

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

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

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

For the Month of November 2006

KOREA ELECTRIC POWER CORPORATION

(Translation of registrant's name into English)

167, Samseong-dong, Gangnam-gu, Seoul 135-791, Korea

(Address of principal executive offices)

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

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

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

Yes No

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

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

KOREA ELECTRIC POWER CORPORATION

Non-consolidated Financial Statements

(Unaudited)

As of September 30, 2006 and 2005

(With Independent Accountants' Review Report Thereon)

Independent Accountants Review Report

Based on a report originally issued in Korean

The Board of Directors and Stockholders

Korea Electric Power Corporation:

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

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

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

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

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

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

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

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

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

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

/s/ KPMG Samjong Accounting Corp.

Seoul, Korea

October 27, 2006

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

Korea Electric Power Corporation

Non-consolidated Balance Sheets

September 30, 2006 and December 31, 2005

(Unaudited)

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

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

See accompanying notes to non-consolidated financial statements.

Korea Electric Power Corporation

Non-consolidated Balance Sheets, Continued

September 30, 2006 and December 31, 2005

(Unaudited)

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

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

See accompanying notes to non-consolidated financial statements.

Korea Electric Power Corporation

Non-consolidated Statements of Income

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

(Unaudited)

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

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

See accompanying notes to non-consolidated financial statements.

Korea Electric Power Corporation

Non-consolidated Statements of Income, Continued

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

(Unaudited)

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

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

See accompanying notes to non-consolidated financial statements.

Korea Electric Power Corporation

Non-consolidated Statements of Cash Flows

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

(Unaudited)

(In millions of Korean Won)

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

See accompanying notes to non-consolidated financial statements.

Korea Electric Power Corporation

Non-consolidated Statements of Cash Flows, Continued

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

(Unaudited)

(In millions of Korean Won)

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

See accompanying notes to non-consolidated financial statements.

Korea Electric Power Corporation

Non-consolidated Statements of Cash Flows, Continued

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

(Unaudited)

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

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

See accompanying notes to non-consolidated financial statements.

Korea Electric Power Corporation

Non-consolidated Statements of Cash Flows, Continued

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

(Unaudited)

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

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

See accompanying notes to non-consolidated financial statements.

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements

September 30, 2006 and 2005

(Unaudited)

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

(a) Organization and Description of Business

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

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

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

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

(b) Basis of Presenting Financial Statements

The Company maintains its accounting records in Korean Won and prepares statutory financial statements in the Korean language (Hangul) in conformity with the Korea Electric Power Corporation Act (KEPCO Act), the Accounting Regulations for Government Invested Enterprises, which have been approved by the Korean Ministry of Finance and Economy, and, in the absence of specialized accounting regulations for utility companies, accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these financial statements are intended for use only by those who are informed in Korean accounting principles and practices, KEPCO Act and Accounting Regulations for Government Invested Enterprises. The accompanying non-consolidated financial statements have been condensed, restructured and translated into English (with certain expanded descriptions) from the Korean language non-consolidated financial statements.

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

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(Unaudited)

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

(b) Basis of Presenting Financial Statements, Continued

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

(c) Property, Plant and Equipment

Property, plant and equipment are stated at cost, except in the case of revaluations made in accordance with the KEPCO Act and the then Assets Revaluation Law of Korea. Significant additions or improvements extending useful lives of assets are capitalized. However, normal maintenance and repairs are charged to expense as incurred.

The Company capitalizes interest costs and other financial charges on borrowings associated with the manufacture, purchase, or construction of property, plant and equipment, incurred prior to completing the acquisition, as part of the cost of such assets. The calculation of capitalized interest includes translation differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs, which is limited to the extent of interest cost calculated by the weighted average interest rate of local currency borrowings.

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

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

The Company records the following funds and materials, which relate to the construction of transmission and distribution facilities, as construction grants:

Grants from the government or public institutions

Funds, construction materials or other items contributed by customers

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

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(Unaudited)

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

(d) Investment Securities

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

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

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

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

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(Unaudited)

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

(d) Investment Securities, Continued

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

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

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

(e) Investment Securities under the Equity Method of Accounting

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

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

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

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

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(Unaudited)

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

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

(ii) Depreciation Methods

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

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KEPCO Nuclear Fuel
Co., Ltd.

Korea Electric Power
Data Network Co.,
Ltd.

Straight-line

Straight-line

Straight-line

Straight-line

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

Straight-line

Straight-line

Straight-line

Straight-line

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

Straight-line

Straight-line

Straight-line

Straight-line

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(Unaudited)

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

(f) Intangible Assets

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

(g) Asset Impairment

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

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

(h) Cash Equivalents

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

(i) Financial Instruments

Short-term financial instruments are financial instruments handled by financial institutions which are held for short-term cash management purposes or which will mature within one year, including time deposits, installment savings deposits, repurchase agreement (or Repos) and restricted bank deposits. Long-term financial instruments are financial instruments not included in current assets.

