

KOREA ELECTRIC POWER CORP

Form 20-F/A

November 19, 2010

As filed with the Securities and Exchange Commission on November 19, 2010

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**Form 20-F/A**

**(Amendment No. 1)**

(Mark One)

**REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**OR**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the fiscal year ended December 31, 2009**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the transition period from            to**

**OR**

**SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**Date of event requiring this shell company report**

For the transition period from            to

Commission File Number: 001-13372

## **KOREA ELECTRIC POWER CORPORATION**

*(Exact name of registrant as specified in its charter)*

N/A  
*(Translation of registrant's name into English)*

The Republic of Korea  
*(Jurisdiction of incorporation or organization)*

411 YOUNGDONG-DAERO, GANGNAM-GU, SEOUL 135-791, KOREA

*(Address of principal executive offices)*

Seung Bum Kim, +822 3456 4264, sbkim96@kepco.co.kr, +822 556 3694

*(Name, telephone, e-mail and/or facsimile number and address of company contact person)*

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class:	Name of each exchange on which registered:
Common stock, par value Won 5,000 per share*	New York Stock Exchange
American depository shares, each representing one-half of share of common stock	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

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**7 3/4% Debentures due April 1, 2013**

**Twenty Year 7.40% Amortizing Debentures, due April 1, 2016**

**One Hundred Year 7.95% Zero-to-Full Debentures, due April 1, 2096**

**6% Debentures due December 1, 2026**

**7% Debentures due February 1, 2027**

**6 3/4% Debentures due August 1, 2027**

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the last full fiscal year covered by the annual report:

641,567,712 shares of common stock, par value of Won 5,000 per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes  No

Note: Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days: Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files): Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP  International Financial Reporting Standards as issued by the International Accounting Standards Board  Other

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes  No



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**EXPLANATORY NOTE**

This Amendment No. 1 to the registrant's annual report on Form 20-F, which was originally filed on June 29, 2010 (the Original Annual Report), is being filed solely for the purpose of correcting a typographical error in each of the following reports of independent registered public accounting firm attached to the registrant's financial statements included in the Original Annual Report:

Report of Independent Registered Public Accounting Firm KPMG Samjong Accounting Corp. (Korea South-East Power Co., Ltd.) on page F-5 of the Original Annual Report;

Report of Independent Registered Public Accounting Firm KPMG Samjong Accounting Corp. (Korea Southern Power Co., Ltd.) on page F-6 of the Original Annual Report; and

Report of Independent Registered Public Accounting Firm KPMG Samjong Accounting Corp. (Korea Midland Power Co., Ltd.) on page F-8 of the Original Annual Report, to the effect that all references to the auditing standards of the Public Company Accounting Oversight Board (United States) in such reports shall be replaced with the standards of the Public Company Accounting Oversight Board (United States).

This Amendment No. 1 does not reflect events occurring after the filing of the Original Report and does not modify, update or restate the disclosure therein in any way other than to reflect the amendments described above. No other changes have been made in the Original Annual Report. The filing of this Amendment No. 1 should not be understood to mean that any statements contained herein are true or complete as of any date subsequent to the date of the filing of the Original Annual Report.

**PART III**

**ITEM 17. FINANCIAL STATEMENTS**

We have responded to Item 18 in lieu of responding to this item.

**ITEM 18. FINANCIAL STATEMENTS**

Reference is made to Item 19 Exhibits for a list of all financial statements and schedules filed as part of this report.

**ITEM 19. EXHIBITS**

**(a) Financial Statements filed as part of this Annual Report**

See Index to Financial Statements on page F-1 of this report.

**(b) Exhibits filed as part of this Annual Report**

See Index of Exhibits beginning on page E-1 of the Original Annual Report.

**SIGNATURES**

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

**KOREA ELECTRIC POWER CORPORATION**

**By:** /s/ Kim, Ssang-Su  
**Name:** Kim, Ssang-Su  
**Title:** President and Chief Executive Officer

Date: November 19, 2010

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**REPORT OF INDEPENDENT REGISTERED PUBLIC**

**ACCOUNTING FIRM ON CONSOLIDATED FINANCIAL STATEMENTS**

To the Shareholders and Board of Directors of

Korea Electric Power Corporation:

We have audited the accompanying consolidated statements of financial position of Korea Electric Power Corporation and subsidiaries (collectively referred to as the Company ) as of December 31, 2008 and 2009, and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for, each of the three years in the period ended December 31, 2009, all expressed in Korean Won. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of certain consolidated subsidiaries whose financial statements reflect 10.5 and 9.9 percent of consolidated total assets as of December 31, 2008 and 2009, and 40.7, 26.0 and 24.4 percent of consolidated total revenue for the years ended December 31, 2007, 2008 and 2009. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those companies, is based solely on the reports of the other auditors.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of the other auditor provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Korea Electric Power Corporation and subsidiaries as of December 31, 2007, 2008 and 2009, and the results of their operations, changes in their shareholders' equity and their cash flows for the years then ended, in conformity with the Korea Electric Power Corporation Act, Accounting Regulations for Public Enterprise-Associate Government Agency and accounting principles generally accepted in the Republic of Korea.

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

Accounting principles generally accepted in the Republic of Korea vary in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented in Note 38 of the consolidated financial statements.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2009, based on the criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated June 28, 2010 expressed an unqualified opinion on the Company's internal control over financial reporting based on our audits and the reports of the other auditors.

/s/ Deloitte Anjin LLC

Seoul, Korea  
June 28, 2010

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING**

To the Shareholders and Board of Directors of

Korea Electric Power Corporation:

We have audited Korea Electric Power Corporation and subsidiaries (collectively referred to as the Company) internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We did not examine the effectiveness of internal control over financial reporting of certain subsidiaries whose financial statements reflect total assets and revenues constituting 9.9 percent and 24.4 percent, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2009. The effectiveness of certain consolidated subsidiaries internal control over financial reporting was audited by other auditor whose reports have been furnished to us, and our opinion, insofar as it relates to the effectiveness of certain consolidated subsidiaries' internal control over financial reporting, is based solely on the reports of the other auditor.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, based on our audit and the reports of the other auditor, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on the criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statement of financial position of the Company as of December 31, 2009, and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for the year then ended, our report dated June 28, 2010, expressed an unqualified opinion on those financial statements with explanatory paragraphs relating to our audits comprehending the translation of Korean won amounts to U.S. dollar amounts and information relating to the nature and effect of differences between accounting principles generally accepted in the Republic of Korea and accounting principles generally accepted in the United States of America.

/s/ Deloitte Anjin LLC

Seoul, Korea

June 28, 2010

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors and Stockholder

Korea South-East Power Co., Ltd.:

We have audited the accompanying statements of operations, disposition of deficit, changes in shareholder's equity and cash flows of Korea South-East Power Co., Ltd. (the Company) for the year ended December 31, 2007, all expressed in Korea Won. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the results of its operations of Korea South-East Power Co. Ltd. and its cash flows for the year ended December 31, 2007, in conformity with accounting principles generally accepted in the Republic of Korea.

Accounting principles generally accepted in the Republic of Korea vary in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented in note 23 to the financial statements.

/s/ KPMG Samjong Accounting Corp.

Seoul, Korea

June 28, 2008

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors and Stockholder

Korea Southern Power Co., Ltd.:

We have audited the accompanying consolidated statements of financial position of Korea Southern Power Co., Ltd. (a wholly owned subsidiary of Korea Electric Power Corporation ( KEPCO )) and subsidiaries (the Company ) as of December 31, 2009 and 2008, and the related consolidated statements of operations, changes in stockholder s equity and cash flows for each of the years in the three-year period ended December 31, 2009. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Korea Southern Power Co., Ltd. and subsidiaries as of December 31, 2009 and 2008, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2009, in conformity with accounting principles generally accepted in the Republic of Korea.

As further described in Note 7 to the consolidated financial statements, the Company derives substantially all of its operating revenue from KEPCO and engages in other significant transactions with related parties.

Accounting principles generally accepted in the Republic of Korea vary in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented in the note 27 to the consolidated financial statements.

The accompanying consolidated financial statements as of and for the year ended December 31, 2009 have been translated into United States dollars solely for the convenience of the reader. We have audited the translation and, in our opinion, the consolidated financial statements expressed in Korean Won have been translated into dollars on the basis set forth in the note 3 to the consolidated financial statements.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company s internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control Integrated Framework issued by Committee of Sponsoring Organizations of the Treadway Commission (COSO)*, and our report dated June 25, 2010 expressed an unqualified opinion on the effective operation of internal control over financial reporting.

/s/ KPMG Samjong Accounting Corp.

Seoul, Korea

June 25, 2010

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING**

The Board of Directors and Stockholder

Korea Southern Power Co., Ltd.:

We have audited Korea Southern Power Co., Ltd.'s internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Korea Southern Power Co., Ltd. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of financial position of the Company as of December 31, 2009 and 2008, and the related consolidated statements of operations, changes in stockholder's equity and cash flows for each of the years in the three-year period ended December 31, 2009, and our report dated June 25, 2010 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG Samjong Accounting Corp.

Seoul, Korea

June 25, 2010

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors and Stockholder

Korea Midland Power Co., Ltd.:

We have audited the accompanying consolidated statements of financial position of Korea Midland Power Co., Ltd. (a wholly owned subsidiary of Korea Electric Power Corporation ( KEPCO )) and subsidiaries ( the Company ) as of December 31, 2009 and 2008, and the related consolidated statements of operations, changes in stockholder s equity and cash flows for each of the years in the three-year period ended December 31, 2009. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Korea Midland Power Co., Ltd. as of December 31, 2009 and 2008, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2009 in conformity with accounting principles generally accepted in the Republic of Korea.

As further described in Note 7 to the consolidated financial statements, the Company derives substantially all of its operating revenue from KEPCO and engages in other significant transactions with related parties.

Accounting principles generally accepted in the Republic of Korea vary in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented in note 29 to the consolidated financial statements.

The accompanying consolidated financial statements as of and for the year ended December 31, 2009 have been translated into United States dollars solely for the convenience of the reader. We have audited the translation and, in our opinion, the consolidated financial statements expressed in Korean Won have been translated into dollars on the basis set forth in note 2(t) to the consolidated financial statements.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company s internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control Integrated Framework issued by Committee of Sponsoring Organizations of the Treadway Commission (COSO)*, and our report dated June 28, 2010 expressed an unqualified opinion on the effectiveness of the Company s internal control over financial reporting.

/s/ KPMG Samjong Accounting Corp.

Seoul, Korea  
June 28, 2010

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING**

The Board of Directors and Stockholder

Korea Midland Power Co., Ltd.:

We have audited Korea Midland Power Co., Ltd.'s internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)*. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Korea Midland Power Co. Ltd. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009 based on criteria established in *Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)*.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements financial position of the Company as of December 31, 2009 and 2008, and related consolidated statements of operations, changes in stockholder's equity and cash flows for each of the years in the three-year period ended December 31, 2009, and our report dated June 28, 2010 expressed an unqualified opinion on those financial statements.

/s/ KPMG Samjong Accounting Corp.

