

KOREA ELECTRIC POWER CORP
Form 6-K
November 23, 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 November 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

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file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in

paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in

paper as permitted by Regulation S-T Rule 101(b)(7):

Indicate by check mark whether the registrant by furnishing the

information contained in this form is also thereby furnishing the

information to the Commission pursuant to Rule 12g3-2(b) under the

Securities Exchange Act of 1934.

Yes No

If Yes is marked, indicate below the file number assigned to the

registrant in connection with Rule 12g3-2(b): 82-

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

KOREA ELECTRIC POWER CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

As of June 30, 2008 and 2009

KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2008 AND June 30, 2009

| | 2008 | Won (In millions) | 2009 | U.S. dollars (Note 2) 2009 (In thousands) |
|---|-----------------------|----------------------|-----------------------|--|
| Assets | | | | |
| Property, plant and equipment (Notes 3 and 4): | KRW 109,305,083 | | KRW 111,426,870 | \$ 87,496,561 |
| Less: accumulated depreciation | (44,351,255) | | (47,274,233) | (37,121,502) |
| Less: construction grants | (5,336,110) | | (5,956,712) | (4,677,434) |
| | 59,617,718 | | 58,195,925 | 45,697,625 |
| Construction in-progress | 10,177,567 | | 14,625,114 | 11,484,188 |
| Net property, plant and equipment | 69,795,285 | | 72,821,039 | 57,181,813 |
| Investments and other assets: | | | | |
| Long-term investment securities (Note 6) | 2,717,195 | | 3,038,872 | 2,386,236 |
| Long-term loans (Notes 7) | 605,585 | | 652,112 | 512,063 |
| Financial derivatives | 1,326,546 | | 1,190,844 | 935,095 |
| Intangible assets (Notes 5 and 30) | 946,847 | | 974,078 | 764,883 |
| Deferred income tax assets (Note 26) | 1,963,520 | | 1,772,020 | 1,391,457 |
| Other non-current assets (Notes 8, 18 and 31) | 504,408 | | 584,557 | 459,016 |
| Total non-current assets | 77,859,386 | | 81,033,522 | 63,630,563 |
| Current assets: | | | | |
| Cash and cash equivalents (Notes 9 and 18) | 1,452,286 | | 1,764,095 | 1,385,234 |
| Trade receivables, less allowance for doubtful accounts of KRW48,161 million in 2008 and KRW62,467 million in 2009 (Notes 18, 29 and 30) | 2,806,974 | | 2,482,812 | 1,949,597 |
| Other accounts receivable, less allowance for doubtful accounts of KRW 19,509 in 2008 and KRW20,281 million in 2009 (Notes 18, 29 and 30) | 725,578 | | 690,446 | 542,164 |
| Short-term investment securities (Note 6) | 14,502 | | 12,143 | 9,535 |
| Short-term financial instruments (Note 18) | 316,442 | | 483,974 | 380,035 |
| Financial derivatives | 3 | | 34 | 27 |
| Inventories (Note 10) | 4,272,098 | | 4,707,879 | 3,696,803 |
| Deferred income tax assets (Note 26) | 563,163 | | 432,940 | 339,961 |
| Other current assets (Notes 11 and 18) | 188,178 | | 299,807 | 235,420 |
| Total current assets | 10,339,224 | | 10,874,130 | 8,538,776 |
| Total assets | KRW 88,198,610 | | KRW 91,907,652 | \$ 72,169,339 |

(Continued)

KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (CONTINUED)

DECEMBER 31, 2008 AND June 30, 2009

| | 2008 | Won (In millions) | 2009 | U.S. dollars (Note 2) 2009 (In thousands) |
|---|-------------------|----------------------|-------------------|---|
| Liabilities and Shareholders' Equity | | | | |
| Shareholders' equity: | | | | |
| Common stock of KRW5,000 par value authorized 1,200,000,000 shares - Issued and outstanding 641,567,712 shares in 2009 and 2008 (Note 12) | KRW 3,207,839 | | KRW 3,207,839 | \$ 2,518,916 |
| Capital surplus (Note 12) | 14,558,531 | | 14,558,531 | 11,431,905 |
| Capital adjustments (Note 14) | (741,489) | | (741,587) | (582,322) |
| Accumulated other comprehensive income (Notes 15 and 33) | 435,064 | | 354,779 | 278,586 |
| Retained earnings: | | | | |
| Appropriated (Note 13) | 26,462,200 | | 23,509,731 | 18,460,723 |
| Before appropriations | (2,960,276) | | (671,600) | (527,366) |
| Minority interest in consolidated subsidiaries | 312,945 | | 343,824 | 269,984 |
| Total shareholders' equity | 41,274,814 | | 40,561,517 | 31,850,426 |
| Long-term liabilities: | | | | |
| Long-term debt, net (Notes 17 and 29) | 23,318,811 | | 28,685,150 | 22,524,656 |
| Long-term other account payable (Note 20) | 3,576,369 | | 3,654,228 | 2,869,437 |
| Accrual for retirement and severance benefits, net (Note 19) | 1,735,457 | | 1,727,002 | 1,356,107 |
| Liability for decommissioning costs (Note 20) | 5,470,764 | | 5,609,441 | 4,404,744 |
| Provision for decontamination of transformer (Note 21) | 249,947 | | 247,781 | 194,567 |
| Reserve for self insurance | 115,268 | | 114,681 | 90,052 |
| Financial derivatives | 21,297 | | 14,393 | 11,302 |
| Deferred income tax liabilities (Note 26) | 1,193,709 | | 858,703 | 674,286 |
| Other long-term liabilities (Note 31) | 706,311 | | 733,894 | 576,281 |
| Total long-term liabilities | 36,387,933 | | 41,645,273 | 32,701,432 |
| Current liabilities: | | | | |
| Trade payables (Notes 18, 29 and 30) | 2,304,934 | | 1,234,680 | 969,517 |
| Other accounts payable (Note 18, 29 and 30) | 794,155 | | 666,796 | 523,593 |
| Short-term borrowings (Note 16) | 1,357,710 | | 1,748,533 | 1,373,014 |
| Current portion of long-term debt, net (Notes 17 and 29) | 4,444,783 | | 4,574,068 | 3,591,730 |
| Income tax payable | 461,707 | | 110,787 | 86,994 |
| Accrued expense (Note 18) | 386,061 | | 410,133 | 322,052 |
| Financial derivatives | 56 | | 670 | 526 |
| Deferred income tax liabilities (Note 26) | 14,125 | | 20,101 | 15,784 |
| Other current liabilities (Notes 3, 18 and 22) | 772,332 | | 935,094 | 734,271 |
| Total current liabilities | 10,535,863 | | 9,700,862 | 7,617,481 |
| Total liabilities | 46,923,796 | | 51,346,135 | 40,318,913 |
| Commitments and contingencies (Note 31) | | | | |
| Total shareholders' equity and liabilities | KRW 88,198,610 | | KRW 91,907,652 | \$ 72,169,339 |

See accompanying notes to the consolidated financial statements.

KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2008 AND 2009

| | 2008 | Won | 2009 | U.S. dollars (Note 2) 2009 (In thousands, except per share amounts) |
|---|---|-----|----------------|--|
| | (In millions, except per share amounts) | | | |
| OPERATING REVENUES: | | | | |
| (Notes 29 and 30) | | | | |
| Sale of electricity | KRW 14,563,870 | | KRW 15,325,686 | \$ 12,034,304 |
| Other operating revenues | 393,438 | | 438,283 | 344,156 |
| | 14,957,308 | | 15,763,969 | 12,378,460 |
| OPERATING EXPENSES | | | | |
| (Notes 24, 25, 29 and 30): | | | | |
| Power generation, transmission and distribution costs | 13,805,541 | | 14,390,035 | 11,299,596 |
| Purchased power | | | | |
| Other operating costs | 602,167 | | 559,057 | 438,993 |
| Selling and administrative expenses | 798,599 | | 727,195 | 571,021 |
| | 15,206,307 | | 15,676,287 | 12,309,610 |
| OPERATING INCOME | (248,999) | | 87,682 | 68,850 |
| OTHER INCOME (EXPENSES): | | | | |
| Interest income | 81,664 | | 57,119 | 44,852 |
| Interest expenses | (422,568) | | (791,959) | (621,876) |
| Gain (loss) on foreign currency transactions and translation, net | (591,383) | | (95,305) | (74,837) |
| Donations | (36,542) | | (2,132) | (1,674) |
| Equity income of affiliates, net (Note 6) | 110,493 | | 76,087 | 59,746 |
| Gain on disposal of investments, net | 2,972 | | 205 | 161 |
| Loss on disposal of property, plant and equipment, net | 4,214 | | 2,816 | 2,211 |
| Valuation gain (loss) on financial derivatives, net (Note 23) | 342,297 | | 29,780 | 23,384 |
| Other, net | 167,887 | | 169,013 | 132,715 |
| | (340,966) | | (554,376) | (435,318) |
| INCOME BEFORE INCOME TAX | (589,965) | | (466,694) | (366,468) |
| INCOME TAX EXPENSES (Note 26) | 142,426 | | (174,186) | (136,777) |
| NET INCOME | (447,539) | | (640,880) | (503,245) |
| Controlling interest | KRW (469,380) | | KRW (663,793) | \$ (521,235) |
| Minority interest | 21,841 | | 22,913 | 17,992 |
| | KRW (447,539) | | KRW (640,880) | \$ (503,243) |
| | KRW (754) | | KRW (1,066) | \$ (837) |

BASIC EARNINGS PER SHARE
(Note 27)

DILUTED EARNINGS PER SHARE
(Note 27)

| | | | | | |
|-----|-------|-----|---------|----|-------|
| KRW | (754) | KRW | (1,066) | \$ | (837) |
|-----|-------|-----|---------|----|-------|

See accompanying notes to the consolidated financial statements

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KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2008 AND 2009

| | Won (In millions) | | | | | Accumulated other comprehensive income | Minority interests | Total |
|--|-------------------|--------------------|----------------------|------------------------|--|---|-----------------------|------------|
| | Common stock | Capital surplus | Retained earnings | Capital adjustments | | | | |
| Balances at January 1, 2007 | KRW 3,207,839 | 14,558,256 | 26,924,227 | (741,825) | | 83,915 | 234,441 | 44,266,853 |
| Net income | | | (469,380) | | | | 21,841 | (447,539) |
| Dividends declared | | | (466,964) | | | | | (466,964) |
| Issuance of common stock for convertible bond | | (84) | | | | | | (84) |
| Gain on disposal of treasury stock, net of tax | | 259 | | | | | | 259 |
| Changes in treasury stock | | | | 336 | | | | 336 |
| Changes in unrealized gains on available-for-sale securities | | | | | | 2,395 | | 2,395 |
| Equity in other comprehensive income of affiliates | | | | | | 87,757 | | 87,757 |
| Changes in translation adjustments of foreign subsidiaries | | | | | | 13,632 | | 13,632 |
| Changes in valuation of derivatives | | | | | | 2,500 | | 2,500 |
| Changes in minority interests | | | | | | | 11,973 | 11,973 |
| Others | | (48) | | | | | | (48) |
| Balances at June 30, 2008 | 3,207,839 | 14,558,383 | 25,987,883 | (741,489) | | 190,199 | 268,255 | 43,471,070 |
| Balances at January 1, 2009 | KRW 3,207,839 | 14,558,531 | 23,501,924 | (741,489) | | 435,064 | 312,945 | 41,274,814 |
| Net income | | | (663,793) | | | | 22,913 | (640,880) |
| Dividends declared | | | | | | | | |
| Discount on stock issuance adjustment | | | | (98) | | | | (98) |
| Gain on disposal of treasury stock, net of tax | | | | | | | | |
| Changes in treasury stock | | | | | | | | |
| Changes in unrealized gains on available-for-sale securities | | | | | | (3,557) | | (3,557) |
| Equity in other comprehensive income of affiliates | | | | | | 10,279 | | 10,279 |
| Changes in translation adjustments of foreign subsidiaries | | | | | | 7,775 | | 7,775 |
| Changes in valuation of derivatives | | | | | | (94,782) | | (94,782) |
| Changes in minority interests | | | | | | | 7,966 | 7,966 |
| Others | | | | | | | | |
| Balances at June 30, 2009 | 3,207,839 | 14,558,531 | 22,838,131 | (741,587) | | 354,779 | 343,824 | 40,561,517 |
| U.S. dollars (In thousands) | 2,518,916 | 11,431,905 | 17,933,361 | (582,322) | | 278,586 | 269,984 | 31,850,426 |

See accompanying notes to the consolidated financial statements.

KOREA ELECTRIC POWER CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2008 AND 2009

| | 2008 | Won (In millions) | 2009 | U.S. dollars (Note 2) 2009 (In thousands) |
|---|---------------|----------------------|---------------|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Net income | KRW (447,539) | | KRW (640,880) | \$ (503,243) |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | | |
| Depreciation and amortization | 2,852,043 | | 2,973,536 | 2,334,932 |
| Amortization of nuclear fuel and heavy water | 44,182 | | 47,237 | 37,092 |
| Utility plant removal cost | 113,614 | | 100,448 | 78,876 |
| Provision for severance and retirement benefits | 262,539 | | 91,482 | 71,835 |
| Provision for decommissioning costs | 185,595 | | 145,968 | 114,620 |
| Bad debt expense | 10,519 | | 12,431 | 9,761 |
| Interest expense, net | 18,252 | | 20,640 | 16,207 |
| Gain on foreign currency translation, net | 507,325 | | 58,451 | 45,898 |
| Equity income of affiliates, net | (110,493) | | (76,087) | (59,746) |
| Loss on disposal of utility plant, net | (4,214) | | (2,816) | (2,211) |
| Deferred income tax expense (benefit), net | (249,085) | | 35,472 | 27,854 |
| Valuation gain on currency and interest rate swaps | (342,297) | | (29,780) | (23,384) |
| Changes in assets and liabilities: | | | | |
| Decrease in trade receivables | 287,861 | | 2,899,863 | 2,277,081 |
| Decrease in other accounts receivable | 63,255 | | 289,326 | 227,190 |
| Increase in inventories | (867,702) | | (517,823) | (406,614) |
| Increase in other current assets | (416,559) | | (82,725) | (64,959) |
| Decrease in trade payables | (285,028) | | (3,516,774) | (2,761,503) |
| Decrease in other accounts payable | (237,798) | | (469,432) | (368,616) |
| Decrease in income tax payable | (134,006) | | (359,026) | (281,921) |
| Increase (decrease) in accrued expenses | (23,512) | | 18,948 | 14,879 |
| Decrease in other current liabilities | (11,681) | | (28,649) | (22,496) |
| Decrease in other long-term liabilities | (22,224) | | 103,940 | 81,618 |
| Payment of severance and retirement benefits | (31,266) | | (101,643) | (79,814) |
| Payment of decommissioning costs | | | | |
| Payment of self-insurance | (525) | | (587) | (461) |
| Dividends income | 437 | | 33,434 | 26,254 |
| Other, net | 101,313 | | (15,530) | (12,195) |
| Net cash provided by operating activities | 1,263,006 | | 989,424 | 776,933 |

(Continued)

KOREA ELECTRIC POWER CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30 2008 AND 2009

(CONTINUED)

| | 2008 | Won (In millions) | 2009 | U.S. dollars (Note 2) 2009 (In thousands) |
|---|----------------------|----------------------|----------------------|--|
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | |
| Proceeds from disposal of utility plant | KRW 23,923 | | KRW 89,105 | \$ 69,969 |
| Additions to utility plant | (3,584,496) | | (6,670,573) | (5,237,984) |
| Receipt of construction grants | 467,730 | | 740,462 | 581,439 |
| Proceeds from disposal of investment securities | 6,257 | | (102,062) | (80,143) |
| Acquisition of investment securities | (45,476) | | (235,028) | (184,553) |
| Increase in long-term loans, net | (120,033) | | (78,731) | (61,823) |
| Acquisition of intangible assets | (58,779) | | (129,330) | (101,555) |
| Increase in other non-current assets | (30,798) | | (50,458) | (39,622) |
| Acquisition (disposal) of financial instruments, net | 1,267,495 | | (96,499) | (75,775) |
| Decrease in short-term loans, net | 13,662 | | 13,392 | 10,516 |
| Other | (217) | | | |
| Net cash used in investing activities | (2,060,732) | | (6,519,722) | (5,119,531) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | | |
| Proceeds from long-term debt | 4,631,350 | | 7,862,906 | 6,174,249 |
| Repayment of long-term debt | (207,249) | | (240,529) | (188,872) |
| Repayment of current portion of long-term debt | (3,150,824) | | (2,127,441) | (1,670,547) |
| Proceeds from short-term borrowings, net | 329,826 | | 341,003 | 267,768 |
| Dividends paid | (478,916) | | (32,006) | (25,132) |
| Other, net | (86,767) | | 14,959 | 11,746 |
| Net cash provided by (used in) financing activities | 1,037,420 | | 5,818,892 | 4,569,212 |
| CHANGE IN CASH AND CASH EQUIVALENTS FROM THE TRANSLATION OF FOREIGN SUBSIDIARIES | 23,505 | | 22,565 | 17,719 |
| INCREASE IN CASH DUE TO CHANGE IN CONSOLIDATED ENTITY | | | 650 | 510 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (Note 29) | 263,199 | | 311,809 | 244,843 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 1,574,329 | | 1,452,286 | 1,140,389 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | KRW 1,837,528 | | KRW 1,764,095 | \$ 1,385,234 |

See accompanying notes to the consolidated financial statements.

KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND June 30, 2009

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

(a) Organization and Description of Business

Korea Electric Power Corporation (the "KEPCO") was incorporated on January 1, 1982 in accordance with the Korea Electric Power Corporation Act (the "KEPCO Act") to engage in the generation, transmission and distribution of electricity and development of electric power resources in the Republic of Korea. The Company was given the status of a government-invested enterprise on December 31, 1983 following the enactment of the Government-Invested Enterprise Management Basic Act. The Company's stock was listed on the Korea Stock Exchange on August 10, 1989 and the Company listed its Depository Receipts (DR) on the New York Stock Exchange on October 27, 1994. On April 1, 2007 KEPCO became designated a market orientated enterprise.

As of June 30, 2009, 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 26.68%, 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 "Restructuring Plan"), the Company spun off its power generation division on April 2, 2001, resulting in the establishment of six power generation subsidiaries. Also, to create internal competition among the business divisions and ultimately improve efficiency, KEPCO launched the strategic business units on September 25, 2006.

(b) Basis of Presenting Consolidated Financial Statements

KEPCO maintains its accounting records in Korean Won and prepares the consolidated financial statements in the Korean language (Hangul) in conformity with the KEPCO Act, Accounting Regulations for Public Enterprise Associate Government Agency, which have been approved by the Korean Ministry of Strategy and Finance and, in the absence of specialized accounting regulations for utility companies, the accounting principles generally accepted in the Republic of Korea (collectively "Korean GAAP"). 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 consolidated financial statements are intended solely for use by those who are informed about Korean accounting principles and practices, the KEPCO Act and Accounting Regulations for Public Enterprise Associate Government Agency. The accompanying consolidated financial statements have been condensed, restructured and translated into English (with certain expanded descriptions) from the Korean language consolidated financial statements. Certain information included in the Korean language 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 consolidated financial statements.

In 2007, the Company also adopted amended SKAS No. 16 "Income Taxes" which are amended such that additional payment of income taxes and income tax refunds, formerly classified as other income (expenses), are reclassified as income taxes. Moreover, consolidated subsidiaries deferred income tax assets and liabilities, formerly recorded at net amount, are separately recorded in the consolidated balance sheets.

(c) Principles of Consolidation

The consolidated financial statements include the accounts of KEPCO and its controlled subsidiaries (collectively referred to as the Company). Controlled subsidiaries include majority-owned entities by either the Company or controlled subsidiaries and other entities where the Company or its controlled subsidiary owns more than 30% of total outstanding common stock and is the largest shareholder.

For investments in companies, whether or not publicly held, that are not controlled, but 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 and the investee is not required to be consolidated, the Company generally presumes that the investee is under significant influence.

When a controlling company still has control over its subsidiaries even after the controlling company sold a portion of its investment in the subsidiaries, the disposal gain or loss realized in connection with the sale of a subsidiary's common stock should be presented as additions or deductions of consolidated capital surplus in the consolidated financial statements.