(j) Allowance for Doubtful Accounts

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

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(Unaudited)

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

(k) Inventories

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

(l) Convertible Bonds

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

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

(m) Discount (Premium) on Debentures

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

(n) Retirement and Severance Benefits

Employees and directors who have been with the Company for more than one year are entitled to lump-sum payments based on current salary rates and length of service when they leave the Company. The Company's estimated liability under the plan which would be payable if all employees left on the balance sheet date is accrued in the accompanying non-consolidated balance sheets.

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

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

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(Unaudited)

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

(o) Reserve for Self-Insurance

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

(p) Foreign Currency Translation

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

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

(q) Derivatives

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

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

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

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(Unaudited)

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

(r) Provisions, Contingent Assets and Contingent Liabilities

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

(s) Revenue Recognition

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

(t) Income Taxes

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

Deferred tax is provided using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable income will be available against which the unused tax losses and credits can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(u) Dividends Payable

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

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(Unaudited)

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

(v) Prior Period Adjustments

Cumulative prior period adjustments resulting from other than fundamental errors are charged or credited to results of operations for the current period. Fundamental errors are defined as errors with such a significant effect on the financial statements for one or more prior periods that those financial statements can no longer be considered to have been reliable at the date of their issue. Prior period adjustments resulting from fundamental errors are charged or credited to the beginning balance of retained earnings, and the financial statements of the prior year are restated.

(w) Earnings Per Share

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

(x) Use of Estimates

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

(2) Basis of Translating Financial Statements

The non-consolidated financial statements are expressed in Korean Won and, solely for the convenience of the reader, the non-consolidated financial statements as of and for the three-month and nine month period ended September 30, 2006, have been translated into United States dollars at the rate of Won945.2 to US\$1, the basic exchange rate on September 30, 2006. The translation should not be construed as a representation that any or all of the amounts shown could be converted into U.S. dollars at this or any other rate.

(3) Property, Plant and Equipment

(a) Asset Revaluation

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

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(Unaudited)

(3) Property, Plant and Equipment, Continued

(b) Officially Declared Value of Land

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

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

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

(c) Capitalized Interest

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

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

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

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(Unaudited)

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

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

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

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

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

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

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(Unaudited)

(4) Intangible Assets

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

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

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

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

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

(5) Insured Assets

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

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

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

Won 863,084

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

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(Unaudited)

(6) Investment Securities

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

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

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

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

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

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

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(Unaudited)

(6) Investment Securities, Continued

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

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

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

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

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(Unaudited)

(6) Investment Securities, Continued

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

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

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

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

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

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

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

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(Unaudited)

(6) Investment Securities, Continued

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

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

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

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

immaterial.

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(Unaudited)

(6) Investment Securities, Continued

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

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

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

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

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

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(Unaudited)

(6) Investment Securities, Continued

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

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

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

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(Unaudited)

(6) Investment Securities, Continued

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

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

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

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(Unaudited)

(6) Investment Securities, Continued

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

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

(7) Loans to Employees

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

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

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(Unaudited)

(8) Other Non-current Assets

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

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

(9) Cash and Cash Equivalents

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

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

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

(10) Short-term Financial Instruments

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

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

(11) Inventories

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

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

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(Unaudited)

(12) Other Current Assets

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

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

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

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

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

(b) Capital Surplus

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

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

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

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(Unaudited)

(14) Appropriated Retained Earnings

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

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

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

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

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

Until December 10, 2002 under the Special Tax Treatment Control Law, investment tax credit was allowed for certain investments. The Company was, however, required to appropriate from retained earnings the amount of tax benefits received and transfer such amount into a reserve for business rationalization. Effective December 11, 2002, the Company is no longer required to establish a reserve for business rationalization despite tax benefits received for certain investments and, consequently, the existing balance is now regarded as a voluntary reserve.

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

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(Unaudited)

(15) Capital Adjustments

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

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

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

(16) Short-term Borrowings

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

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

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

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(Unaudited)

(17) Long-term Debt

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

(a) Long-term Borrowings

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

(b) Debentures

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

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

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

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

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(Unaudited)