Seoul, Korea  
June 28, 2010



**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Shareholders of

Korea Western Power Co., Ltd.

In our opinion, statements of income, changes in shareholders' equity, and cash flows for the year ended December 31, 2007 present fairly, in all material respects, the results of operations and cash flows of Korea Western Power Co., Ltd. for the year ended December 31, 2007, in conformity with accounting principles generally accepted in the Republic of Korea. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Accounting principles generally accepted in the Republic of Korea vary in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented in Note 33 to the financial statements.

/s/ Samil PricewaterhouseCoopers

Seoul, Korea

June 24, 2008

## KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2008 AND 2009

	2008	Won (In millions)	2009	U.S. dollars (Note 2) 2009 (In thousands)
<b>Assets</b>				
Property, plant and equipment (Notes 3 and 4):	(Won) 109,305,083		(Won) 115,483,190	\$ 99,242,203
Less: accumulated depreciation	(44,351,255)		(50,183,508)	(43,125,947)
Less: accumulated impairment losses			(22,935)	(19,710)
Less: construction grants	(5,336,110)		(6,152,485)	(5,287,230)
	59,617,718		59,124,262	50,809,316
Construction in-progress	10,177,567		14,909,169	12,812,417
Net property, plant and equipment	69,795,285		74,033,431	63,621,733
<b>Investments and other assets:</b>				
Long-term investment securities (Note 6)	2,717,195		3,542,283	3,044,114
Long-term loans (Note 7)	605,585		584,327	502,150
Financial derivatives (Note 25)	1,326,546		756,034	649,709
Intangible assets (Notes 5 and 32)	946,847		682,345	586,383
Deferred income tax assets (Note 28)	1,963,520		1,689,851	1,452,199
Other non-current assets (Notes 8, 9, 20 and 33)	504,408		890,860	765,574
Total non-current assets	77,859,386		82,179,131	70,621,862
<b>Current assets:</b>				
Cash and cash equivalents (Notes 9 and 20)	1,452,286		1,489,390	1,279,930
Trade receivables, less allowance for doubtful accounts of (Won)48,161 million in 2008 and (Won)61,094 million in 2009 (Notes 20, 31 and 32)	2,806,974		3,189,923	2,741,307
Other accounts receivable, less allowance for doubtful accounts of (Won)19,509 million in 2008 and (Won)28,380 million in 2009 (Notes 5, 20, 31 and 32)	725,578		1,341,520	1,152,855
Short-term investment securities (Note 6)	14,502		10,420	8,955
Short-term financial instruments (Notes 9 and 20)	316,442		356,115	306,033
Financial derivatives (Note 25)	3		144,449	124,134
Inventories (Notes 4 and 10)	4,272,098		3,894,878	3,347,122
Deferred income tax assets (Note 28)	563,163		353,103	303,444
Other current assets (Notes 7, 11 and 20)	188,178		249,102	214,071
Total current assets	10,339,224		11,028,900	9,477,851
Total assets	(Won) 88,198,610		(Won) 93,208,031	\$ 80,099,713

## KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

AS OF DECEMBER 31, 2008 AND 2009

	2008	Won	2009	U.S. dollars (Note 2) 2009 (In thousands)
	(In millions)			
Liabilities and Shareholders' Equity				
Shareholders' equity:				
Common stock of (Won)5,000 par value authorized 1,200,000,000 shares Issued and outstanding 641,567,712 shares in 2008 and 2009 (Note 12)	(Won) 3,207,839	(Won) 3,207,839		\$ 2,756,704
Capital surplus (Notes 3 and 12)	14,558,531	14,668,563		12,605,649
Capital adjustments (Note 13)	(741,489)	(741,587)		(637,294)
Accumulated other comprehensive income (Notes 14)	435,064	487,211		418,692
Retained earnings:				
Appropriated (Note 15)	26,462,200	23,509,731		20,203,438
Before appropriations	(2,960,276)	(104,523)		(89,823)
Noncontrolling interest in consolidated subsidiaries	312,945	376,573		323,614
Total shareholders' equity	41,274,814	41,403,807		35,580,980
Long-term liabilities:				
Long-term debt, net (Notes 18 and 31)	23,304,173	27,840,626		23,925,258
Borrowings under conditional agreements (Note 19)	14,638	15,317		13,163
Long-term other account payable (Note 22)	3,576,369	3,576,369		3,073,406
Accrual for retirement and severance benefits, net (Note 21)	1,735,457	1,772,680		1,523,379
Liability for decommissioning costs (Note 22)	5,470,764	5,695,224		4,894,276
Provision for decontamination of transformer (Note 23)	249,947	231,470		198,917
Reserve for self insurance	115,268	121,416		104,341
Financial derivatives (Note 25)	21,297	34,983		30,063
Deferred income tax liabilities (Note 28)	1,193,709	972,077		835,369
Other long-term liabilities	706,311	796,359		684,363
Total long-term liabilities	36,387,933	41,056,521		35,282,535
Current liabilities:				
Trade payables (Notes 20, 31 and 32)	2,304,934	1,928,442		1,657,235
Other accounts payable (Notes 20, 31 and 32)	794,155	835,067		717,627
Short-term borrowings (Note 17)	1,357,710	684,480		588,218
Current portion of long-term debt, net (Note 18)	4,444,783	5,778,813		4,966,109
Income tax payable	461,707	82,844		71,193
Accrued expense	386,061	531,167		456,466
Financial derivatives (Note 25)	56	3,023		2,598
Deferred income tax liabilities (Note 28)	14,125	18,023		15,488
Other current liabilities (Notes 20 and 24)	772,332	885,844		761,264
Total current liabilities	10,535,863	10,747,703		9,236,198
Total liabilities	46,923,796	51,804,224		44,518,733

Commitments and contingencies (Note 33)

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Total shareholders equity and liabilities	(Won) 88,198,610	(Won) 93,208,031	\$ 80,099,713
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See accompanying notes to the consolidated financial statements.

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## KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31, 2007, 2008 AND 2009

	2007	Won 2008 (In millions, except per share amounts)	2009	U.S. dollars (Note 2) 2009 (In thousands, except per share amounts)
<b>OPERATING REVENUES:</b>				
(Notes 31 and 32)				
Sale of electricity	(Won) 28,501,480	(Won) 30,708,544	(Won) 33,091,577	\$ 28,437,741
Other operating revenues	635,740	851,556	902,275	775,383
	29,137,220	31,560,100	33,993,852	29,213,124
<b>OPERATING EXPENSES</b>				
(Notes 26, 27, 31 and 32):				
Power generation, transmission and distribution costs	21,859,590	27,101,532	25,829,287	22,196,783
Purchased power	2,584,097	4,433,889	3,666,468	3,150,834
Other operating costs	261,679	1,083,050	1,238,619	1,064,426
Selling and administrative expenses	1,610,179	1,739,702	1,544,656	1,327,423
	26,315,545	34,358,173	32,279,030	27,739,466
<b>OPERATING INCOME (LOSS)</b>	<b>2,821,675</b>	<b>(2,798,073)</b>	<b>1,714,822</b>	<b>1,473,658</b>
<b>OTHER INCOME (EXPENSES):</b>				
Interest income	186,315	170,951	113,865	97,852
Interest expenses	(737,121)	(1,000,773)	(1,583,863)	(1,361,116)
Gain (loss) on foreign currency transactions and translation, net	(144,948)	(1,845,392)	662,812	569,597
Donations	(155,437)	(40,112)	(21,109)	(18,140)
Equity income of affiliates, net (Note 6)	119,564	98,611	22,473	19,313
Gain on disposal of investments, net	13,021	4,241	310	266
Impairment loss on investment securities (Note 6)			(60,636)	(52,108)
Gain (loss) on disposal of property, plant and equipment, net	(2,325)	14,305	38,896	33,426
Valuation gain (loss) on financial derivatives, net (Note 25)	24,230	1,341,887	(357,004)	(306,797)
Loss on early repayment of exchangeable bond (Note 18)			(540,593)	(464,567)
Other, net	268,359	210,752	332,440	285,688
	(428,342)	(1,045,530)	(1,392,409)	(1,196,586)
<b>INCOME (LOSS) BEFORE INCOME TAX</b>	<b>2,393,333</b>	<b>(3,843,603)</b>	<b>322,413</b>	<b>277,072</b>
<b>INCOME TAX EXPENSES (BENEFITS)</b>				
(Note 28)	926,165	(929,564)	370,145	318,090

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NET INCOME (LOSS)		1,467,168	(2,914,039)	(47,732)		(41,018)
Controlling interest	(Won)	1,426,457	(2,955,339)	(96,716)	\$	(83,114)
Noncontrolling interest		40,711	41,300	48,984		42,096
	(Won)	1,467,168	(2,914,039)	(47,732)	\$	(41,018)
BASIC EARNINGS (LOSS) PER SHARE (Note 29)	(Won)	2,294	(4,746)	(155)	\$	(0.13)
DILUTED EARNINGS (LOSS) PER SHARE (Note 29)	(Won)	2,258	(4,746)	(155)	\$	(0.13)

See accompanying notes to the consolidated financial statements.

**KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2007, 2008 AND 2009**

	Common stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Minority interests	Total
Balances at January 1, 2007	(Won) 3,207,839	(Won) 14,517,143	(Won) (796,980)	(Won) 37,895	(Won) 26,118,850	(Won) 150,740	(Won) 43,235,487
Net income					1,426,457	40,711	1,467,168
Dividends declared					(621,080)		(621,080)
Exercise of conversion right		(9,487)					(9,487)
Gain on disposal of subsidiary securities		46,945					46,945
Changes in treasury stock		3,655	55,155				58,810
Changes in unrealized losses on available-for-sale securities, net				(1,309)			(1,309)
Equity in other comprehensive income of affiliates				7,734			7,734
Changes in translation adjustments of foreign subsidiaries				28,859			28,859
Changes in valuation of derivatives				10,736			10,736
Changes in minority interests						42,990	42,990
Balances at December 31, 2007	3,207,839	14,558,256	(741,825)	83,915	26,924,227	234,441	44,266,853
Net income (loss)					(2,955,339)	41,300	(2,914,039)
Dividends declared (Note 16)					(466,964)		(466,964)
Exercise of conversion right		(61)					(61)
Gain on disposal of subsidiary securities		148					148
Gain on disposal of treasury stock, net of tax		188					188
Changes in treasury stock			336				336
Changes in unrealized losses on available-for-sale securities				(8,274)			(8,274)
Equity in other comprehensive income of affiliates				205,359			205,359
Changes in translation adjustments of foreign subsidiaries				45,266			45,266
Changes in valuation of derivatives				108,798			108,798
						37,204	37,204

Changes in minority interests

Balance at December 31, 2008	3,207,839	14,558,531	(741,489)	435,064	23,501,924	312,945	41,274,814
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See accompanying notes to the consolidated financial statements.



## KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2007, 2008 AND 2009

	Common stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Minority interests	Total
Net income (loss)					(96,716)	48,984	(47,732)
Changes in discount on stock issuance			(98)				(98)
Changes in other capital surplus		110,032					110,032
Changes in unrealized losses on available-for-sale securities				18,086			18,086
Equity in other comprehensive income of affiliates				107,968			107,968
Changes in translation adjustments of foreign subsidiaries				(31,303)			(31,303)
Changes in valuation of derivatives				(42,604)			(42,604)
Changes in minority interests						14,644	14,644
Balances at December 31, 2009	(Won) 3,207,839	(Won) 14,668,563	(Won) (741,587)	(Won) 487,211	(Won) 23,405,208	(Won) 376,573	(Won) 41,403,807
U.S. dollars (In thousands) (Note 2)	\$ 2,756,704	\$ 12,605,649	\$ (637,294)	\$ 418,692	\$ 20,113,615	\$ 323,614	\$ 35,580,980

See accompanying notes to the consolidated financial statements.

## KOREA ELECTRIC POWER CORPORATION

## CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2007, 2008 AND 2009

	2007	Won 2008 (In millions)	2009	U.S. dollars (Note 2) 2009 (In thousands)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Net income (loss)	(Won) 1,467,168	(Won) (2,914,039)	(Won) (47,732)	\$ (41,018)
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	5,829,915	6,233,033	6,318,534	5,429,927
Property, plant and equipment removal loss	295,589	302,288	276,724	237,807
Provision for severance and retirement benefits	329,771	483,909	238,001	204,530
Provision for decommissioning costs, net	339,749	379,281	223,387	191,971
Provision for decontamination of Transformer, net	21,938	13,016	16,222	13,941
Bad debt expense	22,966	20,616	28,397	24,403
Amortization of discount on debentures Issued and long-term loans, net	37,231	38,735	197,217	169,481
Loss (gain) on foreign currency translation, net	105,009	1,586,241	(659,151)	(566,451)
Equity income of affiliates, net	(119,564)	(98,611)	(22,473)	(19,313)
Impairment loss on investment securities			60,636	52,108
Gain on disposal of property, plant and equipment, net	(1,151)	(14,305)	(38,896)	(33,426)
Deferred income tax expense, net	(87,811)	(1,540,780)	282,931	243,141
Valuation loss (gain) on financial derivatives	(24,230)	(1,341,887)	357,004	306,797
Transaction loss on financial derivatives	5,430	154,114	(42,856)	(36,829)
Loss on early repayment of exchangeable bond			540,593	464,567
Other losses (gains), net	48,391	(135,364)	38,859	33,394
Changes in assets and liabilities:				
Trade receivables	(68,161)	(216,627)	(452,910)	(389,215)
Other accounts receivable	196,154	(176,891)	229,266	197,023
Inventories	(761,930)	(1,779,959)	(672,328)	(577,775)
Investments under the equity method	49,432	33,102	28,973	24,898
Other current assets	(69,909)	55,700	6,610	5,680
Trade payables	399,582	773,558	(315,952)	(271,518)
Other accounts payable	(443,698)	69,415	(33,951)	(29,176)
Income tax payable	(421,964)	(14,157)	(387,739)	(333,209)
Accrued expense	40,627	41,973	(9,150)	(7,863)
Other current liabilities	(8,107)	83,130	58,274	50,079
Payment of severance and retirement benefits, net	(84,080)	(78,204)	(173,430)	(149,040)
Payment of decommissioning costs	(7,324)	(8,791)	(254,287)	(218,525)
Payment of other provision	(31,108)	(54,238)	(114,793)	(98,649)
Other, net	(76,255)	67,032	62,511	53,719
Net cash provided by operating activities	6,983,660	1,961,290	5,738,491	4,931,459

## KOREA ELECTRIC POWER CORPORATION

## CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

## FOR THE YEARS ENDED DECEMBER 31, 2007, 2008 AND 2009

	2007	Won 2008 (In millions)	2009	U.S. dollars (Note 2) 2009 (In thousands)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Proceeds from disposal of property, plant and equipment	(Won) 38,953	(Won) 47,669	(Won) 232,274	\$ 199,608
Additions to property, plant and equipment	(8,544,771)	(8,924,622)	(11,243,965)	(9,662,669)
Receipt of construction grants	1,055,465	1,141,724	1,197,173	1,028,808
Proceeds from disposal of investment securities	48,369	71,308	119	102
Acquisition of investment securities	(550,341)	(164,014)	(752,164)	(646,383)
Increase in long-term loans, net	(10,627)	(177,278)	(2,628)	(2,258)
Acquisition of intangible assets	(170,822)	(360,604)	(249,677)	(214,564)
Increase in other non-current assets	(39,490)	(157,363)	(330,207)	(283,768)
Increase in short-term financial instruments, net	(419,629)	1,357,132	97,787	84,035
Decrease in current portion of long-term loans, net	41,318	23,095	39,616	34,045
Net cash used in investing activities	(8,551,575)	(7,142,953)	(11,011,672)	(9,463,044)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Proceeds from long-term debt	5,197,868	9,887,176	11,821,305	10,158,815
Proceeds from borrowings under conditional agreements	560	3,032	3,447	2,962
Repayment of long-term debt	(4,247,010)	(4,681,712)	(5,964,054)	(5,125,299)
Proceed from short-term borrowings, net	317,160	509,670	(594,340)	(510,755)
Proceeds from treasury stock, net	58,988			
Dividends paid	(641,638)	(492,286)	(45,920)	(39,462)
Settlement of financial derivatives	461,147	(211,688)	37,056	31,845
Other, net	121,016	11,023	35,772	30,741
Net cash provided by financing activities	1,268,091	5,025,215	5,293,266	4,548,847
<b>INCREASE (DECREASE) FROM CHANGES IN CONSOLIDATED SUBSIDIARIES</b>				
		(4,689)	661	568
<b>CHANGE IN CASH AND CASH EQUIVALENTS FROM THE TRANSLATION OF FOREIGN SUBSIDIARIES</b>				
	28,261	39,094	16,358	14,057
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>				
	(271,563)	(122,043)	37,104	31,887
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>				
	1,845,892	1,574,329	1,452,286	1,248,043
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>				
	(Won) 1,574,329	(Won) 1,452,286	(Won) 1,489,390	\$ 1,279,930

See accompanying notes to the consolidated financial statements.

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**KOREA ELECTRIC POWER CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS DECEMBER 31, 2008 AND 2009**

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

**(a) Organization and Description of Business**

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

On October 28, 2009, Korea Development Bank (the "KDB") transferred its 29.95% shares of the Company to Korea Finance Corporation (the "KoFC"); both are wholly owned companies by the Korean Government. As of December 31, 2009, the Korean Government, KoFC, and foreign investors held 21.12%, 29.95% and 24.85%, respectively of the Company's shares.

In accordance with the restructuring plan by the Ministry of Knowledge Economy (the "MKE") on January 21, 1999 (the "Restructuring Plan"), the Company spun off its power generation division on April 2, 2001, resulting in the establishment of six power generation subsidiaries. In addition, KEPCO has been contemplating the gradual privatization of KEPCO's power generation subsidiaries and distribution business. In 2002, the Company commenced the sale of one of its generation subsidiaries. However, this sale was delayed due to unfavorable stock market conditions at the time. The Company intends to resume its stock-listing process in due course, after taking into consideration the overall stock market and other pertinent matters. The privatization of the power generation subsidiaries may result in a change in pricing of electric power, operational organization, related regulations and general policies for supply and demand of energy. The privatization of KEPCO's distribution business was discontinued according to the recommendation of the Korea Tripartite Commission on June 30, 2004. In lieu of privatization, the Korea Tripartite Commission recommended the creation of independent business divisions, namely, the "strategic business units," to create internal competition among the business divisions and ultimately to improve efficiency. On September 25, 2006, KEPCO established nine strategy business units with a separate management structure with limited autonomy, separate financial accounting and performance evaluation criteria, which, together with certain other business units of KEPCO, were restructured into 13 integrated business units with a focus on profit maximization in December 2008, following a two-year evaluation period.

**(b) Basis of Presenting Consolidated Financial Statements**

KEPCO maintains its accounting records in Korean Won and prepares the consolidated financial statements in the Korean language (Hangul) in conformity with the KEPCO Act, Accounting Regulations for Public Enterprise-Associate Government Agency, which have been approved by the Korean Ministry of Strategy and Finance and, in the absence of specialized accounting regulations for utility companies, the accounting principles generally accepted in the Republic of Korea (collectively "Korean GAAP"). Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these consolidated financial statements are intended solely for use by those who are informed about Korean accounting principles and practices, the KEPCO Act and Accounting Regulations for Public Enterprise-Associate Government Agency. The accompanying consolidated financial statements

have been condensed, restructured and translated into English (with certain expanded descriptions) from the Korean language consolidated financial statements. Certain information included in the Korean language consolidated financial statements, but not required for a fair presentation of the Company's financial position, results of operations, changes in shareholders' equity or cash flows, is not presented in the accompanying consolidated financial statements.

The Korea Accounting Standards Board (the "KASB") has published a series of Statements of Korea Accounting Standards ("SKAS"), which replace the existing financial accounting standards, established by the Korean Financial and Supervisory Board. The Company prepared its financial statements as of December 31, 2009 in accordance with Financial Accounting Standards and SKAS in the Republic of Korea.

In 2007, the Company adopted SKAS No. 21 "Preparation and Presentation of Financial Statements," SKAS No. 23 "Earning per Share" and SKAS No. 25 "Consolidation Financial Statements," effective from January 1, 2007. Pursuant to adoption of SKAS No. 25, income before minority interest is reclassified as net income. Besides, controlling interest in net income and minority interest in net income are separately presented in the consolidated statements of income.

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

In 2008, according to the revision of Clause 2, Article 1 of the Act on External Audit for Stock Companies, the Company renamed the "balance sheet" to "statement of financial position" effective for financial statement issued for fiscal years beginning after January 1, 2009. In addition, "balance sheet date" changed to "end of the reporting period."

(c) Principles of Consolidation

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

For investments in companies, whether or not publicly held, that are not controlled, but under the Company's significant influence, the Company utilizes the equity method of accounting. Significant influence is generally deemed to exist if the Company can exercise influence over the operating and financial policies of an investee. The ability to exercise that influence may be indicated in several ways, such as the Company's representation on its board of directors, the Company's participation in its policy making processes, material transactions with the investee, interchange of managerial personnel, or technological dependency. Also, if the Company owns directly or indirectly 20% or more of the voting stock of an investee and the investee is not required to be consolidated, the Company generally presumes that the investee is under significant influence.