All intercompany balances including trade receivables and trade payables are eliminated in consolidation. Profits and losses on intercompany sales of products, property or other assets are eliminated in the consolidated financial statements based on the gross profit or loss recognized. For downstream sales, the full amount of intercompany profit is eliminated in the consolidated statements of income. For upstream sales, the elimination is allocated proportionately to consolidated income and minority interests.

(d) Consolidated Subsidiaries

| Subsidiaries | Ownership | | Primary business |
|---|-----------------------|----------------|--|
| | Year of establishment | Percentage (%) | |
| | 2008 | 2009 | |
| Korea Hydro & Nuclear Power Co., Ltd. | 2001 | 100.0 | Power generation |
| Korea South-East Power Co., Ltd. | 2001 | 100.0 | Power generation |
| Korea Midland Power Co., Ltd. | 2001 | 100.0 | Power generation |
| Korea Western Power Co., Ltd. | 2001 | 100.0 | Power generation |
| Korea Southern Power Co., Ltd. | 2001 | 100.0 | Power generation |
| Korea East-West Power Co., Ltd. | 2001 | 100.0 | Power generation |
| Korea Power Engineering Co., Inc. | 1977 | 97.9 | Engineering for utility plant |
| KEPCO KPS. | 1984 | 80.0 | Utility plant maintenance |
| KEPCO Nuclear Fuel Co., Ltd. | 1982 | 96.4 | Nuclear fuel |
| Korea Electric Power Data Network Co., Ltd. | 1992 | 100.0 | Information services |
| KEPCO International Hong Kong Ltd. | 1995 | 100.0 | Holding Company |
| KEPCO International Philippines Inc. | 2000 | 100.0 | Holding Company |
| KEPCO Gansu International Ltd. | 2005 | 100.0 | Holding Company |
| KEPCO Philippines Holdings Inc. | 2005 | 100.0 | Holding Company |
| KEPCO Asia International Ltd. | 2005 | 85.0 | Holding Company |
| KEPCO Lebanon SARL | 2006 | 100.0 | Operation of utility plant |
| KEPCO Neimenggu International Ltd. | 2006 | 100.0 | Holding Company |
| KEPCO Shanxi international Ltd. | 2007 | 100.0 | Holding Company |
| KEPCO Philippines Corporation | 1995 | 100.0 | Utility plant rehabilitation and operation (Subsidiary of KEPCO International Hong Kong Ltd.) |
| KEPCO Ilijan Corporation | 1997 | 51.0 | Construction and operation of utility plant (Subsidiary of KEPCO International Philippines Inc.) |

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| | | | | |
|---|------|-------|-------|---|
| KEPCO Salcon Power Corporation | 2005 | 76.0 | 60.0 | Construction and operation of utility plant (Subsidiary of KEPCO Philippines Corporation) |
| Komipo Global Pte Ltd. | 2007 | 100.0 | 100.0 | Construction and operation of coal plant |
| Garolim Tidal Power Plant Co., Ltd. (*1, 2) | 2009 | | 49.0 | Power generation |
| KEPCO Australia Pty., Ltd. (*1) | 2009 | | 100.0 | Holding Company |
| KOSEP Australia Pty., Ltd. (*1) | 2009 | | 100.0 | Holding Company |
| KOMIPO Australia Pty Ltd. (*1) | 2009 | | 100.0 | Holding Company |
| KOWEPO Australia Pty.,Ltd. (*1) | 2009 | | 100.0 | Holding Company |
| KOSPO Australia Pty Ltd. (*1) | 2009 | | 100.0 | Holding Company |
| KEPCO Canada Energy Inc. (*1) | 2009 | | 100.0 | Holding Company |

(*1) These entities are included as consolidated subsidiaries from this year.

(*2) The Company owns less than 50% of Garolim Tidal Power Plant Co., Ltd. However, because the Company is considered to possess power to influence majority of the votes on the investee's board of directors, this entity is consolidated.

(e) Affiliates Accounted for Using the Equity Method

| Affiliate | Ownership Year of establishment | percentage (%) | | Primary business |
|---|---------------------------------------|----------------|------|---|
| | | 2008 | 2009 | |
| Korea Gas Corporation (*1) | 1983 | 24.5 | 24.5 | Importing and wholesaling LNG |
| Korea District Heating Co., Ltd. | 1985 | 26.1 | 26.1 | Generating and distributing electricity and heat |
| LG Powercom Corporation (*1) | 2000 | 43.1 | 43.1 | Leasing telecommunication lines and providing internet access |
| Korea Electric Power Industrial Development Co., Ltd. | 1990 | 49.0 | 49.0 | Electricity metering |
| YTN (*1) | 1993 | 21.4 | 21.4 | Broadcasting |
| Gansu Datang Yumen Wind Power Co., Ltd. | 2005 | 40.0 | 40.0 | Construction and operation of utility plant |
| Salcon Power Corporation | 2006 | 40.0 | 40.0 | Operation of utility plant |
| Datang Chifang Renewable Co., Ltd. | 2006 | 40.0 | 40.0 | Construction and operation of utility plant |
| Gemeng International Energy Group Co., Ltd. | 2007 | 34.0 | 34.0 | Construction and operation of utility plant |
| KEPCO Energy Resource Nigeria Ltd. | 2007 | 30.0 | 30.0 | Construction and operation of utility plant |
| Gangwon Wind Power Co., Ltd (*2) | 2001 | 15.0 | 15.0 | Wind power generating |
| Hyundai Green Power Co. Ltd. | 2007 | 29.0 | 29.0 | Generating electricity |
| Cheongna Energy Co.,Ltd. | 2005 | 27.0 | 30.0 | Generating and distributing |
| Cirebon Electric Power. | 2007 | 27.5 | 27.5 | Construction and operation of utility plant |
| Denison Mines Corporation (*1, 2) | 2009 | | 19.9 | |

(*1) Korea Gas Corporation, LG Powercom Corporation, and YTN are currently listed in the Korea Stock Exchange, and the fair market value of these investments as of June 30, 2009 are KRW893,970 million, KRW332,268 million, and KRW40,770 million, respectively. Also, Denison Mines Corporation is currently listed in the New York Stock Exchange, and the fair market value of this investment as of June 30, 2009 was KRW127,560 million based on the Toronto Stock Exchange standard (or KRW120,710 million based on the New York Stock Exchange standard).

(*2) The Company's ownership of Gangwon Wind Power Co., Ltd and Denison Mines Corporation does not, individually, exceed 20% of the investee's equity. However, given that the Company has voting rights on the investee's board of directors, it is considered that the Company has a significant influence on the invested companies. As result, these investments are accounted for under equity method.

(f) Elimination of Investments and Shareholders' Equity

For consolidated subsidiaries and investments accounted for under the equity method, if the acquisition date is not as of the fiscal year end of the investee, the nearest fiscal year end of such investee is considered as the acquisition date in determining the amount of goodwill or negative goodwill.

The elimination entries of the KEPCO's investments against the related investees' shareholders' equity at June 30, 2009 is summarized as follows:

| Won (millions) | | Won (millions) | |
|--|----------------|--|----------------|
| Accounts | Amount | Accounts | Amount |
| Common stock | KRW 3,175,844 | Investments in affiliates | KRW 18,558,553 |
| Capital surplus | 15,533,049 | Consolidated capital Surplus | 1,962 |
| Retained earnings | 8,873,464 | Consolidated retained Earnings | 8,698,373 |
| Accumulated other comprehensive income | 42,874 | Accumulated other comprehensive income | 17,378 |
| | | Minority interests | 348,398 |
| | | Other | 567 |
| | KRW 27,625,231 | | KRW 27,625,231 |

(2) Basis of Translating Consolidated Financial Statements

The consolidated financial statements are expressed in Korean Won and, solely for the convenience of the reader, the consolidated financial statements as of and for the six-month period ended June 30, 2009, have been translated into United States dollars at the rate of KRW1,273.5 to US\$1, the noon buying rate in the City of New York for cable transfers in Won as certified for customs purposes by the Federal Reserve Bank of New York as of June 30, 2009. The translation should not be construed as a representation that any or all of the amounts shown could be converted into U.S. dollars at this or any other rate.

(3) Property, Plant and Equipment

(a) Asset Revaluation

The Company revalued its property, plant and equipment in accordance with the KEPCO Act and the Asset Revaluation Law (the latest revaluation date was January 1, 1999). As of June 30, 2009, the Company has a revaluation gain of KRW12,552,973 million as a reserve for asset revaluation, a component of capital surplus.

(b) Officially Declared Value of Land

The officially declared value of land at June 30, 2008, as announced by the Minister of Land and Transportation and Maritime Affairs is as follows:

| Purpose | Won (millions) | |
|---|----------------|----------------|
| | Book value | Declared value |
| Land - utility plant, transmission and distribution sites and other | KRW 6,275,672 | 9,940,722 |

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 and construction grants for the year ended December 31, 2008 and for the six-month period ended June 30, 2009 are as follows:

| | Won (millions) | | | | | Book value as of December 31, 2008 |
|-----------------------------------|--|--------------|-----------|--------------|-------------|--|
| | 2008 | | | | | |
| | Book value as of January 1, 2008 | Acquisitions | Disposals | Depreciation | Others(*) | |
| Land | KRW 6,126,074 | 21,750 | (22,096) | | 170,880 | 6,296,608 |
| Buildings | 7,291,784 | 761 | (7,302) | (661,901) | 643,924 | 7,267,266 |
| Structures | 28,405,415 | 1,002 | (514) | (1,302,703) | 2,718,515 | 29,821,715 |
| Machinery | 17,049,211 | 71,450 | (3,372) | (3,168,570) | 3,970,688 | 17,919,407 |
| Vehicles | 31,661 | 6,845 | (26) | (19,459) | 12,190 | 31,211 |
| Loaded nuclear fuel | 933,263 | | | (416,977) | 544,665 | 1,060,951 |
| Capitalized asset retirement cost | 1,859,958 | | | (257,934) | 205,770 | 1,807,794 |
| Others | 661,540 | 82,081 | (54) | (172,227) | 177,535 | 748,875 |
| Construction in-progress | 9,824,129 | 8,740,733 | | | (8,387,294) | 10,177,568 |
| | KRW 72,183,035 | 8,924,622 | (33,364) | (5,999,771) | 56,873 | 75,131,395 |

| | Won (millions) | | | | | Book value as of June 30, 2009 |
|-----------------------------------|--|--------------|-----------|--------------|-------------|--------------------------------------|
| | 2009 | | | | | |
| | Book value as of January 1, 2009 | Acquisitions | Disposals | Depreciation | Others(*) | |
| Land | KRW 6,296,608 | 11,323 | (82,148) | | 49,889 | 6,275,672 |
| Buildings | 7,267,266 | 6,519 | (881) | (340,975) | 66,785 | 6,998,714 |
| Structures | 29,821,715 | 481 | (7,980) | (688,014) | 745,008 | 29,871,210 |
| Machinery | 17,919,407 | 29,816 | (50,665) | (1,579,871) | 1,012,600 | 17,331,287 |
| Vehicles | 31,211 | 2,464 | (717) | (9,017) | 2,073 | 26,014 |
| Loaded nuclear fuel | 1,060,951 | | | (211,449) | 270,415 | 1,119,917 |
| Capitalized asset retirement cost | 1,807,794 | | | (132,554) | 84,650 | 1,759,890 |
| Others | 748,875 | 56,402 | (2,701) | (90,316) | 57,673 | 769,933 |
| Construction in-progress | 10,177,568 | 6,563,568 | | | (2,116,022) | 14,625,114 |
| | KRW 75,131,395 | 6,670,573 | (145,092) | (3,052,196) | 173,071 | 78,777,751 |

(*) Others include transfers between asset categories, acquisition of capitalized asset retirement cost, and other non-cash items.

(4) Insured Assets

Insured assets as of June 30, 2009 are as follows:

| Insured assets | Insurance type | Won (millions) Insured value |
|---|-------------------------------------|---------------------------------|
| Buildings and machinery | Fire insurance | KRW 909,357 |
| Buildings and machinery | Nuclear property insurance | 1,297,710 |
| Buildings, machinery and construction in progress | Construction and shipping insurance | 11,662,738 |
| Buildings | General insurance | 23,710,916 |

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| | | |
|---------------------------|------------------------|-----------|
| Construction in progress | Construction insurance | 55,075 |
| Inventories and machinery | Shipping insurance | 5,740,680 |
| Buildings | Other | 410,724 |

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In addition, as of June 30, 2009, the Company carries compensation and responsibility insurance in relation to the operation of the nuclear power plants and gas accidents, construction and other general insurance for its utility plants and inventories and general insurance for vehicles.

(5) Intangible Assets

Changes in intangible assets for the year ended December 31, 2008 and for the six-month period ended June 30, 2009 are as follows:

| | Won (millions) | | | | |
|--|--|--------------|--------------|----------|--|
| | 2008 | | | | |
| | Book value as of January 1, 2008 | Acquisitions | Amortization | Others | Book value as of December 31, 2008 |
| Capitalized development cost | KRW 67,673 | 15,822 | (19,563) | 436 | 64,368 |
| Port facility usage right | 146,311 | | (8,128) | (56,940) | 81,243 |
| Water usage right | 57,397 | | (16,952) | (131) | 40,314 |
| Dam usage right | 2,017 | | (145) | 4,237 | 6,109 |
| Electricity usage right | 50,935 | 47,907 | (96,007) | 36,100 | 38,935 |
| Computer software and capitalized research and development costs | 141,316 | 20,334 | (65,471) | 27,970 | 124,149 |
| Others | 375,678 | 276,541 | (36,538) | (23,952) | 591,729 |
| | KRW 841,327 | 360,604 | (242,804) | (12,280) | 946,847 |

| | Won (millions) | | | | |
|--|--|--------------|--------------|----------|--------------------------------------|
| | 2009 | | | | |
| | Book value as of January 1, 2009 | Acquisitions | Amortization | Others | Book value as of June 30, 2009 |
| Capitalized development cost | KRW 64,368 | 5,216 | (7,979) | (12,781) | 48,824 |
| Port facility usage right | 81,243 | | (3,301) | | 77,942 |
| Water usage right | 40,314 | | (8,476) | (293) | 31,545 |
| Dam usage right | 6,109 | | (72) | | 6,037 |
| Electricity usage right | 38,935 | | (2,973) | (21,299) | 14,663 |
| Computer software and capitalized research and development costs | 124,149 | 5,222 | (48,141) | 32,359 | 113,589 |
| Others | 591,729 | 118,892 | (38,544) | 9,401 | 681,478 |
| | KRW 946,847 | 129,330 | (109,486) | 7,387 | 974,078 |

In addition, the Company expensed research and development cost amounting to KRW268,684 million and KRW254,195 million for the six-month periods ended June 30, 2008 and 2009, respectively.

(6) Investment Securities

(a) Short-term Investment securities as of December 31, 2008 and June 30, 2009 are summarized as follows:

| | Won (millions) | |
|----------------------------------|----------------|------|
| | 2008 | 2009 |
| Short-term investment securities | | |

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| | | |
|-------------------------------|------------|------------|
| Trading Securities | KRW 13,960 | KRW 9,695 |
| Available-for-sale securities | | |
| Held-to-maturity securities | 542 | 2,448 |
| | KRW 14,502 | KRW 12,143 |

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Available-for-sale securities consist of beneficiary certificates and held-to-maturity securities consist of debt securities including government and municipal bonds.

- (b) Long-term investments other than those under the equity method as of December 31, 2008 and June 30, 2009 are summarized as follows:

| | Ownership % | Won (millions) 2008 Acquisition cost | Book value |
|--|----------------|---|---------------|
| Available-for-sale: | | | |
| Equity securities: | | | |
| Energy Savings Investment Cooperatives | 48.0 | KRW 1,680 | KRW 1,680 |
| Korea Power Exchange | 100.0 | 127,839 | 121,573 |
| Hwan Young Steel Co., Ltd. | 0.14 | 97 | 97 |
| KNOC Nigerian East Oil Co., Ltd. | 15.0 | 12 | 12 |
| KNOC Nigerian West Oil Co., Ltd. | 15.0 | 12 | 12 |
| Dolphin Property Limited | 15.0 | 12 | 12 |
| KEPCO Australia Pty Ltd. | 100.0 | 15,588 | 15,588 |
| KEPCO Canada Energy Ltd. | 100.0 | 1,215 | 1,215 |
| Korea Electric Power Nigeria Ltd. | 100.0 | 76 | 76 |
| Cockatoo Coal Ltd. | 4.77 | 6,793 | 8,646 |
| Other equity securities | | 58,728 | 58,599 |
| Debt securities | | | |
| | | 212,052 | 207,510 |
| Held-to-maturity: | | | |
| Government and municipal bonds | | 2,419 | 2,419 |
| Total | | KRW 214,471 | KRW 209,929 |

| | Ownership % | Won (millions) 2009 Acquisition cost | Book value |
|--|----------------|---|---------------|
| Available-for-sale: | | | |
| Equity securities: | | | |
| Energy Savings Investment Cooperatives | 48.0 | KRW 1,680 | KRW 1,680 |
| Korea Power Exchange | 100.0 | 127,839 | 117,682 |
| Hwan Young Steel Co., Ltd. | 0.10 | 1,091 | 97 |
| KNOC Nigerian East Oil Co., Ltd. | 15.0 | 12 | 12 |
| KNOC Nigerian West Oil Co., Ltd. | 15.0 | 12 | 12 |
| Dolphin Property Limited | 15.0 | 12 | 12 |
| Korea Electric Power Nigeria Ltd. | 100.0 | 76 | 76 |
| Cockatoo Coal Ltd. | 4.77 | 20,268 | 22,097 |
| Other equity securities | | 251,427 | 251,322 |
| Debt securities | | | |
| | | 402,417 | 392,990 |
| Held-to-maturity: | | | |
| Government and municipal bonds | | 2,514 | 2,514 |

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Total

KRW 404,931

KRW 395,504

The equity securities other than securities in Korea Power Exchange, Kanglim Co., Ltd. and Cockatoo Coal Ltd. are non-marketable securities and stated at cost due to the lack of information to determine fair value.

Investment in affiliates in which the Company owns 20% or more of the voting stock should be stated at an amount as determined using equity method of accounting. However, as allowed per SKAS No. 8 Investments in Securities , as the difference between the equity method and cost is considered to be immaterial, the Company recorded the investment within available-for-sale securities at cost.

Korea Power Exchange operates under the regulations for 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. Based on the valuation report by the third party, the Company recorded valuation loss of KRW10,158 million for its investment in Korea Power Exchange, which have been accounted for as accumulated other comprehensive income.

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The stock of Kanglim Co., Ltd. was listed on the Korea Securities Dealers Automated Quotation (the KOSDAQ) and those securities are evaluated at quoted market value (closing price as of the balance sheet date). The Company recorded loss on valuation of KRW105 million, which have been accounted for as accumulated other comprehensive income.

The Company invested in overseas oil development industry with a consortium of Korean companies (the Korean Consortium) consisting of the Company, Korea National Oil Corporation and Daewoo Shipbuilding & Marine Engineering Co., Ltd. The Korean Consortium, owning 60% equity interest in the joint venture incorporated with Equator Exploration Limited and Nigerian governments, invested in KNOC Nigerian East 323, KNOC Nigerian West 321 and Dolphin Property Ltd. Additionally, the Company provides performance guarantees of US\$25 million related to the oil and gas producing activities and US\$54 million related to the construction of power generation plants and gas pipes to Nigerian government.

As investments in Cockatoo Coal Ltd. is recorded at fair value as a marketable security, the Company recorded gain on valuation of KRW1,829 million as accumulated other comprehensive income.