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

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

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

Maturity date: November 4, 2008

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

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

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

Exchange price: Won30,000 per share

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

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

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

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| | 2006 | | 2005 | |
|-----------------------|-------------------------|---------------------------------|-------------------------|---------------------------------|
| | Foreign | | Foreign | |
| | currency (thousands) | Won equivalent (millions) | currency (thousands) | Won equivalent (millions) |
| Short-term borrowings | US\$ 118,913 | Won 112,397 | | |
| | JPY 13,826,871 | 110,920 | | |
| | EUR 48,833 | 58,631 | | |
| | | 281,948 | | |
| Debentures | US\$ 2,495,608 | 2,358,849 | US\$ 2,496,270 | Won 2,528,721 |
| | JPY 20,000,000 | 160,442 | JPY 51,000,000 | 438,620 |
| | EUR 250,000 | 300,160 | EUR 250,000 | 300,038 |
| | GBP 24,467 | 43,387 | GBP 24,467 | 42,698 |
| | | 2,862,838 | | 3,310,077 |
| Exchangeable bonds | JPY 7,912,735 | 84,590 | JPY 11,496,518 | 122,902 |
| | | Won 3,229,376 | | Won 3,432,979 |

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(Unaudited)

(17) Long-term Debt, Continued

(e) Aggregate maturities of the Company's long-term debt as of September 30, 2006 were as follows:

| Period ended | Won (millions) | | | | |
|---------------|-------------------|----------------------|-----------------------|-----------------------|------------|
| | Local currency | Electricity bonds | Foreign debentures | Exchangeable bonds | Total |
| September 30, | borrowings | bonds | debentures | bonds | Total |
| 2007 | Won 1,232,066 | 1,285,000 | 748,798 | | 3,265,864 |
| 2008 | 1,528,472 | 1,560,000 | 397,945 | | 3,486,417 |
| 2009 | 1,544,380 | 1,280,000 | 259,030 | 84,590 | 3,168,000 |
| 2010 | 640,013 | 610,000 | 301,252 | | 1,551,265 |
| 2011 | 204,243 | 140,000 | 1,009 | | 345,252 |
| Thereafter | 18,666 | 120,000 | 1,154,804 | | 1,293,470 |
| | Won 5,167,840 | 4,995,000 | 2,862,838 | 84,590 | 13,110,268 |

(18) Assets Denominated in Foreign Currencies

As of September 30, 2006 and December 31, 2005, there were no significant liabilities denominated in foreign currencies other than those mentioned in note 17(d). Major assets denominated in foreign currencies as of September 30, 2006 and December 31, 2005 were as follows:

| | 2006 | | 2005 | |
|-------------------------------|------------------------------------|---------------------------------|------------------------------------|---------------------------------|
| | Foreign currency (thousands) | Won equivalent (millions) | Foreign currency (thousands) | Won equivalent (millions) |
| Cash and cash equivalents | US\$ 275 | Won 260 | US\$ 203 | Won 206 |
| Other accounts receivable | US\$ 13,375 | 12,642 | US\$ 11,662 | 11,813 |
| | JPY 103,209 | 828 | | |
| Accrued income | US\$ 1,584 | 1,497 | | |
| Security Deposits for offices | US\$ 121 | 114 | US\$ 119 | 120 |
| | JPY 14,091 | 113 | JPY 10,239 | 88 |
| | EUR 20 | 23 | EUR 20 | 23 |
| | | Won 15,477 | | Won 12,250 |

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(Unaudited)

(19) Retirement and Severance Benefits

Changes in retirement and severance benefits for the nine-month period ended September 30, 2006 and for the year ended December 31, 2005 are summarized as follows:

| | Won (millions) | |
|--|----------------|----------|
| | 2006 | 2005 |
| Estimated severance accrual at beginning of year | Won 549,415 | 439,794 |
| Provision for retirement and severance benefits | 67,864 | 122,383 |
| Payments | (11,707) | (12,762) |
| Estimated severance accrual at end of period | 605,572 | 549,415 |
| Deposit for severance benefit insurance | (100,917) | (98,900) |
| Transfer to National Pension Fund | (93) | (93) |
| Net balance at end of period | Won 504,562 | 450,422 |

The Company entered into retirement benefit trust arrangements with Samsung Life Insurance Co., Ltd. and other insurance companies, for which the deposits account for 16.7% of the total retirement and severance benefits as of September 30, 2006. Retirement insurance benefit deposits to be payable to the employees in the insurance companies amounting to Won100,917 million are presented as a deduction from the accrual for retirement and severance benefits.

(20) Other Current Liabilities

Other current liabilities as of September 30, 2006 and December 31, 2005 were as follows:

| | Won (millions) | |
|--------------------------|----------------|---------|
| | 2006 | 2005 |
| Advances received | Won 92,560 | 100,721 |
| Withholdings | 135,821 | 200,768 |
| Unearned revenue | 49,215 | 14,121 |
| Accrued other expenses | 43,426 | 49,172 |
| Dividends payable | 2,333 | 2,781 |
| Currency swaps (note 21) | | 33,803 |
| Others | 239,045 | 241,810 |
| | Won 562,400 | 643,176 |

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(Unaudited)

(21) Derivative Instruments Transactions

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

(a) Currency swap contracts as of September 30, 2006 were as follows:

| | Contract year | Settlement year | Contract amount | | Contract interest rate | |
|--|------------------|--------------------|-----------------|----------|------------------------|--------------------|
| | | | in millions | | per annum (%) | |
| | | | Pay | Receive | Pay | Receive |
| JPMorgan Chase Bank & Deutsche Bank (*1, *2) | 2002 | 2007 | JPY76,700 | US\$ 650 | 1.18 | 4.25 |
| Barclays Bank PLC London | 2002 | 2007 | JPY30,400 | US\$ 250 | 1.04 | 3M LIBOR + 0.75 |

(*1) If the Republic of Korea declares default on its debts, KEPCO is entitled to receive Korean government bonds instead of cash. Valuation for these embedded derivatives is reflected in the valuation of the currency swap.

