

KOREA ELECTRIC POWER CORP  
Form 6-K  
March 30, 2009

# 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 March 2009

# 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.

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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  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**

**FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2008**

**AND INDEPENDENT AUDITORS REPORT**

**Independent Auditors Report**

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, 2007 and 2008, and the related non-consolidated statements of operations, disposition of deficit, changes in shareholders' equity 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 Midland Power Co., Ltd. and Korea Southern Power Co., Ltd., which statements reflect 7.1 percent of the total assets as of December 31, 2008 and 5.7 percent of loss before income tax for the year ended December 31, 2008. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included for those companies, is based solely on the reports of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the 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 and the reports of the other auditors 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 Korea Electric Power Corporation as of December 31, 2007 and 2008, and the results of its operations, changes in its deficit and its shareholders' equity, and its cash flows for the years then ended, in conformity with the Korea Electric Power Corporation Act, the Accounting Regulations for Public Enterprise & Associate Government Agency and accounting principles generally accepted in the Republic of Korea.

Our audits also comprehended the translation of Korean Won amounts into U.S. Dollar amounts and, in our opinion, such translation has been made in conformity with the basis in Note 2. Such U.S. Dollar amounts are presented solely for the convenience of readers outside of Korea.

Accounting principles and audit standards and their application in practice vary among countries. The accompanying financial statements are not intended to present the financial position, results of operations, changes in shareholders' equity 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 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 audit standards and their application in practice.

February 27, 2009

Notice to Readers

This report is effective as of February 27, 2009, 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.

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KOREA ELECTRIC POWER CORPORATION

NON-CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31, 2007 AND 2008

	2007	Korean Won (In millions)	2008	Translation into U.S. Dollars (Note 2) 2008 (In thousands)
<b>Assets</b>				
Property, plant and equipment (Notes 3 and 5):	KRW 49,295,683		KRW 52,404,018	\$ 41,673,177
Less: accumulated depreciation	(14,415,883)		(16,303,748)	(12,965,208)
Less: construction grants	(6,126,776)		(6,789,063)	(5,398,858)
	28,753,024		29,311,207	23,309,111
Construction in-progress	2,265,117		2,629,946	2,091,408
<b>Net property, plant and equipment</b>	<b>31,018,141</b>		<b>31,941,153</b>	<b>25,400,519</b>
<b>Investments and other assets:</b>				
Investment securities (Notes 6 and 7)	28,956,430		28,498,281	22,662,649
Long-term other accounts receivable, less allowance for doubtful accounts of KRW13,066 in 2007 and KRW11,775 million in 2008 (Notes 3, 20 and 29)	1,293,500		1,170,688	930,964
Long-term loans (Note 8)	212,199		226,439	180,071
Intangible assets (Note 4)	208,295		195,951	155,826
Currency swap (Note 24)			303,270	241,174
Other non-current assets (Notes 9 and 20)	264,373		301,981	240,139
<b>Total non-current assets</b>	<b>30,934,797</b>		<b>30,696,610</b>	<b>24,410,823</b>
<b>Current assets:</b>				
Cash and cash equivalents (Notes 10 and 20)	189,346		219,222	174,332
Trade receivables, less allowance for doubtful accounts of KRW52,406 million in 2007 and KRW48,092 million in 2008 (Notes 20 and 29)	2,469,559		2,620,968	2,084,269
Other accounts receivable, less allowance for doubtful accounts of KRW7,182 million in 2007 and KRW6,824 million in 2008 (Note 29)	447,450		674,309	536,230
Inventories (Note 11)	225,435		226,856	180,402
Deferred income tax assets, net (Note 27)	251,762		431,435	343,090
Other current assets (Notes 12)	106,101		57,622	45,822
<b>Total current assets</b>	<b>3,689,653</b>		<b>4,230,412</b>	<b>3,364,145</b>
<b>Total assets</b>	<b>KRW 65,642,591</b>		<b>KRW 66,868,175</b>	<b>\$ 53,175,487</b>

(Continued)

## KOREA ELECTRIC POWER CORPORATION

## NON-CONSOLIDATED BALANCE SHEETS (CONTINUED)

AS OF DECEMBER 31, 2007 AND 2008

	2007	Korean Won (In millions)	2008	Translation into U.S. Dollars (Note 2) 2008 (In thousands)
<b>Liabilities and Shareholders' Equity</b>				
Stockholders' equity:				
Common stock of KRW5,000 par value, authorized 1,200,000,000 shares, issued and outstanding - 641,567,712 shares in 2007 and 2008 (Note 13)	KRW	3,207,839	KRW 3,207,839	\$ 2,550,965
Capital surplus (Notes 3 and 13)		14,555,890	14,556,185	11,575,495
Capital adjustments (Note 14)		(741,825)	(741,489)	(589,653)
Accumulated other comprehensive income (Notes 15 and 34)		79,664	406,673	323,398
Retained earnings (Accumulated deficit):				
Appropriated (Note 16)		25,372,349	26,462,200	21,043,499
Before appropriations (Before disposition)		1,556,815	(2,952,468)	(2,347,887)
<b>Total shareholders' equity</b>		<b>44,030,732</b>	<b>40,938,940</b>	<b>32,555,817</b>
Long-term liabilities:				
Long-term debt, net (Notes 18 and 29)		10,648,983	15,236,631	12,116,605
Accrual for retirement and severance benefits, net (Note 21)		689,800	877,319	697,669
Reserve for self insurance (Note 22)		109,273	115,268	91,665
Other provisions (Note 22)		242,219	268,755	213,722
Deferred income tax liabilities, net (Note 27)		2,513,867	1,133,239	901,184
Currency swap			21,297	16,936
Other long-term liabilities (Note 30)		423,844	401,195	319,041
<b>Total long-term liabilities</b>		<b>14,627,986</b>	<b>18,053,704</b>	<b>14,356,822</b>
Current liabilities:				
Trade payables (Note 29)		2,098,630	2,961,375	2,354,970
Other accounts payable (Notes 20 and 29)		309,592	364,265	289,674
Short-term borrowings (Note 19)		489,999	300,000	238,569
Current portion of long-term debt, net (Note 18)		3,479,974	3,472,579	2,761,494
Income tax payable (Note 27)			68,646	54,589
Other current liabilities (Note 23)		605,678	708,666	563,552
<b>Total current liabilities</b>		<b>6,983,873</b>	<b>7,875,531</b>	<b>6,262,848</b>
<b>Total liabilities</b>		<b>21,611,859</b>	<b>25,929,235</b>	<b>20,619,670</b>
Commitments and contingencies (Note 30)				
<b>Total shareholders' equity and liabilities</b>		<b>KRW 65,642,591</b>	<b>KRW 66,868,175</b>	<b>\$ 53,175,487</b>

See accompanying notes to non-consolidated financial statements.



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KOREA ELECTRIC POWER CORPORATION

NON-CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2008

	Korean Won		Translation into U.S. Dollars (Note 2)
	2007	2008	2008
	(In millions except per share amounts)		(In thousands except per share amounts)
<b>OPERATING REVENUES:</b>			
Sale of electricity (Note 29)	KRW 28,953,328	KRW 31,480,221	\$ 25,033,973
Other operating revenues (Note 29)	30,557	42,162	33,528
	28,983,885	31,522,383	25,067,501
<b>OPERATING EXPENSES (Notes 29):</b>			
Power generation, transmission and distribution costs (Note 25)	4,645,447	4,704,474	3,741,132
Purchased power	22,724,191	29,107,892	23,147,429
Other operating costs	43,657	59,359	47,204
Selling and administrative expenses (Note 26)	1,240,590	1,309,860	1,041,638
	28,653,885	35,181,585	27,977,403
<b>OPERATING INCOME</b>	<b>330,000</b>	<b>(3,659,202)</b>	<b>(2,909,902)</b>
<b>OTHER INCOME (EXPENSES):</b>			
Interest income	82,447	90,590	72,040
Interest expense (Note 29)	(602,489)	(752,366)	(598,303)
Loss on foreign currency transactions and translation, net	(76,919)	(585,373)	(465,506)
Donations	(22,297)	(30,515)	(24,267)
Rental income	167,014	164,807	131,060
Equity income (loss) of affiliates, net (Note 7)	1,765,939	(64,944)	(51,645)
Gain on disposal of property, plant and equipment, net	16,117	22,564	17,943
Valuation gain on currency and interest rate swaps, net (Note 24)	2,594	279,379	222,170
Translation gain (loss) on currency and interest rate swaps, net (Note 24)	9,592	(153,139)	(121,780)
Other, net	211,777	181,968	144,706
	1,553,775	(847,029)	(673,582)
<b>INCOME (LOSS) BEFORE INCOME TAX</b>	<b>1,883,775</b>	<b>(4,506,231)</b>	<b>(3,583,484)</b>
<b>INCOME TAX EXPENSE (BENEFITS) (Note 27)</b>	<b>326,960</b>	<b>(1,553,763)</b>	<b>(1,235,597)</b>
<b>NET INCOME (LOSS)</b>	<b>KRW 1,556,815</b>	<b>KRW (2,952,468)</b>	<b>\$ (2,347,887)</b>
<b>BASIC EARNINGS (LOSS) PER SHARE (Note 28)</b>	<b>KRW 2,504</b>	<b>KRW (4,742)</b>	<b>\$ (3.77)</b>
<b>DILUTED EARNINGS (LOSS) PER SHARE (Note 28)</b>	<b>KRW 2,461</b>	<b>KRW (4,742)</b>	<b>\$ (3.77)</b>

See accompanying notes to non-consolidated financial statements.

KOREA ELECTRIC POWER CORPORATION

NON-CONSOLIDATED STATEMENTS OF DISPOSITION OF DEFICIT

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2008

	2007	Korean Won (In millions)	2008	Translation into U.S. Dollars (Note 2) 2008 (In thousands)
Unappropriated retained earnings (Undisposed Accumulated deficit):				
Balance at beginning of year	KRW		KRW	\$
Net income	1,556,815		(2,952,468)	(2,347,887)
Balance at end of year before appropriation (before disposition)	1,556,815		(2,952,468)	(2,347,887)
Transfer from voluntary reserves:				
Reserve for business rationalization			31,900	25,368
Reserve for business expansion			2,920,568	2,322,519
Appropriation of retained earnings:				
Reserve for business expansion	1,089,851			
Dividends 15% on par value at 750 Won per share in 2007 (Note 17)	466,964			
	1,556,815			
Unappropriated retained earnings to be carried forward to subsequent year	KRW		KRW	\$

See accompanying notes to non-consolidated financial statements.

## KOREA ELECTRIC POWER CORPORATION

## NON- CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2007 and 2008

	Korean Won (In millions)					
	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Total
Beginning of January 1, 2007	KRW 3,207,839	KRW 14,518,843	KRW (796,980)	KRW 38,892	KRW 25,993,431	KRW 42,962,025
Exercise of conversion right		(9,903)				(9,903)
Treasury stock exchange of exchangeable bond			6,041			6,041
Changes in treasury stock			49,114			49,114
Gain on disposal of treasury stock		22,749				22,749
Loss on valuation of available-for-sale securities, net				(3,668)		(3,668)
Gain on disposal of subsidiary securities		59,143				59,143
Equity gain of affiliates				5,301		5,301
Equity loss of affiliates				54,604		54,604
Directly charged tax effect		(34,942)		(15,465)		(50,407)
Net income					1,556,815	1,556,815
Dividends declared					(621,082)	(621,082)
Balance at December 31, 2007	KRW 3,207,839	KRW 14,555,890	KRW (741,825)	KRW 79,664	KRW 26,929,164	KRW 44,030,732
Beginning of January 1, 2008	KRW 3,207,839	KRW 14,555,890	KRW (741,825)	KRW 79,664	KRW 26,929,164	KRW 44,030,732
Exercise of conversion right						
Treasury stock exchange of exchangeable bond		(84)				(84)
Changes in treasury stock			336			336
Gain on disposal of treasury stock		259				259
Loss on valuation of available-for-sale securities, net				(3,501)		(3,501)
Gain on disposal of subsidiary securities		168				168
Equity gain of affiliates				331,713		331,713
Equity loss of affiliates				84,270		84,270
Directly charged tax effect		(48)		(85,473)		(85,521)
Net income					(2,952,468)	(2,952,468)
Dividends declared					(466,964)	(466,964)
Balance at December 31, 2008	KRW 3,207,839	KRW 14,556,185	KRW (741,489)	KRW 406,673	KRW 23,509,732	W 40,938,940
Translation into U.S. Dollars (In thousands) (Note 2)	\$ 2,550,965	\$ 11,575,495	\$ (589,653)	\$ 323,398	\$ 18,695,612	\$ 32,555,817

See accompanying notes to non-consolidated financial statements.