- (c) Investments in affiliated companies accounted for using the equity method as of December 31, 2008 and June 30, 2009 are as follows:

| | Ownership % | Won (millions) 2008 | | |
|---|----------------|------------------------|--------------------|---------------|
| | | Acquisition cost | Net asset value | Book value |
| Korea Gas Corporation | 24.5 | KRW 94,500 | 1,022,928 | 1,022,928 |
| Korea District Heating Co., Ltd. | 26.1 | 5,660 | 186,446 | 186,446 |
| LG Powercom Corporation | 38.8 | 323,470 | 384,901 | 384,901 |
| Korea Electric Power Industrial Development Co., Ltd. | 49 | 7,987 | 28,717 | 28,717 |
| YTN | 21.4 | 59,000 | 29,991 | 29,991 |
| Gansu Datang Yumen Wind Power Co., Ltd. | 40 | 11,342 | 14,256 | 14,256 |
| Salcon Power Corporation | 40 | 20,635 | 30,507 | 30,507 |
| Datang Chifang Renewable Co., Ltd. | 40 | 71,856 | 105,734 | 105,734 |
| Gemeng International Energy Group Co. Ltd. | 34 | 413,153 | 591,912 | 591,912 |
| KEPCO Energy Resource Nigeria Limited. | 30 | 8,463 | 8,647 | 8,647 |
| Gangwon Wind Power Co., Ltd. | 15 | 5,725 | 6,994 | 6,994 |
| Hyundai Green Power Co. Ltd. | 29 | 38,135 | 37,218 | 37,218 |
| Cheongna Energy Co., Ltd. | 27 | 1,800 | 4,822 | 4,822 |
| PT.Cirebon Electric Power | 27.5 | 48,679 | 54,095 | 54,095 |
| | | KRW 1,110,405 | 2,507,168 | 2,507,168 |

(Continued)

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| | Ownership % | Won (millions) 2009 | | |
|---|----------------|------------------------|--------------------|---------------|
| | | Acquisition cost | Net asset value | Book value |
| Korea Gas Corporation | 24.5 | KRW 94,500 | 1,041,307 | 1,041,307 |
| Korea District Heating Co., Ltd. | 26.1 | 5,660 | 194,878 | 194,878 |
| LG Powercom Corporation | 38.8 | 313,004 | 394,933 | 394,933 |
| Korea Electric Power Industrial Development Co., Ltd. | 49.0 | 7,987 | 27,905 | 27,905 |
| YTN | 21.4 | 59,000 | 29,498 | 29,498 |
| Gansu Datang Yumen Wind Power Co., Ltd. | 40.0 | 11,342 | 14,636 | 14,636 |
| Salcon Power Corporation | 40.0 | 20,635 | 32,661 | 32,661 |
| Datang Chifang Renewable Co., Ltd. | 40.0 | 71,856 | 113,853 | 113,853 |
| Gemeng International Energy Group Co. Ltd. | 34.0 | 413,153 | 585,410 | 585,410 |
| KEPCO Energy Resource Nigeria Limited. | 30.0 | 8,463 | 8,549 | 8,549 |
| Gangwon Wind Power Co., Ltd. | 15.0 | 5,725 | 8,973 | 9,047 |
| Hyundai Green Power Co. Ltd. | 29.0 | 38,135 | 36,718 | 36,718 |
| Cheongna Energy Co., Ltd. | 27.0 | 12,200 | 11,129 | 11,129 |
| PT.Cirebon Electric Power | 27.5 | 35,999 | 40,002 | 40,002 |
| Denison Mines Corporation | 19.9 | 83,920 | 83,920 | 83,920 |
| | | KRW 1,181,579 | 2,624,372 | 2,624,446 |

Despite of holding less than 20% of the total number of voting stock of Gangwon Wind Power Co. Ltd., the Company utilizes the equity method of accounting to the investment, as the Company has significant influence over the operating and financial policies of Gangwon Wind Power Co., Ltd.

- (d) Changes in investments in affiliated companies under the equity method for the year ended December 31, 2008 and for the six-month period ended June 30, 2009 are as follows:

| | Won (millions) 2008 | | | |
|---|--|---------------------------------------|------------|--|
| | Book value as of January 1, 2008 | Equity income (loss) of affiliates | Others (*) | Book value as of December 31, 2008 |
| Korea Gas Corporation | KRW 938,137 | 111,251 | (26,460) | 1,022,928 |
| Korea District Heating Co. | 187,502 | (717) | (340) | 186,445 |
| LG Powercom Corporation | 389,326 | 6,041 | (10,466) | 384,901 |
| Korea Electric Power Industrial Development, Ltd. | 29,379 | 4,728 | (5,390) | 28,717 |
| YTN | 28,493 | 1,732 | (234) | 29,991 |
| Gansu Datang Yumen Wind Power Co., Ltd. | 7,543 | 2,534 | 4,179 | 14,256 |
| Salcon Power Corporation | 22,580 | 7,927 | | 30,507 |
| Datang Chifang Renewable Co., Ltd. | 64,159 | 30,507 | 11,068 | 105,734 |
| Gemeng International Energy Group Co. Ltd. | 413,153 | 178,758 | | 591,911 |
| KEPCO Energy Resource Nigeria Limited. | 7,625 | 382 | 639 | 8,646 |
| Gangwon Wind Power Co., Ltd. | 7,307 | 638 | (852) | 7,093 |
| Hyundai Green Power Co. Ltd. | 16,364 | (403) | 21,257 | 37,218 |
| Cheongna Energy Co., Ltd. | 1,499 | (456) | 3,780 | 4,823 |
| PT.Cirebon Electric Power. | | 5,394 | 48,702 | 54,096 |
| | KRW 2,113,067 | 348,316 | 45,883 | 2,507,266 |

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| | Won (millions) | | | Book value as of June 30, 2009 |
|---|--|---------------------------------------|------------|--------------------------------------|
| | 2009 | | | |
| | Book value as of January 1, 2009 | Equity income (loss) of affiliates | Others (*) | |
| Korea Gas Corporation | KRW 1,022,928 | 39,035 | (20,656) | 1,041,307 |
| Korea District Heating Co. | 186,445 | 27,599 | (244) | 213,800 |
| LG Powercom Corporation | 384,901 | 10,031 | 1 | 394,933 |
| Korea Electric Power Industrial Development, Ltd. | 28,717 | 4,970 | (5,782) | 27,905 |
| YTN | 29,991 | (271) | (222) | 29,498 |
| Gansu Datang Yumen Wind Power Co., Ltd. | 14,256 | 328 | 52 | 14,636 |
| Salcon Power Corporation | 30,507 | 7,244 | (5,090) | 32,661 |
| Datang Chifang Renewable Co., Ltd. | 105,734 | 8,119 | | 113,853 |
| Gemeng International Energy Group Co. Ltd. | 591,911 | (6,503) | 2 | 585,410 |
| KEPCO Energy Resource Nigeria Limited. | 8,646 | (98) | 1 | 8,549 |
| Gangwon Wind Power Co., Ltd. | 7,093 | 1,966 | (12) | 9,047 |
| Hyundai Green Power Co. Ltd. | 37,218 | (499) | (1) | 36,718 |
| Cheongna Energy Co., Ltd. | 4,823 | (313) | 6,619 | 11,129 |
| PT.Cirebon Electric Power. | 54,096 | (2,343) | (11,751) | 40,002 |
| Denison Mines Corporation | | | 83,920 | 83,920 |
| | KRW 2,507,266 | 89,265 | 46,837 | 2,643,368 |

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

(e) Summarized financial information regarding affiliated companies accounted for using the equity method as of December 31, 2008 and June 30, 2009 is shown in the following table. There are no significant differences between carrying value of investment and share of underlying net equity.

| | Won (millions) | | | |
|---|----------------|-------------------|------------|----------------------|
| | 2008 | | | |
| | Total Assets | Total Liabilities | Sales | Net Income (Loss) |
| Korea Gas Corporation | KRW 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 |
| LG Powercom Corporation | 1,937,073 | 944,983 | 1,273,769 | 5,991 |
| Korea Electric Power Industrial Development, Ltd. | 128,479 | 69,873 | 261,090 | 12,833 |
| YTN | 187,383 | 47,424 | 104,441 | 8,731 |
| Gansu Datang Yumen Wind Power Co., Ltd. | 148,453 | 112,812 | 5,777 | (688) |
| Salcon Power Corporation | 88,946 | 9,373 | 24,249 | 10,826 |
| Datang Chifang Renewable Co., Ltd. | 785,065 | 521,100 | 47,090 | 15,188 |
| Gemeng International Energy Group Co. Ltd. | 1,741,968 | 1,051 | 12,524 | (101,016) |
| KEPCO Energy Resource Nigeria Limited. | 57,463 | 28,641 | 3,663 | 74 |
| Gangwon Wind Power Co., Ltd. | 155,491 | 108,867 | 16,099 | 4,358 |
| Hyundai Green Power Co. Ltd. | 163,032 | 34,695 | | (1,283) |
| Cheongna Energy Co., Ltd. | 88,346 | 70,485 | 1,021 | 1,449 |
| PT.Cirebon Electric Power | 68,747 | 2,961 | | (726) |
| | KRW 28,740,244 | 20,244,276 | 26,264,233 | 399,962 |

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| | Won (millions) | | | Net Income (Loss) |
|---|----------------|-------------------|------------|----------------------|
| | 2009 | | | |
| | Total Assets | Total Liabilities | Sales | |
| Korea Gas Corporation | KRW 19,908,754 | 15,651,571 | 10,966,786 | 263,675 |
| Korea District Heating Co. | 2,971,740 | 2,151,639 | 732,148 | 105,215 |
| LG Powercom Corporation | 2,022,061 | 1,004,117 | 709,694 | 25,853 |
| Korea Electric Power Industrial Development, Ltd. | 124,685 | 67,736 | 125,303 | 9,611 |
| YTN | 184,405 | 45,708 | 107,084 | 7,347 |
| Gansu Datang Yumen Wind Power Co., Ltd. | 163,381 | 126,791 | 4,327 | 41 |
| Salcon Power Corporation | 114,190 | 25,813 | 10,966 | 4,276 |
| Datang Chifang Renewable Co., Ltd. | 897,669 | 606,650 | 49,823 | 16,852 |
| Gemeng International Energy Group Co. Ltd. | 1,722,490 | 697 | 717 | (61,991) |
| KEPCO Energy Resource Nigeria Limited. | 41,002 | 12,506 | | 769 |
| Gangwon Wind Power Co., Ltd. | 164,909 | 105,083 | 9,879 | 5,726 |
| Hyundai Green Power Co. Ltd. | 253,317 | 126,702 | | (795) |
| Cheongna Energy Co., Ltd. | 155,009 | 118,189 | 1,303 | (885) |
| PT.Cirebon Electric Power | 202,088 | 91,192 | | (3,304) |
| Denison Mines Corporation | 1,241,485 | 211,325 | 47,782 | (26,400) |
| | KRW 30,167,185 | 20,345,719 | 12,765,812 | 345,990 |

(7) Loans to Employees

The Company has provided housing and tuition loans to employees as follows as of December 31, 2008 and June 30, 2009:

| | Won (millions) | |
|------------------------------------|----------------|---------|
| | 2008 | 2009 |
| Current portion of long-term loans | KRW 32,899 | 32,805 |
| Long-term loans | 426,943 | 437,492 |
| | KRW 459,842 | 470,297 |

(8) Other Non-current Assets

Other non-current assets as of December 31, 2008 and June 30, 2009 are as follows:

| | Won (millions) | |
|---------------------------|----------------|---------|
| | 2008 | 2009 |
| Deposits | KRW 260,247 | 280,053 |
| Assets received from KEDO | 93,625 | 93,519 |
| Others | 150,536 | 210,985 |
| | KRW 504,408 | 584,557 |

(9) Restricted Cash and Cash Equivalents and Financial Instruments

There are certain amounts included in cash and cash equivalents and financial instruments, which are restricted in use for expenditures for certain business purposes as of December 31, 2008 and June 30, 2009 as follows:

| | Won (millions) | |
|----------------------------------|----------------|---------|
| | 2008 | 2009 |
| Cash and cash equivalents | KRW 88,835 | 143,596 |
| Short-term financial instruments | 50,000 | |
| Long-term financial instruments | 5 | 5 |
| | KRW 138,840 | 143,601 |

(10) Inventories

Inventories as of December 31, 2008 and June 30, 2009 are summarized as follows:

| | Won (millions) | |
|---------------|----------------|-----------|
| | 2008 | 2009 |
| Raw materials | KRW 2,336,236 | 2,350,348 |
| Supplies | 1,264,450 | 1,324,623 |
| Other | 671,412 | 1,032,908 |
| | KRW 4,272,098 | 4,707,879 |

(11) Other Current Assets

Other current assets as of December 31, 2008 and June 30, 2009 are summarized as follows:

| | Won (millions) | |
|------------------------------------|----------------|---------|
| | 2008 | 2009 |
| Current portion of long-term loans | KRW 33,707 | 33,521 |
| Accrued interest income | 21,946 | 29,691 |
| Advance payments | 31,160 | 82,389 |
| Prepaid expenses | 35,772 | 85,841 |
| Others | 65,593 | 68,365 |
| | KRW 188,178 | 299,807 |

(12) Shareholders' Equity

(a) Capital Stock

The Company's authorized share capital is 1,200,000,000 shares, which consists of shares of common stock and shares of non-voting preferred stock, par value KRW5,000 per share. Under the Company's articles of incorporation, the Company is authorized to issue up to 150,000,000 shares of non-voting preferred stock. No shares of preferred stock have ever been issued. As June 30, 2009, 641,567,712 shares of common stock have been issued.

(Continued)

(13) Appropriated Retained Earnings

Appropriated retained earnings as of December 31, 2008 and June 30, 2009 are summarized as follows:

| | Won (millions) | |
|---|-----------------------|-------------------|
| | 2008 | 2009 |
| Involuntary: | | |
| Legal reserve (*1) | KRW 1,603,919 | 1,603,919 |
| Voluntary: | | |
| Reserve for investment on social overhead capital (*2) | 5,277,449 | 5,277,449 |
| Reserve for research and human resources development (*2) | 330,000 | 330,000 |
| Reserve for business rationalization (*3) | 31,900 | |
| Reserve for business expansion (*4) | 19,008,932 | 16,088,363 |
| Reserve for dividend equalization (*5) | 210,000 | 210,000 |
| | 24,858,281 | 21,905,812 |
| | KRW 26,462,200 | 23,509,731 |

-

- (*1) The KEPCO Act requires the Company to appropriate a legal reserve equal to at least 20 percent of net income for each accounting period until the reserve equals 50 percent of the common stock. The legal reserve is not available for cash dividends; however, this reserve may be credited to paid-in capital or offset against accumulated deficit by the resolution of the shareholders.
- (*2) The reserve for the investment on social overhead capital and the reserve for research and human development are appropriated by the Company to avail itself of qualified tax credits to reduce corporate tax liabilities. These reserves are not available for cash dividends for a certain period as defined in the Tax Incentive Control Law.
- (*3) 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 for tax benefits received for certain investments. However, existing reserves are not available for cash dividends and can be credited only to paid-in capital or offset against any accumulated deficit by resolution of the shareholders.
- (*4) Prior to 1990, according to the KEPCO Act, at least 20 percent of net income in each fiscal year was required to be established as a reserve for business expansion until such reserve equals the common stock. Beginning in 1990, no reserve is required.
- (*5) The reserve for dividend equalization, which is considered a voluntary reserve, is appropriated by the Company to reduce fluctuation of dividend rate for the purpose of stock price and credit rating stabilization.

(14) Capital Adjustments

The Company has treasury stock amounting to KRW741,489 million (18,929,955 shares) and KRW741,489 million (18,929,955 shares) as of December 31, 2008 and June 30, 2009, respectively, for the purpose of stock price stabilization.

(15) Accumulated other Comprehensive Income

Accumulated other comprehensive income, net of tax as of December 31, 2008 and June 30, 2009 are as follows:

| | Won (millions) | |
|--|----------------|---------|
| | 2008 | 2009 |
| Gain on valuation of available- for-sale securities, net | KRW (3,759) | (7,317) |
| Equity in other comprehensive income of affiliates | 329,973 | 340,252 |
| Overseas operation translation credit | (5,598) | 2,178 |
| Gain (loss) on valuation of cash flow hedges | 114,448 | 19,666 |
| | KRW 435,064 | 354,779 |

(16) Short-term Borrowings

Short-term borrowings as of December 31, 2008 and June 30, 2009 are as follows:

(a) Local Currency Short-term Borrowings

| Lender | Type | Annual interest rate % | Won (millions) | |
|-----------------|------------------|------------------------|----------------|-----------|
| | | | 2008 | 2009 |
| Woori Bank, etc | Commercial paper | 2.12~4.89 | KRW 1,159,289 | 1,307,000 |

(b) Foreign Currency Short-term Borrowings

| Lender | Type | Annual interest rate % | Won (millions) | |
|--------------------------|---------|-----------------------------------|----------------|---------|
| | | | 2008 | 2009 |
| Korea Exchange Bank, etc | General | 3M Libor + 0.35~2.7% 3.01~6.1% | KRW 198,421 | 441,533 |

(17) Long-term Debt

Long-term borrowings as of December 31, 2008 and June 30, 2009 are as follows:

(a) Local Currency Long-term Borrowings

| Lender | Type | Maturity | Annual interest rate % | Won (millions) | |
|-------------------------------|-------------------|-----------|------------------------|----------------|-----------|
| | | | | 2008 | 2009 |
| Korea Development Bank | Facility | 2009-2012 | 0.50~6.87 | KRW 3,351,893 | 2,601,225 |
| Industrial Bank of Korea | Development | | | | |
| | of power resource | 2012 | 4.00 | 99,666 | 57,866 |
| Ministry of Knowledge Economy | Development | | | | |
| | of power resource | 2010 | 4.00 | 20,000 | 20,000 |

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| | | | | | |
|--|-------------------|-----------|-----------|---------------|-------------|
| National Agricultural Cooperative Federation | Development | | | | |
| | of power resource | 2011 | 3.08~4.00 | 114,375 | 85,625 |
| Korea Exchange Bank | Energy | | | | |
| | rationalization | 2011~2021 | 3.50~5.81 | 1,022,682 | 1,000,032 |
| Others | General | 2008~2042 | 0.50~5.21 | 1,018,967 | 768,462 |
| | | | | 5,627,583 | 4,533,210 |
| Less: Current portion | | | | (2,201,430) | (2,245,251) |
| | | | | KRW 3,426,153 | 2,287,959 |

(b) Foreign Currency Long-term Borrowings

| Lender | Type | Maturity | Annual interest rate % | Won (millions) | |
|--|----------------|-----------|------------------------------|----------------|----------|
| | | | | 2008 | 2009 |
| Japan Bank for International Cooperation | Facility | 2014 | 8.28 | KRW 138,320 | 128,829 |
| Korea National Oil Corporation | | | 3Y treasury | | |
| | Oil production | 2021~2022 | note 3.00 | 11,046 | 11,285 |
| The Export-Import Bank of Korea | Project loans | 2014 | 7.27 | 225,252 | 130,964 |
| Woori Bank | Project loans | 2009~2017 | LIBOR+0.30 | 125,750 | 120,913 |
| USEXIM | Facility | 2015 | 4.48 | 73,227 | 68,345 |
| Others | Facility | 2007~2010 | 7.56~9.00 | 16,885 | |
| | | | | 590,480 | 460,336 |
| Less: Current portion | | | | (52,390) | (48,145) |
| | | | | KRW 538,090 | 412,191 |

(c) Debentures

| | Maturity | Annual interest rate % | Won (millions) | |
|------------------------------|-----------|---------------------------|----------------|-------------|
| | | | 2008 | 2009 |
| Local currency debentures: | | | | |
| Electricity bonds | 2006~2013 | 3.61 ~ 7.19 | KRW 10,050,000 | 13,990,000 |
| Corporate bonds | 2006~2011 | 3.54 ~ 7.58 | 4,030,010 | 5,340,010 |
| | | | 14,080,010 | 19,330,010 |
| Foreign currency debentures: | | | | |
| FY-93 | 2013 | 7.75 | 440,125 | 449,645 |
| FY-96 | 2006~2096 | 6.00~8.28 | 320,627 | 326,785 |
| FY-97 | 2010 | 6.75~7.00 | 395,758 | 404,317 |
| FY-03(*1) | 2008~2013 | 5.12 | 188,626 | 192,705 |
| FY-04 | 2007~2034 | 4.88~5.5 | 880,240 | 1,156,230 |
| FY-05 | 2010~2012 | 3.13~5.25 | 821,306 | 837,738 |
| FY-06 | 2016 | 5.24~5.50 | 817,376 | 578,115 |
| FY-07 | 2010 | 1.22~5.75 | 969,206 | 941,022 |
| FY-08 | | 3M USD Libor+ | | |
| | | 1.5~1.8 | | |
| | | 3M JPY Libor+ | | |
| | | 1.7, 2.22~5.38 | 1,730,060 | 1,738,519 |
| FY-09 | | 2.5~6.25 | | 1,418,328 |
| | | | 6,563,324 | 8,043,404 |
| | | | 20,643,334 | 27,373,414 |
| Less: Current portion | | | (2,190,963) | (2,280,672) |
| Discount | | | (49,747) | (74,333) |
| | | | KRW 18,402,624 | 25,018,409 |

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(*1) In 1996, the Company issued bonds of US\$208,256 thousand which is repaid in equal installments over the term of the bond until 2096.