(*2) The Company pays JPY7,670 million, which is 10% of the contract amount, every March and September and will receive US\$650 million in September 2007.

(b) Interest rate swap contracts as of September 30, 2006 were as follows:

| | Notional amount | | Contract interest rate per annum | | Term |
|---|-----------------|-----|----------------------------------|-------------------------|-----------|
| | in millions | | Pay (%) | Receive (%) | |
| Deutsche Bank (formerly Bankers Trust Co.) | US\$ | 100 | Max (6.074-LIBOR, 0) | Max (LIBOR-6.074, 0) | 1998-2007 |
| Deutsche Bank (formerly Bankers Trust Co.) | US\$ | 100 | Max (LIBOR-6.074, 0) | Max (6.074-LIBOR, 0) | 1998-2007 |

(c) Valuation and transaction gains and losses on swap contracts recorded as other income or expense for the nine-month periods ended September 30, 2006 and 2005 were as follows:

| | Won (millions) | |
|----------------------|----------------|----------|
| | 2006 | 2005 |
| Valuation | | |
| Currency swaps: | | |
| Gains | Won 1,653 | 107,995 |
| Losses | (26,687) | (37,774) |
| Interest rate swaps: | | |
| Gains | 1,196 | 32,723 |

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| | | | |
|--------------|--|--------------|----------|
| Losses | | | |
| | | Won (23,838) | 102,944 |
| Transaction | | | |
| Derivatives: | | | |
| Gains | | Won 3,905 | |
| Losses | | (12,652) | (26,880) |
| | | (8,747) | (26,880) |

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(Unaudited)

(21) Derivative Instruments Transactions, Continued

- (d) The Company, in anticipation of future foreign currency exchange rates, terminated currency and interest rate swap contracts related to two of its foreign currency debentures. As a result of the termination, transaction loss on currency and interest rate swaps amounted to Won11,590 million for the nine-month period ended September 30, 2006. Currency and interest rate swap contracts terminated during 2006 were as follows:

Currency swap contracts:

| | Contract Year | Settlement year | Contract amounts | | | | Contract interest rate per annum (%) | |
|----------------------------|------------------|--------------------|------------------|----------|---------------------------|---------|---|---------|
| | | | in millions | | | | Pay | Receive |
| | | | Pay | Receive | Pay | Receive | | |
| Deutsche Bank | 2003 | 2013 | KRW 178,350 | US\$ 150 | CD+3.3 | 7.75 | | |
| UBS | 2003 | 2013 | KRW 148,625 | US\$ 125 | CD+3.3 | 7.75 | | |
| Credit Suisse First Boston | 2003 | 2013 | KRW 89,175 | US\$ 75 | CD+3.3 | 7.75 | | |
| Barclays Bank PLC London | 2004 | 2014 | KRW 106,200 | US\$ 100 | [4.5+(JPY/KRW) -11.02] | 5.125 | | |
| Credit Suisse First Boston | 2004 | 2014 | KRW 106,200 | US\$ 100 | [4.5+(JPY/KRW) -11.02] | 5.125 | | |
| UBS | 2004 | 2014 | KRW 106,200 | US\$ 100 | [4.5+(JPY/KRW) -11.02] | 5.125 | | |

Interest rate swap contracts:

| | Notional amount | | Contract interest rate per annum | | |
|----------------------------|--------------------|--|-------------------------------------|-------------|-----------|
| | in millions | | Pay (%) | Receive (%) | Term |
| | | | | | |
| Deutsche Bank | KRW 178,350 | | 5+2×[JPY/KRW-11.03] | CD+3.3 | 2003-2013 |
| UBS | KRW 148,625 | | 5+2×[JPY/KRW-11.03] | CD+3.3 | 2003-2013 |
| Credit Suisse First Boston | KRW 89,175 | | 5+2×[JPY/KRW-11.03] | CD+3.3 | 2003-2013 |

(22) Power Transmission and Distribution Costs

Power generation, transmission and distribution costs for the nine-month periods ended September 30, 2006 and 2005 were as follows:

| | Won (millions) | |
|--------------------|----------------|---------|
| | 2006 | 2005 |
| Material expenses: | | |
| Oil | Won 26,308 | 21,455 |
| Labor expenses: | | |
| Salaries | 462,933 | 467,311 |