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

All intercompany balances including trade receivables and trade payables are eliminated in consolidation. Profits and losses on intercompany sales of products, property or other assets are eliminated in the consolidated financial statements based on the gross profit or loss recognized. For downstream sales, the full amount of intercompany profit is eliminated in the consolidated statements of income. For upstream sales, the elimination is allocated proportionately to consolidated income and minority interests. Details of unrealized income eliminated as of December 31, 2008 and 2009 are summarized as follows:

Account	Won (millions) 2008		Total
	Controlling interest	Minority interest	
Property, plant and equipment	(Won) 233,627	5,070	238,697
Intangible assets	9,367	2	9,369
	(Won) 242,994	5,072	248,066

Account	Won (millions) 2009		Total
	Controlling interest	Minority interest	
Property, plant and equipment	(Won) 251,903	55,359	307,262
Intangible assets	3,515	43	3,558
	(Won) 255,418	55,402	310,820

(d) Consolidated Subsidiaries

Subsidiaries	Year of establishment	Ownership percentage (%)		Primary business
		2008	2009	
Korea Hydro & Nuclear Power Co., Ltd.(*1)	2001	100.0	100.0	Power generation
Korea South-East Power Co., Ltd.(*1)	2001	100.0	100.0	Power generation
Korea Midland Power Co., Ltd.(*1)	2001	100.0	100.0	Power generation
Korea Western Power Co., Ltd.(*1)	2001	100.0	100.0	Power generation
Korea Southern Power Co., Ltd.(*1)	2001	100.0	100.0	Power generation
Korea East-West Power Co., Ltd.(*1)	2001	100.0	100.0	Power generation
Korea Power Engineering Co., Inc.	1977	97.9	77.9	Engineering for utility plant
KPS Co., Ltd.	1984	80.0	80.0	Utility plant maintenance
KEPCO Nuclear Fuel Co., Ltd.	1982	96.4	96.4	Nuclear fuel
Korea Electric Power Data Network Co., Ltd.	1992	100.0	100.0	Information services
Garolim Tidal Power Plant Co., Ltd.(*3,4)	2007		49.0	Power generation
KEPCO International Hong Kong Ltd.	1995	100.0	100.0	Holding Company

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KEPCO International Philippines Inc.	2000	100.0	100.0	Holding Company
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Subsidiaries	Year of establishment	Ownership percentage (%)		Primary business
		2008	2009	
KEPCO Gansu International Ltd.	2005	100.0	100.0	Holding Company
KEPCO Philippines Holdings Inc.	2005	100.0	100.0	Holding Company
KEPCO Asia International Ltd.	2005	85.0	85.0	Holding Company
KEPCO Philippines Corporation(*2)	1995	100.0	100.0	Utility plant rehabilitation and operation
KEPCO Ilijan Corporation(*2)	1997	51.0	51.0	Construction and operation of utility plant
KEPCO SPC Power Corporation	2005	60.0	60.0	Construction and operation of utility plant
KEPCO Lebanon SARL	2006	100.0	100.0	Operation of utility plant
KEPCO Neimenggu International Ltd.	2006	100.0	100.0	Holding Company
KEPCO Shanxi international Ltd.	2007	100.0	100.0	Holding Company
KOMIPO Global Pte Ltd.	2007	100.0	100.0	Construction and operation of utility plant
KEPCO Canada Energy Inc.(*3)	2008		100.0	Holding Company
KEPCO Netherlands B.V.(*3)	2009		100.0	Holding Company
KEPCO Imouraren Uranium Investment Ltd.(*3)	2009		100.0	Uranium mine development
KEPCO Australia Pty. Ltd.(*3)	2005		100.0	Resources development
KOSEP Australia Pty. Ltd.(*3)	2007		100.0	Resources development
KOMIPO Australia Pty. Ltd.(*3)	2007		100.0	Resources development
KOWEPO Australia Pty. Ltd.(*3)	2007		100.0	Resources development
KOSPO Australia Pty. Ltd.(*3)	2007		100.0	Resources development

(\*1) Six new power generation subsidiaries were established on April 2, 2001 through the spin-off of KEPCO's power generation division in accordance with the Restructuring Plan.

(\*2) Under the project agreement between the National Power Corporation of Philippines and KEPCO, the cooperation period of KEPCO Philippines Co. and KEPCO Ilijan Co. is for 15 years commencing September 15, 1995 and 20 years commencing June 5, 2002, respectively. At the end of the cooperation period, the power plant facilities will be transferred to the National Power Corporation of Philippines free of any liens or encumbrances and without any payment of compensation.

(\*3) As of December 31, 2009, Garolim Tidal Power Plant Co., Ltd, KEPCO Canada Energy Inc., KEPCO Netherlands B.V., KEPCO Imouraren Uranium Investment Ltd., KEPCO Australia Pty., Ltd., KOSEP Australia Pty., Ltd., KOMIPO Australia Pty., Ltd., KOWEPO Australia Pty., Ltd. and KOSPO Australia Pty Ltd. was newly included in consolidation.

(\*4) The Company owns less than 50% of the shares of Garolim Tidal Power Plant Co., Ltd. However, Garolim Tidal Power Plant Co., Ltd. was included in consolidation as the Company holds power to appoint or remove the majority of the members of the board of directors or equivalent governing body.

The power generation subsidiaries are primarily engaged in the sale of electricity to KEPCO through the Korea Power Exchange. Details of those subsidiaries are as follows:

<b>Name of the subsidiaries</b>	<b>Major power plant</b>
Korea Hydro & Nuclear Power Co., Ltd. (KHNP)	Hydroelectric power plant and nuclear power plant in Gori
Korea South-East Power Co., Ltd. (KOSEP)	Thermoelectric power plant in Samchonpo
Korea Midland Power Co., Ltd. (KOMIPO)	Thermoelectric power plant in Boryung
Korea Western Power Co., Ltd. (KOWEPO)	Thermoelectric power plant in Tae-an
Korea Southern Power Co., Ltd. (KOSPO)	Thermoelectric power plant in Hadong
Korea East-West Power Co., Ltd. (EWP)	Thermoelectric power plant in Dangjin

(e) Affiliates Accounted for Using the Equity Method

<b>Affiliate</b>	<b>Year of establishment</b>	<b>Ownership percentage (%)</b>		<b>Primary business</b>
		<b>2008</b>	<b>2009</b>	
Korea Gas Corporation	1983	24.5	24.5	Importing and wholesaling LNG
Korea District Heating Co., Ltd.	1985	26.1	26.1	Generating and distributing electricity and heat
LG Powercom Corporation	2000	38.8	38.8	Leasing telecommunication lines and providing internet access
Korea Electric Power Industrial Development Co., Ltd.	1990	49.0	49.0	Electricity metering
YTN	1993	21.4	21.4	Broadcasting
Gansu Datang Yumen Wind Power Co., Ltd.	2005	40.0	40.0	Construction and operation of utility plant
SPC Power Corporation	2006	40.0	40.0	Operation of utility plant
Datang Chifang Renewable Power Co., Ltd.	2006	40.0	40.0	Construction and operation of utility plant
Gemeng International Energy Group Co., Ltd.	2007	34.0	34.0	Construction and operation of utility plant
KEPCO Energy Resource Nigeria Ltd.	2007	30.0	30.0	Construction and operation of utility plant
Gangwon Wind Power Co., Ltd.	2001	15.0	15.0	Wind power generating
Hyundai Green Power Co., Ltd.	2007	29.0	29.0	Generating electricity
Cheongna Energy Co., Ltd.	2005	27.0	27.0	Generating and distributing vapor and hot/cold water
PT. Cirebon Electric Power	2007	27.5	27.5	Construction and operation of utility plant
Eco Biomass Energy Sdn. Bhd.	2009		40.0	combined heat and power generation and CDM business
Denison Mines Corporation	2003		17.1	Uranium exploration and development
Rabigh Electricity Company	2009		40.0	Construction and operation of utility plant
KNOC Nigerian East Oil Co., Ltd.	2005		14.6	Oil and gas exploration in Nigeria
KNOC Nigerian West Oil Co., Ltd.	2005		14.6	Oil and gas exploration in Nigeria
SET Holdings	2008		2.5	Construction and operation of uranium enrichment plant
Areva NC Expansion	2007		15.0	Imouraren uranium mine development in Niger.

## (f) Property, Plant and Equipment

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

The Company capitalizes interest cost and other financial charges on borrowing associated with the manufacture, purchase, or construction of property, plant and equipment, incurred prior to completing the acquisition, as part of the cost of such assets. The calculation of capitalized interest includes exchange differences arising from foreign borrowings to the extent that they are regarded as an adjustment to interest costs, which is limited to the extent of interest cost calculated by the weighted average interest rate of local currency borrowings. For the years ended December 31, 2007, 2008 and 2009, the amounts of capitalized interest were (Won)240,165 million, (Won)309,971 million and (Won)293,999, respectively.

Depreciation is computed by the declining-balance method (straight-line method for buildings, structures, loaded heavy water and capitalized asset retirement cost of nuclear power plants and waste electric transformer, unit-of-production method for loaded nuclear fuel (PWR) and capitalized asset retirement cost of loaded nuclear fuel) using rates based on the estimated useful lives as follows:

	Estimated useful life
Buildings	8 ~ 40
Structures	8 ~ 30
Machinery	5 ~ 16
Vehicles	4 ~ 5
Loaded heavy water (included in loaded nuclear fuel)	30
Loaded nuclear fuel	
Capitalized asset retirement cost of nuclear power plants	30 ~ 40
Capitalized asset retirement cost of waste electric transformer	8
Capitalized asset retirement cost of loaded nuclear fuel	
Others	4 ~ 9

As described in Note 1(v), in 2004, the Company adopted SKAS No. 17, Provisions, Contingent Liabilities and Contingent Assets, and retrospectively adjusted the liability for decommissioning costs at the estimated fair value using discounted cash flows to settle the asset retirement obligations of dismantlement of the nuclear power plants, spent fuel and low & intermediate radioactive waste. In addition, the corresponding asset (calculated at the net book value amount as of January 1, 2004) related to all existing plants was recognized as a utility asset. The Company subsequently depreciates the capitalized asset retirement costs using the straight-line for dismantling costs and units-of-production depreciation method for spent fuel.

As described in Note 22, under the new regulation of Persistent Organic Pollutants Management Act, enacted in 2007, the Company is required to remove polychlorinated biphenyls ( PCBs ), a toxin, from the insulating oil of its transformers by 2015. According to the enactments, the Company is required to inspect the PCBs contents of transformers and dispose of PCBs in excess of safety standards under the legally settled procedures. The Company recognized related costs as a liability and capitalized the amount related to all existing utility plants.

When the Company receives grants which relate to the construction of transmission and distribution facilities, such amounts are initially recorded and presented in the accompanying consolidated financial statements as deductions from the assets acquired under such grants and are offset against depreciation expense during the estimated useful lives of the related assets.

(g) Asset Impairment

When the book value exceeds the estimated recoverable value of an asset due to obsolescence, physical damage or decline in market value, and the amount is material, the impaired asset is recorded at the recoverable value with the resulting impairment loss charged to current operations. If the recoverable value exceeds the adjusted book value of the asset in a subsequent period, the recoveries of previously recognized losses are recognized as gain in subsequent periods to the extent the net realizable value equals the book value of the assets before the loss is recognized after consideration of accumulated depreciation.

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 recoverability of an asset. 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 could vary from those used in the impairment evaluations, and the impact of such variations could be material. If management believes the assets may have declined in value based on these assumptions, the Company records impairment charges to reflect the estimated recoverable value.