(d) Exchangeable Bonds

| Description | Annual interest rate % | Won (millions) | |
|-------------------------------------|---------------------------|----------------|-----------|
| | | 2008 | 2009 |
| Overseas exchangeable bonds (*1) | 0.00 | KRW 485,682 | 485,682 |
| Overseas exchangeable bonds (*1) | 0.00 | 555,114 | 555,113 |
| | | 1,040,796 | 1,040,795 |
| Plus: Premium on debentures issued | | | |
| Less: Discount on debentures issued | | (49,729) | (41,580) |
| Conversion right adjustment | | (39,123) | (32,624) |
| Exchangeable bonds, net | | KRW 951,944 | 966,591 |

(*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 10th 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.

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

(e) Foreign currency debts, by currency, as of December 31, 2008 and June 30, 2009 are as follows:

| | Won (millions), US\$, JPY, EUR, and PHP (thousands) | | | |
|-----------------------|---|-------------------|---------------------|-------------------|
| | 2008 | | 2009 | |
| | Foreign currency | Won equivalent | Foreign currency | Won equivalent |
| Short-term borrowings | US\$ 157,790 | 198,421 | US\$ 228,354 | 293,371 |
| | PHP | KRW | PHP 5,524,299 | KRW 148,162 |
| | | 198,421 | | 441,533 |

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| | | | | | | |
|----------------------|------|------------|---------------|------|------------|---------------|
| Long-term borrowings | US\$ | 399,610 | 502,510 | US\$ | 358,322 | 460,336 |
| | PHP | 3,315,884 | 87,970 | PHP | | |
| | | | 590,480 | | | 460,336 |
| Debentures | US\$ | 3,879,688 | 4,878,710 | US\$ | 4,879,084 | 6,268,159 |
| | JPY | 89,000,000 | 1,240,566 | JPY | 99,000,000 | 1,322,917 |
| | EUR | 250,000 | 444,058 | EUR | 250,000 | 452,328 |
| | | | 6,563,334 | | | 8,043,404 |
| Exchangeable bond | JPY | 61,345,128 | 485,682 | JPY | 61,345,128 | 485,682 |
| | EUR | 463,321 | 555,114 | EUR | 463,321 | 555,113 |
| | | | 1,040,796 | | | 1,040,795 |
| | | | KRW 8,393,031 | | | KRW 9,986,068 |

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(f) Aggregate maturities of the Company's long-term debt as of June 30, 2009 are as follows:

| Year ended June 30 | Won (millions) | | | | | Total |
|--------------------|------------------------------|-----------------------------|---------------------|--------------------|--------------------|------------|
| | Domestic currency borrowings | Foreign currency borrowings | Domestic debentures | Foreign debentures | Exchangeable bonds | |
| 2010 | KRW 2,245,251 | 48,145 | 2,280,000 | 1,484 | | 4,574,880 |
| 2011 | 1,319,006 | 75,357 | 3,170,000 | 2,159,399 | | 6,723,762 |
| 2012 | 722,617 | 75,356 | 3,160,010 | 391,796 | 1,040,795 | 5,390,574 |
| 2013 | 83,947 | 75,357 | 3,430,000 | 3,277,035 | | 6,866,339 |
| 2014 | 62,417 | 66,038 | 3,050,000 | 835 | | 3,179,290 |
| Thereafter | 99,972 | 120,083 | 4,240,000 | 2,212,855 | | 6,672,910 |
| | KRW 4,533,210 | 460,336 | 19,330,010 | 8,043,404 | 1,040,795 | 33,407,755 |

(18) Assets and Liabilities Denominated in Foreign Currencies

Significant assets and liabilities of the Company (excluding foreign subsidiaries) denominated in foreign currencies other than those mentioned in note 18(e) as of December 31, 2008 and June 30, 2009 are as follows:

| | Won (millions), all other currencies (thousands) | | | | | |
|----------------------------------|--|---------------------------|----------------------------------|---------------------------|--------|---------|
| | 2008 | | 2009 | | | |
| | Foreign currency (thousands) (*) | Won equivalent (millions) | Foreign currency (thousands) (*) | Won equivalent (millions) | | |
| Assets: | | | | | | |
| Cash and cash equivalents | US\$ | 17,789 | 22,639 | US\$ | 26,356 | 33,860 |
| | EUR | 209 | KRW 383 | EUR | 155 | KRW 281 |
| | GBP | | | GBP | | 1 |
| | CNY | 62 | 11 | CNY | | |
| | PHP | 5,013 | 133 | PHP | 4,395 | 118 |
| | INR | 163,304 | 4,280 | INR | 92,129 | 2,464 |
| | AUD | 3,013 | 2,621 | AUD | 2,298 | 2,390 |
| | PKR | | | PKR | 25,950 | 409 |
| Short-term financial instruments | NGN | 1,985 | 18 | NGN | | |
| | USD | 500 | 629 | USD | 2,500 | 3,212 |
| | INR | 15,000 | 393 | INR | 20,000 | 535 |
| Trade receivables | US\$ | 10,479 | 13,177 | US\$ | 5,172 | 6,644 |
| | EUR | 125 | 221 | EUR | 2 | 4 |
| | AUD | | | AUD | 907 | 944 |
| | INR | 49,640 | 1,301 | INR | 61,057 | 1,633 |
| | PHP | 1,216 | 32 | PHP | | |
| | PKR | | | PKR | 7,487 | 118 |
| Other accounts receivable | US\$ | 7,483 | 9,410 | US\$ | 4,865 | 6,251 |
| | INR | | | INR | 25 | 1 |
| Accrued income | US\$ | | | US\$ | 54 | 70 |
| | AUD | | | AUD | 2 | 2 |
| | INR | 141 | 4 | INR | 211 | 6 |
| Advance payments | US\$ | 5,515 | 6,957 | US\$ | | |
| Other current assets | PHP | 6,555 | 174 | PHP | 1,704 | 46 |
| | INR | 6,065 | 159 | INR | 3,691 | 99 |
| | AUD | 97 | 84 | AUD | | |
| | PKR | | | PKR | 175 | 3 |
| Other non-current assets | US\$ | 564 | 709 | US\$ | 506 | 651 |
| | EUR | 30 | 54 | EUR | 21 | 38 |

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| | | | | | | |
|--|-----|--------|------------|-----|-----|------------|
| | JPY | 13,428 | 187 | JPY | 520 | 48 |
| | CAD | 2 | 2 | CAD | | |
| | CNY | 40 | 7 | CNY | 13 | 2 |
| | | | KRW 63,585 | | | KRW 59,830 |

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| | Won (millions), US\$, JPY and EUR (thousands) | | | |
|---|---|---------------------------------|-------------------------------------|---------------------------------|
| | 2008 | | 2009 | |
| | Foreign currency (thousands) (*) | Won equivalent (millions) | Foreign currency (thousands) (*) | Won equivalent (millions) |
| Liabilities: | | | | |
| Trade payables | US\$ 488,279 | KRW 614,010 | US\$ 378,871 | KRW 486,736 |
| | EUR 314 | 557 | EUR | |
| | JPY 33,062 | 461 | JPY | |
| | CNY 1,779 | 328 | CNY 1,779 | 335 |
| | PHP 1,342 | 36 | PHP | |
| | INR 4,680 | 123 | INR 412 | 11 |
| | AUD 630 | 548 | AUD | |
| | GBP 1 | 1 | GBP | |
| Other accounts payable | US\$ 32,966 | 42,582 | US\$ 1,426 | 1,832 |
| | EUR 1,459 | 2,657 | EUR 1,358 | 2,457 |
| | JPY 492 | 6,862 | JPY 10,634.8 | 142,112 |
| | CAD 52 | 54 | CAD 6,547 | 607 |
| | PHP 976 | 26 | PHP | |
| | INR 7,410 | 194 | INR 46 | 1 |
| | GBP 29 | 53 | GBP | |
| | SEK 142 | 23 | SEK | |
| Withholdings | US\$ 99 | 124 | US\$ | |
| | EUR | | EUR | |
| | CAD 179 | 196 | CAD | |
| Accrued expense Other current liabilities | US\$ 458 | 576 | US\$ 529 | 550 |
| | US\$ 458 | 576 | US\$ 222 | 285 |
| | CAD | | CAD 36 | 40 |
| | INR 130 | 3 | INR 9,948 | 266 |
| | AUD 10,593 | 278 | AUD | |
| | PHP 183 | 159 | PHP | |
| | | KRW 669,851 | | KRW 635,232 |

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

(19) Retirement and Severance Benefits

Changes in retirement and severance benefits for the year ended December 31, 2008 and for the six-month period ended June 30, 2009 are summarized as follows:

| | Won (millions) | |
|---|----------------|-----------|
| | 2008 | 2009 |
| Estimated accrual at beginning of year | KRW 1,776,614 | 2,190,771 |
| Provision for retirement and severance benefits | 483,909 | 93,273 |
| Payments | (78,204) | (123,585) |
| Others | 8,452 | 808 |
| Estimated accrual at end of year | 2,190,771 | 2,161,267 |
| Transfer to National Pension Fund | (91) | (91) |
| Deposit for severance benefit insurance | (455,223) | (434,174) |
| Net balance at end of year | KRW 1,735,457 | 1,727,002 |

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- (*) Funding of the retirement and severance benefits are not required, however, tax deductions are limited if the liability is not funded. The Company purchased individual severance insurance deposits, which meet the funding requirement for tax deduction purposes, in which the beneficiary is the respective employee, with a balance of KRW434,174 million as of June 30, 2009, and are presented as a deduction from the accrual of retirement and severance benefits.

The company transferred KRW91 million to the National Pension in accordance with the National Pension Scheme of Korea, and it is reflected in the consolidated balance sheet as a reduction of the retirement and severance benefit liability.

(20) Liability for Decommissioning Costs

Under the Korean Electricity Business Act (EBA) Article 94, the Company is required to record a liability for the dismantling of nuclear power plants and disposal of spent fuel and low & intermediate radioactive wastes. In addition, under the Korean Atomic Energy Act (AEA), an entity which constructs and operates a nuclear power reactor and related facilities must obtain permission from the Ministry of Education, Science and Technology (the MEST, formerly the Ministry of Science and Technology).

Effective January 1, 2004, the Company early adopted SKAS No. 17 and retrospectively adjusted the liability for decommissioning costs to the estimated fair value using discounted cash flows to settle the asset retirement obligations of dismantling and disposal of the nuclear power plants, spent fuel and low & intermediate radioactive waste.

In 2008, Radio-active Waste Management Act (RWMA) was enacted, which is effective as of January 1, 2009, in an effort to centralize the disposal of spent fuel and low & intermediate radioactive waste and related management process.

Even after the enactment of RWMA, the Company is still responsible for dismantling of nuclear power plants without any changes in their operation and accounting treatment, but for the disposal of spent fuel and low & intermediate radioactive waste, the responsibility was transferred to newly established Korea Radioactive Waste Management Corporation (KRMC), a government-owned entity.

As of December 31, 2008 and June 30, 2009, the Company has recorded a liability of KRW5,470,764 million and KRW5,609,441 million, respectively, for dismantling and decontaminating existing nuclear power plants, consisting of dismantling costs of nuclear plants of KRW4,311,052 million and KRW4,310,967 million as of December 31, 2008 and June 30, 2009 and storage costs of spent fuel and low & intermediate radioactive waste of KRW1,159,712 million and KRW1,298,474 million as of December 31, 2008 and June 30, 2009, respectively. Accretion expense consists of period-to-period changes in the liability for decommissioning costs resulting from passage of time and changes in estimate related to either the timing or the amount of the initial estimate of undiscounted cash flows. This cost is included in cost of electric power in the accompanying statements of income.

For the year ended December 31, 2006, the Company computerized the processes for recording capitalized asset retirement costs and liability for decommissioning costs in relation to dismantling the nuclear power plants and storage of spent fuel and radioactive wastes. As part of the computerization process, the Company initiated a thorough investigation to identify accurate quantities of spent fuel and radioactive waste. As a result of the investigation, the Company found discrepancies between physical counts performed and pre existing data. In addition, the Company changed the timing of asset retirement cost recognition for spent fuel from when spent fuel is released to when new nuclear fuel is loaded. As a result of the discrepancy and the change in the timing of recognition, the Company adjusted the beginning balances of asset retirement costs and liability for decommissioning costs by KRW5,255 million and recognized it as a prior year error correction in the consolidated statements of income for year ended December 31, 2006.

Changes in the liability for decommissioning costs for the year ended December 31, 2008 and for the six-month period ended June 30, 2009 are summarized as follows:

| | Won (millions) | |
|--|----------------|-----------|
| | 2008 | 2009 |
| Balance at beginning of year | KRW 8,206,267 | 5,470,764 |
| Liabilities incurred | 470,376 | 131,888 |
| Accretion expense for year | 379,281 | 95,555 |
| Payments for year | (8791) | (88,766) |
| Transfer to long-term other accounts payable | (3,576,369) | |
| Balance at end of year | KRW 5,470,764 | 5,609,441 |

(21) Provision for Decontamination of Transformer

Under the new regulation of Persistent Organic Pollutants Management Act, enacted in 2007, the Company is required to inspect and dispose of transformers and recorded a liability for inspection and disposal cost related to decontamination of existing transformers. Expenditures on inspection and disposal of transformers are expected to occur in the following 8 years and they can vary because of changes in assumed dates of regulatory requirement, technology.

(22) Other Current Liabilities

Other current liabilities as of December 31, 2008 and June 30, 2009 are as follows:

| | Won (millions) | |
|-------------------|----------------|---------|
| | 2008 | 2009 |
| Advance received | KRW 45,642 | 156,821 |
| Withholdings | 209,732 | 167,676 |
| Unearned revenue | 73,244 | 56,630 |
| Dividends payable | 9,318 | 20,723 |
| Others | 434,396 | 533,244 |
| | KRW 772,332 | 935,094 |

(23) Derivative Instruments Transactions

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

(a) Currency swap contracts as of June 30, 2009 are as follows:

| Counterparty | Contract Year | Settlement Year | Contract amounts in thousands | | Contract interest rate per annual | |
|-----------------------------|---------------|-----------------|-------------------------------|------------|-----------------------------------|----------------------|
| | | | Pay | Receive | Pay (%) | Receive (%) |
| ANZ | 2008 | 2011 | 52,025 USD | 50,000 | 5.17 | 3M USD Libor + 1.80% |
| BNP Paribas | 2008 | 2011 | 52,375 USD | 50,000 | 5.92 | 3M USD Libor + 1.80% |
| Calyon | 2008 | 2011 | 52,375 USD | 50,000 | 5.92 | 3M USD Libor + 1.80% |
| DBS | 2008 | 2011 | 52,375 USD | 50,000 | 6.01 | 3M USD Libor + 1.80% |
| DBS | 2008 | 2011 | 51,730 USD | 50,000 | 5.78 | 3M USD Libor + 1.70% |
| ING | 2008 | 2,011 | 50,495 USD | 50,000 | 6.24 | 6M USD Libor + 1.50% |
| Mizuho | 2008 | 2,011 | 28,860 JPY | 3,000,000 | 5.82 | 3M JPY Libor + 1.70% |
| Woori Investment Securities | 2008 | 2,011 | 10,346 USD | 10,000 | 5.78 | 3M USD Libor + 1.70% |
| Barclays | 2008 | 2,013 | 187,020 USD | 200,000 | 7.5 | 7.8 |
| Credit Suisse | 2008 | 2,013 | 140,265 USD | 150,000 | 7.4 | 7.8 |
| Deutsche Bank | 2008 | 2,010 | 172,959 USD | 125,000 | 2.5 | 3.1 |
| Merrill Lynch | 2008 | 2,010 | 86,479 USD | 62,500 | 2.5 | 3.1 |
| UBS | 2008 | 2,010 | 86,479 USD | 62,500 | 2.5 | 3.1 |
| BTMU | 2009 | 2,012 | 138,018 JPY | 10,000,000 | 4.1 | Tibor 3M+2.5% |
| CSFB | 2003 | 2013 | 177,720 USD | 150,000 | 5.12 | 4.75 |
| Barclays | 2006 | 2016 | 94,735 USD | 100,000 | 5.26 | 6 |
| CSFB | 2006 | 2016 | 94,735 USD | 100,000 | 5.26 | 6 |
| Citibank | 2006 | 2016 | 94,735 USD | 100,000 | 5.24 | 6 |

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| | | | | | | | |
|-----------------------------|------|------|---------------|-----|------------|----------------------|-------------------------------|
| TOKYO-MITSUBISHI | 2007 | 2010 | 112,600 | JPY | 14,000,000 | 5.1 | JPY Euro Yen 3m Tibor + 0.50% |
| | | | | | | up to 3 years: | |
| | | | | | | 4.875 / from | |
| Credit Suisse | 2004 | 2011 | 86,400 | USD | 75,000 | 4th year: | 4.95 |
| | | | | | | 4.875-(10.9- JPY/KRW | |
| | | | | | | Spot rate) | |
| | | | | | | up to 3 years: | |
| | | | | | | 4.875 / from | |
| JPMorgan | 2004 | 2011 | 86,400 | USD | 75,000 | 4th year: | 4.95 |
| | | | | | | 4.875-(10.9- JPY/KRW | |
| | | | | | | Spot rate) | |
| Barclays | 2008 | 2013 | 56,652 | USD | 60,000 | 4.96 | 5.38 |
| Citigroup | 2008 | 2013 | 113,304 | USD | 120,000 | 4.96 | 5.38 |
| Credit Suisse | 2006 | 2016 | 98,100 | USD | 100,000 | 5.48 | 5.5 |
| Goldman Sachs | 2008 | 2013 | 113,304 | USD | 120,000 | 4.96 | 5.38 |
| SMBC | 2007 | 2010 | 116,620 | JPY | 14,000,000 | 4.56 | 1.38 |
| UBS AG | 2006 | 2016 | 98,100 | USD | 100,000 | 5.48 | 5.5 |
| UFJ Mitsubishi | 2007 | 2010 | 115,783 | JPY | 14,000,000 | 4.72 | 1.65 |
| TOKYO-MITSUBISHI UFJ BANK | 2007 | 2010 | 109,060 | JPY | 14,000,000 | 5.29 | 3M Euro yen Tibor + 0.50% |
| ABN Amro | 2008 | 2011 | 29,190 | USD | 30,000 | 4.15 | 3M Libor + 1.30% |
| BNP PARIBA | 2008 | 2011 | 48,650 | USD | 50,000 | 4.15 | 3M Libor + 1.30% |
| Barclays | 2006 | 2016 | 71,888 | USD | 75,000 | 4.81 | 5.5 |
| Deutsche Bank | 2006 | 2016 | 71,888 | USD | 75,000 | 4.81 | 5.5 |
| Woori Investment Securities | 2008 | 2011 | 19,460 | USD | 20,000 | 4.15 | 3M Libor + 1.30% |
| ABN AMRO | 2008 | 2013 | USD 150,000 | | 149,040 | 5.38 | 5.03 |
| ABN AMRO | 2008 | 2011 | JPY 3,000,000 | | 28,050 | Libor+1.30% | 4.5 |
| ANZ | 2008 | 2011 | JPY 2,000,000 | | 18,700 | Libor+1.30% | 4.5 |
| BNP Paribas | 2008 | 2011 | JPY 5,000,000 | | 46,750 | Libor+1.30% | 4.5 |
| Barclays Bank PLC | 2004 | 2014 | USD 150,000 | | 172,875 | 5.75 | 5.1 |
| Deutsche Bank | 2008 | 2013 | USD 150,000 | | 149,040 | 5.38 | 5.03 |
| BNP Paribas | 2004 | 2011 | 17,282 | USD | 15,000 | 4.85 | 4.88 |
| Barclays | 2004 | 2011 | 138,252 | USD | 120,000 | 4.85 | 4.88 |
| Credit Suisse | 2004 | 2011 | 115,210 | USD | 100,000 | 4.85 | 4.88 |
| Hana Bank | 2004 | 2011 | 17,282 | USD | 15,000 | 4.85 | 4.88 |