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| | | |
|---|---------------|-----------|
| Severance and retirement benefits | 38,207 | 45,103 |
| | 501,140 | 512,414 |
| Overhead expenses: | | |
| Employee benefits | 72,334 | 66,218 |
| Depreciation | 1,347,427 | 1,325,618 |
| Maintenance | 618,983 | 488,796 |
| Commission and consultation fees | 87,045 | 79,088 |
| Property, plant and equipment removal costs | 155,691 | 111,289 |
| Others | 197,132 | 159,958 |
| | 2,478,612 | 2,230,967 |
| | Won 3,006,060 | 2,764,836 |

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(Unaudited)

(23) Selling and Administrative Expenses

Details of selling and administrative expenses for the nine-month periods ended September 30, 2006 and 2005 are as follows:

| | Won (millions) | |
|----------------------------------|----------------|---------|
| | 2006 | 2005 |
| Labor | Won 305,713 | 317,041 |
| Employee benefits | 59,187 | 50,180 |
| Sales commission - others | 259,367 | 249,942 |
| Depreciation and amortization | 22,594 | 26,132 |
| Promotion | 18,268 | 10,689 |
| Commission and consultation fees | 32,777 | 28,567 |
| Bad debts | 17,889 | 14,278 |
| Maintenance | 11,665 | 12,496 |
| Others | 130,984 | 117,183 |
| | Won 858,444 | 826,508 |

(24) Income Taxes

(a) The components of income tax expense for the nine-month periods ended September 30, 2006 and 2005 are summarized as follows:

| | Won (millions) | |
|-----------------------------|----------------|---------|
| | 2006 | 2005 |
| Current income tax expense | Won 434,493 | 518,633 |
| Deferred income tax expense | 132,718 | 258,265 |
| | Won 567,211 | 776,898 |

(b) Income tax expense calculated using statutory tax rates differs from that in the income statement for the nine-month periods ended September 30, 2006 and 2005 for the following reasons:

| | Won (millions) | |
|---|----------------|-----------|
| | 2006 | 2005 |
| Income tax expense at statutory tax rates | Won 732,940 | 925,151 |
| Tax effects of permanent differences: | | |
| Dividend income (*) | (163,019) | (148,171) |
| Other | (2,661) | 47 |
| Tax credit | (377) | (468) |
| Other, net | 328 | (339) |

| | | |
|---|-------------|---------|
| Income tax expense per the income statement | Won 567,211 | 776,898 |
|---|-------------|---------|

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(Unaudited)

(24) Income Taxes, Continued

(*) Under the Corporate Income Tax Act, a portion of dividend income is not taxable. As such, certain portions of equity in net income of affiliates are considered permanent differences in the calculation of deferred tax assets (liabilities).

The effective tax rates, after adjustments for certain differences between amounts reported for financial accounting and income tax purposes, were approximately 21.28% and 23.09% for the nine-month periods ended September 30, 2006 and 2005, respectively.

- (c) The tax effects of temporary differences that result in significant portions of deferred income tax assets and liabilities as of September 30, 2006 and 2005 are presented below:

| | Won (millions) | |
|---|------------------------|--------------------|
| | 2006 | 2005 |
| Deferred income tax assets: | | |
| Loss on valuation of derivatives | Won 55,108 | 101,707 |
| Accrual for retirement and severance benefits | 99,894 | 84,061 |
| Deferred foreign exchange translation loss | 8,331 | 9,442 |
| Accounts payable - purchase of electricity | 146,475 | 156,224 |
| Other, net | 189,974 | 123,223 |
| Total deferred income tax assets | 499,782 | 474,657 |
| Deferred income tax liabilities: | | |
| Gain on valuation of derivatives | (24,117) | (102,314) |
| Deferred foreign exchange translation gain | (19,922) | (23,159) |
| Reserve for social overhead capital investment | (76,204) | (104,709) |
| Reserve for research and human resource development | (51,844) | (48,422) |
| Equity income of affiliates | (2,495,446) | (2,245,778) |
| Other, net | (42,027) | (35,051) |
| Total deferred income tax liabilities | (2,709,560) | (2,559,433) |
| Net deferred income tax liabilities | Won (2,209,778) | (2,084,776) |

As of September 30, 2006 and 2005, temporary differences arising from equity loss amounting to Won1,711 million and Won1,016 million, respectively, relating to KEPCO China International Ltd., Jiaosuo KEPCO Power Co., Ltd., KEPCO Gansu International Ltd. and KEPCO Neimenggu International Ltd. have not been recognized as deferred income tax assets as it is not probable that future profit will be available against which the Company can utilize the related benefit.