(h) Investment Securities

Classification of Securities

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

Valuation of Securities

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

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

Trading securities are valued at fair value, with unrealized gains or losses included in current operations. Available-for-sale securities are also valued at fair value, with unrealized gains or losses included in accumulated other comprehensive income (loss), until the securities are sold or if the securities are determined to be impaired and the lump-sum cumulative amount of accumulated other comprehensive income (loss) is reflected in current operations. For those securities that are traded in an active market (marketable securities), fair values refer to the quoted market prices, which are measured as the closing price at the end of the reporting period. The fair values of non-marketable debt securities are measured at

the discounted future cash flows by using the discount rate that appropriately reflects the credit rating of the issuing entity assessed by a publicly reliable independent credit rating agency. If application of such measurement method is not feasible, estimates of the fair values may be made using a reasonable valuation model or quoted market prices of similar debt securities issued by entities conducting similar business in similar industries.

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

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

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

#### Reclassification of Securities

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

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

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

#### (i) Investment Securities under the Equity Method of Accounting

For investments in companies, whether or not publicly held, if the Company has significant influence over its investment, the Company utilizes the equity method of accounting. Significant influence is generally deemed to exist if the Company can exercise influence over the operating and financial policies of an investee. The ability to exercise that influence may be indicated in several ways, such as the Company's representation on its board of directors, the Company's participation in its policy making processes, material

transactions with the investee, interchange of managerial personnel, or technological dependency. Also, if the Company owns directly or indirectly 20% or more of the voting stock of an investee, the Company generally presumes that the investee is under significant influence. The change in the Company's share of an investee's net equity resulting from a change in an investee's net equity is reflected in current operations, retained earnings, and accumulated other comprehensive income in accordance with the causes of the change which consist of the investee's net income (loss), changes in retained earnings, and changes in capital surplus and accumulated other comprehensive income (loss).

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

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

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

Assets and liabilities of foreign-based companies accounted for using the equity method are translated at the current rate of exchange at the end of the reporting period 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 netted and recognized as part of accumulated other comprehensive income (loss).

(j) Intangible Assets

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

(i) Research and Development Costs

All costs incurred during the research phase are expensed as incurred. Costs incurred during the development phase are recognized as an asset only if all of the following criteria for recognition are satisfied; (1) it is probable that future economic benefits that are attributable to the asset will flow into the entity; and (2) the cost of the asset can be reliably measured. If the costs incurred fail to satisfy all of these criteria, they are recorded as periodic expenses as incurred. The capitalized expenditure includes the cost of materials, direct labor and an appropriate proportion of overheads. Capitalized costs are amortized on a straight-line basis over 5 years.

(ii) Other Intangible Assets

Other intangible assets, which consist of industrial rights, land rights, computer software and others, are stated at cost less accumulated amortization and impairment losses, if any. Such intangible assets are amortized using the straight-line method over a reasonable period, from 4 years to 50 years, based on the nature of the asset.

The Company assesses its intangible assets for impairment, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

(k) Cash Equivalents

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

(l) Financial Instruments

Short-term financial instruments are financial instruments handled by financial institutions which are held for short-term cash management purposes or will mature within one year, including time deposits, installment savings deposits and restricted bank deposits.

(m) 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.

A rollforward of the allowance for doubtful accounts of trade receivables is as follows:

	2007	Won (millions)	
		2008	2009
Balance at beginning of the year	(Won) 50,173	53,924	48,161
Provision for bad debts	22,163	20,616	28,397
Reversal of allowance for doubtful accounts	(393)	(2,173)	(726)
Write off	(18,019)	(24,206)	(14,738)
Balance at end of the year	(Won) 53,924	48,161	61,094

(n) Inventories

Inventories are stated at the lower of cost or net realizable value, cost being determined using the weighted-average method for raw materials, the specific identification method for materials in transit, 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.

(o) Valuation of Receivables and Payables at Present Value

Receivables and payables arising from long-term cash loans/borrowings and other similar loan/borrowing transactions are stated at present value. The difference between the nominal value and present value is deducted directly from the nominal value of related receivables or payables and is amortized using the effective interest rate method. The amount amortized is included in interest expense or interest income.

(p) Convertible Bonds

When issuing convertible bonds, the value of the conversion rights is recognized separately as a component of capital surplus. Consideration for conversion rights is 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 conversion right adjustment is recorded as a component of interest expense.

Convertible bonds are not subject to foreign currency translation because convertible bonds are regarded as non-monetary foreign currency liabilities in accordance with Korean GAAP.

(q) Discount (Premium) on Debentures and Debt Issuance Costs

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

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Unamortized debt issuance costs are accounted for as a reduction of the related bond liability and amortized over the life of the bond. Upon early redemption, the amount of debt issuance costs is written off proportionally.

(r) 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 end of the reporting period is accrued in the accompanying consolidated statements of financial position.

Funding of the retirement and severance benefits are not required, however, tax deductions are limited if the liability is not funded. The Company purchased individual severance insurance deposits, which meet the funding requirement for tax deduction purposes, in which the beneficiary is the respective employee, with a balance of (Won)455,223 million and (Won)490,061 million as of December 31, 2008 and 2009, respectively, and 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 certain portion of retirement allowances to the National Pension Fund. The amount transferred reduces the retirement and severance benefit amount payable to the employees when they leave the Company and is accordingly reflected in the accompanying consolidated statements of financial position as a reduction of the retirement and severance benefit liability. However, since April 1999, due to change in regulation such transfers to the National Pension Fund are no longer required.

(s) Reserve for Self-Insurance

In accordance with the Accounting Regulations for Public Enterprise Associate Government Agency, the Company provides a self-insurance reserve for loss from accidents and liabilities 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 15.8 percent of all the non-insured buildings and machinery's value. Payments made to settle applicable claims are charged to this reserve.

(t) Foreign Currency Translation

KEPCO and its domestic subsidiaries maintain their accounts in Korean Won. Transactions in foreign currencies are recorded in Korean Won based on the prevailing rates of exchange on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into Korean Won at the end of the reporting period, 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 (Won)1,257.5 and (Won)1,167.6 to US\$1, the rate of exchange on December 31, 2008 and 2009, respectively. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into Korean Won at the foreign exchange rate ruling at the date of the transaction.

Foreign currency assets and liabilities of foreign-based operations and the Company's overseas subsidiaries are translated at the current rate of exchange at the end of the reporting period while profit and loss items in the statement of income are translated at the average rate and capital account at the historical rate. The translation gains and losses arising from collective translation of the foreign currency financial statements of foreign-based operations and the Company's overseas subsidiaries are offset and the balance is accumulated as an accumulated other comprehensive income.

(u) 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 an accumulated other comprehensive income and the ineffective portion is recorded in current operations. Accumulated gain or loss in shareholder's equity is recorded in the income statement in the periods in which the hedged item will affect profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecasted transaction is ultimately recognized in the consolidated statement of income. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated statement of income.

(v) Liability for Decommissioning Costs

In October 2004, Korea Accounting Standard Board issued SKAS No. 17, Provision and Contingent Liability & Asset. In January 2005, the Company decided to early adopt SKAS No. 17. Under this standard, the Company retrospectively adjusted the liability for decommissioning costs at the estimated fair value using discounted cash flows (based on engineering studies and the expected decommissioning dates) to settle the liabilities for decommissioning costs and the same amount was recognized as an utility asset included in property, plant and equipment. The liability for decommissioning costs is adjusted based on management's best estimates on each end of the reporting period. Under SKAS No. 17, the discount rate was set at the date of adoption (January 1, 2004) and should be applied in all future periods. In addition, any new obligation arising from new plant would use the discount rate in effect at the time plant commences operations. Accretion expense consists of period-to-period changes in the liability for decommissioning costs resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flows. The Company subsequently depreciates the asset retirement costs of nuclear power plants and the asset retirement costs of loaded nuclear fuel using the straight-line and units-of-production depreciation method, respectively.

(w) 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. 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.

(x) Income Taxes

Income tax expense is determined by adding or deducting the total income tax and surtaxes to be paid for the current period and the changes in deferred income tax assets and liabilities.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profits.

Deferred tax liabilities are generally recognized for all taxable temporary differences with some exceptions and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. The carrying amount of deferred tax assets is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. Deferred income tax assets and liabilities are classified into current and non-current based on the classification of related assets or liabilities for financial reporting purposes.

Prior to January 1, 2007, the Company recognized prior year income tax adjustments (additional payment of income tax or income tax refunds) as other income (expenses), offset current tax assets against current tax liabilities, and offset deferred tax assets against deferred tax liabilities in consolidated financial statements. However, in accordance with amendment of SKAS No. 16, Income Taxes, effective January 1, 2007, the Company recognized additional payment of income tax or income tax refunds as income taxes in 2007.

(y) Dividends payable

Dividends are recorded when approved by the shareholders' meeting.

(z) Earnings Per Share

Basic earnings per share are computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed by dividing net income, after addition for the effect of expenses related to dilutive securities on net income, by the weighted average number of common shares plus the dilutive potential common shares.

(aa) Minority Interest in Consolidated Subsidiaries

Minority interest in consolidated subsidiaries is presented as a separate component of shareholders' equity in the consolidated statements of financial position.

(ab) Use of Estimates

The preparation of consolidated financial statements in accordance with Korean GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and related notes to financial statements. Actual results could differ from those estimates.

(ac) Accounting Principles

Certain subsidiaries apply different accounting methods for cost of inventory and the depreciation of fixed assets and intangible assets than those of KEPCO. The effect of the different accounting is not considered material.

(i) Cost of Inventory

<b>Company</b>	<b>Raw material(*)</b>	<b>Supplies</b>	<b>Others</b>
KEPCO	Weighted-average	Moving-average	Specific identification
Korea Hydro & Nuclear Power Co., Ltd.	Moving-average		Moving average
Korea Western Power Co., Ltd.		Weighted-average	Weighted-average
Korea Power Engineering Co., Inc.		FIFO	FIFO
Korea Plant Service & Engineering Co., Ltd.		FIFO	
KEPCO Nuclear Fuel Co., Ltd.		Weighted-average	
Korea Electric Power Data Network Co., Ltd.	Moving-average		Moving-average
KEPCO Philippines Corporation		Weighted-average	Weighted-average
KEPCO Ilijan Corporation		Weighted-average	Weighted-average

(\*) Specific identification method is applied to materials in transit.

(ii) Depreciation Methods

<b>Company</b>	<b>Machinery</b>	<b>Vehicles</b>	<b>Others</b>	<b>Computer software</b>
KEPCO	Declining-balance	Declining-balance	Declining-balance	Straight-line
Korea Hydro & Nuclear Power Co., Ltd.				Declining-balance
Korea Plant Service & Engineering Co., Ltd.				Declining-balance
KEPCO Nuclear Fuel Co., Ltd.	Straight-line	Straight-line	Straight-line	
Korea Electric Power Data Network Co., Ltd.	Straight-line	Straight-line	Straight-line	
KEPCO Philippines Corporation	Straight-line	Straight-line	Straight-line	
KEPCO Ilijan Corporation	Straight-line	Straight-line	Straight-line	

(ad) Elimination of Investments and Shareholders' Equity

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

The elimination entries of the KEPCO's investments against the related investees' shareholders' equity at December 31, 2009 are summarized as follows:

Won (millions)		Won (millions)	
Accounts	Amount	Accounts	Amount
Common stock	(Won) 3,592,314	Investments in affiliates	(Won) 19,227,493
Capital surplus	15,835,900	Consolidated capital surplus	2,060
Capital adjustments	(199)	Consolidated capital adjustments	(98)
Retained earnings	8,873,464	Consolidated retained earnings	8,698,373
Accumulated other comprehensive income	26,188	Accumulated other comprehensive income	22,694
		Minority interests	376,578
		Other	567
	(Won) 28,327,667		(Won) 28,327,667

## (2) Basis of Translating Consolidated Financial Statements

The consolidated financial statements are expressed in Korean Won and, solely for the convenience of the reader, the consolidated financial statements as of and for the year ended December 31, 2009, have been translated into United States dollars at the rate of (Won)1,163.65 to US\$1, the noon buying rate in the City of New York for cable transfers in Won as certified for customs purposes by the Federal Reserve Bank of New York as of December 31, 2009. The translation should not be construed as a representation that any or all of the amounts shown could be converted into U.S. dollars at this or any other rate.