(b) Interest rate swap contracts as of June 30, 2009 are as follows:

| Counterparty | Notional amount in thousands | Contract interest rate per annual | | Term |
|---------------------|---------------------------------|-----------------------------------|---|-----------|
| | | Pay (%) | Receive (%) | |
| Korea Exchange Bank | 50,000 | 5.42 | 3M CD + 0.21% | 2007-2010 |
| Korea Exchange Bank | 100,000 | 5.54 | 3M CD + 0.27% | 2007-2010 |
| Korea Exchange Bank | 100,000 | 5.3 | 3M CD + 0.35% | 2008-2011 |
| Korea Exchange Bank | 50,000 | 5.19 | 3M CD + 0.22% | 2007-2010 |
| Korea Exchange Bank | 100,000 | 5.42 | 3M CD + 0.22% | 2007-2010 |
| Korea Exchange Bank | 100,000 | 5.17 | 3M CD + 0.38% | 2008-2011 |
| Korea Exchange Bank | 100,000 | 6.32 | 3M CD + 0.66% | 2008-2011 |
| JPMorgan | 172,800 | 4.65 | up to 2 years: 4.875 / from 3rd year: 4.875- (10.9-JPY/KRW Spot | 2005~2011 |

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rate)

| | | | | |
|----------|---------|------|------------|-----------|
| JPMorgan | 100,000 | 6.13 | CD + 0.54% | 2008~2011 |
|----------|---------|------|------------|-----------|

- (c) Currency forward contracts as of June 30, 2009 are as follows:

| | Contract Date | Settlement Date | Contract amounts | | Contract exchange rate |
|-------------------------|---------------|-----------------|--------------------|----------------|------------------------|
| | | | Receive (millions) | Pay (millions) | |
| A.N.Z | 2009.03.05 | 2009.09.08 | 15,365 | USD 10,000 | 1,545.30 |
| JPMorgan | 2009.06.30 | 2009.07.01 | USD 2,000 | 2,546 | 1,272.90 |
| Barclays | 2009.06.30 | 2009.07.17 | USD 2,000 | 2,545 | 1,272.60 |
| Dae-gu Bank | 2009.06.30 | 2009.07.17 | USD 2,000 | 2,549 | 1,274.50 |
| BOA | 2009.06.16 | 2009.07.17 | USD 2,000 | 2,563 | 1,281.60 |
| Deutsche Bank | 2009.06.24 | 2009.07.27 | USD 5,000 | 6,385 | 1,277.10 |
| Deutsche Bank | 2009.06.26 | 2009.07.30 | USD 3,000 | 3,803 | 1,267.80 |
| Deutsche Bank | 2009.06.16 | 2009.07.17 | USD 2,000 | 2,514 | 1,257.10 |
| Deutsche Bank | 2009.06.22 | 2009.07.24 | USD 2,000 | 2,527 | 1,263.30 |
| Deutsche Bank | 2009.06.30 | 2009.07.24 | USD 4,000 | 5,138 | 1,284.60 |
| Barclays | 2009.06.25 | 2009.07.13 | USD 1,000 | 1,275 | 1,274.50 |
| Barclays | 2009.06.25 | 2009.07.29 | 1,277 | USD 1,000 | 1,277.10 |
| China Construction Bank | 2009.06.30 | 2009.07.13 | USD 4,000 | 5,112 | 1,278.00 |

- (d) Valuation gains and losses on swap and forward contracts that do not qualify as hedges recorded as other income or expense for the six-month period ended June 30, 2008 and 2009 are as follows:

| | Won (millions) | |
|----------------------------|----------------|----------|
| | 2008 | 2009 |
| Currency swaps | | |
| Gains | KRW 354,880 | 93,061 |
| Losses | (7,094) | (72,766) |
| Interest rate swaps | | |
| Gains | 4,555 | 6,903 |
| Losses | (38) | |
| Currency forwards | | |
| Gains | 5,361 | 2,582 |
| Losses | (15,367) | |
| | KRW 342,297 | 29,780 |

- (e) The losses (gains) on currency swap contracts qualifying as cash flow hedges of (KRW114,448 million) and (KRW19,666 million) are reflected within accumulated other comprehensive income for the year ended December 31, 2008 and for the six-month period ended June 30, 2009, respectively.

- (f) The transaction gains on derivatives are KRW54,507 million, and KRW47,028 million for the six-month period ended June 30, 2008 and 2009, respectively. The transaction losses on derivatives are KRW48,621 million, and KRW16,545 million for the six-month period ended June 30, 2008 and 2009, respectively. Transaction gains and losses are included in other income (expense) in the accompanying consolidated statements of income.

(24) Power Generation, Transmission and Distribution Expenses

Power generation, transmission and distribution expenses for the six-month period ended June 30, 2008 and 2009 are as follows:

| | Won (millions) | |
|--|----------------|------------|
| | 2008 | 2009 |
| Fuel | KRW 6,694,584 | 7,377,308 |
| Purchase of electric power | 1,924,481 | 1,862,065 |
| Labor | 1,054,483 | 874,383 |
| Depreciation and amortization | 2,442,815 | 2,583,849 |
| Maintenance | 802,194 | 904,446 |
| Provision for decommissioning costs/accretion and related expenses | 185,595 | 93,984 |
| Research and development cost | 207,534 | 212,481 |
| Others | 493,855 | 481,519 |
| | KRW 13,805,541 | 14,390,035 |

(25) Selling and Administrative Expenses

Details of selling and administrative expenses for the six-month period ended June 30 2008 and 2009 are as follows:

| | Won (millions) | |
|-------------------------------|----------------|---------|
| | 2008 | 2009 |
| Labor | KRW 321,956 | 253,351 |
| Employee benefits | 38,929 | 40,550 |
| Sales commissions | 196,529 | 196,498 |
| Depreciation and amortization | 37,587 | 42,081 |
| Promotion | 12,142 | 8,756 |
| Commission-others | 31,341 | 40,595 |
| Bad debts | 10,519 | 11,177 |
| Maintenance | 8,031 | 5,723 |
| Research and development cost | 48,047 | 39,965 |
| Others | 93,518 | 88,499 |
| | KRW 798,599 | 727,195 |

(26) Income Taxes

Income tax expenses for the six-month period ended June 30, 2008 and 2009 are summarized as follow:

| | Won (millions) | |
|--|----------------|----------|
| | 2008 | 2009 |
| Current income taxes | KRW 96,881 | 141,480 |
| Deferred income taxes allocated directly to shareholder's equity | 9,075 | 79,420 |
| Deferred income taxes | (248,382) | (46,714) |
| Income tax expenses | KRW (142,426) | 174,186 |

(Continued)

The relation between Income before income taxes and Income tax expenses:

| | Won (millions) | |
|---|----------------|-----------|
| | 2008 | 2009 |
| Income before income taxes | KRW (589,965) | (466,694) |
| Statutory tax rate | 27.5% | 24.2% |
| Expected taxes at statutory rate | (162,240) | (112,940) |
| Dividend income | (182,224) | (61,027) |
| Deferred tax on equity income of affiliates | 145,435 | 248,509 |
| Others | 56,603 | 99,644 |
| Income tax expenses | KRW (142,426) | 174,186 |

(27) Earnings Per Share

Basic earnings per common share are calculated by dividing controlling interest in net income by the weighted-average number of shares of common stock outstanding for each of the six-month period ended June 30, 2008 and 2009 as follows:

| | Won (millions) | |
|--|----------------|-------------|
| | 2008 | 2009 |
| Controlling interest in net income | KRW (469,380) | (663,793) |
| Weighted-average number of common shares outstanding | 622,637,717 | 622,637,717 |
| Basic earnings per common share | KRW (754) | (1,066) |

Diluted earnings per share are calculated by dividing diluted controlling interest in net income by the weighted-average number of shares of common equivalent stock outstanding for the six-month period ended June 30, 2008 and 2009 as follows:

| | Won (millions) | |
|---|----------------|-------------|
| | 2008 | 2009 |
| Controlling interest in net income | KRW (469,380) | (663,793) |
| Exchangeable bond interest | | |
| Diluted net income | (469,380) | (663,793) |
| Weighted-average number of common shares and diluted securities outstanding | 622,637,717 | 622,637,717 |
| Diluted earnings per share | KRW (754) | (1,066) |

Exchangeable bonds to be convertible into common stocks as of June 30, 2009 are presented below:

| | Won Exchange price | Exchange period | Number of shares to be issued |
|---|-----------------------|-------------------------|----------------------------------|
| Overseas exchangeable bonds 2 nd | 51,000 | 2007.01.04 ~ 2011.11.11 | 18,899,466 |

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(28) Non-cash Investing and Financing Activities

Significant non-cash investing and financing activities for the six-month period ended June 30, 2008 and 2009 are summarized as follows:

| | Won (millions) | |
|----------------------------------|----------------|------|
| | 2008 | 2009 |
| Conversion of exchangeable bonds | KRW 510 | |

(29) Transactions and Balances with Related Companies

- (a) Significant transactions between the Company and related parties for the six-month period ended June 30, 2008 and 2009 are as follows.

| Related Party | Transactions | Won (millions) | |
|---|------------------------------------|----------------|-----------|
| | | 2008 | 2009 |
| Operating revenue and other income: | | | |
| Korea Gas Corporation | Sales of electricity and others | KRW 17,291 | 19,409 |
| Korea District Heating Co., Ltd. | | 136,768 | 143,955 |
| LG Powercom Corporation | | 36,969 | 37,966 |
| Korea Electric Power Industrial Development Co., Ltd. | | 6,101 | 5,825 |
| Others | | 294 | 492 |
| | | KRW 197,423 | 207,647 |
| Operating and other expenses: | | | |
| Korea Gas Corporation | Purchases of LNG | KRW 3,566,735 | 2,735,242 |
| Korea District Heating Co., Ltd. | Commissions for service and others | 280 | 202 |
| LG Powercom Corporation | | 35,964 | 33,981 |
| Korea Electric Power Industrial Development Co., Ltd. | | 68,677 | 78,336 |
| Others | | 450 | 90 |
| | | KRW 3,672,106 | 2,847,851 |

- (b) Receivables and payables arising from related parties transactions as of December 31, 2008 and June 30, 2009 are as follows:

| Related party | Accounts | Won (millions) | |
|---|---|----------------|---------|
| | | 2008 | 2009 |
| Receivables: | | | |
| Korea Gas Corporation | Trade receivables and other accounts receivable | KRW 3,711 | 2,803 |
| Korea District Heating Co., Ltd. | | 63,221 | 9,301 |
| LG Powercom Corporation | | 8,893 | 6,970 |
| Korea Electric Power Industrial Development Co., Ltd. | | 439 | 1,462 |
| | | KRW 76,264 | 20,536 |
| Payables: | | | |
| Korea Gas Corporation | Trade payables and other accounts payable | KRW 929,845 | 343,808 |
| Korea District Heating Co., Ltd. | | 59,961 | 45 |
| LG Powercom Corporation | | 4,601 | 2,412 |
| Korea Electric Power Industrial Development Co., Ltd. | | 16,568 | 10,095 |
| YTN | | | 77 |
| | | KRW 1,010,975 | 356,437 |

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(c) Long-term borrowings from related parties as of December 31, 2008 and June 30, 2009 are as follows:

| Lender | Type | interest rate % | Won (millions) | |
|-------------------------------|------------------------|-----------------|----------------|-----------|
| | | | 2008 | 2009 |
| Korea Development Bank | Facility | 0.50~6.87 | KRW 3,351,893 | 2,601,225 |
| Ministry of Knowledge Economy | Rural area development | 4.00 | 20,000 | 20,000 |
| | | | KRW 3,371,893 | 2,621,225 |

(d) Guarantees provided by related companies for the Company as of June 30, 2009 are as follows:

| Type | Related party | Currency | USD (thousand) | |
|-----------------------|-------------------|----------|--------------------|-----------------------|
| | | | Guaranteed amounts | Type of borrowings |
| Payment guarantee (*) | Korea Development | US\$ | 689,113 | Foreign currency bond |

(*) Korea Development Bank has provided a repayment guarantee for some of foreign currency debentures of KEPCO and debt related to the power generation business of KEPCO Iijian Corporation, which existed at the time of spin-off.

(30) Transactions and Balances with Consolidated Subsidiaries

(a) Significant transactions among KEPCO and consolidated subsidiaries for the year ended December 31, 2008, and for the six-month period ended June 30, 2009 are as follows. These were eliminated in consolidation:

| Consolidated subsidiaries | Transactions | 2008 | 2009 |
|---------------------------------------|------------------------------------|----------------|------------|
| Operating revenue and other income: | | | |
| Korea Electric Power Corporation | Sales of electricity and others | KRW 631,700 | 251,480 |
| Korea Hydro & Nuclear Power Co., Ltd. | | 5,801,584 | 2,801,451 |
| Korea South-East Power Co., Ltd. | | 3,102,176 | 1,283,290 |
| Korea Midland Power Co., Ltd. | | 3,608,107 | 1,617,622 |
| Korea Western Power Co., Ltd. | | 3,687,034 | 1,698,558 |
| Korea Southern Power Co., Ltd. | | 4,647,023 | 2,135,201 |
| Korea East-West Power Co., Ltd. | | 3,883,761 | 1,729,336 |
| Others | Commissions for service and others | 1,352,502 | 609,551 |
| | | KRW 26,713,887 | 12,126,489 |
| Operating and other expenses: | | | |
| Korea Electric Power Corporation (*) | Purchased power and others | KRW 25,077,824 | 11,380,173 |
| Korea Hydro & Nuclear Power Co., Ltd. | Commissions for service and others | 809,484 | 320,849 |
| Korea South-East Power Co., Ltd. | | 172,245 | 71,700 |
| Korea Midland Power Co., Ltd. | | 198,752 | 80,680 |

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| | | |
|---------------------------------|----------------|------------|
| Korea Western Power Co., Ltd. | 182,435 | 74,230 |
| Korea Southern Power Co., Ltd. | 95,618 | 42,399 |
| Korea East-West Power Co., Ltd. | 164,536 | 64,347 |
| Others | 12,993 | 92,111 |
| | KRW 26,713,887 | 12,126,489 |

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

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- (b) Receivables and payables arising from KEPCO and consolidated subsidiaries transactions as of December 31, 2008 and June 30, 2009 are as follows. These were eliminated in the consolidation:

| Consolidated subsidiaries | Accounts | Won (millions) | |
|---------------------------------------|---|----------------|-----------|
| | | 2008 | 2009 |
| Receivables: | | | |
| Korea Electric Power Corporation | Trade receivables and other accounts receivable | KRW 1,366,570 | 1,464,303 |
| Korea Hydro & Nuclear Power Co., Ltd. | | 990,144 | 858,071 |
| Korea South-East Power Co., Ltd. | | 818,593 | 733,550 |
| Korea Midland Power Co., Ltd. | | 374,625 | 283,302 |
| Korea Western Power Co., Ltd. | | 480,977 | 374,031 |
| Korea Southern Power Co., Ltd. | | 582,781 | 431,245 |
| Korea East-West Power Co., Ltd. | | 661,659 | 534,558 |
| Others | | 215,786 | 261,070 |
| | | KRW 5,491,135 | 4,940,130 |
| Payables: | | | |
| Korea Electric Power Corporation (*) | Trade payables and other accounts payable | KRW 3,932,977 | 3,191,938 |
| Korea Hydro & Nuclear Power Co., Ltd. | | 441,247 | 524,711 |
| Korea South-East Power Co., Ltd. | | 525,077 | 552,178 |
| Korea Midland Power Co., Ltd. | | 57,181 | 62,840 |
| Korea Western Power Co., Ltd. | | 124,996 | 141,411 |
| Korea Southern Power Co., Ltd. | | 118,519 | 123,490 |
| Korea East-West Power Co., Ltd. | | 259,060 | 266,980 |
| Others | | 32,078 | 76,582 |
| | | KRW 5,491,135 | 4,940,130 |

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

- (c) The elimination entries of revenues and expenses among KEPCO and consolidated subsidiaries for the six-month period ended June 30, 2009 are summarized as follows:

| Won (millions) | | Won (millions) | |
|--------------------|----------------|--------------------|----------------|
| Accounts | Amount | Accounts | Amount |
| Operating revenues | KRW 12,075,080 | Operating expenses | KRW 12,046,945 |
| Rental income | 35,000 | Rent expenses | 7,110 |
| Interest income | 9,757 | Commissions | 33,823 |
| Other income | 6,652 | Interest expenses | 34,991 |
| | | Other expenses | 3,620 |
| | KRW 12,126,489 | | KRW 12,126,489 |

- (d) The elimination entries of receivables and payables among KEPCO and consolidated subsidiaries as of June 30, 2009 are summarized as follows:

| Won (millions) | | Won (millions) | |
|---------------------------------|---------------|------------------------------------|---------------|
| Accounts | Amount | Accounts | Amount |
| Trade payables | KRW 1,673,800 | Trade receivables | KRW 1,896,064 |
| Other accounts payable | 413,019 | Other accounts receivables | 190,712 |
| Advances received | 75,922 | Advance payments | 75,922 |
| Accrued expenses | 5,375 | Accrued income | 238 |
| Unearned revenue | 9,491 | Prepaid expenses | 9,502 |
| Other long-term account payable | | Other long-term account receivable | 1,244,332 |
| | 1,243,701 | Other intangible asset | 1,502,723 |
| Construction grants | 1,502,723 | Others | 20,637 |
| Others | 16,099 | | |
| | KRW 4,940,130 | | KRW 4,940,130 |

- (e) The Company has provided guarantees for related companies as of June 30, 2008 as follows:

| Type | Guaranteed company | US\$ (thousands) |
|------------|---------------------------------|------------------|
| Other (*1) | KEPCO Ilijan Co. | US\$ 72,000 |
| Other (*2) | KEPCO Lebanon SARL.. | US\$ 17,277 |
| Other (*3) | KEPCO Shanxi international Ltd. | US\$ 180,000 |
| Other (*4) | KEPCO SALCON Power Corporation. | US\$ 100,000 |
| Other (*5) | KOMIPO Global Pte Ltd. | IDR 12,300,000 |

- (*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 US\$281 million in 2000 as project financing from Japan Bank of International Cooperation 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 US\$72 million on performance of the power generation business of KEPCO Ilijan Corporation.
- (*2) KEPCO Shanxi International Ltd. (the wholly owned subsidiary) formed the consortium 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 has provided HSBC and Export-Import Bank of Korea (the EXIM Bank) with the payment guarantee for KEPCO Shanxi International Ltd.'s loan of US\$180 million. The Company agreed with Deutsche Bank to refund the investment of USD 110,640 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, if 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.
- (*3) The Company has provided performance guarantees related to the operation of the Lebanon power generation plant amounting to US\$17.1 million to the Lebanon Electricity Agency.
- (*4) The Company invested in power plant construction business in Cebu, Philippines and established KEPCO SPC Power Corporation to support this business. The Company has provided the debt payment guarantee amounting US\$100,000 thousand to EXIM Bank for KEPCO SPC Power Corporation.
- (*5) PT Cirebon Electric Power, an affiliate of the Company is engaged in the power generation business in Indonesia. PT Cirebon Electric Power has commenced a construction of a 660MW thermal power plant for its power generation business. In relation to the power generation business, the Company has provided Indonesia Mizuho Bank with secondary performance guarantee of IDR 12.3 billion, through Korea Exchange Bank's guarantee.

(31) Commitments and Contingencies

(a) The Company is involved in legal proceedings regarding matters arising in the ordinary course of business. Related to these matters, as of June 30, 2009, the Company is engaged in 361 lawsuits as a defendant and 99 lawsuits as a plaintiff. The total amount claimed against the Company is KRW182,358 million and the total amount claimed by the Company is KRW58,602 million as of June 30, 2009. As of June 30, 2009, the Company recorded a liability related to the above claims amounting to KRW28,220 million in other long-term liabilities. The outcome of these lawsuits cannot presently be determined. In the opinion of management, the ultimate results of these lawsuits will not have a material adverse effect on the Company's financial position, results of operation, or liquidity.