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(Unaudited)

(25) Earnings Per Share

Basic earnings per common share for the nine-month periods ended September 30, 2006 and 2005 are calculated by dividing net income by the weighted-average number of shares of common stock outstanding.

| | Won (millions except share data) | |
|--|----------------------------------|-------------|
| | 2006 | 2005 |
| Net income | Won 2,098,063 | 2,587,325 |
| Weighted-average number of common shares outstanding | 637,407,054 | 629,708,023 |
| Basic earnings per common share in Won | Won 3,292 | 4,109 |

Diluted earnings per share for the nine-month periods ended September 30, 2006 and 2005 are calculated by dividing net income available to common shareholders plus the effect of dilutive securities by the weighted-average number of shares of common and common equivalent shares.

| | Won (millions) | |
|--|----------------|-------------|
| | 2006 | 2005 |
| Net income | Won 2,098,063 | 2,587,325 |
| Exchangeable bond interest | 778 | 3,456 |
| | 2,098,841 | 2,590,781 |
| Weighted-average number of common shares and dilutive securities | 640,457,984 | 639,707,870 |
| Diluted earnings per share in Won | Won 3,277 | 4,050 |

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(Unaudited)

(26) Transactions and Balances with Related Companies

(a) Transactions with related parties for the nine-month periods ended September 30, 2006 and 2005 were as follows:

| Related party | Transaction | Won (millions) | |
|---------------------------------------|----------------------|----------------|---------|
| | | 2006 | 2005 |
| Sales and other income: | | | |
| Korea Hydro & Nuclear Power Co., Ltd. | Sales of electricity | | |
| | and others | Won | |
| | | | 90,306 |
| | | | 88,839 |
| Korea South-East Power Co., Ltd. | | | 31,512 |
| Korea Midland Power Co., Ltd. | | | 34,978 |
| Korea Western Power Co., Ltd. | | | 29,913 |
| Korea Southern Power Co., Ltd. | | | 15,269 |
| Korea East-West Power Co., Ltd. | | | 39,393 |
| Others | | | 80,661 |
| | | Won | 322,032 |
| | | | 315,660 |

| Related party | Transaction | Won (millions) | |
|---|-------------------------------------|----------------|------------|
| | | 2006 | 2005 |
| Purchases and others: | | | |
| Korea Hydro & Nuclear Power Co., Ltd. (*) | Purchase of electricity and others | Won | 4,199,521 |
| | | | 4,199,166 |
| Korea South-East Power Co., Ltd. (*) | | | 1,437,771 |
| | | | 1,457,855 |
| Korea Midland Power Co., Ltd. (*) | | | 1,891,754 |
| | | | 1,532,292 |
| Korea Western Power Co., Ltd. (*) | | | 1,760,879 |
| | | | 1,626,286 |
| Korea Southern Power Co., Ltd. (*) | | | 2,455,598 |
| | | | 2,044,196 |
| Korea East-West Power Co., Ltd. (*) | | | 1,852,874 |
| | | | 1,508,861 |
| Korea Power Engineering Co., Inc. | Designing of power plant and others | | 2,898 |
| | | | 6,272 |
| Korea Plant Service & Engineering Co., Ltd. | Utility plant maintenance | | 31,959 |
| | | | 30,060 |
| Korea Electric Power Data Network Co., Ltd. | Maintenance of computer system | | 81,897 |
| | | | 129,025 |
| Others | Commissions for service and others | | 117,440 |
| | | | 139,112 |
| | | Won | 13,832,591 |
| | | | 12,673,125 |

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

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(Unaudited)

(26) Transactions and Balances with Related Companies, Continued

(b) Receivables arising from related party transactions as of September 30, 2006 and December 31, 2005 were as follows:

| | Won (millions) | | Total |
|---------------------------------------|--------------------|--------------------|--------|
| | Trade | Other | |
| Related party | receivables | receivables | |
| Korea Hydro & Nuclear Power Co., Ltd. | Won 7,386 | 2,199 | 9,585 |
| Korea South-East Power Co., Ltd. | 2,603 | 72 | 2,675 |
| Korea Midland Power Co., Ltd. | 3,407 | 1,132 | 4,539 |
| Korea Western Power Co., Ltd. | 2,740 | 262 | 3,002 |
| Korea Southern Power Co., Ltd. | 312 | 164 | 476 |
| Korea East-West Power Co., Ltd. | 1,555 | 223 | 1,778 |
| Others | 1,889 | 49,937 | 51,826 |
| | Won 19,892 | 53,989 | 73,881 |

| | Won (millions) | | Total |
|---------------------------------------|--------------------|--------------------|--------|
| | Trade | Other | |
| Related party | receivables | receivables | |
| Korea Hydro & Nuclear Power Co., Ltd. | Won 7,436 | 4,226 | 11,662 |
| Korea South-East Power Co., Ltd. | 2,454 | 283 | 2,737 |
| Korea Midland Power Co., Ltd. | 1,112 | 559 | 1,671 |
| Korea Western Power Co., Ltd. | 2,457 | 357 | 2,814 |
| Korea Southern Power Co., Ltd. | 992 | 315 | 1,307 |
| Korea East-West Power Co., Ltd. | 1,885 | 1,659 | 3,544 |
| Others | 4,328 | 24,934 | 29,262 |
| | Won 20,664 | 32,333 | 52,997 |

