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KOREA ELECTRIC POWER CORP
Form 6-K
March 12, 2003

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

For the Month of March, 2003

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

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

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

Form 20-F Form 40-F

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

Yes No

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

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

KOREA ELECTRIC POWER CORPORATION

NON-CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2002 AND 2001 TOGETHER WITH
INDEPENDENT PUBLIC ACCOUNTANTS' REPORT
(as proposed to be approved at the Annual General Meeting of Shareholders
on March 21, 2003)

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

English Translation of a Report Originally Issued in Korean

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

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

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

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

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

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

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

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

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

Accounting principles and auditing standards and their application in practice vary among countries. The accompanying financial statements are not intended to present the financial position, results of operations and cash flows in

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

By:/s/ Anjin & Co.

Anjin & Co.

Seoul, Korea
February 7, 2003

Notice to Readers

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

KOREA ELECTRIC POWER CORPORATION

NON-CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31, 2002 AND 2001

| ASSETS ----- | KOREAN WON | | \$ |
|--|----------------|----------------|----|
| | 2002 | 2001 | |
| | (IN MILLIONS) | | |
| Property, Plant and Equipment (Notes 3 and 4): | | | |
| Utility plant | Won 34,432,036 | Won 30,829,593 | |
| Less: accumulated depreciation | (5,939,624) | (4,503,772) | |
| Less: construction grants | (2,321,138) | (1,844,359) | |

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

(continued)

KOREA ELECTRIC POWER CORPORATION

NON-CONSOLIDATED BALANCE SHEETS (CONTINUED)

AS OF DECEMBER 31, 2002 AND 2001

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

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| | | | |
|--|-----|------------|----------------|
| Shareholders' equity (Note 8): | | | |
| Common stock | Won | 3,200,504 | Won 3,200,504 |
| Capital surplus | | 14,311,579 | 14,311,890 |
| Retained earnings | | | |
| Appropriated | | 17,899,939 | 15,351,474 |
| Unappropriated (Net income of Won 3,059,815 million in 2002 and Won 1,778,306 million in 2001) | | -- | -- |
| Capital adjustments: | | 35,707 | 130,887 |
| | | ----- | ----- |
| Total Shareholders' Equity | | 35,447,729 | 32,994,755 |
| | | ----- | ----- |
| Long-term liabilities: | | | |
| Long-term debt (Note 10) | | 9,973,313 | 11,702,675 |
| Accrued severance indemnities, net (Note 2) | | 226,609 | 134,056 |
| Reserve for self insurance | | 82,537 | 78,243 |
| Currency and interest rate swaps (Note 13) | | 468,900 | 448,486 |
| Financial lease liabilities (Note 11) | | 4,993 | 13,590 |
| Deferred income tax liabilities (Note 17) | | 1,354,128 | 1,018,506 |
| Other long-term liabilities | | 325,533 | 232,757 |
| | | ----- | ----- |
| | | 12,436,013 | 13,628,313 |
| | | ----- | ----- |
| Current liabilities: | | | |
| Trade payables (Note 18) | | 1,238,749 | 1,155,868 |
| Other accounts payable (Note 18) | | 552,350 | 456,707 |
| Current portion of long-term debt (Note 10) | | 2,454,722 | 1,358,240 |
| Current portion of financial lease liabilities (Note 11) | | 8,538 | 9,522 |
| Income tax payable | | 682,777 | 274,079 |
| Accrued expenses | | 166,144 | 199,057 |
| Dividends payable (Note 9) | | 513,503 | 353,610 |
| Other current liabilities | | 445,088 | 470,564 |
| | | ----- | ----- |
| | | 6,061,871 | 4,277,647 |
| | | ----- | ----- |
| Total Liabilities | | 18,497,884 | 17,905,960 |
| | | ----- | ----- |
| Total Shareholders' Equity and Liabilities | Won | 53,945,613 | Won 50,900,715 |
| | | ===== | ===== |

See accompanying notes to non-consolidated financial statements.

KOREA ELECTRIC POWER CORPORATION

NON-CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

KOREAN WON

2002

2001

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

See accompanying notes to non-consolidated financial statements.

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NON-CONSOLIDATED STATEMENTS OF APPROPRIATIONS OF RETAINED EARNINGS

FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

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

See accompanying notes to non-consolidated financial statements.

KOREA ELECTRIC POWER CORPORATION

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

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

(continued)

KOREA ELECTRIC POWER CORPORATION

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

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FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

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

See accompanying notes to non-consolidated financial statements.

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KOREA ELECTRIC POWER CORPORATION.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2002 AND 2001

1. THE COMPANY:

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Financial Statement Presentation

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

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

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

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

Property, Plant and Equipment

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

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

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

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

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construction of transmission and distribution facilities as construction grants:

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

Construction grants are initially recorded and presented in the accompanying financial statements as deductions from the assets acquired under such grants and are offset against depreciation expense during the estimated useful lives of the related assets. The Company received Won 624,527 million and Won 560,246 million of construction grants, and offset Won 140,346 million and Won 65,629 million against depreciation expense for the years ended December 31, 2002 and 2001, respectively.