## (3) Property, Plant and Equipment

### (a) Asset Revaluation

The Company revalued its property, plant and equipment in accordance with the KEPCO Act and the Asset Revaluation Law (the latest revaluation date was January 1, 1999). As of December 31, 2008 and 2009, the Company has a revaluation gain of (Won)12,552,973 million as a reserve for asset revaluation, a component of capital surplus.

### (b) Officially Declared Value of Land

The officially declared value of land at December 31, 2009, as announced by the Minister of Land and Transportation and Maritime Affairs is as follows:

Purpose	Won (millions)	
	Book value	Declared value
Land utility plant, transmission and distribution sites and other	(Won) 6,370,868	10,338,688

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

## (c) Changes in Property, Plant and Equipment

Changes in property, plant and equipment and construction grants for the years ended December 31, 2008 and 2009 are as follows:

	Won (millions) 2008					Book value as of December 31, 2008
	Book value as of January 1, 2008	Acquisitions	Disposals	Depreciation	Others(*)	
Land	(Won) 6,126,074	21,750	(22,096)		170,880	6,296,608
Buildings	7,291,784	761	(7,302)	(661,901)	643,924	7,267,266
Structures	28,405,415	1,002	(514)	(1,302,703)	2,718,515	29,821,715
Machinery	17,049,211	71,450	(3,372)	(3,168,570)	3,970,688	17,919,407
Vehicles	31,661	6,845	(26)	(19,459)	12,190	31,211
Loaded nuclear fuel	933,263			(416,977)	544,665	1,060,951
Capitalized asset retirement cost	1,859,958			(257,934)	205,770	1,807,794
Others	661,541	82,081	(54)	(172,227)	177,535	748,876
Construction in-progress	9,824,129	8,740,733			(8,387,295)	10,177,567
Construction grants	(4,619,883)	(1,141,724)		300,128	125,369	(5,336,110)
	(Won) 67,563,153	7,782,898	(33,364)	(5,699,643)	182,241	69,795,285

	Won (millions) 2009					Book value as of December 31, 2009
	Book value as of January 1, 2009	Acquisitions	Disposals	Depreciation	Others(*)	
Land	(Won) 6,296,608	26,527	(160,315)		208,048	6,370,868
Buildings	7,267,266	15,087	(21,090)	(684,783)	329,857	6,906,337
Structures	29,821,715	288	(8,678)	(1,387,818)	2,302,908	30,728,415
Machinery	17,919,407	53,286	(52,348)	(3,396,540)	3,155,796	17,679,601
Vehicles	31,211	7,875	(787)	(18,552)	6,706	26,453
Loaded nuclear fuel	1,060,951			(447,294)	536,151	1,149,808
Capitalized asset retirement cost	1,807,794			(269,711)	167,792	1,705,875
Others	748,876	105,547	(3,008)	(203,477)	61,452	709,390
Construction in-progress	10,177,567	11,035,355			(6,303,753)	14,909,169
Construction grants	(5,336,110)	(1,197,173)		393,490	(12,692)	(6,152,485)
	(Won) 69,795,285	10,046,792	(246,226)	(6,014,685)	452,265	74,033,431

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

**(4) Insured Assets**

Insured assets as of December 31, 2009 are as follows:

Insured assets	Insurance type	Won (millions) Insured value
Buildings and machinery	Fire insurance	(Won) 1,032,097
Buildings and machinery	Nuclear property insurance	1,763,968
Buildings, machinery and construction in progress	Construction and shipping insurance	14,198,991
Buildings	General insurance	23,693,482
Construction in progress	Construction insurance	140,862
Inventories and machinery	Shipping insurance	2,302,076
Buildings	Others	13,334,388

In addition, as of December 31, 2009, the Company carries compensation and responsibility insurance in relation to the operation of the nuclear power plants and gas accidents, construction and other general insurance for its utility plants and inventories and general insurance for vehicles.

**(5) Intangible Assets**

Changes in intangible assets for the years ended December 31, 2008 and 2009 are as follows:

	Won (millions) 2008				Book value as of December 31, 2008
	Book value as of January 1, 2008	Acquisitions	Amortization	Others(*1)	
Port facility usage right	(Won) 146,311		(8,128)	(56,940)	81,243
Water usage right	57,397		(16,952)	(131)	40,314
Dam usage right	2,017		(145)	4,237	6,109
Electricity usage right	50,935	47,907	(96,007)	36,100	38,935
Future radioactive wastes repository sites usage rights(*2)	300,000				300,000
Computer software and capitalized research and development costs	208,989	36,156	(85,034)	28,406	188,517
Others(*3)	75,678	276,541	(36,538)	(23,952)	291,729
	(Won) 841,327	360,604	(242,804)	(12,280)	946,847

	Won (millions)				Book value as of December 31, 2009
	Book value as of January 1, 2009	Acquisitions	Amortization	Others(*1)	
Port facility usage right	(Won) 81,243		(6,601)		74,642
Water usage right	40,314		(16,952)	(293)	23,069
Dam usage right	6,109		(145)		5,964
Electricity usage right	38,935	5,498	(97,495)	66,610	13,548
Future radioactive wastes repository sites usage rights(*2)	300,000			(300,000)	
Computer software and capitalized research and development costs	188,517	19,081	(71,315)	14,603	150,886
Others(*3)	291,729	225,098	(35,681)	(66,910)	414,236
	(Won) 946,847	249,677	(228,189)	(285,990)	682,345

(\*1) Others include transfers between asset categories and other non-cash items.

(\*2) In November 2005, Gyeongju City was selected as the repository site for Low and Intermediate-Level Radioactive Waste (LILRW). In relation to this future repository site, the Korean government enacted the Special Act for the Region Hosting a Low and Intermediate Radioactive Waste Repository Site (the Act) to support the area. In compliance with the Act, the Company was obligated to pay (Won)300,000 million to the region to build the repository site. As a result, the Company recognized this obligation as an intangible asset and other long-term liabilities at December 31, 2005. The Company paid the entire amount in 2006. In 2009, the Company reclassified (Won)300,000 million from intangible asset to other accounts receivable related to the disposal of its radio-asset waste facilities to Korea Radio-active Waste Management Corporation (KRMC). (Refer to note 22 and 38(j) for further information)

(\*3) In 2007, the useful life of Kori-1 nuclear generation unit is extended by 10 years under the permission of the Ministry of Education, Science and Technology (the MEST, formerly the Ministry of Science and Technology). The Company promised to pay (Won)196,000 million to local community where the Kori-1 nuclear power plant is located to get the agreement on the above extension of its operation period. The Company recorded the amount as other intangible assets. In addition, the Company expensed research and development cost amounting to (Won)602,753 million, (Won)618,008 million and (Won)575,473 million for the years ended December 31, 2007, 2008 and 2009, respectively.

## (6) Investment Securities

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

	Won (millions)	
	2008	2009
Trading Securities	(Won) 13,960	9,980
Held-to-maturity securities	542	440
	(Won) 14,502	10,420

Held-to-maturity securities consist of debt securities including government and municipal bonds.





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

	Ownership %	Won (millions) 2008 Acquisition cost	Book value
<b>Available-for-sale:</b>			
Equity securities(*1) :			
Energy Savings Investment Cooperatives(*2)	48.0	(Won) 1,680	1,680
Korea Power Exchange(*3)	100.0	127,839	121,573
Hwan Young Steel Co., Ltd.	0.14	97	97
KNOC Nigerian East Oil Co., Ltd.	15.0	12	12
KNOC Nigerian West Oil Co., Ltd.	15.0	12	12
Dolphin Property Limited.	15.0	12	12
KEPCO Australia Pty Ltd.(*2)	100.0	15,588	15,588
KEPCO Canada Energy Ltd.(*2)	100.0	1,215	1,215
Korea Electric Power Nigeria Ltd.(*2)	100.0	76	76
Cockatoo Coal Ltd.(*4)	4.77	6,793	8,646
Other equity securities		58,728	58,599
		212,052	207,510
<b>Held-to-maturity:</b>			
Government and municipal bonds		2,419	2,419
<b>Total</b>		(Won) 214,471	209,929

	Ownership %	Won (millions) 2009 Acquisition cost	Book value
<b>Available-for-sale:</b>			
Equity securities(*1) :			
Energy Savings Investment Cooperatives(*2)	48.0	(Won) 1,680	1,680
Korea Power Exchange(*3)	100.0	127,839	116,966
Hwan Young Steel Co., Ltd.	0.14	97	97
Dolphin Property Limited.	15.0	12	12
Korea Electric Power Nigeria Ltd.(*2)	100.0	76	76
Cockatoo Coal Ltd.(*4)	4.77	20,290	20,176
PT Adaro Energy Tbk(*5)	1.5	71,554	102,803
Other equity securities		34,741	34,277
		256,289	276,087
<b>Held-to-maturity:</b>			
Government and municipal bonds		2,330	2,330
<b>Total</b>		(Won) 258,619	278,417

(\*1) The equity securities other than securities in Korea Power Exchange, Cockatoo Coal Ltd. and PT Adaro Energy Tbk are non-marketable securities and stated at cost due to the lack of information to determine fair value.