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KOREA ELECTRIC POWER CORPORATION

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2008

	Korean Won		Translation into
	2007	2008	U.S. Dollars (Note 2)
	(In millions)		2008
			(In thousands)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income (loss)	KRW 1,556,815	KRW (2,952,468)	\$ (2,347,887)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	1,891,759	1,954,298	1,554,114
Property, plant and equipment removal cost	294,734	294,376	234,096
Provision for retirement and severance benefits	159,266	222,218	176,714
Bad debt expense	18,854	19,547	15,545
Interest expense	32,341	32,435	25,793
Loss on foreign currency translation, net	57,783	536,227	426,423
Equity loss (income) of affiliates, net	(1,765,939)	64,944	51,645
Gain on disposal of property, plant and equipment, net	(16,117)	(22,564)	(17,943)
Contribution to self-insurance	7,191	7,180	5,710
Contribution to other provisions	33,454	15,152	12,049
Valuation gain on currency and interest rate swaps, net	(2,594)	(279,379)	(222,171)
Transaction loss (gain) on currency and interest rate swaps, net	(9,592)	153,139	121,780
Others	(158,232)	(44,525)	(35,405)
	542,908	2,953,048	2,348,350
<b>Changes in assets and liabilities:</b>			
Increase in trade receivables	(239,386)	(170,963)	(135,955)
Increase in other accounts receivable	(4,060)	(87,445)	(69,538)
Decrease in inventories	35,340	109,961	87,444
Increase in deferred income tax assets	(348)	(179,674)	(142,882)
Decrease (Increase) in other current assets	(42,270)	91,865	73,054
Increase in other non-current assets		(1,404)	(1,117)
Increase in trade payables	322,037	862,746	686,080
Increase (Decrease) in other accounts payable	(112,240)	54,673	43,477
Increase (Decrease) in income tax payable	(437,741)	68,598	54,551
Increase in other current liabilities	62,923	86,697	68,944
Increase (Decrease) in deferred income tax liabilities	186,430	(1,466,100)	(1,165,885)
Decrease in other long-term liabilities	(8,664)	(660)	(525)
Payment of retirement and severance benefits, net	(29,768)	(37,884)	(30,126)
Increase in severance insurance deposits	(850)	(1,661)	(1,321)
Payment of self-insurance	(1,860)	(1,185)	(942)
Provision for other estimated liabilities	(29,248)	(13,300)	(10,577)
Dividend from equity investments	748,909	826,672	657,393
	449,204	140,936	112,075
<b>Net cash provided by operating activities</b>	<b>2,548,927</b>	<b>141,516</b>	<b>112,538</b>

(Continued)

## KOREA ELECTRIC POWER CORPORATION

## NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2008

	Korean Won		Translation into
	2007	2008	U.S. Dollars (Note 2)
	(In millions)		2008 (In thousands)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Proceeds from disposal of property, plant and equipment	KRW 24,351	KRW 43,647	\$ 34,709
Additions to property, plant and equipment	(4,030,212)	(4,311,397)	(3,428,547)
Receipt of construction grants	1,042,175	1,115,646	887,193
Proceeds from disposal of investment securities	145,239	1,223	973
Acquisition of investment securities	(311,776)	(41,767)	(33,214)
Collection of loans	29,630	28,226	22,446
Extension of loans	(46,215)	(47,012)	(37,385)
Acquisition of intangible assets	(33,772)	(62,639)	(49,813)
Proceeds from short-term financial instruments	25,000		
Settlement under currency and interest rate swap contracts	485,429	(153,139)	(121,781)
Other, net	313	(39,323)	(31,270)
<b>Net cash used in investing activities</b>	<b>(2,669,838)</b>	<b>(3,466,535)</b>	<b>(2,756,689)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from short-term borrowings	282,953		
Proceeds from long-term debt	3,829,716	7,492,901	5,958,569
Proceeds from disposal of corporation own stock fund	58,988		
Repayment of short-term borrowings		(189,999)	(151,023)
Repayment of long-term debt	(3,369,407)	(3,480,931)	(2,768,206)
Dividends paid	(621,218)	(467,076)	(371,432)
<b>Net cash provided by financing activities</b>	<b>181,032</b>	<b>3,354,895</b>	<b>2,667,908</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS (Note 31)</b>	<b>60,121</b>	<b>29,876</b>	<b>23,757</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>129,225</b>	<b>189,346</b>	<b>150,575</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>KRW 189,346</b>	<b>KRW 219,222</b>	<b>\$ 174,332</b>

See accompanying notes to non-consolidated financial statements.

KOREA ELECTRIC POWER CORPORATION

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS DECEMBER 31, 2007 AND 2008

1. GENERAL

Korea Electric Power Corporation (the Company or KEPCO) was incorporated on January 1, 1982 in accordance with the Korea Electric Power Corporation Act (the KEPCO Act) to engage in the generation, transmission and distribution of electricity and development of electric power resources in the Republic of Korea. The Company'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, 2008, the Government of the Republic of Korea, Korea Development Bank (KDB), which is wholly owned by the Korean Government and foreign investors held 21.12%, 29.95% and 23.79%, respectively, of the Company's shares.

In accordance with the restructuring plan by the Ministry of Knowledge Economy (the MKE, formerly the Ministry of Commerce, Industry and Energy) on January 21, 1999, the Company spun off its power generation division on April 2, 2001, resulting in the establishment of six power generation subsidiaries. In order to promote the internal competition, the Company organized Strategy Business Unit (SBU) on September 25, 2006 and had been operating it.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Company maintains its accounting records in Korean Won and prepares statutory non-consolidated financial statements in the Korean language (Hangul) in conformity with the KEPCO Act, Accounting Regulations for Public Enterprise-Associate Government Agency, which have been approved by the Korean Ministry of Finance and Economy (formerly the Korean Ministry of Finance and Economy) and, in the absence of specialized accounting regulations for utility companies, and the accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these non-consolidated financial statements are intended solely for use by only those who are informed in Korean accounting principles and practices, KEPCO Act and Accounting Regulations for Public Enterprise & Associate Government Agency. The accompanying non-consolidated financial statements have been condensed, restructured and translated into English (with certain expanded descriptions) from the Korean language non-consolidated financial statements. Certain information included in the Korean language non-consolidated financial statements, but not required for a fair presentation of the Company's financial position, results of operations, changes in shareholders' equity or cash flows, is not presented in the accompanying non-consolidated financial statements.

The Company's 2008 financial statements to be presented to the shareholders' meeting were approved at the board of director meeting on February 26, 2009.

The accompanying financial statements are stated in Korean Won, the currency of the country in which the Company is incorporated and operates. The translation of Korean Won amounts into U.S. Dollar amounts is included solely for the convenience of the readers outside of the Republic of Korea and has been made at the rate of KRW1,257.50 to USD1.00 at December 31, 2008, the Base Rate announced by Seoul Money Brokerage Service, Ltd. Such translations should not be construed as representations that the Korean Won amounts could be converted at that or any other rate.

Significant accounting policies followed by the Company in preparing the accompanying non-consolidated financial statements are summarized below.

Adoption of Newly Effective Statements of Korea Accounting Standards

The Korea Accounting Standards Board ( KASB ) has published a series of Statements of Korea Accounting Standards ( SKAS ), which replace the existing financial accounting standards, established by the Korean Financial and Supervisory Board. The Company prepared its financial statements as of December 31, 2008 in accordance with Financial Accounting Standards and SKAS in the Republic of Korea.

The Company newly adopted amended SKAS No. 16 *Income taxes* which prescribes that additional income tax or tax refunds for the prior periods are included in income tax expense for the current period, formerly classified as other income (expenses). The Company also adopted amended SKAS No. 15 *Investments in Associates* which requires the gain (loss) in disposal of investment securities of the subsidiaries to be presented as other capital surplus [formerly accumulated other comprehensive income (loss)] in case it is still subsidiaries after disposal.

As a result of adopting the above amended standards, certain amounts and accounts of prior period s financial statements are reclassified to conform to the current period s presentation. The reclassification does not affect the income before tax or net assets.

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. Significant additions or improvements extending useful lives of assets are capitalized. However, normal maintenance and repairs are charged to expense as incurred.

The Company capitalizes interest costs and other financial charges on 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.

Depreciation is computed by the declining-balance method (straight-line method for buildings and structures) using rates based on the estimated useful lives as follows:

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

Construction grants are initially recorded and presented in the accompanying non-consolidated financial statements as deductions from the assets acquired under such grants and are offset against depreciation expense during the estimated useful lives of the related assets.

Major maintenance and repair expenditure that increases the value of assets or increase the estimated useful life of assets are recorded as an increase of the book value, while ordinary expenditure that maintains normal operating condition is recorded as expense incurred.

Tangible assets are evaluated at each balance sheet date to determine whether there is any objective evidence of impairment loss. If future economic benefits can be less than carrying amount and the present value of expected future cash flows is less than the carrying amount, the Company considers recognition of an impairment loss. The amount of impairment loss is measured as the difference between the recoverable amount and the carrying amount.

Intangibles Assets

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

	Estimated useful lives (years)
Software	5
Industrial right	10
Land right	10
Others	4-20

Due to a significant adverse change in the extent or manner its being used, or a significant decrease in the market price of intangibles asset, if its future economic benefits are less than its carrying amount significantly, and the sum of the undiscounted cash flows expected to result from its use and eventual disposition is less than its carrying amount, the Company considers recognition of an impairment loss.

Investment Securities Other than those Accounted for Using the Equity Method

Classification of Securities

At acquisition, the Company classifies securities into one of the three categories: trading, held-to-maturity or available-for-sale. Trading securities are those that were acquired principally to generate profits from short-term fluctuations in prices. Held-to-maturity securities are those with fixed and determinable payments and fixed maturity that an enterprise has the positive intent and ability to hold to maturity. Available-for-sale securities are those not classified either as held-to-maturity or trading securities. Trading securities are classified as short-term investment securities, whereas held-to-maturity and available-for-sale securities are classified as long-term investment securities, except for those whose maturity dates or whose likelihood of being disposed of are within one year from the balance sheet date, which are classified as short-term investment securities.

Valuation of Securities

Securities are recognized initially at cost (determined by the moving average method for equity securities and by the specific identification for debt securities), which includes the market value of the consideration given and incidental expenses. If the market price of the consideration given is not available, the market prices of the securities purchased are used as the basis for measurement. If neither the market prices of the consideration given nor those of the acquired securities are available, the acquisition cost is measured at the best estimates of its fair value.

After initial recognition, held-to-maturity securities are valued at amortized cost. The difference between their acquisition costs and face values (commonly referred to as discounts or premiums on debt securities) is amortized over the remaining term of the securities by applying the effective interest method and added to or subtracted from the acquisition costs and interest income of the remaining period.

Trading securities are valued at fair value, with unrealized gains or losses included in current operations. Available-for-sale securities are also valued at fair value, with unrealized gains or losses included in accumulated other comprehensive income (loss), until the securities are sold or if the securities are determined to be impaired and the lump-sum cumulative amount of accumulated other comprehensive income (loss) is reflected in current operations. For those securities that are traded in an active market (marketable securities), fair values refer to the quoted market prices, which are measured as the closing price at the balance sheet date. The fair values of non-marketable debt securities are measured at the discounted future cash flows by using the discount rate that appropriately reflects the credit rating of the issuing entity assessed by a publicly reliable independent credit rating agency. If application of such measurement method is not feasible, estimates of the fair values may be made using a reasonable valuation model or quoted market prices of similar debt securities issued by entities conducting similar business in similar industries.



Securities are evaluated at each balance sheet date to determine whether there is any objective evidence of impairment loss. When any such evidence exists, unless there is a clear counter-evidence that recognition of impairment is unnecessary, the Company estimates the recoverable amount of the impaired security and recognizes any impairment loss in current operations. The amount of impairment loss of the held-to-maturity security or non-marketable equity security is measured as the difference between the recoverable amount and the carrying amount.