(b) Short-term Credit Facilities

Payment guarantee and short-term credit facilities from financial institutions as of June 30, 2009 are as follows:

(i) Payment Guarantee

| Description | Won (millions), US\$, JPY, EUR, SAR (thousands) | |
|------------------------------------|---|--|
| | Financial institution | Credit lines |
| Payment of import letter of credit | Korea Exchange Bank and others | US\$ 1,290,243 |
| | | JPY 14,703 |
| | | EUR 964 |
| Payment of custom duties | Korea Exchange Bank | KRW 195,000 |
| Borrowings | Korea Exchange Bank and others | US\$ 205,000 |
| | | KRW 554,000 |
| Performance guarantees | Shinhan Bank and others | KRW 12,544 |
| | | US\$ 7,120 |
| Payment of foreign currency (*) | Korea Exchange Bank | US\$ 79,448 |
| | | US\$ 96,927 |
| | | Export-Import Bank of Korea SAR 25,000 |

(*) Foreign currencies other than US\$ are converted into US\$.

(ii) Overdraft and Others

| Description | Financial institution | Won (millions), US\$ (thousands) |
|--|---|-------------------------------------|
| | | Credit lines |
| Overdraft | Korea Exchange Bank and others | KRW 475 |
| Commercial paper | Korea Exchange Bank and others | KRW 501,242 |
| | | US\$ 192,870 |
| Trade financing | National Agricultural Cooperative Federation and others | KRW 66,500 |
| Repayment guarantees for foreign currency debentures | Korea Develop Bank | US\$ 669,113 |

(c) The Company has provided a promissory notes as a guarantees as follows:

| Objective | Providing company | Provided company | Description |
|------------------------------------|---------------------------------|---------------------------------|---|
| Guarantee for short-term Borrowing | Korea South-East Power Co., Ltd | Woori Bank | One promissory note |
| Guarantee for contract Performance | KPS Co., Ltd | Hyundai Heavy Industry, Co. Ltd | One promissory note of KRW1,771 Million |
| Success repayable loan | KEPCO Nuclear Fuel Co. Ltd. | Korea Resources Corporation | Three promissory notes (blank) |

(d) 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 \ 93,519million. In addition, the Company recorded the estimated claims by subcontractors as other long-term liabilities amounting to KRW15,139million.

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 June 30, 2009 as it is contingent upon disposal or reuse of the related assets and settlement of obligations.

(e) The Company entered into a Power Purchase Agreement with GS EPS Co., Ltd. and other independent power producers for power purchases in accordance with the Electricity Business Act. These purchase agreements require the Company to purchase minimum amounts which the Company has historically exceeded. The power purchased under these agreements amounted to KRW1,010,892 million, and KRW688,411 million for the six-month period ended June 30, 2008 and 2009, respectively. In relation to the power purchases, the Company entered into long-term purchase contracts with various suppliers and the terms of these contracts can be summarized as follows:

| Generation type | Contract expiration term |
|-------------------------------------|--------------------------|
| Combined cycle unit | 2018~2025 |
| Hydroelectric units | 2009~2032 |
| Small hydroelectric and other units | 2007~2019 |

Under these contracts, purchase quantities are not fixed, and purchase prices are annually reset based on certain formula for each generation type.

(f) The Company has contracted Doosan Industrial Co., Ltd. and others amounting to KRW8,791,693 million, JPY 17,792 thousand, and US\$ 4,495 thousand in the aggregate as of June 30, 2009, for construction of power plant facilities and facility maintenance.

(g) The Company has bituminous coal, anthracite Coal, oil and LNG purchase contracts with domestic and foreign suppliers including Korea Gas Corporation (a related party) as of June 30, 2009. Under these contracts, the Company must purchase an annual quantity of coal. The purchase price is determined based on market prices. In relation to coal imports, the Company entered into long-term transportation contracts with Hanjin Shipping Co., Ltd. and others as of June 30, 2009.

| Fuel type | Contract expiration Term | Quantity |
|-----------------|--------------------------|--------------------------|
| Bituminous Coal | 2009~2012 | 45,612 thousand ton/year |

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| | | |
|-----------------|------|------------------------|
| Anthracite Coal | 2009 | Set by government |
| Oil | 2009 | 1,232 thousand kl/year |
| LNG | 2026 | Mutual agreement |

- (h) During 2001, the Company voluntarily suspended operations of the Gangneung hydroelectric generating plant to improve the quality of water used in generating electricity. The expenses related to the suspension of operations, including depreciation on the utility plant for the six-month period ended June 30, 2009 amounting to KRW3,200 million were charged to other expenses. On the other hand, the amounts of compensation for the residents of Gangneung related to improvement of quality of water are not reasonably measurable as of June 30, 2009.
- (i) In August 2005, a consortium consisting of the Company, Korea National Oil Corporation, a state-controlled enterprise, and Daewoo Shipbuilding & Marine Engineering won a bid from the federal government of Nigeria for exploration and production of oil in two off-shore blocks. This consortium holds 60% of the equity interest in the special purpose vehicle established to carry out the project regarding these two blocks and the Company holds 15 % of the interest in the consortium. In March 2006, the consortium entered into production sharing contracts with the Nigerian National Petroleum Corporation in connection with this project. Under these contracts, if the consortium is successful in finding oil, it will be entitled to operate the related facilities for 20 years. However, in January 2009, the leader of the consortium, Korea National Oil Corporation, was informed of a unilateral decision by the government of Nigeria to void allocation of the oil blocks granted to the consortium based on a claim that the consortium failed to pay full amount of the consideration. Korea National Oil Corporation has filed a suit in the Nigerian court challenging this assertion. The case is currently pending.
- (j) The Company is currently investing in overseas exploration and production of oil as part of a consortium consisting of the Company, Korea National Oil Corporation, a state-controlled enterprise, and Daewoo Shipbuilding & Marine Engineering. The Company holds 15% of the interest in the consortium. The consortium holds 60% of the equity interest in the special purpose vehicle established to carry out an oil exploration project in two off-shore blocks of Nigeria: KNOC WEST 323 and KNOC WEST 321. British Equator and the government of Nigeria holds rest of the equity interest in this arrangement. Also, the Company has provided business performance guarantee to the government of Nigeria for mining exploration, mining development, and other factors in the amount of \$24,818 thousands, \$34,650 thousand, and \$18,881 thousand, respectively.

(32) Segment Information

The below segment information is based on the management's disaggregation of the Company for making operating decisions. Operating segments that have similar economic characteristics and are similar in terms of the nature of their products and services, the nature of the production process, the type or class of customer, and methods of distribution have been aggregated into a segment.

Other segments that cannot be classified into the above-mentioned two segments have been combined and disclosed in an "all other" category. All other consist primarily of the operations from the engineering and maintenance for utility plant, information services, and sales of nuclear fuel, communication line leasing and others.

The Company evaluates performance of each segment based on net income. There are no revenues from transactions with a single external customer that amount to 10 percent or more of the consolidated revenues of the Company.

- (a) The following table provides information for each operating segment for the six-month period ended June 30, 2008 and 2009.

| | Won (millions) | | | | |
|-------------------------------------|-----------------------------|---------------------|----------------|--------------------------|-------------------|
| | 2008 | | | | |
| | Electric business | | | | |
| | Transmission & distribution | Power generation(*) | All other | Consolidation adjustment | Consolidated |
| Unaffiliated revenues | KRW 14,652,020 | 47,226 | 258,062 | | 14,957,308 |
| Intersegment revenues | 208,710 | 11,260,665 | 612,271 | (12,081,646) | |
| Total operating revenues | 14,860,730 | 11,307,891 | 870,333 | (12,081,646) | 14,957,308 |
| Cost of goods sold | (15,369,466) | (10,312,810) | (657,146) | 11,931,714 | (14,407,708) |
| Selling and administrative expenses | (618,537) | (144,947) | (85,762) | 50,647 | (798,599) |

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| | | | | | |
|------------------|-------------|---------|---------|----------|-----------|
| Operating income | (1,127,273) | 850,134 | 127,425 | (99,285) | (248,999) |
|------------------|-------------|---------|---------|----------|-----------|

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| | | | | | |
|--|---------------|-----------|----------|-----------|-----------|
| Interest income | 42,385 | 53,579 | 24,482 | (38,782) | 81,664 |
| Interest expense | (335,712) | (104,606) | (21,002) | 38,752 | (422,568) |
| Equity income of affiliates | 771,104 | 337 | 964 | (650,628) | 121,777 |
| Other, net | (167,930) | (81,522) | 58,538 | 69,075 | (121,839) |
| Income before income taxes | (817,426) | 717,922 | 190,407 | (680,868) | (589,965) |
| Income taxes | 353,540 | (195,643) | (42,645) | 27,174 | 142,426 |
| Segment earnings before minority interests | KRW (463,886) | 522,279 | 147,762 | (653,694) | (447,539) |

| | Won (millions) 2009 | | | | |
|--|--------------------------------|------------------------|-----------|-----------------------------|--------------|
| | Electric business | | | Consolidation adjustment | Consolidated |
| | Transmission & distribution | Power generation(*) | All other | | |
| Unaffiliated revenues | KRW 15,368,195 | 98,851 | 296,923 | | 15,763,969 |
| Intersegment revenues | 356,361 | 12,771,456 | 690,596 | (13,818,412) | |
| Total operating revenues | 15,724,556 | 12,870,307 | 987,519 | (13,818,412) | 15,763,969 |
| Cost of goods sold | (16,703,549) | (11,314,752) | (645,104) | 13,714,313 | (14,949,092) |
| Selling and administrative expenses | (547,573) | (122,079) | (114,939) | 57,396 | (727,195) |
| Operating income | (1,526,566) | 1,433,476 | 227,476 | (46,703) | 87,682 |
| Interest income | 46,340 | 24,623 | 26,366 | (40,210) | 57,119 |
| Interest expense | (507,613) | (304,891) | (19,473) | 40,018 | (791,959) |
| Equity income of affiliates | 1,093,230 | 212 | (1,173) | (1,016,183) | 76,087 |
| Other, net | 106,529 | 21,118 | 57,811 | (81,081) | 104,377 |
| Income before income taxes | (788,080) | 1,174,538 | 291,007 | (1,144,159) | (466,694) |
| Income taxes | 145,601 | (270,236) | (66,109) | 16,558 | 174,186 |
| Segment earnings before minority interests | KRW (642,479) | 904,302 | 224,898 | (1,127,601) | (292,508) |

(b) The following table provides asset information for each operating segment as of December 31, 2008 and June 30, 2009.

| | Won (millions) | | | | |
|-------------------------------|--------------------------------|------------------------|-----------|-----------------------------|--------------|
| | Electric business | | | Consolidation adjustment | Consolidated |
| | Transmission & distribution | Power generation(*) | All other | | |
| December 31, 2008 | | | | | |
| Property, plant and equipment | KRW 31,018,141 | 34,441,625 | 883,464 | 1,219,923 | 67,563,153 |
| Total assets | 65,642,591 | 45,483,784 | 3,145,329 | (31,343,112) | 82,928,592 |
| June 30, 2009 | | | | | |
| Property, plant and equipment | KRW 33,072,373 | 37,509,181 | 1,125,557 | 1,113,928 | 72,821,039 |
| Total assets | 68,252,828 | 50,713,870 | 4,285,441 | (31,344,487) | 91,907,652 |

(*) Information for only domestic generation companies is presented.

(33) Comprehensive Statement of Income

Comprehensive income for the six-month period ended June 30, 2008 and 2009 is summarized as follows:

| | Korean Won(in millions) | | Translation into |
|---|-------------------------|------------------|---|
| | 2008 | 2009 | U.S. Dollar (Note 2) (in thousands) 2009 |
| Net income | KRW (447,539) | (640,880) | \$ (503,243) |
| Other comprehensive income, net of tax : | | | |
| Gain (loss) on valuation of available-for-sale securities | 2,395 | (3,557) | (2,793) |
| Equity in other comprehensive income of affiliates | 87,757 | 10,279 | 8,071 |
| Gain (loss) on valuation of derivatives | 2,500 | (94,782) | (74,426) |
| Overseas operations translation | 13,632 | 7,775 | 6,105 |
| Comprehensive income | KRW (341,255) | (721,165) | \$ (566,286) |

The amounts of tax allocated to the other comprehensive income for the year ended December 31, 2008 and for the six-month period ended June 30, 2009 are as follows:

| | Korean Won(in millions) | | Translation into |
|---|-------------------------|---------------|---|
| | 2008 | 2009 | U.S. Dollar (Note 2) (in thousands) 2009 |
| Gain (loss) on valuation of available-for-sale securities | KRW (908) | 1,003 | \$ 788 |
| Equity in other comprehensive income of affiliates | (33,287) | (2,899) | (2,276) |
| Gain (loss) on valuation of derivatives | (948) | 26,733 | 20,992 |
| Overseas operations translation | (5,171) | (2,193) | (1,722) |
| Comprehensive income | KRW (40,314) | 22,644 | \$ 17,782 |

(34) Reconciliation to United States Generally Accepted Accounting Principles

The accompanying consolidated financial statements are prepared in accordance with Korean GAAP which differs in certain respects from U.S. generally accepted accounting principles (U.S. GAAP). The significant differences between Korean GAAP and U.S. GAAP that affect the Company's consolidated financial statements are described below.

(a) Revenue Recognition

The Company reads meters and bills customers on a cycle basis. The Company does not accrue revenue for power sold to customers between the meter-reading date and balance sheet date but records the revenue in the subsequent period. Under Korean GAAP, such practice is consistent with the Accounting Regulations for Public Enterprise Associated Government Agency, which have been approved by the Korean Ministry of Strategy and Finance (formerly the Korean Ministry of Finance and Economy) and considered by the utility industry in Korea as Korean GAAP. However under U.S. GAAP beginning in 2006, the Company recognizes unbilled revenue representing the sale of power between the cycle meter-reading date and the balance sheet date. Prior to 2006, the Company did not recognize any difference for amounts recognized under Korean GAAP, and had concluded that such prior year uncorrected differences were quantitatively and qualitatively immaterial to the Company's prior year consolidated financial statements using the income statement approach.

In September 2006, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin No. 108, *Considering the Effects of Prior Year Misstatements When Quantifying Misstatements in Current Year Financial Statements* (SAB 108). SAB 108 requires the use of the dual approach (both an income statement approach and a balance sheet approach) when evaluating whether an error is material to an entity's financial statements, based on all relevant quantitative and qualitative factors. The SEC issued SAB 108 to address what the SEC identified as diversity in practice whereby entities were using either an income statement approach or a balance sheet approach, but not both.

Effective December 31, 2006, the Company adopted SAB 108 and recorded the effects of prior year uncorrected differences which arose prior to January 1, 2006, as a cumulative effect adjustment to beginning retained earnings as of January 1, 2006 in accordance with the dual approach set forth in SAB 108.

(b) Asset Revaluation and Depreciation

Under Korean GAAP, property, plant and equipment are stated at cost, except for those assets that are stated at their appraised values in accordance with the KEPCO Act and the Assets Revaluation Law of Korea. In connection with an asset revaluation, a new basis for the property, plant and equipment is established. Asset revaluations are not permitted after January 1, 2001.

Under U.S. GAAP, property, plant and equipment must be stated at cost less accumulated depreciation and impairment. The revaluation of property, plant and equipment and the resulting depreciation of revalued amounts are not included in consolidated financial statements prepared in accordance with U.S. GAAP. When revalued assets are sold, revaluation surplus related to those assets under Korean GAAP would be reflected in income as additional gain on the sale of property, plant and equipment under U.S. GAAP.

(c) Special Depreciation

Under Korean GAAP, special depreciation allowed prior to 1944, which represents accelerated depreciation of certain facilities and equipment acquired for energy saving and anti-pollution purposes, is not recognized under U.S. GAAP. The U.S. GAAP reconciliation reflects the adjustment of special depreciation to the Company's normal depreciation method, based on the economic useful life of the asset.

(d) Accounting for Regulation

U.S. GAAP, pursuant to Statements of Financial Accounting Standards (SFAS) No. 71 *Accounting for the Effects of Certain Types of Regulation* differs in certain respects from the application of U.S. GAAP by non-regulated businesses. As a result, a regulated utility is required to defer the recognition of costs (a regulatory asset) or recognize obligations (a regulatory liability) if it is probable that, through the rate-making process, there will be a corresponding increase or decrease in future utility rates.

The Government of the Republic of Korea approves the rates that the Company charges to its customers. The Company's utility rates designed to recover its reasonable costs plus a fair investment return. However, as discussed in Note 1(a), on April 2, 2001, six power generation subsidiaries were established in accordance with the Restructuring Plan. Since the power generation subsidiaries' rates are determined by a competitive system in the market, they no longer meet the criteria for application of SFAS No. 71. Accordingly, since 2001, only the Company's power transmission and distribution divisions have been subject to the criteria for the application of SFAS No. 71.

The Company recognizes a regulatory liability or regulatory asset in consolidated financial statements by a charge or credit to operations to match revenues and expenses under the regulations for the establishment of utility rates. These assets or liabilities relate to the adjustments for capitalized foreign currency translation, reserve for self-insurance and deferred income taxes.

The following table shows the components of regulated assets and liabilities as of December 31, 2008 and June 30, 2009.

| | Korean Won(in millions) | | Translation into U.S. Dollar (Note 2) (in thousands) |
|--|-------------------------|---------------|---|
| | 2008 | 2009 | 2009 |
| Capitalized foreign currency translation | KRW 609,723 | KRW 583,965 | \$ 458,551 |
| Reserve for self-insurance | (115,268) | (114,681) | (90,052) |
| Deferred income taxes | (1,068,372) | (1,045,716) | (821,135) |
| | KRW (573,917) | KRW (576,432) | \$ (452,636) |

The regulated assets resulting from capitalized foreign currency translation are anticipated to be recovered over the weighted-averaged useful life of property, plant and equipment.

Regulatory assets and liabilities are established based on the current regulations and rate-making process. Accordingly, these assets and liabilities may be significantly changed due to the potential future deregulation or changes in the rate-making process.

(e) Reversal of Eliminated Profit on Transactions with Subsidiaries and Affiliated Companies

Under Korean GAAP, the Company's share of the profit on transactions between KEPCO and its affiliated companies is eliminated in the preparation of the consolidated financial statements. No elimination of such profit is required in accordance with U.S. GAAP for regulated enterprises, where the sales prices are reasonable and it is probable that, through the rate making process, future revenues approximately equal to the sales price will result from the Company's use of the utility plant. The Company meets both of these criteria, and no elimination of profit is necessary for reporting under U.S. GAAP.

(f) Foreign Currency Translation

As discussed in note, under Korean GAAP, the Company capitalizes certain foreign exchange transaction and translation gains and losses on borrowings associated with certain qualified assets during the construction period.

Under U.S. GAAP, all foreign exchange transaction gains and losses (referred to as either transaction or translation gains (losses) under Korean GAAP) should be included in the results of operations for the current period. Accordingly, the amounts of foreign exchange transaction and translation gains and losses included in property, plant and equipment under Korean GAAP were reversed into results of operations for the current period under U.S. GAAP.

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

Under U.S. GAAP, convertible bonds denominated in foreign currency are translated at exchange rates as of the balance sheet date, and the resulting foreign currency translation gain or loss is included in the results of operations.

(g) Intangible Assets

Under Korean GAAP, all costs incurred during the research phase are expensed as incurred. Costs incurred during the development phase are recognized as an asset only if all of the following criteria for recognition are satisfied; (1) it is probable that future economic benefits that are attributable to the asset will flow into the entity; and (2) the cost of the asset can be reliably measured. If the costs incurred fail to satisfy all of these criteria, they are recorded as periodic expense as incurred.

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Under U.S. GAAP, all costs incurred during the research and development stages are expensed as incurred with the exception of certain computer software costs defined in Statement of Position (the SOP) 98-1. Under SOP 98-1, internal and external costs incurred to develop internal-use computer software during the application development stage should be capitalized.

(h) Deferred Income Taxes

Under Korean GAAP, prior to January 1, 2005, deferred taxes were not recognized for temporary differences related to the conversion right of the convertible bond issued, unrealized gains and losses on investment securities, equity in other comprehensive income of affiliates and unrealized gains and losses on derivatives considered to be cash flow hedges that were reported as a separate component of shareholders' equity. Effective January 1, 2005, the Company adopted SKAS No. 16 *Income Taxes*. In accordance with this standard, deferred taxes are recognized on the temporary differences related to the conversion right of the convertible bond issued, unrealized gains and losses on investment securities, equity in other comprehensive income of affiliates and unrealized gains and losses on derivatives considered to be cash flow hedges and are reported as a separate component of shareholders' equity.

