturity securities (*)	KRW 2	5
Short-term loans to employees (note 7)	9,518	9,267
Accrued interest income	1,297	2,777
Advance payments	1,536	297
Prepaid expenses	19,675	3,244
Other current assets	122,616	106,331
	KRW 154,644	121,921
	=====	=====

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

(13) Capital Surplus

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

	Won (millions)	
	2004	2003
Paid-in capital in excess of par value	KRW 811,296	811,301
Reserves for asset revaluation	12,552,973	12,552,973
Other capital surplus	1,006,088	1,009,505
	KRW 14,370,357	14,373,779
	=====	=====

The Company revalued its property, plant and equipment in accordance with the KEPCO Act and the Asset Revaluation Law, and recorded a revaluation gain of KRW12,552,973 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.

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Korea Electric Power Corporation

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(14) Retained Earnings

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

Won (millions)

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	2004	2003
	-----	-----
Legal reserve	KRW 1,601,871	1,600,252
Reserve for business rationalization	31,900	31,900
Reserve for business expansion	12,438,120	10,925,338
Reserve for investment on social overhead capital	5,092,449	5,012,449
Reserve for research and human development	180,000	120,000
Voluntary reserve	210,000	210,000
	-----	-----
	KRW 19,554,340	17,899,939
	=====	=====

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

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

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

(15) Capital Adjustments

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

	Won (millions)	
	2004	2003
	-----	-----
Treasury stock	KRW (199,985)	(195,379)
Loss on valuation of available-for-sale securities	(6,504)	(8,714)
Equity income of affiliates	31,061	53,412
	-----	-----
	KRW (175,428)	(150,681)
	=====	=====

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

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Korea Electric Power Corporation

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(16) Long-term borrowings

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

(a) Local currency long-term borrowings

Lender -----	Type -----	Annual interest rate (%) -----	----- 2
Korea Development Bank	Industrial facility	4.76~7.50	KRW 4
Others		5.50~6.00	
Less: Current portion			----- KRW 3 =====

(b) Foreign currency long-term borrowings

Lender -----	Type -----	Annual interest rate (%) -----	----- 2
Barclays International Financial Services (Ireland) Ltd.	Commercial	6 month Libor +0.45	KRW
Less: Current portion			----- KRW =====

(c) Debentures

Lender -----	Annual interest rate (%) -----	----- W 2
Local currency debentures (Electricity bonds)	4.59~9.67	KRW 3
Foreign currency debentures(*)	1.18~8.28	5

Less: Current portion
Discount

9

(2)

KRW 6
=====

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Korea Electric Power Corporation

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(16) 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

Description	Annual interest rate (%)	Won (millions)	
		2004	2005
Overseas exchangeable bonds	0.00	KRW 277,256	277,256
Plus: Premium on debentures issued		18,870	18,870
Less: Conversion right adjustment		(39,398)	(39,398)

 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: (pound) 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 NON-CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(16) 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 1,727 million as of June 30, 2004. Depreciation of the leased assets amounted to KRW 2,099 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 1,474	587
Less : Interest	(29)	
Current portion	(1,445)	
	KRW -	

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

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Won (millions), USD, JPY, EUR and G					

2004					

	Foreign currency		Won equivalent		Fore curr

Current portion of long-term borrowings	USD	75,000	KRW	90,528	USD
Debtentures	USD	3,180,360		3,669,562	USD
	JPY	137,500,000		1,463,041	JPY
	EUR	25,183		35,097	EUR
	GBP	24,467		50,986	GBP
				5,218,686	
Exchangeable bond	JPY	25,935,061		277,256	JPY
				5,586,470	
				=====	

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Korea Electric Power Corporation

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(16) Long-term borrowings, Continued

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

Won (millions)					

Year ended June 30	Local currency borrowings	Foreign currency borrowings	Electricity bonds	Foreign debentures	Exchangeable bonds

2005	KRW 728,281	90,528	1,290,000	1,161,855	-
2006	1,040,453	-	390,000	916,091	-
2007	834,147	-	580,000	52,495	-
2008	559,043	-	600,000	1,146,094	-
2009	177,735	-	875,000	527,810	277,256
Thereafter	665,209	-	120,000	1,414,341	-
	-----	-----	-----	-----	-----
	KRW 4,004,868	90,528	3,855,000	5,218,686	277,256
	=====	=====	=====	=====	=====

(17) Assets and Liabilities Denominated in Foreign Currencies

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There are no significant liabilities denominated in foreign currencies other than those mentioned in Note 16(f). Major assets denominated in foreign currencies as of June 30, 2004 and December 31, 2003 are as follows:

	2004		2003	
	Foreign currency (thousands)	Won equivalent (millions)	Foreign currency (thousands)	
Cash and cash equivalents	USD 190	KRW 219	USD 4,578	
	JPY 788,659	8,392	JPY -	
Trade receivables	USD 398	459	USD 4,959	
Other account receivables	USD -	-	USD 607	
Other non-current assets	USD 98	112	USD 12	
	JPY 9,706	103	JPY 5,860	
	EUR 8	11	EUR -	
		KRW 9,296		

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Korea Electric Power Corporation

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(18) Retirement and Severance Benefits

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

	Won (millions)	
	2004	2003
Estimated severance liability at beginning of year	KRW 316,503	226,708
Provision for retirement and severance benefits	30,922	98,150
Payments	(5,395)	(8,355)
	342,030	316,503
Estimated severance liability at end of year		
Transfer to National Pension Fund	(95)	(95)
	KRW 341,935	316,408
Net balance at end of year		

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(19) Receivables at Present Value

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

	Interest rate (%)	Period	Nominal value	Won
	-----	-----	-----	-----
Other accounts receivable	5.24, 6.00	2002.12~2005.12	KRW 177,729	
Long-term other accounts receivable	5.24, 6.00	2002.12~2005.12	257,500	
			KRW 435,229	
			=====	=====

(20) Other Current Liabilities

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

	Won (millions)	
	2004	2003
	-----	-----
Advance received	KRW 40,457	281
Withholdings	124,682	141,623
Unearned revenue	9,863	3,304
Others	314,453	321,302
	-----	-----
	KRW 489,455	466,510
	=====	=====

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Korea Electric Power Corporation

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(21) Derivative Instruments Transactions

The Company has entered into the various swap contracts to hedge risks involving exchange rate and interest rate of foreign currency debts. These contracts are recorded at fair value with the unrealized gains and losses being recorded in the statement of income.

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

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	Contract Year	Settlement Year	Contract amounts in millions		Contract int per a
			Pay	Receive	
The Sumitomo Bank Ltd.	1995	2005	US\$ 286	JPY 27,000	7.68
Mizuho Co., Ltd. (formerly The Fuji Bank, Ltd.)	1995	2005	US\$ 149	JPY 14,425	6M Libor + 0.155
Canadian Imperial Bank of Commerce	1996	2006	US\$ 97	JPY 10,000	Libor+ 0.13
J.P. Morgan Chase Bank	1996	2006	US\$ 200	JPY 21,000	Libor+ 0.14
Deutsche Bank (formerly Bankers Trust Co.)	1998	2004	JPY 1,705	US\$ 55	6.41
			EUR 13		
			CHF 20		
			CAD 20		
Deutsche Bank (formerly Bankers Trust Co.)	1998	2004	JPY 2,945	US\$ 95	6.36
			EUR 22		
			CHF 35		
			CAD 34		
J.P. Morgan Chase Bank & Deutsche Bank (*1, *3)	2002	2007	JPY 76,700	US\$ 650	1.18
Barclays Bank PLC, London	2002	2007	JPY 30,400	US\$ 250	1.04
Deutsche Bank(*2)	2003	2013	KRW 178,350	US\$ 150	CD+3.3
Union Bank of Switzerland (*2)	2003	2013	KRW 148,625	US\$ 125	CD+3.3
Credit Swiss First Boston(*2)	2003	2013	KRW 89,175	US\$ 75	CD+3.3

(*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 NON-CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(21) Derivative Instruments Transactions, Continued

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

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	Notional amount in millions	Contract interest rate per annum	
		Pay (%)	Receive (%)
J.P. Morgan Chase Bank	US\$ 149	6.91	Libor+0.155
Barclays Bank PLC, London	US\$ 150	6M Libor-1	6M Libor+0.45
Shinhan Bank	US\$ 100	6.50	6.75
Deutsche Bank	US\$ 55	6.93	
(formerly Bankers Trust Co.)	JPY 1,705		6.41
	EUR 13		6.41
	CHF 20		6.41
	CAD 20		6.41
Deutsche Bank	US\$ 95	6.87	
(formerly Bankers Trust Co.)	JPY 2,945		6.36
	EUR 22		6.36
	CHF 35		6.36
	CAD 34		6.36
Deutsche Bank	US\$ 100	Max	Max
(formerly Bankers Trust Co.)		(6,074-Libor, 0)	(Libor-6.074, 0)
Deutsche Bank	US\$ 100	Max	Max
(formerly Bankers Trust Co.)		(Libor-6.074,0)	(6.074-Libor, 0)
Deutsche Bank	KRW 178,350	5%+2X[JPY/ KRW-11.03%]	CD+3.3
Union Bank of Switzerland	KRW 148,625	5%+2X[JPY/ KRW-11.03%]	CD+3.3
Credit Swiss First Boston	KRW 89,175	5%+2X[JPY/ KRW-11.03%]	CD+3.3