The recoverable amount of held-to maturity security is the present value of expected future cash flows discounted at the securities' original effective interest rate. For available-for-sale debt or equity security stated at fair value, the amount of impairment loss to be recognized in the current period is determined by subtracting the amount of impairment loss of debt or equity security already recognized in prior period from the amount of amortized cost in excess of the recoverable amount for debt security or the amount of the acquisition cost in excess of the fair value for equity security. For non-marketable equity securities accounted for at acquisition costs, the impairment loss is equal to the difference between the recoverable amount and the carrying amount.

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

#### Reclassification of Securities

When transfers of securities between categories are needed because of changes in an entity's intention and ability to hold those securities, such transfer is accounted for as follows:

Trading securities cannot be reclassified as other categories of securities. However, when those securities can no longer be held for sale in the near-term to generate profits from short-term price differences, the trading securities can be reclassified as available-for-sale or held-to-maturity securities. When those securities are no longer traded in an active market, such securities are reclassified as available-for-sale securities. When trading securities are reclassified to other categories, the fair value (latest market value) as of the date of the reclassification becomes new acquisition cost of the security and the security's unrealized holding gain or loss through the date of the reclassification is recorded in the non-operating income or expenses.

Available-for-sale securities and held-to-maturity securities can be reclassified into each other after fair value recognition. When held-to-maturity security is reclassified into available-for-sale security, the difference between the book value and fair value is reported in accumulated other comprehensive income (loss). Whereas, in case available-for-sale security is reclassified into held-to-maturity securities, the difference is reported in accumulated other comprehensive income (loss) and amortized over the remaining term of the securities using the effective interest method.

#### Investment Securities Using the Equity Method

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

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

Any excess in the Company's acquisition cost over the Company's share of the net fair value of the investee's identifiable net assets is considered as goodwill and amortized by the straight-line method over the estimated useful life. The amortization of such goodwill is recorded against the equity income (losses) of affiliates. When events or circumstances indicate that carrying amount may not be recoverable, the Company reviews goodwill for any impairment.

When the Company's equity interest in the investee increases due to an increase (or decrease) in contributed capital with (or without) consideration, the changes in the Company's proportionate equity in the investee are accounted for as investment difference. If the Company's equity interest decreases, the changes are accounted for as gain (loss) on disposal of the equity method investment securities. However, if the investee is the Company's subsidiary, those changes are accounted for in the capital surplus (capital adjustments).

Under the equity method of accounting, unrealized gains and losses on transactions with an investee are eliminated to the extent of the Company's interest in the investee. However, unrealized gains and losses from a down-stream transaction with a subsidiary are eliminated in their entirety.

When there is objective evidence that the equity method investment securities is impaired and the recoverable amount is lower than the carrying amount of the equity method investment securities, an impairment loss is recognized as loss on impairment of equity method investment securities included in non-operating expense and the unamortized investment difference is first reduced. When the recoverable amount is recovered after the recognition of impairment loss, the reversal of impairment loss is recognized as income up to the previously recorded impairment loss. The book value of the equity method investment securities after the reversal of the impairment loss cannot exceed the book value calculated as if the impairment loss would not be originally recognized. The reversal of the impairment loss recognized against the unamortized investment difference is not allowed.

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

#### Cash and Cash Equivalents

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

#### Financial Instruments

Short-term financial instruments are instruments managed by financial institutions which are held for short-term cash management purposes, maturing within one year, including time deposits, installment savings deposits. Long-term financial instruments are financial instruments not included in current assets.

#### Allowance for Doubtful Accounts

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

#### 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.

#### Convertible Bonds

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

#### Discount (Premium) on Debentures

Discount (premium) on debentures 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.

#### Retirement and Severance Benefits

Employees and directors who have been with the Company for more than one year are entitled to lump-sum payments based on current salary rates and length of service when they leave the Company. The Company's estimated liability under the plan which would be payable if all employees left on the balance sheet date is accrued in the accompanying non-consolidated balance sheets. A portion of the liability is covered by an employee's severance benefits trusts where the employees have a vested interest in the deposit with the insurance company in trust. Therefore, the deposit for severance benefits held in trusts is reflected in the accompanying balance sheets as a reduction of the liability for retirement and severance benefits.

Through March 1999, under the National Pension Scheme of Korea, the Company transferred a certain portion of retirement allowances for employees to the National Pension Fund. The amount transferred reduces the retirement and severance benefit amount payable to employees when they leave the Company and is accordingly reflected in the accompanying non-consolidated financial statements as a reduction of the liability for retirement and severance benefit. However, due to the new regulation effective April 1999, such transfers to the National Pension Fund are no longer required.

#### Reserve for Self-Insurance

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

#### 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 KRW938.20 and KRW1,257.50 to USD1.00, the rate of exchange at December 31, 2007 and 2008, respectively. 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 accumulated other comprehensive income (loss).

#### Derivatives

Derivative instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Changes in the fair value of derivative instruments are recognized immediately in current operations.

Provisions, Contingent Assets and Contingent Liabilities

Provisions are recognized when all of the following are met: (1) an entity has a present obligation as a result of a past event, (2) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and (3) a reliable estimate can be made of the amount of the obligation. Where the effect to the time value of money is material, a provision is recorded at the present value of the expenditures expected to be required to settle the obligation.

Revenue Recognition

The Company recognizes revenue from the sale of electric power based on meter readings made on a monthly basis. Revenue other than sale of electric power 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.

Income Tax

Income tax on income or loss for the period 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.

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 in which the carrying amount of assets and liabilities will be realized or settled, using tax rates enacted or substantially enacted at the balance sheet date.

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.

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 on 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 December 31, 2008, as announced by the Ministry of Land, Transport and Maritime Affairs (formerly the Ministry of Construction and Transportation) is as follows:

Purpose	Won (In millions)	
	Book value	Declared value
Land transmission and distribution sites and other	KRW 3,456,077	KRW 6,262,143

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

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(c) Changes in Property, Plant and Equipment

Changes in property, plant and equipment for the year ended December 31, 2007 are as follows:

	Won (In millions) 2007					Book value as of December 31, 2007
	Book value as of January 1, 2007	Acquisitions	Disposals	Depreciation	Others	
Land	KRW 3,393,138	KRW 191	KRW (5,872)	KRW	KRW 45,166	KRW 3,432,623
Buildings	1,926,716		(1,353)	(158,710)	142,710	1,909,363
Structures	23,363,530	135		(1,030,019)	1,939,312	24,272,958
Machinery	4,754,871	8,938	(674)	(928,392)	1,152,445	4,987,188
Vehicles	19,504			(11,815)	11,128	18,817
Ships	869		(5)	(268)	814	1,410
Others	56,848	219,223	(4)	(37,144)	18,518	257,441
Construction in-progress	2,122,773	4,002,272			(3,859,928)	2,265,117
Construction grants (*)	(4,086,751)	(1,042,175)		343,941	(1,341,791)	(6,126,776)
	KRW 31,551,498	KRW 3,188,584	KRW (7,908)	KRW (1,822,407)	KRW (1,891,626)	KRW 31,018,141

(\*) In compliance with the Rules on Power Transmitting Facilities announced by MOKE, the Company imposes construction costs and maintenance costs of power transmitting facilities to actual users, the Company's six power generation subsidiaries. The Company recorded the amount to be received from the Company's six power generation subsidiaries as long-term other accounts receivable.

Changes in property, plant and equipment for the year ended December 31, 2008 are as follows:

	Won (In millions) 2008					Book value as of December 31, 2008
	Book value as of January 1, 2008	Acquisitions	Disposals	Depreciation	Others	
Land	KRW 3,432,623	KRW	KRW (17,784)	KRW	KRW 41,238	KRW 3,456,077
Buildings	1,909,363		(1,838)	(165,299)	192,721	1,934,947
Structures	24,272,958	333	(5)	(1,076,059)	1,997,014	25,194,241
Machinery	4,987,188	1,921	(558)	(929,528)	1,189,285	5,248,308
Vehicles	18,817			(11,490)	8,873	16,200
Ships	1,410			(498)	808	1,720
Others	257,441	3,524	(2)	(59,648)	47,462	248,777
Construction in-progress	2,265,117	4,305,619			(3,940,790)	2,629,946
Construction grants (*)	(6,126,775)	(1,115,645)		360,353	93,005	(6,789,063)
	KRW 31,018,141	KRW 3,195,752	KRW (20,187)	KRW (1,882,169)	KRW (370,384)	KRW 31,941,153

(d) Capitalized Interest

For the years ended December 31, 2007 and 2008, the amount of capitalized interest was KRW71,998 million and KRW141,783 million, respectively.

The impact on the Company's financial position as of and for the year ended December 31, 2008 if interest and other borrowing costs were expensed instead of being capitalized is as follows:

	Won (In millions)			
	Construction in-progress	Total assets	Interest expense	Income before income tax
Capitalized	KRW 1,800,346	KRW 66,868,175	KRW 752,366	KRW (4,506,231)
Expensed	1,658,563	66,726,392	894,119	(4,648,014)
	KRW 141,783	KRW 141,783	KRW (141,783)	KRW 141,783

4. INTANGIBLE ASSETS

Changes in intangible assets for the year ended December 31, 2007 are as follows:

	Won (In millions)				Book value as of December 31, 2007
	Book value as of January 1, 2007	Acquisitions	Amortization	Others	
Computer software	KRW 127,173	KRW 141	KRW (57,101)	KRW 59,380	KRW 129,593
Others	86,968	33,631	(12,251)	(29,646)	78,702
	KRW 214,141	KRW 33,772	KRW (69,352)	KRW 29,734	KRW 208,295

Changes in intangible assets for the year ended December 31, 2008 are as follows:

	Won (In millions)				Book value as of December 31, 2008
	Book value as of January 1, 2008	Acquisitions	Amortization	Others	
Computer software	KRW 129,593	KRW	KRW (55,705)	KRW 14,449	KRW 88,337
Others	78,702	62,639	(16,424)	(17,303)	107,614
	KRW 208,295	KRW 62,639	KRW (72,129)	KRW (2,854)	KRW 195,951

In addition, the Company expensed research and development costs amounting to KRW216,051 million and KRW209,781 million for the years ended December 31, 2007 and 2008, respectively.

5. INSURED ASSETS

Insured assets as of December 31, 2008 are as follows (Won in millions):

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Insured assets	Insurance type	Insured value	Insurer
Buildings and machinery	Fire insurance	KRW 603,387	Samsung Insurance Co., Ltd. And others
Buildings	General insurance	163,967	Hanwha Non-life Insurance Co., Ltd. And others
Construction in-progress	Construction insurance	14,552	Daehan Fire & Marine Insurance Co., Ltd. And others

KRW 781,906

In addition, as of December 31, 2008, the Company carries marine cargo insurance for inventories, damage insurance for its light water nuclear reactor construction in North Korea, general group insurance for vehicles and others.