Under U.S. GAAP, deferred taxes are recognized on the temporary differences related to unrealized holding gains and losses on available-for-sale securities and unrealized gains and losses on derivatives considered to be cash flow hedges and are included in equity as a component of accumulated other comprehensive income, net of applicable taxes.

Changes in corporate tax rates for fiscal year 2009 and 2010 thereafter in Korea were enacted from 27.5% into 24.2% and 22%, respectively. According to FAS 109 paragraph 27, Deferred tax liabilities and assets shall be adjusted for the effect of a change in tax laws or rates. The effect shall be included in income from continuing operations for the period that includes the enactment date. In compliance with FAS 109, the effect of changes in tax rates was calculated of which amounts KRW42,314 million and accounted for tax expense (income from continuing operation).

(i) Accounting for Uncertainty in Income Taxes

In July 2006, the FASB issued FASB Interpretation No. 48 (FIN48) - *Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109*, which set out a consistent framework to use to determine the appropriate level of tax reserve for uncertain tax positions. This interpretation uses two-step approach wherein a tax benefit is recognized if a position is more-likely-than-not to be sustained. The amount of the benefit is then measured to be the highest tax benefit which is greater than 50% likely to be realized. The difference between the benefit recognized for a position in accordance with this FIN 48 and the tax benefit claimed on a tax return is referred to as an unrecognized tax benefit.

The Company adopted FIN 48 effective January 1, 2007, and elected to classify interest and penalties related to tax positions as a component of income tax expense.

The beginning balances of unrecognized tax benefits reconcile to the balance as of December 31, 2008 and June 30, 2009 in the following table:

| | Korean Won(in millions) | | Translation into U.S. Dollar (Note) (in thousands) |
|---|-------------------------|--------|---|
| | 2008 | 2009 | 2009 |
| Total unrecognized tax benefits at January 1 | KRW 5,690 | 12,695 | \$ 9,969 |
| Amount of increase for current year's tax position | 11,394 | 46 | 36 |
| Gross amount of increases for prior years' tax position | 458 | 0 | 0 |
| Gross amount of decreases for prior years' tax position | (4,847) | 0 | 0 |
| Total unrecognized tax benefit at December 31 (or June 30 for 2009) | KRW 12,695 | 12,741 | \$ 10,005 |

Any changes in the amounts of unrecognized tax benefits related to temporary differences would result in a reclassification to deferred tax liability, and any changes in the amounts of unrecognized tax benefits related to permanent differences would result in an adjustment to income tax expense and therefore, the Company's effective tax rate. As of December 31, 2008 and June 30, 2009, the unrecognized tax benefits included above which would, if recognized, affect the effective tax rate is KRW6,438 million and KRW6,461 million, respectively.

The Company's continuing practice is to recognize interest and penalties, if any, related to income tax matters in income tax expense. After the adoption of FIN 48, the Company has total gross accrual for interest income and penalties of KRW3,537 million and KRW3,741 million as of December 31, 2008 and June 30, 2009.

The Company's major tax jurisdiction is the Republic of Korea, and during the periods ended December 31, 2008 and June 30, 2009, tax examinations for six entities, including KEPCO, were carried out. The Unrecognized tax benefits as of June 30, 2009 reflects tax examination results.

(j) Liabilities for Decommissioning Costs

Prior to 2003

Under Korean GAAP, prior to January 1, 2003, the Company accrued for estimated decommissioning costs of nuclear facilities based on engineering studies and the expected decommissioning dates of the nuclear power plant. Annual additions to the reserve were in amounts such that the expected costs would be fully accrued for at the estimated dates of decommissioning on a straight-line basis.

Under U.S. GAAP, prior to January 1, 2003, accounting for liabilities for decommissioning costs was substantially the same as Korean GAAP.

2003

Under Korean GAAP, effective January 1, 2003, the Company adopted Korea Accounting Standard Board issued Statement of Korea Accounting Standards (SKAS) No. 5 *Tangible Assets*. Under this standard, the Company would record the fair value of the liabilities for the decommissioning costs as a liability in the period in which the Company incurs a legal obligation associated with the retirement of tangible long-lived assets. However, this standard was only applicable to new plants (with an associated asset retirement liability) put into service after January 1, 2003. For plants put into service before January 1, 2003, SKAS No. 5 did not apply and the previous Korean GAAP (as described above) was required. Since the Company did not place into service any assets with liabilities for decommissioning costs during 2003, SKAS No. 5 had no impact on the 2003 consolidated financial statements.

Under U.S. GAAP, effective January 1, 2003, the Company adopted SFAS No. 143 *Accounting for Asset Retirement Costs*. Under SFAS No. 143, the Company is required to recognize an estimated liability for legal obligations associated with the retirement of tangible long-lived assets. The Company measures the liability at fair value when incurred and capitalizes a corresponding amount as part of the book value of the related long-lived assets. The increase in the capitalized cost is included in determining depreciation expense over the estimated useful life of these assets. Since the fair value of the liabilities for decommissioning costs is determined using a present value approach, accretion of the liability due to the passage of time is recognized each period as expense until the settlement of the liability.

SFAS No. 143 applies to all existing long-lived assets including those acquired before January 1, 2003. As a result of the adoption of SFAS No. 143, the Company recognized a pre-tax gain as a cumulative effect of accounting change of KRW1,775,306 million on January 1, 2003. In addition, for the year ended December 31, 2003, the Company recorded accretion expense and depreciation expense under U.S. GAAP while reversing the provision for decommissioning costs recorded under Korean GAAP.

2004 and thereafter

In October 2004, KASB issued Statement of SKAS No. 17 *Provisions and Contingent Liability & Asset*. In January 2005, the Company decided to early adopt SKAS No. 17. Under this standard, the Company retrospectively adjusted the liability for decommissioning costs at the estimated fair value using discounted cash flows (also based on engineering studies and the expected decommissioning dates) to settle the liabilities for decommissioning costs and the same amount was recognized as an utility asset. Under SKAS No. 17, the discount rate was set at the date of adoption and should be applied in all future periods. In addition, any new plants would use the discount rate in effect at the time of its commencement. Accretion expense consists of period-to-period changes in the liability for decommissioning costs resulting from the passage of time and revisions to either

the timing or the amount of the original estimate of undiscounted cash flows. In addition, as required by SKAS No. 17, the cumulative effect of a change in accounting included any changes in estimate that took place during 2004. Due to the adoption of this standard, the Company re-measured the liability for decommissioning costs as of January 1, 2004 and reflected the cumulative effect of a change in accounting up to prior year into current year retained earnings.

Under U.S. GAAP, the Company continues to apply SFAS No. 143 in 2004 and thereafter.

Since the adoption of SKAS No. 17 and up to date, Korean GAAP and U.S. GAAP for recording the liabilities for decommissioning costs are substantially the same except for the following:

Under U.S. GAAP, the discount rate for existing decommissioning liabilities was set when the Company adopted SFAS No. 143 (6.49% as of January 1, 2003). Under Korean GAAP, the discount rate for existing decommissioning liabilities was set when the Company adopted SKAS No. 17 (4.36% as of December 2004).

Under U.S. GAAP, any changes that result in upward revisions to the undiscounted estimated cash flows shall be treated as a new liability and discounted at the then current discount rate. Any downward revisions to the undiscounted estimated cash flows will result in a reduction of the liability for decommissioning costs and shall be reduced from the recorded discounted liability at the rate that was used at the time the obligation was originally recorded. Under Korean GAAP, regardless of upward or downward revisions to the undiscounted estimated cash flows, the historical discount rate will be applied in all future periods.

In 2008, as the regulation that defines responsibility of decommission were changed from the Electricity Enterprise Act to Radioactive Waste Management Act, Korea Radioactive Management Corporation (KRMC) was established. This made the responsibility to decommissioning the used nuclear fuel and low-level waste transferred from the Company to KRMC and the Company no more needs to account for the related liabilities and assets. Radioactive Waste Management Act does not result in the difference between K-GAAP and US-GAAP when treating the liabilities for decommissioning costs of the used nuclear fuel and low-level as of December 31, 2009

As explained in note, under Korean GAAP, the Company has accrued (Won) 5,584,458 million for the cost of dismantling and decontaminating existing nuclear power plants as of June 30, 2009. Under U.S. GAAP, the Company has accrued KRW4,175,633 million for the cost of dismantling and decontaminating existing nuclear power plants as of June 30, 2009. Substantially all of the difference between the U.S. GAAP liability and the Korean GAAP liability is due to the impact of the discount rate described in the first bullet above.

Amounts reconciled from Korean GAAP to U.S. GAAP for capitalized asset retirement costs, net of accumulated depreciation and liabilities for decommission costs are as follows:

| | Korean Won(in millions) | | Translation into |
|---|-------------------------|-----------|---|
| | 2008 | 2009 | U.S. Dollar (Note 2) (in thousands) 2009 |
| Decrease in capitalized asset retirement costs, net of accumulated depreciation | KRW (866,658) | (846,419) | \$ (664,640) |
| Decrease in liabilities for decommissioning Costs | 1,397,480 | 1,408,825 | 1,106,262 |
| | KRW 530,822 | 562,406 | \$ 441,622 |

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Details of the Company's asset retirement costs as of December 31, 2008 and June 30, 2009 under U.S. GAAP are as follows:

| | Korean Won(in millions) | | Translation into U.S. Dollar (Note 2) (in thousands) |
|------------------------------------|-------------------------|-----------|---|
| | 2008 | 2009 | 2009 |
| Capitalized asset retirement costs | KRW 1,134,699 | 1,219,350 | \$ 957,479 |
| Less : accumulated depreciation | (395,025) | (492,961) | (387,091) |
| | KRW 739,674 | 726,389 | \$ 570,388 |

Changes in liabilities for decommissioning costs as of December 31, 2008 and June 30, 2009 under U.S. GAAP is as follows:

| | Korean Won(in millions) | | Translation into U.S. Dollar (Note 2) (in thousands) |
|---|-------------------------|-----------|---|
| | 2008 | 2009 | 2009 |
| Balance at beginning of year | KRW 5,911,298 | 4,061,056 | \$ 3,198,495 |
| Liabilities incurred | 470,376 | 131,888 | 103,563 |
| Accretion expense for the year | 320,250 | 84,210 | 66,125 |
| Liabilities reversed (*1) | | | |
| Payments | (8,791) | (88,766) | (69,703) |
| Transfer to long-term other account Payable | (3,576,369) | | |
| Others | 956,520 | | |
| Balance at end of year | KRW 4,073,284 | 4,188,388 | \$ 3,298,480 |

(*1) In 2007, the usage period of Kori-1 nuclear generation unit was extended by 10 years under the permission of MESK. Accordingly, the Company recorded the difference between previously estimated and newly estimated amounts for the decrease in the liability.

(k) Convertible Bonds

Under Korean GAAP, the value of conversion rights is recognized as capital surplus. Also, the convertible bonds are not subject to foreign currency translation as convertible bonds are regarded as non-monetary foreign currency liabilities.

Under U.S. GAAP, per SFAS No. 133, unless a conversion right would be considered an embedded derivative instrument requiring bifurcation, no portion of the proceeds from the issuance of the convertible debt securities shall be attributed to the conversion feature. The Company has determined that the conversion feature embedded in our convertible debt should not be bifurcated. Also, the convertible bonds are subject to foreign currency translation because these convertible bonds were regarded as monetary foreign currency liabilities.

(l) Principles of Consolidation

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

Under U.S. GAAP, minority interests are presented outside of the shareholders' equity section in the consolidated balance sheet.

(m) Reserve for Self-insurance

Under Korean GAAP, in accordance with 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.

U.S. GAAP considers loss from accidents and liability to third parties to be a contingency that is only provided for when a liability has been incurred. Contingent losses for self-insurance are generally recognized as a liability (undiscounted) when probable and reasonably estimable.

(n) Gain or loss on disposal of subsidiaries

Under Korean GAAP, when the parent company disposes of a portion of its investment in a subsidiary but still retains a controlling interest, any gain or loss on disposal should be recognized in capital surplus.

Under US GAAP, such gain or loss on disposal is recognized in other income.

(o) Gain on Valuation of Non-marketable Securities

Under Korean GAAP, non-marketable securities should be classified as available-for-sale and carried at cost or fair value if applicable, with unrealized holding gains and losses reported as other comprehensive income until realized.

However, under U.S. GAAP, investments in non-marketable equity securities that do not have readily determinable fair value are stated at cost using the cost method. As a result of the reconciliation of difference, the shareholders' equity as of December 31, 2008 increased by KRW10,157 million compared to that under Korean GAAP.

(p) Fair Value Hierarchy

Effective January 1, 2008, the Company adopted SFAS No. 157 Fair Value Measurements. In accordance with the provisions of FSP No. FAS 157-2, the Company has decided to defer the adoption of SFAS No. 157 a year for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis.

SFAS No. 157 provides for the following:

- (i) Defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, and establishes a framework for measuring fair value;
- (ii) Establishes a three-level hierarchy for fair value measurements based upon the observable inputs to the valuation of an asset or liability at the measurement date;
- (iii) Requires consideration of nonperformance risk when valuing liabilities; and
- (iv) Expands disclosures about instruments measured at fair value.

The Company classifies fair value balances based on the fair value hierarchy defined by SFAS No. 157. The classification of valuation hierarchy for fair value measurements is based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions. These two types of inputs create the following fair value hierarchy:

Level 1 Quoted prices for identical instruments in active markets;

Level 2 Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose significant inputs are observable; and

Level 3 Instruments whose significant inputs are unobservable.

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Following is a description of the valuation methodologies the Company used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Investment securities

The Company classified available-for-sale equity securities with marketability within Level 1 of the valuation hierarchy where quoted prices are available in an active market. The Company generally

classifies its securities within Level 2 of the valuation hierarchy where quoted prices for identical instruments in active markets are not available, the Company determines the fair values of its securities using pricing models, quoted prices of securities with similar characteristics or discounted cash flow models. These models are primarily industry-standard models that consider various assumptions, including time value and yield curve as well as other relevant economic measures.

Derivatives

Derivatives are composed of cross currency swap and interest rate swaps valued using internal models that use readily observable market inputs, such as foreign currency exchange rates and swap rates. The Company classified derivatives as Level 2 within the valuation hierarchy.

Under Korean GAAP, fair value of derivatives is determined assuming the same nonperformance risk for the entity and the counterparty. However, U.S. GAAP requires consideration of both the entity's nonperformance risk and counterparty nonperformance risk in determining the fair value of a derivative instrument. Due to such differences, for U.S. GAAP purpose, net income and other comprehensive income for the year ended June 30, 2009 were increased by KRW17,574 compared to those under Korean GAAP.

The following table presents assets and liabilities measured and recorded at fair value on a recurring basis as of June 30, 2009:

| (in millions of Korean won) | Level 1 | Level 2 | Level 3 | Total |
|-----------------------------|-------------------|----------------------|------------|----------------------|
| Assets: | | | | |
| Investment securities | KRW 36,857 | KRW 488,472 | KRW | KRW 525,329 |
| Financial derivatives | | 1,326,546 | | 1,326,546 |
| Total Assets | KRW 36,857 | KRW 1,815,018 | KRW | KRW 1,851,875 |
| Liabilities: | | | | |
| Financial derivatives | KRW | KRW 56 | KRW | KRW 56 |

(q) Fair Value of Financial Instruments

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

- (i) Cash and cash equivalents, short term financial instruments, trade receivables, short-term borrowings, and trade payables: The carrying amount approximates fair value because of its nature or relatively short maturity.
- (ii) Investments: The fair value of investments with marketability is estimated based on quoted market prices for those or similar investments. For other investments for which there are no quoted market prices, it was not practicable to estimate the fair value of investments in unlisted companies.
- (iii) Long-term debt: The fair value of long-term debt is estimated based on the quoted market prices for the same or similar issues, or on the current rates offered for debt of the same remaining maturities.

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The carrying amounts and estimated fair values of the Company's consolidated financial instruments as of December 31, 2008 and June 30, 2009 are summarized as follows:

| | Korea Won (in millions) | | | |
|---|-------------------------|--------------------|--------------------|---------------|
| | 2008 | | 2009 | |
| | Carrying Amount | Carrying Amount | Carrying Amount | Fair value |
| Cash and cash equivalents | KRW 1,452,886 | KRW 1,452,886 | KRW 1,754,395 | KRW 1,443,926 |
| Short-term financial instruments | 316,442 | 316,442 | 483,974 | 316,442 |
| Trade receivables and account receivables-other | 3,532,552 | 3,532,552 | 3,176,143 | 3,532,552 |
| Investments: | | | | |
| Practicable to estimate fair value | 22,685 | 22,685 | 36,857 | 36,857 |
| Not practicable | 201,746 | N/A | 370,790 | N/A |
| Short-term borrowings | (1,357,710) | (1,357,710) | (1,748,533) | (1,748,533) |
| Trade payables and accounts payable-other | (3,099,089) | (3,099,089) | (1,901,476) | (1,901,476) |
| Long-term other account payable | (3,576,369) | (3,576,369) | (3,654,228) | (3,654,228) |
| Long-term debt, including current portion | (27,763,594) | (27,763,594) | (33,258,998) | (33,791,557) |

(r) Supplementary U.S. GAAP Disclosures

The Company's supplementary information for the statement of cash flows is as follows:

| | Korean Won (in millions) | | Translation into U.S. Dollar (Note 2) (in thousands) |
|---|--------------------------|---------|---|
| | 2008 | 2009 | 2009 |
| Interest paid, net of capitalized portion | KRW 1,140,600 | 642,247 | \$ 504,316 |
| Income taxes paid | 699,070 | 420,176 | 329,938 |

(s) Recent Changes in U.S. GAAP

In September 2006, the FASB issued statement No. 157, Fair Value Measurements (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States, and expands disclosures about fair value measurements. Specifically, SFAS No. 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; establishes a three-level hierarchy for fair value measurements based on the assumptions that market participants would use in pricing the asset or liability; requires consideration of the risk in a particular valuation technique and the risk inherent in the inputs, and nonperformance risk when valuing liabilities; and expands disclosures about the inputs used to measure fair value, recurring fair value measurements using significant unobservable inputs and the effect of the measurements on earnings for the period.

Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions. This hierarchy requires the Company to use observable market data and to minimize the use of unobservable inputs when determining fair value. SFAS 157 is effective for fiscal years beginning after November 15, 2007, with earlier application encouraged. SFAS 157 is required to be applied prospectively, except for certain financial instruments. Any amounts recognized upon adoption as a cumulative effect adjustment will be recorded to the opening balance of retained earnings in the year of adoption. The impact of adoption of SFAS 157 is disclosed in Note 34(p).

In February 2008, the FASB issued Staff Position No. 157-1, Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purpose of Lease Classification or Measurement Under Statement 13 (FSP 157-1) in order to amend SFAS No. 157 to exclude FASB Statement No. 13, Accounting for Leases (SFAS No. 13) and other accounting pronouncements that address fair value measurements for purposes of lease classification or measurement under SFAS No. 13. In addition, in February 2008, the FASB issued Staff Position No. 157-2, Effective Date of FASB Statement No. 157 (FSP 157-2), which defers the effective date of SFAS 157 to fiscal years beginning after November 15, 2008 for non-financial assets and non-financial liabilities, except for those that are recognized or disclosed at fair value in an entity's financial statements on a recurring basis (at least annually). In October 2008, the FASB

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issued Staff Position No. 157-3, Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active (FAS 157-3), which further clarifies the application of SFAS No. 157 in an inactive market and provides an example to illustrate key considerations in determining the fair value of a financial asset in an inactive market. FAS 157-3 was effective immediately upon issuance.

Effective January 1, 2008, the Company adopted SFAS No. 157, FSP 157-1, FSP 157-2 and FSP 157-3 for all financial instruments and non-financial instruments accounted for at fair value on a recurring basis. Adoption of SFAS 157 did not have a material effect on our financial position or results of operations.

In February 2007, the Financial Accounting Standards Board (FASB) issued Statements of Financial Accounting Standards (SFAS) No. 159, The Fair Value Option for Financial Assets and Financial Liabilities. SFAS No. 159 provides an option to elect fair value as an alternative measurement for selected financial assets, financial liabilities, unrecognized firm commitments and written loan commitments not previously recorded at fair value. Accordingly, SFAS No. 159 provides an opportunity to reduce both complexity in accounting for financial instruments and the volatility in earnings caused by measuring related assets and liabilities differently. This Statement is effective for fiscal years beginning after November 15, 2007. Effective January 1, 2008, the adoption of SFAS No. 159 did not have a material impact on its results from operations or financial position.