- (\*2) As described in Note 1(i), investment in affiliates in which the Company owns 20% or more of the voting stock should be stated at an amount as determined using equity method of accounting. However, as allowed per SKAS No. 8 Investments in Securities, as the difference between the equity method and cost is considered to be immaterial, the Company recorded the investment within available-for-sale securities at cost.
- (\*3) Korea Power Exchange operates under the regulations for government affiliated organization, electric power market managerial regulations, and the Electricity Enterprises Act. Moreover, considering the purpose of establishment and articles of incorporation of Korea Power Exchange, the Company does not appear to have significant management control. Therefore, the investment is accounted for as available-for-sale at fair value. Based on the valuation report by the third party, the Company recorded valuation loss of (Won)10,873 million for its investment in Korea Power Exchange, which have been accounted for as accumulated other comprehensive income in 2009.
- (\*4) The investment of Cockatoo Coal Ltd. was listed on the Australian Securities Exchange and those securities are evaluated at quoted market value (closing price as of the reporting period). The Company recorded loss on valuation of (Won)114 million, which have been accounted for as accumulated other comprehensive income in 2009.
- (\*5) The investment of PT Adaro Energy Tbk. which is Indonesia-based coal mining company was listed on the Jakarta Stock Exchange and those securities are evaluated at quoted market value (closing price as of the reporting period). The Company recorded gain on valuation of (Won)31,249 million, which have been accounted for as accumulated other comprehensive income in 2009.
- (c) Investments in affiliated companies accounted for using the equity method as of December 31, 2008 and 2009 are as follows:

	Ownership %	Won (millions) 2008		
		Acquisition cost	Net asset value	Book value
Korea Gas Corporation	24.5	(Won) 94,500	1,022,928	1,022,928
Korea District Heating Co., Ltd.	26.1	5,660	186,445	186,445
LG Powercom Corporation	38.8	323,470	384,901	384,901
Korea Electric Power Industrial Development Co., Ltd.	49.0	7,987	28,717	28,717
YTN	21.4	59,000	29,991	29,991
Gansu Datang Yumen Wind Power Co., Ltd.	40.0	11,342	14,256	14,256
SPC Power Corporation	40.0	20,635	30,507	30,507
Datang Chifang Renewable Co., Ltd.	40.0	71,856	105,734	105,734
Gemeng International Energy Group Co. Ltd.	34.0	413,153	591,911	591,911
KEPCO Energy Resource Nigeria Limited.	30.0	8,463	8,646	8,646
Gangwon Wind Power Co., Ltd.	15.0	5,725	6,994	7,093
Hyundai Green Power Co. Ltd.	29.0	38,135	37,218	37,218
Cheongna Energy Co., Ltd.	27.0	1,800	4,823	4,823
PT. Cirebon Electric Power	27.5	48,679	54,096	54,096
		(Won) 1,110,405	2,507,167	2,507,266

	Ownership %	Won (millions) 2009		
		Acquisition cost	Net asset value	Book value
Korea Gas Corporation(*1)	24.5	(Won) 94,500	1,256,891	1,256,891
Korea District Heating Co., Ltd.	26.1	5,660	226,596	226,596
LG Powercom Corporation(*1,*3)	38.8	323,470	351,349	326,096
Korea Electric Power Industrial Development Co., Ltd.	49.0	7,987	26,553	26,553
YTN(*1)	21.4	59,000	35,074	35,076
Gansu Datang Yumen Wind Power Co., Ltd.	40.0	16,500	18,131	18,131
SPC Power Corporation	40.0	20,635	28,691	28,580
Datang Chifang Renewable Co., Ltd.	40.0	78,574	108,998	108,997
Gemeng International Energy Group Co. Ltd.	34.0	413,153	546,300	546,300
KEPCO Energy Resource Nigeria Limited.	30.0	8,463	7,267	7,267
Gangwon Wind Power Co., Ltd.(*2)	15.0	5,725	7,360	7,412
Hyundai Green Power Co. Ltd.	29.0	38,135	36,253	36,253
Cheongna Energy Co., Ltd.	27.0	18,200	16,870	16,946
PT. Cirebon Electric Power	27.5	35,999	37,343	37,343
Eco Biomass Energy Sdn. Bhd.	40.0	6,529	6,529	6,529
Denison Mines Corporation(*1,*2)	17.1	84,134	152,479	64,176
Rabigh Electricity Company	40.0	1,357	(2,069)	
KNOC Nigerian East Oil Co., Ltd.(*2,*4)	14.6	12	(4,048)	
KNOC Nigerian West Oil Co., Ltd.(*2,*4)	14.6	12	(3,644)	
SET Holdings(*2)	2.5	229,255	229,255	229,255
Areva NC Expansion(*2)	15.0	285,465	285,465	285,465
		(Won) 1,732,765	3,367,643	3,263,866

(\*1) The quoted market value (based on closing price at the Korea Stock Exchange as of December 31, 2009) of Korea Gas Corporation, LG Powercom and YTN as of December 31, 2009 was (Won)918,540 million, (Won)315,189 million and (Won)40,770 million respectively.

Denison Mines Corporation is listed on the Toronto Stock Exchange and New York Stock Exchange, and as of December 31, 2009, the quoted market value based on the Toronto Stock Exchange was (Won)84,751 million ((Won)86,005 million based on the New York Stock Exchange).

(\*2) Despite of holding less than 20% of the total number of voting stock of Gangwon Wind Power Co., Ltd., Denison Mines Corporation, KNOC Nigerian East Oil Co., Ltd., KNOC Nigerian West Oil Co., Ltd., SET Holdings and Areva NC Expansion, the Company utilizes the equity method of accounting to the investment, as the Company has significant influence over the operating and financial policies of those entities.

(\*3) As LG Telecom will merge LG Powercom on January 5, 2010, shares of LG Powercom which the Company owns will be exchanged for shares of LG Telecom. As a result of the merger, the recoverable amount is estimated as (Won)326,096 million, and (Won)60,636 million arising from difference between the recoverable amount and the book value is recognized as impairment loss on investments.

(\*4) In 2009, the Company discontinued applying the equity method in KNOC Nigerian East Oil Co., Ltd. and KNOC Nigerian West Oil Co., Ltd., as the accumulated deficit carried over from prior years in the equity loss of affiliates exceeded the balance in investment, resulting in a net nil investment balance and additional losses of (Won)3,493 million and (Won)3,149 million for other investments. The Company had unrealized equity loss of affiliates (Won)555 million and (Won)495 million, respectively, as of December 31, 2009.



- (d) Changes in investments in affiliated companies under the equity method for the years ended December 31, 2008 and 2009 are as follows:

	Won (millions) 2008			Book value as of December 31, 2008
	Book value as of January 1, 2008	Equity income (loss) of affiliates	Others(*1)	
Korea Gas Corporation	(Won) 938,137	108,192	(23,401)	1,022,928
Korea District Heating Co.	187,502	2,366	(3,423)	186,445
LG Powercom Corporation	389,326	6,041	(10,466)	384,901
Korea Electric Power Industrial Development, Ltd.	29,379	4,728	(5,390)	28,717
YTN	28,493	1,823	(325)	29,991
Gansu Datang Yumen Wind Power Co., Ltd.	7,543	(275)	6,988	14,256
SPC Power Corporation	22,580	493	7,434	30,507
Datang Chifang Renewable Co., Ltd.	64,159	4,883	36,692	105,734
Gemeng International Energy Group Co. Ltd.	413,153	(29,321)	208,079	591,911
KEPCO Energy Resource Nigeria Limited.	7,625	22	999	8,646
Gangwon Wind Power Co., Ltd	7,307	628	(842)	7,093
Hyundai Green Power Co. Ltd.	16,364	(372)	21,226	37,218
Cheongna Energy Co., Ltd.	1,499	(400)	3,724	4,823
KOMIPO Global Pte Ltd.	13,540		(13,540)	
PT. Cirebon Electric Power		(197)	54,293	54,096
	(Won) 2,126,607	98,611	282,048	2,507,266

	Won (millions) 2009			Book value as of December 31, 2009
	Book value as of January 1, 2009	Equity income (loss) of affiliates	Others(*1)	
Korea Gas Corporation	(Won) 1,022,928	27,164	206,799	1,256,891
Korea District Heating Co.	186,445	39,110	1,041	226,596
LG Powercom Corporation	384,901	1,831	(60,636)	326,096
Korea Electric Power Industrial Development, Ltd.	28,717	3,607	(5,771)	26,553
YTN	29,991	5,283	(198)	35,076
Gansu Datang Yumen Wind Power Co., Ltd.	14,256	76	3,799	18,131
SPC Power Corporation	30,507	3,661	(5,588)	28,580
Datang Chifang Renewable Co., Ltd.	105,734	10,979	(7,716)	108,997
Gemeng International Energy Group Co. Ltd.	591,911	816	(46,427)	546,300
KEPCO Energy Resource Nigeria Limited.	8,646	(666)	(713)	7,267
Gangwon Wind Power Co., Ltd(*3)	7,093	1,170	(851)	7,412
Hyundai Green Power Co. Ltd.	37,218	(892)	(73)	36,253
Cheongna Energy Co., Ltd.(*3)	4,823	(320)	12,443	16,946
PT. Cirebon Electric Power	54,096		(16,753)	37,343
Eco Biomass Energy Sdn. Bhd.			6,529	6,529
Denison Mines Corporation(*3)		(17,788)	81,964	64,176
Rabigh Electricity Company(*2)		(44,889)	44,889	
KNOC Nigerian East Oil Co., Ltd.		(3,506)	3,506	
KNOC Nigerian West Oil Co., Ltd.		(3,163)	3,163	
SET Holdings			229,255	229,255
Areva NC Expansion			285,465	285,465

(Won) 2,507,266	22,473	734,127	3,263,866
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(\*1) Others are composed of acquisition (disposal) of investment, dividends and the changes in values in equity due to capital surplus and gain (loss) on investment securities in accumulated other comprehensive income.

(\*2) As of December 31, 2009, unrealized profits of (Won)44,889 million arisen from transactions with the Company were eliminated.

(\*3) Details of changes in the differences between the acquisition cost and net asset value of equity method investees for the year ended December 31, 2009 is as follows:

	Won (millions)			
	Beginning balance	Acquisition	Amortization (Reversal)	Ending balance
Gangwon Wind Power Co., Ltd	(Won) 98		(49)	49
Cheongna Energy Co., Ltd.		84	(8)	76
Denison Mines Corporation		89,453	(1,150)	88,303
Total	(Won) 98	89,537	(1,207)	88,428

The Company's portion on the negative accumulated other comprehensive income amounts were (Won)2,480 million and (Won)27,510 million, and positive accumulated other comprehensive income amounts of (Won)332,453 million and (Won)465,451 million as of December 31, 2008 and 2009, respectively. Such amounts have been accounted for as unrealized gains and losses on equity securities of affiliates within shareholders' equity as accumulated other comprehensive income of the Company.

(e) Summarized financial information regarding affiliated companies accounted for using the equity method as of and for the years ended December 31, 2008 and 2009 is shown in the following table (Won in million). There are no significant differences between carrying value of investment and share of underlying net equity except for Denison Mines Corporation explained in Note 6(d).