6. INVESTMENT SECURITIES OTHER THAN THOSE UNDER THE EQUITY METHOD

(a) Investment securities other than those under the equity method as of December 31, 2007 are summarized as follows:

	Ownership (%)	Won (In millions) 2007			
		Acquisition cost	Unrealized holding gains	Fair value	Book value
Available-for-sale:					
Equity securities:					
Energy Savings Investment Cooperatives (*1 & *2)	48.0	KRW 2,400	KRW	KRW	KRW 2,400
Korea Power Exchange (*3)	50.0	63,920			63,920
Kanglim Co., Ltd. (*4)	0.6	71			208
Hwan Young Steel Co., Ltd. (*1)	0.1	1,091			96
KNOC Nigerian East Oil Co., Ltd. (*1)	15.0	12			12
KNOC Nigerian West Oil Co., Ltd. (*1)	15.0	12			12
Dolphin Property Ltd. (*1)	15.0	12			12
KEPCO Australia Pty Ltd. (*1 & *2)	100.0	6,877			6,877
KEPCO Canada Energy Ltd. (*1 & *2)	100.0	823			823
KEPCO Nigeria Ltd. (*1 & *2)	100.0	76			76
Others (*1)	0.6~10.0	6,216			6,216
		81,510			80,652
Held-to-maturity:					
Government bonds					
		23			23
Total		KRW 81,533	KRW	KRW	KRW 80,675

	Ownership (%)	Won (In millions) 2008			
		Acquisition cost	Unrealized holding gains	Fair value	Book value
Available-for-sale:					
Equity securities:					
Energy Savings Investment Cooperatives (*1 & *2)	48.0	KRW 1,680	KRW	KRW	KRW 1,680
Korea Power Exchange (*3)	50.0	63,920		60,547	60,547
Kanglim Co., Ltd. (*4)	0.6	208		79	79
Hwan Young Steel Co., Ltd. (*1)	0.1	1,091			97
KNOC Nigerian East Oil Co., Ltd. (*1)	15.0	12			12
KNOC Nigerian West Oil Co., Ltd. (*1)	15.0	12			12
Dolphin Property Ltd. (*1)	15.0	12			12
KEPCO Australia Pty Ltd. (*1 & *2)	100.0	15,588			15,588
KEPCO Canada Energy Ltd. (*1 & *2)	100.0	1,215			1,215
KEPCO Nigeria Ltd. (*1 & *2)	100.0	76			76
Sylardus Holdings BV (*1 & *2)	100.0	140			140
KEPCO Middle East Holding Company (*1 & *2)	100.0	807			807
Others	5.6~10.0	6,200			6,200
		KRW 90,961	KRW	KRW	KRW 86,465

(\*1) These available-for-sale non-marketable equity securities are stated at cost due to the lack of information to determine its fair value.

(\*2) As described in Note 2, investment in affiliates in which the Company owns 20% or more of the voting stock is stated at an amount as determined using equity method of accounting. However, as allowed per SKAS No.8, if the difference between the equity method and cost is considered to be immaterial, the Company can record the investment in available-for-sale securities at cost.



- (\*3) Korea Power Exchange operates under certain regulations as a government affiliated organization, electric power market managerial regulations, and the Electricity Enterprises Act. Moreover, considering the purpose of establishment and articles of incorporation of Korea Power Exchange, the Company does not appear to have significant management control. Therefore, the investment is accounted for as available-for-sale at fair value. Accordingly, the Company recorded loss on valuation of KRW3,373 million, which have been accounted for as accumulated other comprehensive income.
- (\*4) The stock of Kanglim Co., Ltd. Was listed on the KOSDAQ and those securities are evaluated at market value (closing price as of current balance sheet date). The company recorded loss on valuation of available-for-sale of KRW129 million, which have been accounted for as accumulated other comprehensive income.

**7. INVESTMENT SECURITIES USING THE EQUITY METHOD**

- (a) Investment securities in affiliated companies accounted for using the equity method as of December 31, 2007 and 2008 are as follows:

Affiliate	Ownership (%)	2007		Book value
		Acquisition cost	Proportionate net asset value	
<b>Listed:</b>				
Korea Gas Corporation (*1&*2)	24.5	KRW 94,500	KRW 938,136	KRW 938,136
KEPCO KPS (formerly Korea Plant Service) (*1, *2 &*9)	80.0	4,800	298,499	286,767
<b>Unlisted:</b>				
Korea Hydro & Nuclear Power Co., Ltd.	100.0	9,364,799	13,645,050	13,650,396
Korea South-East Power Co., Ltd.	100.0	1,232,004	2,089,672	2,096,559
Korea Midland Power Co., Ltd.	100.0	1,325,891	2,572,152	2,574,532
Korea Western Power Co., Ltd.	100.0	1,442,638	2,426,218	2,429,546
Korea Southern Power Co., Ltd.	100.0	1,797,378	2,555,950	2,559,675
Korea East-West Power Co., Ltd.	100.0	2,322,905	2,585,443	2,590,231
Korea Power Engineering Co., Ltd. (*1)	97.9	4,991	218,483	26,895
KEPCO Nuclear Fuel Co., Ltd. (*1)	96.4	89,757	202,665	179,435
Korea Electric Power Industrial Development, Ltd. (*1)	49.0	7,987	29,379	29,379
Korea Electric Power Data Network Co., Ltd. (*1)	100.0	64,000	193,904	169,185
LG Powercomm (*1&*10)	43.1	323,470	393,043	393,043
Korea District Heating Co. (*1)	26.1	5,660	187,502	187,502
KEPCO International Hong Kong Ltd. (*1&*3)	100.0	15,102	261,455	261,455
KEPCO International Philippines Inc. (*1&*3)	100.0	104,832	162,243	162,243
KEPCO China International Ltd. (*1&*4)	100.0	18,852	9,317	9,317
KEPCO Gansu International Ltd. (*1&*5)	100.0	7,168	7,552	7,552
KEPCO Philippines Holdings Inc. (*1&*6)	100.0	202	5,104	5,104
KEPCO Asia International Ltd. (*1)	58.0	1,122	1,079	1,079
KEPCO Lebanon SARL (*1)	100.0	292	1,547	1,547
KEPCO Neimenggu International Ltd. (*1&*7)	100.0	60,950	64,160	64,160
KEPCO Shanxi International Ltd. (*1&*8)	100.0	253,039	244,392	244,392
KEPCO Energy Resource Nigeria Ltd. (*1)	30.0	7,824	7,625	7,625
		KRW 18,550,163	KRW 29,100,570	KRW 28,875,755

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Affiliate	Ownership (%)	Won (In millions)		Proportionate net asset value	Book value
		Acquisition cost	2008		
<b>Listed:</b>					
Korea Gas Corporation (*1 & *2)	24.5	KRW	94,500	KRW 1,022,928	KRW 1,022,928
KEPCO KPS (formerly Korea Plant Service) (*1 & *2)	80.0		4,800	328,230	297,937
LG Powercomm (*1, *2 & *9)	38.8		323,470	384,901	384,901
<b>Unlisted:</b>					
Korea Hydro & Nuclear Power Co., Ltd.	100.0		9,364,799	13,525,846	13,531,518
Korea South-East Power Co., Ltd.	100.0		1,232,004	1,982,429	1,989,891
Korea Midland Power Co., Ltd.	100.0		1,325,891	2,434,934	2,437,994
Korea Western Power Co., Ltd.	100.0		1,442,638	2,272,254	2,276,092
Korea Southern Power Co., Ltd.	100.0		1,797,378	2,329,311	2,334,054
Korea East-West Power Co., Ltd.	100.0		2,322,905	2,389,600	2,395,545
Korea Power Engineering Co., Ltd. (*1)	97.9		4,991	240,194	48,538
KEPCO Nuclear Fuel Co., Ltd. (*1)	96.4		89,757	198,366	177,612
Korea Electric Power Industrial Development, Ltd. (*1)	49.0		7,987	28,717	28,717
Korea Electric Power Data Network Co., Ltd. (*1)	100.0		64,000	214,404	178,819
Korea District Heating Co. (*1)	26.1		5,660	186,446	186,446
KEPCO International Hong Kong Ltd. (*1 & *3)	100.0		15,102	382,410	382,410
KEPCO International Philippines Inc. (*1 & *3)	100.0		104,832	238,099	238,099
KEPCO Gansu International Ltd. (*1 & *5)	100.0		11,268	14,249	14,249
KEPCO Philippines Holdings Inc. (*1 & *6)	100.0		15,926	20,032	20,032
KEPCO Asia International Ltd. (*1)	58.0		1,137	1,447	1,447
KEPCO Lebanon SARL (*1)	51.0		149	830	830
KEPCO Neimenggu International Ltd. (*1 & *7)	100.0		72,189	101,301	101,301
KEPCO Shanxi International Ltd. (*1 & *8)	100.0		253,040	353,810	353,810
KEPCO Energy Resource Nigeria Ltd. (*1)	30.0		8,463	8,646	8,646
			KRW 18,562,886	KRW 28,659,384	KRW 28,411,816

- (\*1) The Company used unaudited financial results of the above affiliated companies when applying the equity method of accounting. In subsequent periods, the Company adjusts the difference between the unaudited and audited results. Historically, the differences have been immaterial.
- (\*2) The quoted market value (based on closing Korea Stock Exchange Price) of Korea Gas Corporation, KEPCO KPS and LG Powercomm as of December 31, 2008 was KRW1,086,750 million (KRW 1,224,720 million in 2007), KRW900,000 million (KRW232,560 million in 2007) and KRW336,409 million, respectively.

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

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

- (\*4) In 2008, the Company disposed shares of KEPCO China International Ltd. And recorded KRW9,222 million as loss on disposal of investment in other income (expense).
- (\*5) As KEPCO Gansu International Ltd. Owns 40.0% of the shares of Gansu Datang Yumen Wind Power Co., Ltd., the Company accounts for the equity income from KEPCO Gansu International Ltd. Including the changes in the net equity of Gansu Datang Yumen Wind Power Co., Ltd.
- (\*6) As KEPCO Philippines Holdings Inc. owns 40.0% of the shares of SPC Power Corporation, the Company accounts for the equity income from KEPCO Philippines Holdings Inc. including the changes in the net equity of SPC Power Corporation.
- (\*7) As KEPCO Neimenggu International Ltd. Owns 40.0% of the shares of Datang Chifeng Renewable Co., Ltd., the Company accounts for the equity income from KEPCO Neimenggu International Ltd. Including the changes in the net equity of Datang Chifeng Renewable Co., Ltd.
- (\*8) As KEPCO Shanxi International Ltd. Owns 34.0% of the shares of Gemeng International Energy Group Co., Ltd., the Company accounts for the equity income from KEPCO Shanxi International Ltd. Including the changes in the net equity of Gemeng International Energy Group Co., Ltd.
- (\*9) LG Powercomm issued new stocks in the current year and investment difference on equity securities of KRW10,466 million was recorded as loss on disposal of investments in other income (expense).

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- (b) The Company eliminated unrealized gains from transactions with its affiliates and bad debt expense for receivables from its subsidiaries for the years ended December 31, 2007 and 2008 as follows:

Affiliate	Won (In millions) 2007					Total
	Property, plant and equipment	Intangible assets	Trade receivables	Allowance for doubtful accounts		
Korea Hydro & Nuclear Power Co., Ltd.	KRW (1,889)	KRW	KRW	KRW 7,236	KRW	5,347
Korea South-East Power Co., Ltd.				6,887		6,887
Korea Midland Power Co., Ltd.				2,381		2,381
Korea Western Power Co., Ltd.				3,328		3,328
Korea Southern Power Co., Ltd.				3,724		3,724
Korea East-West Power Co., Ltd.				4,787		4,787
Korea Power Engineering Co., Ltd.	(191,602)			14		(191,588)
KEPCO KPS (formerly Korea Plant Service)			(12,199)	466		(11,733)
KEPCO Nuclear Fuel Co., Ltd.	(23,232)			2		(23,230)
Korea Electric Power Data Network Co., Ltd.	(13,324)	(11,670)		275		(24,719)
	KRW (230,047)	KRW (11,670)	KRW (12,199)	KRW 29,100		KRW (224,816)

Affiliate	Won (In millions) 2008					Total
	Property, plant and equipment	Intangible assets	Trade receivables	Allowance for doubtful accounts		
Korea Hydro & Nuclear Power Co., Ltd.	KRW (1,889)	KRW	KRW	KRW 7,561	KRW	5,672
Korea South-East Power Co., Ltd.				7,462		7,462
Korea Midland Power Co., Ltd.				3,060		3,060
Korea Western Power Co., Ltd.				3,838		3,838
Korea Southern Power Co., Ltd.				4,743		4,743
Korea East-West Power Co., Ltd.				5,945		5,945
Korea Power Engineering Co., Ltd.	(191,608)	(66)		18		(191,656)
KEPCO KPS (formerly Korea Plant Service)	(1,088)		(29,734)	529		(30,293)
KEPCO Nuclear Fuel Co., Ltd.	(20,755)			1		(20,754)
Korea Electric Power Data Network Co., Ltd.	(26,536)	(9,447)		398		(35,585)
	KRW (241,876)	KRW (9,513)	KRW (29,734)	KRW 33,555		KRW (247,568)

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(c) Changes in investments in affiliated companies under the equity method for the years ended December 31, 2007 and 2008 were as follows:

Affiliate	Won (In millions) 2007				
	Book value as of January 1, 2007	Equity income (loss)	Other comprehensive income (loss)	Others (*)	Book value as of December 31, 2007
Korea Gas Corporation	KRW 860,213	KRW 90,741	KRW 7,972	KRW (20,790)	KRW 938,136
KEPCO KPS (formerly Korea Plant Service)	304,587	72,041		(89,861)	286,767
Korea Hydro & Nuclear Power Co., Ltd.	13,251,529	788,799		(389,932)	13,650,396
Korea South-East Power Co., Ltd.	2,034,810	89,032	(1,066)	(26,217)	2,096,559
Korea Midland Power Co., Ltd.	2,425,990	193,480	8,870	(53,808)	2,574,532
Korea Western Power Co., Ltd.	2,303,488	176,366	943	(51,251)	2,429,546
Korea Southern Power Co., Ltd.	2,392,156	228,106	5,866	(66,453)	2,559,675
Korea East-West Power Co., Ltd.	2,568,814	36,920	2,080	(17,583)	2,590,231
Korea Power Engineering Co., Inc.	41,114	(10,514)		(3,705)	26,895
KEPCO Nuclear Fuel Co., Ltd.	167,849	13,899		(2,313)	179,435
Korea Electric Power Industrial Development, Ltd.	48,238	6,142	(11)	(24,990)	29,379
Korea Electric Power Data Network Co., Ltd.	143,321	28,012	51	(2,199)	169,185
LG Powercomm	382,036	11,007			393,043
Korea District Heating Co.	184,074	4,839	(992)	(419)	187,502
KEPCO International Hong Kong Ltd.	242,060	17,185	32,282	(30,072)	261,455
KEPCO International Philippines Inc.	159,809	27,666	1,837	(27,069)	162,243
KEPCO China International Ltd.	15,504	(6,920)	733		9,317
KEPCO Gansu International Ltd.	5,820	(29)	1,738	23	7,552
KEPCO Philippines Holdings Inc.	2,634	(552)	4,029	(1,007)	5,104
KEPCO Asia International Ltd.	815	(2)	7	259	1,079
KEPCO Lebanon SARL	658	877	12		1,547
KEPCO Neimenggu International Ltd.	18,062	1,032	2,211	42,855	64,160
KEPCO Shanxi International Ltd.		(1,301)	(7,346)	253,039	244,392
KEPCO Energy Resource Nigeria Ltd.		(887)	688	7,824	7,625
	KRW 27,553,581	KRW 1,765,939	KRW 59,904	KRW (503,669)	KRW 28,875,755

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Affiliate	Book value		Won (In millions) 2008			Book value	
	as of January 1, 2008	Equity income (loss)	Other comprehensive income (loss)	Others (*)	as of December 31, 2008		
Korea Gas Corporation	KRW 938,136	KRW 108,192	KRW 3,060	KRW (26,460)	KRW 1,022,928		
KEPCO KPS (formerly Korea Plant Service)	286,767	36,370		(25,200)	297,937		
LG Powercomm	393,043	2,324		(10,466)	384,901		
Korea Hydro & Nuclear Power Co., Ltd.	13,650,396	352,598	(752)	(470,724)	13,531,518		
Korea South-East Power Co., Ltd.	2,096,559	(138,914)	40,563	(8,317)	1,989,891		
Korea Midland Power Co., Ltd.	2,574,533	(103,294)	43,781	(77,026)	2,437,994		
Korea Western Power Co., Ltd.	2,429,546	(102,907)	19,360	(69,907)	2,276,092		
Korea Southern Power Co., Ltd.	2,559,675	(154,448)	19,386	(90,559)	2,334,054		
Korea East-West Power Co., Ltd.	2,590,230	(195,450)	14,291	(13,526)	2,395,545		
Korea Power Engineering Co., Inc.	26,895	26,828		(5,185)	48,538		
KEPCO Nuclear Fuel Co., Ltd.	179,435	3,381		(5,204)	177,612		
Korea Electric Power Industrial Development, Ltd.	29,379	4,728		(5,390)	28,717		
Korea Electric Power Data Network Co., Ltd.	169,185	15,958	(124)	(6,200)	178,819		
Korea District Heating Co. KEPCO International Hong Kong Ltd.	187,502	2,366	(3,083)	(339)	186,446		
KEPCO International Philippines Inc.	261,455	74,228	49,240	(2,513)	382,410		
KEPCO China International Ltd.	162,242	36,300	58,603	(19,046)	238,099		
KEPCO Gansu International Ltd.	9,317		(94)	(9,223)			
KEPCO Philippines Holdings Inc.	7,552	(291)	2,889	4,099	14,249		
KEPCO Asia International Ltd.	5,104	1,348	(2,144)	15,724	20,032		
KEPCO Lebanon SARL	1,079	(8)	362	14	1,447		
KEPCO Neimenggu International Ltd.	1,547	(570)	187	(334)	830		
KEPCO Shanxi International Ltd.	64,161	6,054	20,922	10,164	101,301		
KEPCO Energy Resource Nigeria Ltd.	244,392	(39,759)	149,177		353,810		
	7,625	22	360	639	8,646		
	KRW 28,875,755	KRW (64,944)	KRW 415,984	KRW (814,979)	KRW 28,411,816		

(\*) Others represent dividends from the affiliates, additions to the investments and disposal of the investments.

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- (d) Total assets, total liabilities, sales and net income (loss) of affiliated companies as of and for the year ended December 31, 2008 are as follows:

Affiliate	Won (In millions)			
	Total assets	Total liabilities	Sales	Net income (loss)
Korea Hydro & Nuclear Power Co., Ltd.	KRW 24,169,763	KRW 10,643,917	KRW 5,802,350	KRW 352,273
Korea South-East Power Co., Ltd.	5,472,277	3,489,848	3,043,377	(139,489)
Korea Midland Power Co., Ltd.	5,488,529	3,053,595	3,589,759	(98,828)
Korea Western Power Co., Ltd.	4,198,514	1,926,260	3,700,329	(103,418)
Korea Southern Power Co., Ltd.	4,676,031	2,346,720	4,614,940	(155,466)
Korea East-West Power Co., Ltd.	4,715,205	2,325,605	3,996,041	(196,608)
Korea Power Engineering Co., Inc.	353,145	107,898	347,292	27,462
KEPCO KPS (formerly Korea Plant Service)	551,942	141,655	763,873	68,663
KEPCO Nuclear Fuel Co., Ltd.	322,371	116,504	139,803	938
Korea Electric Power Industrial Development, Ltd.	128,479	69,873	261,090	12,833
Korea Electric Power Data Network Co., Ltd.	312,203	97,799	409,583	26,824
LG Powercomm	1,937,073	944,983	1,273,769	5,991
Korea Gas Corporation	20,807,767	16,624,885	23,324,594	435,153
Korea District Heating Co.	2,382,031	1,666,926	1,189,916	9,072
KEPCO International Hong Kong Ltd.	382,410		63,589	74,228
KEPCO International Philippines Inc.	240,385	2,286	38,191	36,300
KEPCO Gansu International Ltd.	14,259	10		(290)
KEPCO Philippines Holdings Inc.	50,839	30,807	4,181	1,348
KEPCO Asia International Ltd.	2,495			(14)
KEPCO Lebanon SARL	11,025	9,397	19,314	(275)
KEPCO Neimenggu International Ltd.	101,311	10	5,838	6,054
KEPCO Shanxi International Ltd.	593,194	239,384		(39,760)
KEPCO Energy Resource Nigeria Ltd.	57,463	28,642	3,663	74

8. LOANS TO EMPLOYEES

The Company has provided housing and tuition loans to employees as of December 31, 2007 and 2008 as follows:

	Won (In millions)	
	2007	2008
Current portion of long-term loans (Note 12)	KRW 13,718	KRW 18,264
Long-term loans	212,199	226,439
	KRW 225,917	KRW 244,703

9. OTHER NON-CURRENT ASSETS

Other non-current assets as of December 31, 2007 and 2008 are summarized as follows:

	Won (In millions)	
	2007	2008
Deposits	KRW 75,128	KRW 83,584
Transferred equipments from KEDO	93,971	93,625
Others	95,274	124,772

KRW 264,373

KRW 301,981



**10. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents as of December 31, 2007 and 2008 are summarized as follows:

	Won (In millions)	
	2007	2008
Cash on hand	KRW 1,624	KRW 1,054
Passbook accounts (*)	187,722	218,168
	KRW 189,346	KRW 219,222

(\*) Passbook accounts restricted in use for expenditures for certain business purposes are KRW75,023 million and KRW88,835 million as of December 31, 2007 and 2008, respectively.

**11. INVENTORIES**

Inventories as of December 31, 2007 and 2008 are summarized as follows:

	Won (In millions)	
	2007	2008
Raw materials	KRW 5,226	KRW 5,898
Supplies	217,215	214,746
Other	2,994	6,212
	KRW 225,435	KRW 226,856

**12. OTHER CURRENT ASSETS**

Other current assets as of December 31, 2007 and 2008 are summarized as follows:

	Won (In millions)	
	2007	2008
Current portion of long-term loans	KRW 13,718	KRW 18,264
Accrued income	6,693	9,645
Advanced payments	2,339	4,155
Prepaid expenses	4,639	5,957
Other current assets	78,712	19,601
	KRW 106,101	KRW 57,622

**13. COMMON STOCK AND SURPLUS****(a) Common Stock**

The Company has authorized 1,200,000,000 shares of KRW5,000 par value, of which 641,567,712 shares are issued and outstanding as of December 31, 2008.



(b) Capital Surplus

Capital surplus as of December 31, 2007 and 2008 are as follows:

	Won (In millions)	
	2007	2008
Paid-in capital in excess of par value	KRW 835,139	KRW 835,139
Reserves for asset revaluation	12,552,973	12,552,973
Others	1,167,778	1,168,073
	KRW 14,555,890	KRW 14,556,185

The Company revalued its property, plant and equipment in accordance with the KEPCO Act and the previous 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.

14. CAPITAL ADJUSTMENTS

Capital adjustments as of December 31, 2007 and 2008 are as follows:

	Won (In millions)	
	2007	2008
Treasury stock	KRW (741,825)	KRW (741,489)

The Company has treasury stock amounting to KRW 741,825 million (18,948,627 shares) and KRW 741,489 million (18,929,995 shares) as of December 31, 2007 and 2008, respectively, for the purpose of stock price stabilization.

15. ACCUMULATED OTHER COMPREHENSIVE INCOME

Accumulated other comprehensive income as of December 31, 2007 and 2008 are as follows:

	Won (In millions)	
	2007	2008
Gain on valuation of available-for-sale securities, net	KRW	KRW (3,501)
Unrealized equity gain of affiliates	143,553	413,179
Unrealized equity loss of affiliates	(63,889)	(3,005)
	KRW 79,664	KRW 406,673

16. APPROPRIATED RETAINED EARNINGS

Appropriated retained earnings as of December 31, 2007 and 2008 are summarized as follows:

	Won (In millions)	
	2007	2008
<b>Involuntary:</b>		
Legal reserve	KRW 1,603,919	KRW 1,603,919
<b>Voluntary:</b>		
Reserve for investment on social overhead capital	5,277,449	5,277,449
Reserve for research and human development	330,000	330,000
Reserve for business rationalization	31,900	31,900
Reserve for business expansion	17,919,081	19,008,932
Reserve for dividend equalization	210,000	210,000
	23,768,430	24,858,281
	KRW 25,372,349	KRW 26,462,200

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

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

Until December 10, 2002 under the Special Tax Treatment Control Law (the Law ), investment tax credit was allowed for certain investments. The Company was, however, required to appropriate from retained earnings the amount of tax benefits received and transfer such amount into a reserve for business rationalization. Effective December 11, 2002, the Company is no longer required to establish a reserve for business rationalization despite the tax benefits received for certain investments and consequently, the existing balance is now regarded as a voluntary reserve. The reserve for dividend equalization, which is considered a voluntary reserve, is appropriated by the Company to reduce fluctuation of dividend rates for the purpose of stabilizing the Company's stock price and credit rating.