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

	Won (millions)	
	2004	2003
Currency swap		
Gains	KRW 16,239	29,801
Losses	(34,335)	(27,347)
Interest rate swap		
Gains	56,517	11,205
Losses	(1,575)	(8,528)
	KRW 36,846	5,131

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Korea Electric Power Corporation

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(22) Power Generation, Transmission and Distribution Expenses

Power generation, transmission and distribution expenses for the

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six-month periods ended June 30, 2004 and 2003 are as follows:

	Won (millions)	
	2004	2003
Material expenses:		
Oil	KRW 9,089	5,388
Labor expenses:		
Salaries	254,135	229,794
Severance and retirement benefits	17,785	17,350
	271,920	247,144
Overhead expenses:		
Employee benefits	40,649	35,772
Taxes and dues	2,182	1,700
Rent	14,647	12,907
Depreciation	789,405	740,485
Maintenance	276,348	339,814
Commission and consultation fees	40,288	31,275
Compensation expense	7,731	16,760
Ordinary development expenses	37,858	33,531
Utility plant removal costs	72,387	90,890
Others	31,377	33,427
	1,312,872	1,336,561
	KRW 1,593,881	1,589,093

(23) Selling, General and Administrative Expenses

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

	Won (millions)	
	2004	2003
Salaries	KRW 171,111	156,205
Employee benefits	30,311	24,834
Taxes and dues	2,189	1,811
Rent	5,798	8,282
Depreciation and amortization	16,695	20,088
Maintenance	6,101	5,459
Commission and consultation fees	32,972	39,299
Ordinary development	7,840	6,289
Promotion	9,682	8,636
Bad debts	8,184	5,722
Communication	13,328	12,153
Insurance	494	4,462
Rewards	922	296
Miscellaneous	161,521	144,152
	KRW 467,148	437,688

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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(24) Income Taxes

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

Taxable earnings -----	Prior to 2005 -----	Thereafter -----
Up to 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, 2004 and 2003 are summarized as follows:

	Won (millions) -----	
	2004	2003
	-----	-----
Current income tax expense	KRW 443,436	309,167
Deferred income tax expense	28,022	162,152
	-----	-----
	KRW 471,458	471,319
	=====	=====

(b) The provision for income taxes calculated using the normal tax rates differs from the actual provision for the six-month periods ended June 30, 2004 and 2003 for the following reasons:

	Won (millions) -----	
	2004	2003
	-----	-----
Provision for income taxes at normal tax rates	KRW 574,919	521,087
Tax effects of permanent differences, primarily dividend income	(104,497)	(49,648)
Tax credit	(1,035)	-
Other, net	-	(120)
	-----	-----
Actual provision for income taxes	KRW 471,458	471,319
	=====	=====

The effective tax rates, after adjustments for certain differences between amounts reported for financial accounting and income tax purposes, were approximately 24.35 % and 26.86 % for the six-month periods ended June 30, 2004 and 2003, respectively.

Korea Electric Power Corporation

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(24) Income Taxes, Continued

- (c) The tax effects of temporary differences that result in significant portions of the deferred income tax assets and liabilities as of June 30, 2004 and December 31, 2003 are presented below:

	Won (millions)	
	2004	2003
Deferred tax assets:		
Loss on valuation of derivatives	KRW 123,124	115,270
Retirement and severance benefits	56,640	52,379
Deferred foreign exchange translation loss	12,759	14,655
Other	161,532	266,562
Total deferred tax assets	354,055	448,866
Deferred tax liabilities:		
Gain on valuation of derivatives	106,059	86,309
Deferred foreign exchange translation gain	31,461	37,176
Reserve for social overhead capital investment	136,927	270,239
Gain on valuation of investment securities using the equity method	1,572,165	1,517,158
Total deferred tax liabilities	1,846,612	1,910,882
Net deferred tax liabilities	KRW (1,492,557)	(1,462,016)