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(Unaudited)

(26) Transactions and Balances with Related Companies, Continued

(c) Payables arising from related party transactions as of September 30, 2006 and December 31, 2005 were as follows:

| | Won (millions) | | |
|---|-----------------|-----------------|--------------|
| | | 2006 | |
| | Trade | Other | |
| Related party | payables | payables | Total |
| Korea Hydro & Nuclear Power Co., Ltd. (*) | Won 375,834 | 564 | 376,398 |
| Korea South-East Power Co., Ltd. (*) | 116,888 | 890 | 117,778 |
| Korea Midland Power Co., Ltd. (*) | 145,195 | 1,188 | 146,383 |
| Korea Western Power Co., Ltd. (*) | 139,206 | 4,286 | 143,492 |
| Korea Southern Power Co., Ltd. (*) | 184,571 | 309 | 184,880 |
| Korea East-West Power Co., Ltd. (*) | 152,282 | 1,607 | 153,889 |
| Korea Power Engineering Co., Inc. | | 650 | 650 |
| Korea Plant Service & Engineering Co., Ltd. | | 284 | 284 |
| Korea Electric Power Data Network Co., Ltd. | | 9,381 | 9,381 |
| Others | | 31,774 | 31,774 |
| | Won 1,113,976 | 50,933 | 1,164,909 |

(*) The Company has purchased electricity from its power generation subsidiaries through Korea Power Exchange. The above trade payables represent the amount payable to the power generation subsidiaries.

| | Won (millions) | | |
|---|-----------------|-----------------|--------------|
| | | 2005 | |
| | Trade | Other | |
| Related party | payables | payables | Total |
| Korea Hydro & Nuclear Power Co., Ltd. (*) | Won 491,173 | 8,459 | 499,632 |
| Korea South-East Power Co., Ltd. (*) | 210,825 | 2,795 | 213,620 |
| Korea Midland Power Co., Ltd. (*) | 272,328 | 5,847 | 278,175 |
| Korea Western Power Co., Ltd. (*) | 246,305 | 3,042 | 249,347 |
| Korea Southern Power Co., Ltd. (*) | 314,867 | 2,626 | 317,493 |
| Korea East-West Power Co., Ltd. (*) | 265,266 | 3,931 | 269,197 |
| Korea Power Engineering Co., Inc. | 1,653 | | 1,653 |
| Korea Plant Service & Engineering Co., Ltd. | 5,935 | 12 | 5,947 |
| Korea Electric Power Data Network Co., Ltd. | 23,237 | 1,341 | 24,578 |
| Others | 2,905 | 18,528 | 21,433 |
| | Won 1,834,494 | 46,581 | 1,881,075 |

(*)

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The Company purchased electricity from its power generation subsidiaries through Korea Power Exchange. The above trade payables represent the amount payable to the power generation subsidiaries.

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Notes to Non-consolidated Financial Statements, Continued

(Unaudited)

(26) Transactions and Balances with Related Companies, Continued

(d) As discussed in note 16 and 17, as of September 30, 2006 and December 31, 2005, the balances of short term and long-term borrowings from Korea Development Bank amounted to Won4,917,364 million and Won4,628,074 million, respectively, and the related interest expense amounted to Won177,079 million and Won147,086 million, respectively, for the nine-month periods ended September 30, 2006 and 2005.

(e) The Company has provided guarantees for related companies as of September 30, 2006 as follows:

| Type | Guaranteed company | US\$(thousands) |
|-----------|--------------------|-----------------|
| Other (*) | KEPCO Ilijan Co. | US\$ 102,000 |

(*) 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\$300 million in 2000 as project financing from Japan Bank of International Corporation and others. In connection with the borrowing, KEPCO Ilijan Corporation's investment securities under the equity method held by KEPCO International Philippines Inc. were pledged as collateral. The Company has provided 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 as well as with partial guarantee not to exceed US\$30 million for repayment of that borrowing.

(f) Guarantees provided by related companies for the Company as of September 30, 2006 were as follows:

| Type | Related party | USD and GBP (thousands) | | Type of borrowings | Balance of borrowing as of September 31, 2006 |
|-----------------------|------------------------|-------------------------|--------------------|-----------------------|---|
| | | Currency | Guaranteed amounts | | |
| Payment guarantee (*) | Korea Development Bank | US\$ | 1,262,567 | Foreign currency bond | US\$1,003,366 |
| | | GBP | 26,547 | | GBP 24,467 |

(*) Korea Development Bank has provided a repayment guarantee for some foreign currency debentures of the Company, which existed at the time of spin-off, but which had not been redeemed as of September 30, 2006.