**17. DIVIDENDS**

Details of dividends for the years ended December 31, 2007 and 2008 are as follows:

	Won (In millions)	
	2007	2008
Outstanding shares of common stock	KRW 622,619,085	KRW 622,637,757
Par value per share in Won	5,000	5,000
Dividend rate	15.0%	
Dividend per share in Won	750	
Dividend amount	466,964	
Net income	1,556,815	(2,952,468)
Dividends as a percentage of net income	30.0%	
Dividends per share in Won	750	
Price per share in Won	39,650	29,600
Dividend yield	1.9%	

**18. LONG-TERM DEBT**

Long-term borrowings as of December 31, 2007 and 2008 are as follows:

**(a) Long-term Borrowings**

Lender	Type	Maturity	Annual interest rate (%)	Won (In millions)	
				2007	2008
Local Currency:					
Korea Development Bank	Industrial facility	2009~2012	5.26~6.87	KRW 4,652,500	KRW 3,323,333
NongHyup	Industrial facility	2011	5.88	121,875	84,375
Mizuho Corporate Bank	Industrial facility	2009	4.82~5.29	650,000	650,000
Korea Exchange Bank	Industrial facility	2010~2011	5.17~6.66	300,000	800,000
Woori Bank	Industrial facility	2010	5.79		100,000
Korea Resources Corporation	Overseas business	2022~2023	3.25	4,971	9,714
Others	Industrial facility	2009~2043	0.5~2	57,421	56,435
				5,786,767	5,023,857
Foreign Currency:					
Korea National Oil Corporation	Oil development business	2021~2022	3 year treasury notes 3.00	7,945	11,046
				5,794,712	5,034,903
Less: Current portion				(1,469,502)	(2,091,307)
Long-term borrowing, net				KRW 4,325,210	KRW 2,943,596



(b) Debentures

Type	Maturity	Annual interest rate (%)	Won (In millions)	
			2007	2008
Local currency (Electricity bonds)				
	2008	3.43~5.29	KRW 1,950,000	KRW 320,000
	2009	3.61~5.4	1,310,000	1,380,000
	2010	4.14~6.57	1,440,000	1,370,000
	2011	4.98~5.08	140,000	1,670,000
	2012	4.77~6.7	910,000	1,820,000
	2013	4.90	120,000	1,430,000
	2014			2,060,000
			5,870,000	10,050,000
Foreign currency				
	2008 (*)	2.00	59,425	
	2010	3.31	345,315	444,055
	2011	3M USD Libor+1.5~1.8		431,642
	2013	7.75	328,370	440,125
	2018	4.19		278,778
	2026	6.00	66,091	88,585
	2027	6.75~7.00	295,267	395,757
	2034	5.13	281,460	377,250
	2096	8.28	174,295	232,041
			1,550,223	2,688,233
			7,420,223	12,738,233
Less: Current portion, net of discount of KRW1,448 million in 2007 and KRW227 million in 2008			(2,009,149)	(1,381,272)
Discount on debentures issued			(10,606)	(15,870)
Debentures, net			KRW 5,400,468	KRW 11,341,091

 (c) Exchangeable Bonds

Description	Annual interest rate (%)	Won (In millions)	
		2007	2008
Overseas exchangeable bonds	0.00	KRW 1,343	KRW
Overseas exchangeable bonds (*1)	0.00	485,682	485,682
Overseas exchangeable bonds (*1)	0.00	555,114	555,114
		1,042,139	1,040,796
Less: Current portion, net of premium of KRW18 in 2007 and nil million in 2008 and net of conversion right adjustment of KRW38 in 2007 and nil million in 2008			(1,323)
Plus: Premium on debentures issued			18
Less: Discount on debentures issued			(65,601)
			(49,729)

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Conversion right adjustment	(51,928)	(39,123)
Exchangeable bonds, net	KRW 923,305	KRW 951,944

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(\*1) On November 21, 2006, the Company issued overseas exchangeable bonds of JPY61,345,128,000 and EUR463,320,780 with a discount value (JPY60,810,000,000 and EUR401,700,000). The main terms of the bonds are as follows:

Maturity date: November 23, 2011

Amount to be paid at maturity: JPY61,345,128,000 and EUR463,320,780

Exchange period: From January 4, 2007 to 10<sup>th</sup> day prior to its maturity

Shares to be exchanged: Common stock of the Company or its equivalent DR

Exchange price: KRW51,000 per share

Put option: Bondholders have a put option that they can exercise for JPY61,132,293,000 and EUR437,612,000 on November 23, 2009.



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(d) Foreign currency debt as of December 31, 2007 and 2008 is as follows:

	2007		2008	
	Foreign currencies (In thousands)	Won equivalent (In millions)	Foreign currencies (In thousands)	Won equivalent (In millions)
Short-term borrowings	JPY 24,000,000	KRW 199,999	JPY	KRW
Long-term borrowings	USD 8,469	7,945	USD 8,784	11,046
Debtentures	USD 1,284,277	1,204,908	USD 1,529,688	1,923,583
	JPY		JPY 23,000,000	320,595
	EUR 250,000	345,315	EUR 250,000	444,055
		1,550,223		2,688,233
Exchangeable bonds	JPY 61,470,773	487,025	JPY 61,345,128	485,682
	EUR 463,321	555,114	EUR 463,321	555,114
		1,042,139		1,040,796
		KRW 2,800,307		KRW 3,740,075

(e) Aggregate maturities of the Company's long-term debt as of December 31, 2008 are as follows:

Period ended	Won (In millions)					
	Local currency borrowings	Foreign currency borrowings	Electricity bonds	Foreign debentures	Exchangeable bonds	Total
December 31						
2009	KRW 2,091,307	KRW	KRW 1,380,000	KRW 1,498	KRW	KRW 3,472,805
2010	1,728,331		1,510,000	445,454		3,683,785
2011	932,639		1,670,000	432,920	1,040,796	4,076,355
2012	214,523		1,820,000	1,120		2,035,643
2013	3,417		1,610,000	441,054		2,054,471
Thereafter	53,640	11,046	2,060,000	1,366,187		3,490,873
	KRW 5,023,857	KRW 11,046	KRW 10,050,000	KRW 2,688,233	KRW 1,040,796	KRW 18,813,932

19. SHORT-TERM BORROWINGS

Short-term borrowings as of December 31, 2007 and 2008 are as follows:

Lender	Type	Annual interest rate (%)	Won (In millions)	
			2007	2008
Local currency:				
Woori Bank and Others	CP	variable	KRW 290,000	KRW 300,000
SMBC	Loan	3M Libor + 0.436	199,999	
			KRW 489,999	KRW 300,000

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The Company entered into short-term credit facilities with four banks including Woori Bank with total commitment up to KRW2,080,000 million.

20. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

Major assets and liabilities, except mentioned in Note 18(d), denominated in foreign currencies as of December 31, 2007 and 2008 are as follows:

	2007		2008	
	Foreign currencies (In thousands)	Won Equivalent (In millions)	Foreign currencies (In thousands)	Won equivalent (In millions)
Cash and cash equivalents	USD 498	KRW 467	USD 9,059	KRW 11,392
	EUR		EUR 2	4
Trade receivables	USD 1,751	1,643	USD 1,791	2,252
Short-term loans	USD 705	661	USD	
Long-term other accounts receivable	USD 1,174	1,100	USD	
	USD 213	200	USD 174	219
Other non-current assets	JPY 13,428	112	JPY 13,428	187
	EUR 22	30	EUR 30	54
		KRW 4,213		KRW 14,108
Other accounts payable	USD 482	KRW 452	USD 248	KRW 312

21. RETIREMENT AND SEVERANCE BENEFITS

Changes in retirement and severance benefits for the years ended December 31, 2007 and 2008 are summarized as follows:

	Won (In millions)	
	2007	2008
Estimated severance accrual at beginning of year	KRW 657,355	KRW 790,116
Provision for retirement and severance benefits	162,531	227,064
Payments	(29,770)	(37,884)
Estimated severance accrual at end of year	790,116	979,296
Less: Deposit for severance benefit insurance	(100,225)	(101,886)
Transfer to National Pension Fund	(91)	(91)
Net balance at end of year	KRW 689,800	KRW 877,319

The Company entered into severance benefit trust arrangements with Samsung Life Insurance Co., Ltd. And other insurance companies, for which the deposits account for 12.68% and 10.40% of the total retirement and severance benefits as of December 31, 2007 and 2008, respectively. Severance benefit insurance deposit payable to employees in trust at insurance companies amounting to KRW100,225 million and KRW101,886 million as of December 31, 2007 and 2008, respectively, are presented as a deduction from the accrual for retirement and severance benefits.

**22. OTHER PROVISIONS**

(a) Changes in reserve for self insurance for the years ended December 31, 2007 and 2008 are as follows.

	Won (In millions)	
	2007	2008
Balance at beginning of year	KRW 103,942	KRW 109,273
Accretion of provisions	7,191	7,180
Payment of provisions	(1,860)	(1,185)
Balance at end of year	KRW 109,273	KRW 115,268

(b) Changes in other provisions for the years ended December 31, 2007 and 2008 are as follows

	Won (In millions)		
	2007		Total
	Provision for transformer (*)	Provision for litigation	
Balance at beginning of year	KRW	KRW 50,641	KRW 50,641
Accretion of provisions	21,938	11,516	33,454
Liability incurred	200,547		200,547
Payment		(29,248)	(29,248)
Return of provisions		(1,321)	(1,321)
Others		(11,854)	(11,854)
Balance at end of year	KRW 222,485	KRW 19,734	KRW 242,219

	Won (In millions)		
	2008		Total
	Provision for transformer (*)	Provision for litigation	
Balance at beginning of year	KRW 222,485	KRW 19,734	KRW 242,219
Accretion of provisions	13,016	2,136	15,152
Payment	(11,536)	(1,764)	(13,300)
Return of provisions		(53,149)	(53,149)
Others	25,982	51,851	77,833
Balance at end of year	KRW 249,947	KRW 18,808	KRW 268,755

(\*) Under the new regulation of Persistent Organic Pollutants Management Act, enacted in 2007, the Company is required to remove polychlorinated biphenyls (PCBs), a toxin, from the insulating oil of its transformers by 2015. As a result of the enactment, the Company is required to inspect the PCBs contents of transformers and dispose of PCBs in excess of safety standards under the legally settled procedures.

**23. OTHER CURRENT LIABILITIES**

Other current liabilities as of December 31, 2007 and 2008 are summarized as follows:

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	Won (In millions)			
	2007		2008	
Advances received	KRW	578	KRW	3,140
Withholdings		158,728		147,449
Unearned revenue		58,613		83,020
Accrued expenses		144,019		196,614
Others		243,740		278,443
	KRW	605,678	KRW	708,666

24. DERIVATIVE INSTRUMENTS TRANSACTIONS

The Company has entered into various swap contracts to hedge risks involving foreign currency exchange rate and interest rate of long-term debentures. However, the Company does not apply hedge accounting and these contracts are recorded at the fair value with subsequent changes in fair value recorded in current income.