(25) Earnings Per Share

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

	Won	
	2004	2003
Net income in million Won	KRW 1,464,442	1,283,226
Weighted-average number of common shares outstanding	629,858,023	631,387,812

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Earnings per common share in Won	KRW	2,325	2,032
		=====	=====

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Korea Electric Power Corporation

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(25) Earnings Per Share, Continued

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

	Won	
	2004	2003
	-----	-----
Net income in million Won	KRW 1,464,442	1,283,226
Exchangeable bond interest in million Won	1,617	-
	-----	-----
	1,466,059	1,283,226
	-----	-----
Weighted-average number of common shares and diluted securities outstanding	639,857,870	631,387,812
	-----	-----
Diluted earnings per share in Won	KRW 2,291	2,032
	=====	=====

(26) Transactions and Balances with Related Companies

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

Related party	Transaction	
-----	-----	-----
Sales and other income:		
Korea Hydro & Nuclear Power Co., Ltd.	Sales of electricity and others	KRW
Korea South-East Power Co., Ltd.	"	
Korea Midland Power Co., Ltd.	"	
Korea Western Power Co., Ltd.	"	
Korea Southern Power Co., Ltd.	"	
Korea East-West Power Co., Ltd.	"	
Others	"	

Purchases and others:

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Korea Hydro & Nuclear Power Co., Ltd.	Purchase of electricity and others	KRW 2
Korea South-East Power Co., Ltd.	"	
Korea Midland Power Co., Ltd.	"	
Korea Western Power Co., Ltd.	"	
Korea Southern Power Co., Ltd.	"	1
Korea East-West Power Co., Ltd.	"	
Korea Power Engineering Co., Inc.	Designing of the power plant and others	
Korea Plant Service & Engineering Co., Ltd.	Utility plant maintenance	
Korea Electric Power Data Network, Co., Ltd.	Maintenance of computer system	
Others	Commissions for service and others	

KRW 7
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Korea Electric Power Corporation

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(26) Transactions and Balances with Related Companies, Continued

(b) Receivables arising from related parties transactions as of June 30, 2004 and December 31, 2003 are as follows:

Related party	Won (millions)		
	2004		
	Trade receivables	Other receivables	Total
Korea Hydro & Nuclear Power Co., Ltd.	656KRW	-	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
	=====	=====	=====

Won (millions)

2003

Trade Other

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Related party	receivables	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

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Korea Electric Power Corporation

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(26) Transactions and Balances with Related Companies, Continued

(c) Payables arising from related parties transactions as of June 30, 2004 and December 31, 2003 are as follows:

Related party	Won (millions)		
	Trade payables	Other payables	Total
	2004		
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

Won (millions)

2003

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Related party	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

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Korea Electric Power Corporation

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(26) Transactions and Balances with Related Companies, Continued

(d) The guarantees the Company 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
		"	Norinchukin Bank
		"	Korea Development Bank
		KEPCO International Philippines Inc.	Korea Development Bank
Joint liability on guarantee(*)	Spin-off of power generation subsidiaries	six power generation subsidiaries	Korea Development Bank and others

(*) 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

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the Commercial Code of the Republic of Korea. The balance of the power generation subsidiaries' debts for which the Company has those joint and several responsibilities as of 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 NON-CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(26) Transactions and Balances with Related Companies, Continued

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

Won (millions), USD, JPY, EUR and GBP (tho					
Type	Related party	Currency	Guaranteed amounts	Type of borrowings	Bala borrow Jun 2
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 11
		EUR	26,627	"	EUR
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.

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(*2) As described note 26(d), the balance of the Company's borrowings for which six power generation subsidiaries have the joint and several responsibilities is KRW354,702 million as of June 30, 2004.

(27) Commitments and Contingencies

The Company is engaged in 224 lawsuits as a defendant and 31 lawsuits as a plaintiff. The total amount claimed against the Company is KRW102,790 million and the total amount claimed by the Company is KRW12,490 million 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.

Two banks including the National Agricultural Cooperative Federation have provided the Company a credit (overdraft) line amounting to KRW110,000 million as of June 30, 2004.

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

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.

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Korea Electric Power Corporation

NOTES TO NON-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 KRW70,454 million and KRW7,534 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

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accompanying financial statements reflect management's assessment of the impact to date of the economic environment on the financial position and results of operations of the Company. Actual results may differ materially from management's current assessment.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

KOREA ELECTRIC POWER CORPORATION

By: /s/ Kim, Myung Whan

Name: Kim, Myung-Whan

Title: General Manager of International
Finance Dept.

Date : Sep. 1, 2004