Accounting for Leases

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

-2-

Valuation of Marketable Securities and Investment Securities

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

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

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

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

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

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

Intangibles

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

Allowance for Doubtful Accounts

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

Inventories

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

-3-

Discount on Debentures

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

Accrued Severance Indemnities

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

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

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

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

Reserve for Self-Insurance

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

Foreign Currency Transactions and Translation

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

Accounting for Derivative Instruments

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

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

-4-

Revenue Recognition

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

Income Tax Expense

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

Ordinary Income Per Share and Earnings Per Share

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

3. PROPERTY, PLANT AND EQUIPMENT:

(1) Asset revaluation

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

(2) Publicly announced land prices

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

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

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

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

-5-

4. INSURED ASSETS:

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

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

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

5. INVESTMENT SECURITIES:

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

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

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Won 22,239,278
=====

Won 20,846,3
=====

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

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

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

-6-

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

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

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

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

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

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

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

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

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

2001

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

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

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

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

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

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

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

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

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

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

6. LOANS TO EMPLOYEES:

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

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

-8-

7. INVENTORIES:

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

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

8. SHAREHOLDERS' EQUITY:

(1) Capital

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

(2) Capital Surplus

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

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

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

(3) Retained earnings

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

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

The KEPCO Act requires the Company to appropriate a legal reserve equal to at least 20 percent of net income for each accounting period until the reserve equals 50 percent of the common stock. In accordance with the Tax Incentive Control Law, the amount of tax benefit associated with certain exemptions and tax credits must be appropriated as a reserve for business rationalization.

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

The legal reserve is not available for cash dividends; however, this reserve may be credited to paid-in capital or offset against accumulated deficit by the resolution of the shareholders.

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

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-9-

(4) Capital adjustments

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

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

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

9. DIVIDENDS:

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

(1) Earnings available for dividend

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

(2) Dividend

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

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| | | | | |
|--|-------------|-----|---------|-----------|
| Treasury stock | 913,375 | -- | -- | |
| | ----- | | | ----- |
| | 640,100,876 | | | Won 511,3 |
| | ===== | | | ===== |
| 2001: | | | | |
| Outstanding stocks other than treasury stock | 638,966,823 | 11% | Won 550 | Won 351,4 |
| Treasury stock | 1,134,053 | -- | -- | |
| | ----- | | | ----- |
| | 640,100,876 | | | Won 351,4 |
| | ===== | | | ===== |

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

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

(4) Dividend yield ratio

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

-10-

10. BORROWINGS AND DEBENTURES:

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

(a) Long-term borrowings denominated in Korean Won

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

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| | | | |
|--|---------|-----------|---------------|
| Kookmin Bank | General | 6.07~6.16 | 85,714 |
| Korea National Oil Development Corporation | " | 9.00 | -- |
| Others | " | 5.50~6.00 | 37 |
| | | | ----- |
| | | | 2,677,315 |
| Less: Current portion | | | (629,522) |
| | | | ----- |
| | | | Won 2,047,793 |
| | | | ===== |

(b) Long-term borrowings denominated in foreign currency

| FINANCIAL INSTITUTION | TYPE | ANNUAL INTEREST RATE (%) | 2002 |
|--|------------|--------------------------|-------------|
| ----- | ----- | ----- | ----- |
| Japan Bank of International Cooperation | Commercial | 2.27 | Won -- |
| Barclays International Financial Services (Ireland) Ltd. | " | 6M Libor-1.00 | 376,482 |
| Kredit Anstalt Fur Wieder Aufbau | Facility | 6.00 | 180 |
| Asia Development Bank | " | 6.00 | 1,415 |
| | | | ----- |
| | | | 378,077 |
| Less: Current portion | | | (189,836) |
| | | | ----- |
| | | | Won 188,241 |
| | | | ===== |

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

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

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

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

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

| YEAR ENDED DECEMBER 31 | LOCAL CURRENCY BORROWINGS | FOREIGN CURRENCY BORROWINGS | ELECTRICITY BONDS | FOREIGN DEBENTURES | |
|---------------------------|---------------------------------|-----------------------------------|----------------------|-----------------------|-----|
| 2003 | Won 629,522 | Won 189,836 | Won 10,000 | Won 1,625,364 | Won |
| 2004 | 710,590 | 188,241 | 2,120,000 | 918,156 | |
| 2005 | 689,441 | - | 240,000 | 1,201,766 | |
| 2006 | 537,173 | - | 200,000 | 315,573 | |
| 2007 | 93,371 | - | 185,000 | 1,240,924 | |
| Thereafter | 17,218 | - | - | 1,335,694 | |
| | Won 2,677,315 | Won 378,077 | Won 2,755,000 | Won 6,637,477 | Won |

11. LEASES:

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

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

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

-12-

12. FOREIGN CURRENCY DENOMINATED ASSETS AND LIABILITIES:

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

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

13. SWAP TRANSACTIONS:

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

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

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

-13-

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

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

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

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

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

-14-

14. POWER GENERATION, TRANSMISSION AND DISTRIBUTION EXPENSES:

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

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

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

15. SELLING AND ADMINISTRATIVE EXPENSES:

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

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

-15-

16. RESEARCH AND DEVELOPMENT EXPENDITURES:

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

| 2002 | 2001 |
|-------|-------|
| ----- | ----- |

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

17. INCOME TAX EXPENSE:

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

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

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

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

18. RELATED PARTY TRANSACTIONS:

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

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

Won 3
=====

Purchases and others:

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

-16-

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

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

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

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

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and 2001 are as follows (won in millions):

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

-17-

19. CONTINGENT LIABILITIES:

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

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

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

US\$
=====

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

-18-

20. SPIN-OFF:

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

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

NAME OF THE SUBSIDIARIES

MAJOR POWER PLANT

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

(2) Details of the spin-off

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

(3) Assets and liabilities of the spun off division

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

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

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

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

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

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

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

-19-

21. STATEMENTS OF CASH FLOWS:

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

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

22. SUPPLEMENTARY INFORMATION FOR COMPUTATION OF VALUE ADDED:

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

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

23. WELFARE PROGRAM FOR EMPLOYEES AND DONATIONS:

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

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

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

-20-

SIGNATURES

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

KOREA ELECTRIC POWER CORPORATION

By: /s/ Chung, Soo Eun

Name: Chung, Soo Eun

Title: Chief Financial Officer

Date : March 10, 2003