(a) Currency swap contracts as of December 31, 2008 are as follows:

	Contract year	Settlement year	Contract amounts in millions		Contract interest rate per annum (%)	
			Pay	Receive	Pay	Receive
Barclays	2008	2013	KRW 187,020	USD 200	7.5	7.8
Credit Suisse	2008	2013	KRW 140,265	USD 150	7.4	7.8
Deutsche Bank	2008	2010	KRW 172,959	EUR 125	2.5	3.1
Merrill Lynch	2008	2010	KRW 86,479	EUR 62.5	2.5	3.1
UBS	2008	2010	KRW 86,479	EUR 62.5	2.5	3.1
ANZ	2008	2011	KRW 52,025	USD 50	5.2	3M USD Libor + 1.80
DBS	2008	2011	KRW 51,730	USD 50	5.8	3M USD Libor + 1.70
Woori Investment & Securities	2008	2011	KRW 10,346	USD 10	5.8	3M USD Libor + 1.70
Mizuho	2008	2011	KRW 28,860	JPY 3,000	5.8	3M JPY Libor + 1.70
ING	2008	2011	KRW 50,495	USD 50	6.2	6M USD Libor + 1.50
Calyon	2008	2011	KRW 52,375	USD 50	5.9	6M USD Libor + 1.80
BNP Paribas	2008	2011	KRW 52,375	USD 50	5.9	6M USD Libor + 1.80
DBS	2008	2011	KRW 52,375	USD 50	6.0	6M USD Libor + 1.80

(b) Interest swap contracts as of December 31, 2008 are as follows:

	Notional amount in millions (Won)	Contract interest rate per annum		Term
		Pay (%)	Receive (%)	
Korea Exchange Bank	KRW 50,000	5.19	3M CD+0.22	2007~2010
	50,000	5.42	3M CD+0.21	2007~2010
	100,000	5.42	3M CD+0.22	2007~2010
	100,000	5.54	3M CD+0.27	2007~2010
	100,000	5.30	3M CD+0.35	2008~2011
Korea Development Bank	100,000	5.17	3M CD+0.38	2008~2011
	100,000	6.32	3M CD+0.66	2008~2011

(c) Valuation and transaction gains and losses on swap contracts recorded as other income or expense for the years ended December 31, 2007 and 2008 are as follows:

	Won (In millions)	
	2007	2008
Valuation:		
Currency swaps:		
Gains	KRW	KRW 303,270
Losses		
Interest rate swaps:		
Gains	2,594	
Losses		(23,891)
	KRW 2,594	KRW 279,379

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Transaction:		
Derivatives:		
Gains	22,892	5,403
Losses	(13,300)	(158,542)
	KRW 9,592	KRW (153,139)

25. POWER, TRANSMISSION AND DISTRIBUTION COSTS

Power, transmission and distribution costs for the years ended December 31, 2007 and 2008 are as follows:

	Won (In millions)	
	2007	2008
<b>Material expenses:</b>		
Oil	KRW 35,734	KRW 46,782
<b>Labor expenses:</b>		
Salaries	829,573	877,111
Severance and retirement benefits	105,092	140,816
	934,665	1,017,927
<b>Overhead expenses:</b>		
Employee benefits	83,425	87,463
Rent	35,199	59,482
Depreciation	1,840,756	1,898,760
Maintenance	933,952	834,371
Commission and consultation fees	132,284	131,129
Development expense	180,328	179,020
Property, plant and equipment removal costs	304,617	303,172
Others	164,487	146,368
	3,675,048	3,639,765
	KRW 4,645,447	KRW 4,704,474

26. SELLING AND ADMINISTRATIVE EXPENSES

Details of selling and administrative expenses for the years ended December 31, 2007 and 2008 are summarized as follows:

	Won (In millions)	
	2007	2008
Labor	KRW 437,770	KRW 495,111
Employee benefits	53,240	55,937
Sales commission-others	412,696	432,026
Communication fees	29,565	31,447
Depreciation and amortization	42,246	47,518
Rent	13,265	14,321
Commission and consultation fees	65,023	69,186
Maintenance	12,461	16,623
Development expense	35,608	30,761
Others	138,716	116,930
	KRW 1,240,590	KRW 1,309,860



27. INCOME TAX

- (a) The components of income tax expense (benefits) for the years ended December 31, 2007 and 2008 are summarized as follows:

	Won (In millions)	
	2007	2008
Current income tax expense	KRW 179,205	KRW 21,952
Changes in deferred income tax, adjustment	186,237	(1,490,194)
Income tax recorded in capital	(38,482)	(85,521)
Income tax expense (benefits)	KRW 326,960	KRW (1,553,763)

- (b) The income tax calculated using statutory tax rates differs from the income tax in the income statement for the years ended December 31, 2007 and 2008 for the following reasons:

	Won (In millions)	
	2007	2008
Income (loss) before income tax	KRW 1,883,775	KRW (4,506,231)
Tax effect	518,038	(1,239,214)
Adjustment:		
Change in tax rate		(195,521)
Permanent differences	(179,235)	(168,597)
Unrecognized deferred income tax	(140,148)	27,554
Tax credit	(924)	
Other, net	129,229	22,015
Income tax expense (benefits)	KRW 326,960	KRW (1,553,763)
Effective tax rate	17.4%	34.5%

- (c) Changes in temporary differences and deferred income tax assets (liabilities) for the years ended December 31, 2008 are as follows:

	Won (In millions)			Book value as of December 31, 2008
	Book value as of January 1, 2008	Adjustment	Increase (Decrease)	
Deferred foreign exchange translation gain	KRW (62,506)	KRW	KRW 4,985	KRW (57,521)
Gain on valuation of derivatives	(2,594)			(2,594)
Reserve for social overhead capital investment	(178,899)		62,445	(116,454)
Reserve for research and human resource development	(145,319)		45,080	(100,239)
	(10,216,308)		834,654	(9,381,654)

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Equity income of affiliates				
Accumulated other comprehensive income	(109,881)		(415,983)	(525,864)
Accrual for retirement and severance benefits	513,485		154,590	668,075
Deferred foreign exchange translation loss	26,690		(2,289)	24,401
Loss on valuation of derivatives			23,890	23,890
Other, net	1,201,000	260,579	1,233,891	2,695,470
	(8,974,332)	260,579	1,941,263	(6,772,490)
Deferred income tax (liabilities)	(2,262,105)	70,107	818,612	(1,373,386)
Operating loss carry forwards			671,582	671,582
Deferred income tax (liabilities)	KRW (2,262,105)	KRW 70,107	KRW 1,490,194	KRW (701,804)

- (\*1) These changes include adjustments for prior year tax return.  
 (\*2) The deferred tax assets are realizable because taxable income of the Company in future years which is expected to result from the unfulfilled existing contracts will exceed the deductible temporary differences, operating loss carryforwards and tax credit carryforwards.

(d) Deferred income tax assets (liabilities) directly charged to shareholders' equity as of December 31, 2008 are as follows:

	Won (In millions)		
	2008		Net of tax
	Gross	Tax effect	
Gain on disposal of treasury stock	KRW 259	KRW 71	KRW 188
Conversion right	(84)	(23)	(61)
Equity gain of affiliates	331,713	68,158	263,555
Equity loss of affiliates	84,270	17,315	66,955
	KRW 416,158	KRW 85,521	KRW 330,637

(e) Income tax payable and prepaid income tax before offset as of December 31, 2007 and 2008 are as follows:

	Won (In millions)	
	2007	2008
Prepaid tax before offset	KRW (212,400)	KRW (3,612)
Income tax payable before offset	193,169	72,258
Income tax payable (Prepaid tax) after offset	KRW (19,231)	KRW 68,646

## 28. EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share for the years ended December 31, 2007 and 2008 is calculated by dividing net income (loss) by the weighted-average number of shares of common stock outstanding.

	Won (In millions)	
	2007	2008
Net income (loss)	KRW 1,556,815	KRW (2,952,468)
Exchangeable bond interest	10	1
	1,556,825	(2,952,467)
Weighted-average number of common shares outstanding	621,717,622	622,637,717
Basic earnings (loss) per share in Won	KRW 2,504	KRW (4,742)

Diluted earnings (loss) per share for the years ended December 31, 2007 and 2008 is calculated by dividing net income (loss) available to common shareholders plus the effect of dilutive securities by the weighted-average number of shares of common and common equivalent shares.

Won (In millions)

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	2007		2008	
Net income (loss)	KRW	1,556,815	KRW	(2,952,467)
Exchangeable bond interest		20,031		
		1,576,856		(2,952,467)
Weighted-average number of common shares and diluted securities outstanding		640,665,533		622,637,717
Diluted earnings (loss) per share in Won	KRW	2,461	KRW	(4,742)

(\*) In 2008, diluted earnings (loss) per share is the same with basic earnings (loss) per share because they have been antidilutive.

29. TRANSACTIONS AND BALANCES WITH RELATED COMPANIES

(a) Relationships between parents and subsidiaries as of December 31, 2008 are as follows:

<b>Relationship</b>	<b>The name of the related parties</b>
Domestic 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., Korea East-West Power Co., Ltd., Korea Power Engineering Co., Ltd., KEPCO KPS, KEPCO Nuclear Fuel Co., Ltd., and Korea Electric Power Data Network Co., Ltd.
Foreign subsidiaries :	KEPCO International Hong Kong Ltd., KEPCO International Philippines Inc., KEPCO Gansu International Ltd., KEPCO Philippines Holdings Inc., KEPCO Asia International Ltd., KEPCO Lebanon SARL, KEPCO Neimenggu International Ltd., KEPCO Philippines Corporation, KEPCO SALCON Power Corporation, KEPCO Iliyan Corporation, Jiaozuo KEPCO Power Company Ltd., and KEPCO Shanxi International Ltd.

(b) Transactions with related parties for the years ended December 31, 2007 and 2008 are as follows:

<b>Related party</b>	<b>Transaction</b>	<b>Won (In millions)</b>	
		<b>2007</b>	<b>2008</b>
<b>Sales and other income:</b>			
	Sales of electricity and others		
Korea Hydro & Nuclear Power Co., Ltd.		KRW 638,463	KRW 191,337
Korea South-East Power Co., Ltd.		626,897	123,570
Korea Midland Power Co., Ltd.		100,151	108,223
Korea Western Power Co., Ltd.		212,466	124,510
Korea Southern Power Co., Ltd.		153,930	44,302
Korea East-West Power Co., Ltd.		337,920	97,293
Others		81,525	144,805
		<b>KRW 2,151,352</b>	<b>KRW 834,040</b>
<b>Purchases and others:</b>			
Korea Hydro & Nuclear Power Co., Ltd. (*)	Purchase of electricity and others	KRW 5,513,434	KRW 5,800,407
Korea South-East Power Co., Ltd. (*)		2,145,893	3,101,483
Korea Midland Power Co., Ltd. (*)		2,802,392	3,607,801
Korea Western Power Co., Ltd. (*)		3,097,047	3,683,620
Korea Southern Power Co., Ltd. (*)		3,729,775	4,646,937
Korea East-West Power Co., Ltd (*)		2,867,866	3,882,963
Korea Power Engineering Co., Inc.	Designing of power plant and others	9,038	3,113
KEPCO KPS	Utility plant maintenance	50,945	53,852
Korea Electric Power Data Network, Co., Ltd.	Maintenance of computer system	279,653	167,061

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Others	Commissions for service and others	105,240	583,999
		KRW 20,601,283	KRW 25,531,236

(\*) The Company has purchased electricity from its power generation subsidiaries through Korea Power Exchange.

(c) Receivables arising from related parties transactions as of December 31, 2007 and 2008 are as follows:

Related party	Trade receivables	Won (In millions)	
		2007	
		Other receivables	Total
Korea Hydro & Nuclear Power Co., Ltd.	KRW 1,585	KRW 401,053	KRW 402,638
Korea South-East Power Co., Ltd.	2,793	549,284	552,077
Korea Midland Power Co., Ltd.	3,665	39,436	43,101
Korea Western Power Co., Ltd.	4,075	115,311	119,386
Korea Southern Power Co., Ltd.	424	117,760	118,184
Korea East-West Power Co., Ltd.	3,068	262,351	265,419
Others	33	12,641	12,674
	KRW 15,643	KRW 1,497,836	KRW 1,513,479

Related party	Trade receivables	Won (In millions)	
		2008	
		Other receivables	Total
Korea Hydro & Nuclear Power Co., Ltd.	KRW 8,046	KRW 326,505	KRW 334,551
Korea South-East Power Co., Ltd.	3,539	504,588	508,127
Korea Midland Power Co., Ltd.	5,492	36,642	42,134
Korea Western Power Co., Ltd.	4,783	111,286	116,069
Korea Southern Power Co., Ltd.	383	110,207	110,590
Korea East-West Power Co., Ltd.	3,422	246,800	250,222
Others	5,440	8,813	14,253
	KRW 31,105	KRW 1,344,841	KRW 1,375,946

(d) Payables arising from related parties transactions as of December 31, 2007 and 2008 are as follows:

Related party	Trade payables	Won (In millions)	
		2007	
		Other payables	Total
Korea Hydro & Nuclear Power Co., Ltd. (*)	KRW 430,943	KRW 3,281	KRW 434,224
Korea South-East Power Co., Ltd. (*)	189,252	1,614	190,866
Korea Midland Power Co., Ltd. (*)	265,932	1,506	267,438
Korea Western Power Co., Ltd. (*)	276,850	3,519	280,369
Korea Southern Power Co., Ltd. (*)	349,161	1,349	350,510
Korea East-West Power Co., Ltd. (*)	293,689	1,301	294,990
Korea Power Engineering Co., Inc.		547	547
KEPCO KPS		3,623	3,623
Korea Electric Power Data Network, Co., Ltd.		27,883	27,883
Others	5	8,258	8,263
	KRW 1,805,832	KRW 52,881	KRW 1,858,713

Related party	Won (In millions)		
	2008		Total
	Trade payables	Other payables	
Korea Hydro & Nuclear Power Co., Ltd. (*)	KRW 532,669	KRW 3,206	KRW 535,875
Korea South-East Power Co., Ltd. (*)	305,173	1,351	306,524
Korea Midland Power Co., Ltd. (*)	331,087	1,607	332,694
Korea Western Power Co., Ltd. (*)	335,470	1,267	336,737
Korea Southern Power Co., Ltd. (*)	466,062	1,384	467,446
Korea East-West Power Co., Ltd. (*)	393,334	1,669	395,003
Korea Power Engineering Co., Inc.		172	172
KEPCO KPS		4,883	4,883
Korea Electric Power Data Network, Co., Ltd.		45,462	45,462
Others	67,096	4,604	71,700
	KRW 2,430,891	KRW 65,605	KRW 2,496,496

(e) As discussed in Note 18, as of December 31, 2007 and 2008, the balances of long-term borrowings from Korea Development Bank amounted to KRW4,652,500 million and KRW3,323,333 million, respectively, and the related interest expense amounted to KRW250,752 million and KRW227,857 million for the years ended December 31, 2007 and 2008, respectively.