In December 2007, the FASB issued SFAS No. 141R, Business Combinations (SFAS 141R). SFAS 141R establishes principles and requirements for how an acquirer in a business combination recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed and any noncontrolling interest; recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS 141R is to be applied prospectively to business combinations for which the acquisition date is on or after the beginning of an entity's fiscal year that begins on or after December 15, 2008. The Company is evaluating the impact of SFAS 141R on our consolidated financial statements for any potential business combinations subsequent to January 1, 2009.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements, an Amendment of ARB No. 51 (SFAS 160). SFAS 160 requires the ownership interest in subsidiaries held by parties other than the parent be clearly identified and presented in the consolidated balance sheets within equity, but separate from the parent's equity; the amount of consolidated net income attributable to the parent and the noncontrolling interest be clearly identified and presented on the face of the consolidated statement of earnings; and changes in a parent's ownership interest while the parent retains its controlling financial interest in its subsidiary be accounted for consistently. This statement is effective for fiscal years beginning on or after December 15, 2008. The Company is currently evaluating the impact that the adoption may have on our consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133 (SFAS 161). SFAS 161 requires increased qualitative, quantitative, and credit-risk disclosures. Required qualitative disclosures include: (1) How and why an entity is using a derivative instrument or hedging activity (e.g., for risk management or other purposes). (2) How the entity is accounting for its derivative instrument and hedged items under Statement 133 (and related guidance). (3) How the instrument affects the entity's financial position, financial performance, and cash flows. This statement is effective for fiscal years beginning on or after November 15, 2008. The Company is currently evaluating the impact that the adoption may have on our consolidated financial statements.

In May 2008, the FASB issued SFAS No. 162, The Hierarchy of Generally Accepted Accounting Principles (SFAS 162). SFAS 162 is intended to improve financial reporting by identifying a consistent framework, or hierarchy, for selecting accounting principles to be used in preparing financial statements that are presented in conformity with U.S. generally accepted accounting principles (GAAP) for nongovernmental entities. SFAS 162 addresses to establish that the GAAP hierarchy should be directed to entities because it is the entity (not its auditor) that is responsible for selecting accounting principles for financial statements that are presented in conformity with GAAP. Statement 162 is effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board Auditing amendments to AU Section 411, The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles. The Company is currently evaluating the impact that the adoption may have on our consolidated financial statements.

In May 2008, the FASB issued FASB Staff Position (FSP) APB14-1. Accounting for Convertible Debt Instruments That May be Settled in Cash upon Conversion (Including Partial Cash Settlement). This Statement clarifies that convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement), not addressed by Paragraph 12 of APB Opinion No. 14, Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants. Additionally, this

FSP specifies that issuers of such instruments should separately account for the liability and equity components in a manner that will reflect the entity's nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. This FSP is effective for financial statements issued for fiscal years beginning after December 15, 2008. The Company is currently evaluating the impact that the adoption may have on our consolidated financial statements.

In June 2008, the FASB ratified the consensus reached by the EITF on Issue 07-5, *Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity's Own Stock* (Issue 07-5). Under Issue 07-5, an instrument (or embedded feature) would not be considered indexed to an entity's own stock if its settlement amount is affected by variables other than those used to determine the fair value of a plain vanilla option or forward contract on equity shares, or if the instrument contains a feature (such as a leverage factor) that increases exposure to those variables. An equity-linked financial instrument (or embedded feature) would not be considered indexed to the entity's own stock if the strike price is denominated in a currency other than the issuer's functional currency. Issue 07-5 is effective for the Company on January 1, 2009, and the Company is currently evaluating the impact of adopting Issue 07-5 on the Company's consolidated financial condition, operating results and cash flows.

In December 2008, the FASB issued FSP No. FAS 140-4 and FIN 46R-8, *Disclosures by Public Entities (Enterprises) About Transfers of Financial Assets and Interests in Variable Interest Entities* (FSP No. FAS 140-4 and FIN 46R-8). FSP No. FAS 140-4 and FIN 46R-8 amends the disclosure requirements of SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, and FIN 46R and is effective for the first reporting period ending after December 15, 2008, or December 31, 2008 for the Company. The adoption of FSP No. FAS 140-4 and FIN 46R-8 did not have a material impact on its results from operations or financial condition.

In January 2009, the FASB issued FSP No. EITF 99-20-1, *Amendments to the Impairment Guidance of EITF Issue No. 99-20* (FSP No. EITF 99-20-1). FSP No. EITF 99-20-1 amends the impairment guidance in EITF No. 99-20 to align impairment guidance in EITF 99-20 with that in SFAS No. 115 and related impairment guidance. FSP No. EITF 99-20-1 applies to beneficial interests within the scope of EITF 99-20 and is effective for periods ending after December 15, 2008, or December 31, 2008 for the Company. The adoption of FSP No. EITF 99-20-1 did not have a material impact on its results from operations or financial condition.

In April 2009, the FASB issued FSP No. FAS 115-2 and FAS 124-2. FSP No. FAS 115-2 and FAS 124-2 amends the other-than-temporary impairment guidance in GAAP for debt securities and the presentation and disclosure requirements of other-than-temporary impairments on debt and equity securities in the financial statements. This FSP does not amend existing recognition and measurement guidance related to other-than-temporary impairments of equity securities. FSP No. FAS 115-2 and FAS 124-2 are effective for interim reporting periods ending after June 15, 2009, or June 30, 2009 for the Company, with early adoption permitted. The Company did not early adopt this FSP. The Company is currently evaluating the impact of the adoption of FSP No. FAS 115-2 and FAS 124-2 to its financial condition, results of operations and cash flows.

In May 2009, the FASB issued SFAS No. 165, *Subsequent Events* (SFAS 165). SFAS No. 165 establishes standards of accounting for and disclosure of events that occur after the balance sheet date but before the date that the financial statements are issued or are available to be issued. Specifically, the Statement sets forth (1) the period after the balance sheet date during which management of a reporting entity will evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, (2) the circumstances under which an entity will recognize events or transactions occurring after the balance sheet date in its financial statements and (3) the disclosures that an entity will make about events or transactions that occurred after the balance sheet date. This Statement is effective for interim and annual periods ending after June 15, 2009. The Company is currently evaluating the impact that the adoption may have on our consolidated financial statements.

(t) Impact on Reconciliation of Adoption of Statement of Korean Accounting Standards

Effective January 1, 2007, the Company adopted the SKAS No. 21 *Preparation and Presentation of Financial Statements*, SKAS No. 23 *Earning per Share*, SKAS No.25 *Consolidation Financial Statement* and amended SKAS No.16 *Income Taxes*. The impact of those statements on the reconciliation to U.S. GAAP in 2007 was immaterial.

(u) Effect on Net Income and Shareholders' Equity

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

| | Korean Won (in millions) | | | Translation into U.S. dollars(Note 2) (in thousands) |
|---|--------------------------|-----------------|---------------|---|
| | 2007 | 2008 | 2009 | 2009 |
| NET INCOME UNDER KOREAN GAAP | KRW 1,467,168 | KRW (2,914,039) | KRW (686,706) | \$ (539,227) |
| ADJUSTMENTS: | | | | |
| MINORITY INTERESTS | (40,711) | (41,300) | 22,913 | 17,992 |
| OPERATING INCOME | | | | |
| Asset revaluation (note 34(b)) | 330,115 | 341,605 | 161,578 | 126,877 |
| Special depreciation (note 34(c)) | (5,328) | (2,776) | | |
| Regulated operations (note 34(d)) | (2,135) | 157,423 | (3,254) | (2,555) |
| Capitalized foreign currency translation (note 34(f)) | 151,088 | 134,714 | 60,196 | 47,268 |
| Reversal of eliminated profit on transactions with subsidiaries and affiliates (note 34(e)) | (1,461) | (7,631) | 1,528 | 1,200 |
| Liabilities for decommissioning costs and capitalized asset retirement costs (note 34(j)) | 81,335 | (844,988) | 31,584 | 24,801 |
| Reserve for self-insurance (note 34(m)) | 5,331 | 5,995 | (586) | (461) |
| Revenue recognition (note 34(a)) | 52,057 | 73,784 | (215,867) | (169,506) |
| Intangible assets (note 34(g)) | (44,013) | (4,965) | 14,309 | 11,236 |
| Classification differences in the consolidated statements of income (*1) | (157,762) | (25,807) | (1,448) | (1,137) |
| OTHER INCOME (EXPENSES) | | | | |
| Asset revaluation equity investments (note 34(b)) | 13,349 | 12,339 | 12,256 | 9,624 |
| Capitalized foreign currency translation (note 34(f)) | 2,381 | (863) | 1,770 | 1,390 |
| Convertible bonds (note 34(k)) | (97,580) | (520,731) | 13,513 | 10,611 |
| Gain on disposal of subsidiaries (note 34(n)) | 63,209 | | | |
| Equity income of affiliates (*2) | (132,914) | (110,871) | (76,087) | (59,746) |
| Credit valuation adjustment (note 34(p)) | | (15,698) | 17,574 | 13,800 |
| Classification differences in the consolidated statements of income (*1) | 157,762 | 25,807 | 1,448 | 1,137 |
| INCOME TAX EXPENSES | | | | |
| Deferred income taxes | (120,192) | (198,222) | (22,158) | (17,400) |
| Change in enacted tax rate (note 34(h)) | | 6,366 | | |
| FIN48 Liabilities (note 34(i)) | (2,876) | (178) | (227) | (178) |
| Tax effect of gain or disposal of subsidiaries (note 34(n)) | (16,264) | | | |
| Tax effect of equity income of affiliates (*2) | 24,944 | 17,492 | 18,413 | 14,459 |
| EQUITY INCOME OF AFFILIATES, NET OF TAX | 107,970 | 93,379 | 57,674 | 45,288 |
| NET INCOME (LOSS) UNDER U.S. GAAP | KRW 1,835,473 | KRW (3,819,165) | KRW (591,577) | \$ (464,527) |

(*1) Certain donations and gain or loss on disposal of property, plant and equipment are recorded in other income or expenses under Korean GAAP while recorded in operating expenses under U.S. GAAP since those are regarded as operating expenses. This reclassification does not affect the net income under U.S. GAAP.

(*2) Under Korean GAAP, equity income of affiliates is presented as other income, while it is shown after income tax expense under U.S. GAAP.

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| | | Korean Won (in millions) | | Translation into |
|---|--|--------------------------|----------------|-----------------------|
| | | 2008 | 2009 | U.S. dollars (Note 2) |
| | | | | (in thousands) |
| | | | | 2009 |
| SHAREHOLDERS EQUITY UNDER KOREAN GAAP | | KRW 41,274,814 | KRW 40,561,517 | \$ 31,850,426 |
| ADJUSTMENTS: | | | | |
| Current Asset | | | | |
| Account receivables | | | | |
| Revenue recognition (note 34(a)) | | 1,069,171 | 853,304 | 670,046 |
| UTILITY PLANT | | | | |
| Asset revaluation (note 34(b)) | | (6,425,196) | (6,269,622) | (4,923,142) |
| Capitalized asset retirement costs (note 34(j)) | | (866,658) | (846,419) | (664,640) |
| Construction in progress (note 34(g)) | | 300,000 | 300,000 | 235,571 |
| Capitalized foreign currency translation (note 34(f)) | | (1,046,947) | (986,747) | (774,831) |
| Reversal of eliminated profit on transactions with subsidiaries and affiliates (note 34(e)) | | 107,918 | 109,446 | 85,941 |
| INTANGIBLE ASSETS | | | | |
| Future radioactive wastes repository sites usage rights (note 34(g)) | | (300,000) | (300,000) | (235,571) |
| Research and development cost (note 34(g)) | | (48,978) | (34,613) | (27,179) |
| INVESTMENT SECURITIES | | | | |
| Asset revaluation (note 34(b)) | | (36,446) | (24,190) | (18,995) |
| Available-for-sale securities (note 34(o)) | | 6,266 | 10,157 | 7,976 |
| FINANCIAL DERIVATIVES | | | | |
| Credit valuation adjustment (note 34(p)) | | (85,759) | (67,717) | (53,174) |
| DEFERRED INCOME TAXES | | 1,358,236 | 1,342,944 | 1,054,530 |
| LIABILITIES | | | | |
| Liabilities for decommissioning costs (note 34(j)) | | 1,397,480 | 1,408,826 | 1,106,263 |
| Regulated operation (note 34(d)) | | (573,917) | (576,432) | (452,636) |
| Reserve for self-insurance (note 34(m)) | | 115,268 | 114,681 | 90,052 |
| Convertible bonds (note 34(k)) | | (687,261) | (673,748) | (529,052) |
| FIN48 Liabilities (note 34(i)) | | (16,231) | (16,481) | (12,942) |
| Credit valuation adjustments (note 34(p)) | | 1,356 | 888 | 697 |
| MINORITY INTERESTS (note 34(l)) | | (312,945) | (343,824) | (269,983) |
| SHAREHOLDERS EQUITY UNDER U.S. GAAP | | KRW 35,230,171 | KRW 34,561,970 | \$ 27,139,357 |

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The reconciliation of operating income from Korean GAAP to U.S. GAAP for the year period as of December 31, 2007, 2008 and June 30, 2009 is as follows:

| | Korean Won (in millions) | | | Translation into |
|--|--------------------------|-----------------|-------------|---|
| | 2007 | 2008 | 2009 | U.S. dollars (Note 2) (in thousands) |
| Operating income under Korean GAAP | KRW 2,821,675 | KRW (2,798,073) | KRW 87,682 | \$ 68,851 |
| Asset revaluation | 330,115 | 341,605 | 161,578 | 126,877 |
| Special depreciation | (5,328) | (2,776) | | |
| Regulated operation | (2,135) | 157,423 | (3,254) | (2,555) |
| Capitalized foreign currency translation | 151,088 | 134,714 | 60,196 | 47,268 |
| Reversal of eliminated profit on transactions with subsidiaries and affiliates | (1,461) | (7,631) | 1,528 | 1,200 |
| Asset retirement obligation | 81,335 | (844,988) | 31,584 | 24,801 |
| Reserve for self-insurance | 5,331 | 5,995 | (587) | (461) |
| Revenue recognition | 52,057 | 73,784 | (215,867) | (169,507) |
| Research and development cost | (44,013) | (4,965) | 14,309 | 11,236 |
| Classification differences in the consolidated statements of income | (157,762) | (25,807) | (1,448) | (1,137) |
| Operating income under U.S. GAAP | KRW 3,230,902 | KRW (2,970,719) | KRW 135,722 | \$ 106,573 |

The reconciliation of utility plant from Korean GAAP to U.S. GAAP at December 31, 2008 and June 30, 2009 is as follows:

| | Korean Won (in millions) | | Translation into |
|--|--------------------------|----------------|---|
| | 2008 | 2009 | U.S. dollars (Note 2) (in thousands) |
| Utility plant, net under Korean GAAP | KRW 69,795,285 | KRW 72,821,039 | \$ 57,181,813 |
| Asset revaluation | (6,425,196) | (6,269,622) | (4,923,142) |
| Construction in-progress | 300,000 | (846,419) | (664,640) |
| Capitalized asset retirement costs | (866,658) | 300,000 | 235,571 |
| Capitalized foreign currency translation | (1,046,947) | (986,747) | (774,831) |
| Reversal of eliminated profit on transactions with subsidiaries and affiliates | 107,918 | 109,446 | 85,941 |
| Utility plant, net under U.S. GAAP | KRW 61,864,402 | KRW 65,127,697 | \$ 51,140,712 |

The reconciliation of total assets from Korean GAAP to U.S. GAAP at as of December 31, 2008 and June 30, 2009 is as follows:

| | Korean Won (in millions) | | Translation into |
|--------------------------------|--------------------------|----------------|---|
| | 2008 | 2009 | U.S. dollars (Note 2) (in thousands) |
| Total assets under Korean GAAP | KRW 88,198,610 | KRW 91,907,652 | \$ 72,169,338 |
| Adjustments: | | | |
| Account Receivables | 1,069,171 | 853,304 | 670,046 |
| Utility Plant | (7,930,883) | (7,693,342) | (6,041,101) |
| Intangible assets | (348,978) | (334,613) | (262,750) |
| Investment securities | (30,180) | (14,033) | |
| Financial derivatives | (85,759) | (67,717) | (53,174) |

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| | | | |
|------------------------------|----------------|----------------|---------------|
| Deferred income taxes | 1,358,236 | 1,342,944 | 1,054,530 |
| Total assets under U.S. GAAP | KRW 82,230,217 | KRW 85,994,195 | \$ 67,525,870 |

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The tax effects of temporary differences that resulted in significant portions of the deferred tax assets and liabilities at December 31, 2008 and June 30, 2009, computed under U.S. GAAP, and the description of the financial statement items that created these differences are as follows:

| | Korean Won (in millions) | | Translation into |
|--|--------------------------|----------------------|---|
| | 2008 | 2009 | U.S. dollars (Note 2) (in thousands) 2009 |
| Deferred tax assets adjustments: | | | |
| Asset revaluation | KRW 1,240,849 | KRW 1,203,995 | \$ 945,422 |
| Convertible bond | 151,197 | 148,225 | 116,392 |
| Regulated operation | 126,262 | 126,815 | 99,580 |
| Capitalized foreign currency translation | 230,328 | 217,084 | 170,463 |
| Research and development cost | 10,775 | 7,615 | 5,980 |
| Credit valuation adjustments | 18,867 | 14,898 | 11,698 |
| Fin48 Liabilities | 6,256 | 6,279 | 4,931 |
| Total deferred tax assets adjustments | 1,784,534 | 1,724,911 | 1,354,466 |
| Deferred tax liabilities adjustments: | | | |
| Asset retirement obligation, net | (116,781) | (123,729) | (97,157) |
| Reserve for self insurance | (25,359) | (25,230) | (19,812) |
| Reversal of eliminated profit on transactions with subsidiaries and affiliates | (23,742) | (24,078) | (18,907) |
| Revenue Recognition | (258,739) | (206,500) | (162,152) |
| Available-for-sale securities | (1,379) | (2,235) | (1,755) |
| Credit valuation adjustments | (298) | (195) | (153) |
| Total deferred tax liabilities adjustments | KRW (426,298) | KRW (381,967) | \$ (299,936) |
| Net deferred tax assets adjustments: | 1,358,236 | 1,342,944 | 1,054,530 |
| Net deferred tax liabilities under Korean GAAP | KRW 1,318,849 | KRW 1,326,157 | \$ 1,041,348 |
| Net deferred tax assets under U.S. GAAP | KRW 2,677,085 | KRW 2,669,101 | \$ 2,095,878 |

Basic earning per share (EPS) excludes dilution and is computed by dividing income available to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity. Earnings per share for as of December 31, 2008 and June 30, 2009 under U.S. GAAP are as follows:

| | Korean Won | | | Translation into |
|--------------------------------|----------------------|--------------------------------------|----------------------|--|
| | 2007 | (in millions, except per share data) | | U.S. dollars (Note 2) (in thousands, except per share data) 2009 |
| | | 2008 | 2009 | |
| Net income under U.S. GAAP (a) | KRW 1,835,473 | KRW (3,819,165) | KRW (591,577) | \$ (464,529) |
| Effect of dilutive Securities | | 24,283 | | |
| Adjusted net income (b) | KRW 1,859,756 | KRW (3,819,165) | KRW (591,577) | \$ (464,529) |
| Weighted-average shares (c) | 621,717,622 | 622,637,717 | 622,637,717 | 622,637,717 |
| Effect dilutive securities | 9,497,722 | | | |

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| | | | | | | | | |
|--|-----|-------------|-----|-------------|-------|-------------|----|-------------|
| Adjusted weighted average shares (d) | | 631,215,344 | | 622,637,717 | | 622,637,717 | | 622,637,717 |
| Basic earnings per share under U.S. GAAP (a)/(c) | KRW | 2,952 | KRW | (6,134) | (Won) | (950) | \$ | (746) |
| Diluted earnings per share under U.S. GAAP (b)/(d) | KRW | 2,946 | KRW | (6,134) | (Won) | (950) | \$ | (746) |
| Basic earnings per ADS under U.S. GAAP | KRW | 1,476 | KRW | (3,067) | (Won) | (475) | \$ | (373) |

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/ Lee, Jang-pyo
Name: Lee, Jang-pyo
Title: Treasurer

Date: November 23, 2009