(g) The Company paid salaries and other compensations to key members of management for the nine-month period ended September 30, 2006 as follows:

Won (millions)
2006

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| | Annual compensation | Average payment |
|-----------------------------------|--------------------------------|----------------------------|
| Salaries | Won 1,837 | 703 |
| Retirement and severance benefits | 255 | 111 |
| | Won 2,092 | 814 |

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(Unaudited)

(27) Non-cash Investing and Financing Activities

Significant non-cash investing and financing activities for the nine-month periods ended September 30, 2006 and 2005 are summarized as follows:

| | Won (millions) | |
|----------------------------------|----------------|------|
| | 2006 | 2005 |
| Conversion of exchangeable bonds | Won 36,709 | |

(28) Commitments and Contingencies

- (a) As of September 30, 2006, the Company was involved in 45 lawsuits as plaintiff and 245 lawsuits as defendant. The amount of damages claimed related to the lawsuits as plaintiff and defendant were Won24,295 million and Won265,732 million, respectively, as of September 30, 2006. As of September 30, 2006, the Company recorded a liability related to the above claims amounting to Won1,340 million. 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 operations or liquidity.

- (b) A key stipulation of the Agreed Framework signed by the United States and North Korea in October 1994 was that a US-led international consortium would construct two commercial light water reactors in North Korea in return for certain nuclear non-proliferation steps to be taken by North Korea. The Korean Peninsula Energy Development Organization (KEDO) was chartered in March 1995 as the international consortium stipulated by the Agreed Framework and signed an agreement with North Korea in December 1995 to supply the light water reactors. Kumho, North Korea was selected as the site for such light water reactors and KEDO designated the Company as its prime contractor to build two units of pressurized light water reactors with a total capacity of 2,000 megawatts. The Company entered into a fixed price turnkey contract with KEDO, which became effective on February 3, 2000. The contract amount was US\$4,182 million subject to adjustment to cover any changes in the price level.

In November 2002, amid suspicions that North Korea was engaged in an undeclared program to enrich uranium, KEDO suspended the supply of heavy fuel oil to North Korea, which was part of the Agreed Framework. Subsequently, North Korea withdrew from the Treaty on the Non-Proliferation of Nuclear Weapons in January 2003 and resumed operations at the Yongbyon facility, a nuclear facility whose operations had been frozen under the Agreed Framework. Several diplomatic initiatives were taken to resolve these issues to no avail.

In December 2003, asserting that North Korea had not met the conditions required for the continuation of the project, KEDO suspended the construction of the project for one year, which was subsequently extended to November 30, 2005. However, the Company continued to perform maintenance for the project during 2004 and 2005. In December 2005, KEDO sent a delegation to North Korea to discuss the issues regarding the project's termination and demobilization. During the meeting, North Korea requested KEDO to withdraw all of its personnel. On January 8, 2006, KEDO completed the withdrawal of all workers from the project site.

The Executive Board of KEDO decided to terminate the light water reactor project as of May 31, 2006. KEDO notified the Company of the termination of the project and the related turnkey contract between KEDO and the Company. The Company is in the process of settling the Termination Agreement (TA) with KEDO.

- (c) As described in note 16, the Company entered into short-term credit facilities with five banks including Woori Bank that provide for up to Won1,160,000 million in short-term borrowings.

Korea Electric Power Corporation

Notes to Non-consolidated Financial Statements, Continued

(Unaudited)

(28) Commitments and Contingencies, Continued

- (d) The Company entered into power purchase agreements with GS EPS Co., Ltd. and other independent power producers for power purchases in accordance with the Electricity Business Act. The power purchased under these agreements amounted to Won985,398 million and Won796,862 million for the nine-month periods ended September 30, 2006 and 2005.
- (e) In compliance with Rules on Power Transmitting Facilities announced by the Ministry of Commerce, Industry and Energy (MOCIE), the Company will impose construction costs and maintenance costs to actual users of power transmitting facilities, the Company's six power generating subsidiaries. However, as of September 30, 2006, the effective date has been postponed until the final announcement of the imposing date.

(29) Employee Welfare and Contributions to Society

For employee welfare, the Company maintains a refectory, an infirmary, athletic facilities, a scholarship fund, workmen's accident compensation insurance, unemployment insurance and medical insurance. The Company donated Won99,625 million and Won102,186 million to the fund for the welfare of the Company's employees and others for the nine-month periods ended September 30, 2006 and 2005, respectively.

SIGNATURES

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

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

Date: November 17, 2006