(f) The Company has provided guarantees for related companies as of December 31, 2008 as follows:

Guaranteed company	Type	USD (In thousands)
KEPCO Ilijan Co. (*1)	Subsidiary	USD 72,000
KEPCO Lebanon SARL. (*2)	Subsidiary	USD 17,112
KEPCO Shanxi International Ltd. (*3)	Subsidiary	USD 180,000
		USD 110,640
		(Libor+2%)
KEPCO SPC Power Corporation. (*4)	Subsidiary	USD 100,000

(\*1) KEPCO Ilijan Corporation, which is a subsidiary of KEPCO International Philippines Inc., is engaged in the power generation business in the Philippines and borrowed USD281 million in 2000 as project financing from Japan Bank of International Corporation and others. In connection with the borrowing, KEPCO Ilijan Corporation's investment securities under the equity method held by KEPCO International Philippines Inc. were pledged as collateral. The Company has provided the National Power Corporation and others with the guarantee not to exceed USD72 million on performance of the power generation business of KEPCO Ilijan Corporation.

(\*2) The Company has provided performance guarantees related to the operation of the Lebanon power generation plant amounting to USD17,112 thousand to the Lebanon Electricity Agency.

(\*3) KEPCO Shanxi International Ltd. (the wholly owned subsidiary) formed consortium (34% of ownership) with Deutsche Bank and Shanxi International Electric Power Ltd. To invest in the Chinese electric power generation business. The consortium established Gemeng International Energy Group Co., Ltd. (34% of ownership) to support this business. The Company provided HSBC and Export-Import Bank of Korea (the EXIM Bank) with the payment guarantee for the loan amounting to USD180,000 thousand, which KEPCO Shanxi International Ltd. borrowed from HSBC and EXIM Bank. The Company agreed with Deutsche Bank to refund the investment of USD110,640 thousand and pay the additional interest of Libor + 2% for the period from initial investment date to the unqualified date in accordance with terms of the agreement, when Gemeng International Energy Group Co., Ltd. becomes bankrupt within 2 years from the establishment date or fails to be listed on the Hong Kong stock exchange within 6 years from the establishment date.



(\*4) The Company invested in power plant construction in Cebu, Philippines and established KEPCO SPC Power Corporation to support this business. KEPCO SPC Power Corporation borrowed from EXIM Bank for financing and provided EXIM Bank with payment guarantee amounting to USD100,000 thousand for borrowings.

(g) The guarantees provided by related companies for the Company as of December 31, 2008 are as follows:

Type	Related party	Currency	USD (In thousands) Guaranteed amounts
Payment guarantee (*)	Korea Development Bank	USD	686,757

(\*) Korea Development Bank has provided a repayment guarantee for certain foreign currency debentures of the Company, which existed at the time of spin-off, and for the capital on performance of the power generation business of KEPCO Ilijan Corporation, but which had not been redeemed as of December 31, 2008.

(h) The salaries and other compensations the Company has paid to the key members of management for the year ended December 31, 2008 were as follows:

	Won (In millions) 2008	
	Annual compensation	Average payment
Salaries	KRW 2,176	KRW 121
Retirement and severance benefits	152	19

### 30. COMMITMENTS AND CONTINGENCIES

(a) As of December 31, 2008, the Company is involved in 71 lawsuits as a plaintiff and 270 lawsuits as a defendant with claims amounting to KRW36,705 million and KRW204,548 million, respectively. As of December 31, 2008, the Company had recorded a liability related to the above claims amounting to KRW920 million. The Company's management believes that the ultimate results of these lawsuits will not have a material adverse effect on the Company's financial position, results of operations or liquidity.

(b) The Company entered into an arrangement 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. But, the executive board of KEDO decided to terminate the light water reactor project on May 31, 2006 due to the political environment surrounding the Korean peninsula. On December 12, 2006, the Company entered into the Termination Agreement ( TA ) with KEDO.

According to the TA, the Company mainly accepts all rights and obligations related to the light water reactor outside of North Korea, from KEDO. In exchange, the Company waives the right to claim any expenses incurred and any potential claims by subcontractors to KEDO. As a result, the Company recorded transferred equipment in accordance with the TA as other non-current assets amounting to KRW93,625 million. In addition, the Company recorded the estimated claims by subcontractors as other long-term liabilities amounting to KRW17,889 million.

Pursuant to the terms of the TA, the Company is required to report the disposal or reuse of the transferred equipment to KEDO, and the gains and losses from the TA are shared with KEDO through the negotiation between two parties. The Company's management believes that ultimate gains or losses are not reasonably estimated as of Dec 31, 2008 as it is contingent upon disposal or reuse of the related assets and settlement of obligations

- (c) The Company entered into power purchase agreements with GS EPS Co., Ltd. And other independent power producers for power purchases in accordance with the Electricity Business Act. These purchase agreements include minimum purchase requirements which the Company has historically exceeded. The power purchased under these agreements amounted to KRW1,487,345 million and KRW2,228,262 million for the years ended December 31, 2007 and 2008, respectively.
- (d) The payment guarantees provided by the bank as of December 31, 2007 were as follows (KRW (In millions) USD, JPY, EUR, CHF & SAR (In thousands)):

Bank	Currency	Limit	Content
Korea Exchange Bank	USD	4,590	An import credit memorandum
	JPY	13,450	An import credit memorandum
	EUR	308	An import credit memorandum
	CHF	221	An import credit memorandum
	USD	72,000	Performance guarantees related to the business of the Ilijan power generation plant
	USD	78,819	Guarantees related to overseas oil development business
	EUR	432	Others
Nonghyup	USD	3,428	An import credit memorandum
Standard Chartered First Bank Korea Limited.	USD	24,536	Guarantees related to the operation of the Lebanon power generation plant
Korea Development Bank	USD	686,757	Payment guarantees related to foreign currency debentures
Kookmin Bank	KRW	50,000	Payment guarantees related to long-term borrowings
Exim Bank	SAR	25,000	Others

- (e) As explained in Note 6, the Company invested in overseas oil development industry with Korean Consortium owning 60% equity interest in the joint venture incorporated with English Equator and Nigeria, invested in KNOC Nigerian East 323, KNOC Nigerian West 321 and Dolphin Property Ltd. Additionally, the Company provides performance guarantees of USD 25 million related to the oil and gas producing activities and performance guarantees of USD 35 million and other payment guarantees of USD 19 million related to the construction of power generation plants and gas pipes to the Nigerian government.

### 31. CASH FLOWS

Significant transactions not involving cash inflow and outflow for the years ended December 31, 2007 and 2008 are summarized as follows:

	Won (In millions)	
	2007	2008
Conversion of exchangeable bonds	KRW 9,104	KRW 510

32. SUPPLEMENTARY INFORMATION FOR COMPUTATION OF VALUE ADDED:

The accounts and amounts needed for the computation of value added in 2007 and 2008 are as follows (Won in millions):

	Won (In millions)	
	2007	2008
Salaries	KRW 1,242,494	KRW 1,328,416
Provision for severance indemnities	155,332	214,084
Employee benefits	137,749	144,928
Rent	48,648	73,913
Depreciation & amortization	1,883,003	1,946,278
Taxes and dues	65,342	65,422
Net Interest Expenses	588,135	736,520

33. THE FOURTH QUARTER S RESULTS OF OPERATIONS (UNAUDITED)

	Won (In millions)	
	4 <sup>th</sup> , 2007	4 <sup>th</sup> , 2008
Sales	KRW 7,239,616	KRW 8,181,399
Net loss	(647,172)	(2,163,262)
Loss per share (In won)	(1,039)	(3,474)

34. COMPREHENSIVE INCOME (LOSS) STATEMENT

	Won (In millions)	
	2007	2008
Net income (loss)	KRW 1,556,815	KRW (2,952,468)
Gain (loss) on valuation of available-for-sale securities		
Tax effect: 2007 (1,009)		
2008 -	(2,659)	(3,501)
Unrealized equity gain of affiliates		
Tax effect : 2007 1,458		
2008 62,087	3,843	269,626
Unrealized equity loss of affiliates		
Tax effect : 2007 15,016		
2008 23,386	39,588	60,884
Comprehensive income (loss)	KRW 1,597,587	KRW (2,625,459)

35. SUBSEQUENT EVENTS

Related to Nigeria's oil and gas developments noted in 30(e), on January 29, 2009, Korea Consortium was officially informed that Nigeria's Oil Ministry cancelled exploration rights awarded to a Korean Consortium and prepaid cash investments will be refunded. Korean Consortium is preparing for lawsuit to counter cancellation of exploration rights from Nigerian government. Meanwhile, the invested amounts have been accounted for as investments but recoverable amount of the investment might be considered to be less than the carrying amount due to the above event after the balance sheet date.

**Independent Accountant's Review Report**

**on Internal Accounting Control System ( IACS )**

English Translation of a Report Originally Issued in Korean

To the Representative Director

Korea Electric Power Corporation:

We have reviewed the accompanying Report on the Management's Assessment of IACS (the Management's Report) of Korea Electric Power Corporation (the Company) as of December 31, 2008. The Management's Report, and the design and operation of IACS are the responsibility of the Company's management. Our responsibility is to review the Management's Report and issue a review report based on our procedures. The Company's management stated in the accompanying Management's Report that based on the assessment of the IACS as of December 31, 2008, the Company's IACS has been appropriately designed and is operating effectively as of December 31, 2008, in all material respects, in accordance with the IACS Framework established by the Korea Listed Companies Association.

We conducted our review in accordance with the IACS Review Standards established by the Korean Institute of Certified Public Accountants. Those standards require that we plan and perform a review, objective of which is to obtain a lower level of assurance than an audit, of the Management's Report in all material respects. A review includes obtaining an understanding of a Company's IACS and making inquiries regarding the Management's Report and, when deemed necessary, performing a limited inspection of underlying documents and other limited procedures.

The Company's IACS represents internal accounting policies and a system to manage and operate such policies to provide reasonable assurance regarding the reliability of financial statements prepared, in accordance with accounting principles generally accepted in the Republic of Korea, for the purpose of preparing and disclosing reliable accounting information. Because of its inherent limitations, IACS may not prevent or detect a material misstatement of the financial statements. Also, projections of any evaluation of effectiveness of IACS to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on our review, nothing has come to our attention that causes us to believe that the Management's Report referred to above is not fairly stated, in all material respects, in accordance with the IACS Framework established by the Korea Listed Companies Association.

Our review is based on the Company's IACS as of December 31, 2008, and we did not review its IACS subsequent to December 31, 2008. This report has been prepared pursuant to the Acts on External Audit for Stock Companies in the Republic of Korea and may not be appropriate for other purposes or for other users.

February 27, 2009

Notice to Readers

This report is annexed in relation to the audit of the non-consolidated financial statements as of December, 31, 2008 and the review of internal accounting control system pursuant to Article 2-3 of the Act on External Audit for Stock Companies of the Republic of Korea.

**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.

By: /s/ Kim, Myung-Whan  
Name: Kim, Myung-Whan  
Title: General Manager, Finance Team

Date: March 30, 2009