Affiliated Companies	2008			
	Total Assets	Total Liabilities	Sales	Net Income(Loss)
Korea Gas Corporation	(Won) 20,807,767	16,624,885	23,324,594	435,153
Korea District Heating Co.	2,382,031	1,666,926	1,189,916	9,072
LG Powercom Corporation	1,937,073	944,983	1,273,769	5,991
Korea Electric Power Industrial Development Co., Ltd.	128,479	69,873	261,090	12,833
YTN	187,383	47,424	104,441	8,731
Gansu Datang Yumen Wind Power Co., Ltd.	148,453	112,812	5,777	(688)
SPC Power Corporation	88,946	9,373	24,249	10,826
Datang Chifeng Renewable Co., Ltd.	785,065	521,100	47,090	15,188
Gemeng International Energy Group Co., Ltd.	1,741,968	1,051	12,524	(101,016)
KEPCO Energy Resource Nigeria Limited	57,463	28,641	3,663	74
Gangwon Wind Power Co.	155,491	108,867	16,099	4,358
Hyundai Green Power Co., Ltd.	163,032	34,695		(1,283)
Cheongna Energy Co., Ltd.	88,346	70,485	1,021	1,449
PT. Cirebon Electric Power	68,747	2,961		(726)

Affiliated Companies	2009			
	Total Assets	Total Liabilities	Sales	Net Income(Loss)
Korea Gas Corporation	(Won) 22,933,499	17,794,943	19,391,829	215,404
Korea District Heating Co.	2,902,148	2,032,962	1,248,195	149,179
LG Powercom Corporation	2,043,231	1,137,621	1,468,313	25,853
Korea Electric Power Industrial Development Co., Ltd.	124,685	67,736	125,303	4,718
YTN	329,654	165,974	105,432	26,038
Gansu Datang Yumen Wind Power Co., Ltd.	135,760	90,256	11,583	189
SPC Power Corporation	87,873	13,369	27,507	9,479
Datang Chifeng Renewable Co., Ltd.	877,027	604,504	97,018	28,293
Gemeng International Energy Group Co., Ltd.	1,611,481	4,714		(14,013)
KEPCO Energy Resource Nigeria Limited.	33,990	9,767		(878)
Gangwon Wind Power Co.	148,096	99,025	28,603	8,060
Hyundai Green Power Co., Ltd.	376,924	251,915		(3,076)
Cheongna Energy Co., Ltd.	223,220	166,985	3,024	(1,011)
PT. Cirebon Electric Power	433,702	300,686		(3,879)
Eco Biomass Energy Sdn. Bhd.	10,919			
Denison Mines Corporation	1,064,202	171,097	61,507	(141,534)
Rabigh Electricity Company	790,210	795,382		
KNOC Nigerian East Oil Co., Ltd.	256,243	283,919		
KNOC Nigerian West Oil Co., Ltd.	153,075	177,994		
SET Holdings	2,351,637	11,795		
Areva NC Expansion	102,709	7		

**(7) Loans to Employees**

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

	Won (millions)	
	2008	2009
Current portion of long-term loans	(Won) 32,899	42,175
Long-term loans	426,943	441,808
	(Won) 459,842	483,983

**(8) Other Non-current Assets**

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

	Won (millions)	
	2008	2009
Leasehold deposits	(Won) 260,247	277,327
Assets received from KEDO (Note 33(d))	93,625	93,519
Loans for oversea business	21,192	372,972
Others	129,344	147,042
	(Won) 504,408	890,860

**(9) Restricted Cash and Cash Equivalents and Financial Instruments**

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

	Won (millions)	
	2008	2009
Cash and cash equivalents	(Won) 88,835	77,469
Short-term financial instruments	50,000	65,858
Long-term financial instruments	5	5
	(Won) 138,840	143,332

**(10) Inventories**

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

	Won (millions)	
	2008	2009
Raw materials(*)	(Won) 2,336,236	2,346,478
Supplies	1,264,450	1,066,922
Other	671,412	481,478
	(Won) 4,272,098	3,894,878

(\*) As of December 31, 2008 and 2009 the Company has nuclear fuel in process amounting to (Won)1,211,558 million and (Won)1,590,958 million, respectively.

**(11) Other Current Assets**

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

	Won (millions)	
	2008	2009
Current portion of long-term loans	(Won) 33,707	45,507
Accrued income	21,946	48,090
Advance payments	31,160	43,510
Prepaid expenses	35,772	35,497
Others	65,593	74,910
	(Won) 188,178	247,514

**(12) Shareholders' Equity****(a) Capital Stock**

The Company's authorized share capital is 1,200,000,000 shares, which consists of common stock and non-voting preferred stock, par value (Won)5,000 per share. Under the Company's articles of incorporation, the Company is authorized to issue up to 150,000,000 shares of

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non-voting preferred stock. No shares of preferred stock have ever been issued. As of December 31, 2009, 641,567,712 shares of common stock have been issued.

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(b) Capital Surplus

Capital surplus as of December 31, 2008 and 2009 are as follows:

	Won (millions)	
	2008	2009
Paid-in capital in excess of par value	(Won) 835,140	835,140
Reserves for asset revaluation	12,552,973	12,552,973
Tax adjustment related to asset revaluation	742,125	742,125
Other capital surplus	428,293	538,325
	(Won) 14,558,531	14,668,563

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

**(13) Capital Adjustments**

Capital adjustments of December 31, 2008 and 2009 are as follows:

	Won (millions)	
	2008	2009
Treasury stock(*)	(Won) 741,489	741,489
Other capital adjustments		98
	(Won) 741,489	741,587

(\*) The Company has 18,929,955 shares of treasury stock amounting to (Won)741,489 million as of December 31, 2008 and 2009 for the purpose of stock price stabilization.

**(14) Accumulated Other Comprehensive Income**

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

	Won (millions)	
	2008	2009
Gain (loss) on valuation of available-for-sale securities, net	(Won) (3,759)	14,327
Equity in other comprehensive income of affiliates	329,973	437,941
Overseas operation translation credit	(5,598)	(36,901)
Gain on valuation of cash flow hedges (Note 25)	114,448	71,844
	(Won) 435,064	487,211

**(15) Appropriated Retained Earnings**

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

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

(\*1) The KEPCO Act requires the Company to appropriate a legal reserve equal to at least 20 percent of net income for each accounting period until the reserve equals 50 percent of the Company's common stock. The legal reserve is not available for cash dividends; however, this reserve may be credited to paid-in capital or offset against accumulated deficit by the resolution of the shareholders.

(\*2) The reserve for the investment on social overhead capital and the reserve for research and human development are appropriated by the Company to avail itself of qualified tax credits to reduce corporate tax liabilities. These reserves are not available for cash dividends for a certain period as defined in the Tax Incentive Control Law.

(\*3) Until December 10, 2002 under the Special Tax Treatment Control Law (the Law), investment tax credit was allowed for certain investments. The Company was, however, required to appropriate from retained earnings the amount of tax benefits received and transfer such amount into a reserve for business rationalization. Effective December 11, 2002, the Company is no longer required to establish a reserve for business rationalization for tax benefits received for certain investments. However, existing reserves restricted for cash dividends and can be credited only to paid-in capital or offset against any accumulated deficit by resolution of the shareholders.

(\*4) Prior to 1990, according to the KEPCO Act, at least 20 percent of net income in each fiscal year was required to be established as a reserve for business expansion until such reserve equals the common stock. Beginning in 1990, no reserve is required.

(\*5) The reserve for dividend equalization, which is considered a voluntary reserve, is appropriated by the Company to reduce fluctuation of dividend rate.

**(16) Dividends**

Details of dividends for the years ended December 31, 2007, 2008 and 2009 are as follows:

	Outstanding shares of common stock	Won (millions, except per share amount)		Total dividend
		Dividend rate	Dividend per share	
<b>2007:</b>				
Outstanding shares of common stock	622,619,085	15%	(Won) 750	(Won) 466,964
Treasury shares	18,948,627			
	641,567,712			(Won) 466,964
<b>2008:</b>				
Outstanding shares of common stock	622,637,757	%	(Won)	(Won)
Treasury shares	18,929,955			
	641,567,712			(Won)
<b>2009:</b>				
Outstanding shares of common stock	622,637,757	%	(Won)	(Won)
Treasury shares	18,929,955			
	641,567,712			(Won)

**(17) Short-term Borrowings**

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

## (a) Local Currency Short-term Borrowings

Lender	Type	Annual interest rate %	Won (millions)	
			2008	2009
Eugene Investment & Securities	General	3.00	(Won) 71,100	10,000
Woori Bank	General	2.81	812,189	10,000
Korea Exchange Bank	General	3.00	85,000	50,000
Shinhan Bank	General	2.83	50,000	130,000
Samsung Securities	General	CD - 4bp,+72bp	40,000	
Nonghyup	General	MOR+1.67	7,000	7,000
SK Securities	General	3.00	50,000	40,000
BOA	General	CD + 7bp	24,000	
A.N.Z_KOREA	General	8.39	20,000	
Kumho investment bank	General	3.00		30,000
Shinhan Investment Corp.	General	3.00		30,000
			(Won) 1,159,289	307,000

## (b) Foreign Currency Short-term Borrowings

Lender	Type	Annual interest rate %	Won (millions)	
			2008	2009
China Construction Bank	General	1.75~1.83	(Won) 15,784	22,714
Woori Bank	General	3M Libor+1.40	22,747	7,049
Korea Exchange Bank	General	3M Libor+1.45	31,706	18,154
Korea Development Bank	Commercial paper	0.61~4.70	35,229	
Kookmin Bank	Commercial paper	3.82~5.08	49,374	
HSBC Korea	Commercial paper	4.10	10,223	
Deutsche Bank Korea	General	2.26	4,878	
BNP Paribas	General	1.25		50,199
ABN-AMRO	General	1.3~2.2		68,250
Shinhan Bank	General	1.70		12,063
EXIM Bank	General	3M Libor rate+0.35		81,658
A.N.Z_KOREA	General	2.13		77,948
Other	Usance & etc.	3M Libor+1.40	28,480	39,445
			(Won) 198,421	377,480

(\*) As of December 31, 2009, 1M Libor for US\$ is 0.23% and 3M Libor for Yen and US\$ are 0.28% and 0.25%, respectively.

**(18) Long-term Debt**

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

## (a) Local Currency Long-term Borrowings

Lender	Type	Maturity	Annual interest rate %	Won (millions)	
				2008	2009
Korea Development Bank	Facility	2010~2044	0.50~6.87	(Won) 3,351,893	1,937,702
Industrial Bank of Korea	Development of power resource	2012	4.00	99,666	57,866
Ministry of Knowledge Economy	Development of power resource	2010	4.00	20,000	10,000
National Agricultural Cooperative Federation	Development of power resource	2011	3.08~4.00	114,375	66,875
Korea Exchange Bank	Energy rationalization	2010~2021	2.64~6.13	1,022,682	1,199,332
Others	General	2010~2042	1.75~4.00	1,015,375	562,638
				5,623,991	3,834,413
Less: Current portion				(2,201,430)	(1,809,612)
				(Won) 3,422,561	2,024,801



## (b) Foreign Currency Long-term Borrowings

Lender	Type	Maturity	Annual interest rate %	Won (millions)	
				2008	2009
Japan Bank for international cooperation	Facility	2014	(a) 8.28% p.a. fixed and (b) 6M LIBOR +1.20 bps	(Won) 138,320	105,611
EXIM Bank	Project loans	2010~2014	5.00~7.27	225,252	110,529
Woori Bank	Project loans	2018	LIBOR+30bp	125,750	103,024
USEXIM	Facility	2014	4.48	73,227	56,120
Others	Facility	2013	3M Libor rate +0.70~3.05	16,885	149,791
				579,434	525,075
Less: Current portion				(52,390)	(193,548)
				(Won) 527,044	331,527

## (c) Debentures

	Maturity	Annual interest rate %	Won (millions)		
			2008	2009	
Local currency debentures:					
Electricity bonds	2010~2013	3.61~7.19	(Won) 10,050,000	15,500,000	
Corporate bonds	2010~2011	3.96~7.55	4,030,010	5,840,010	
				14,080,010	21,340,010
Foreign currency debentures:					
FY-93	2013	7.75	440,125	408,660	
FY-96	2010~2096	6.00~8.28	320,627	296,313	
FY-97	2027	6.75~7.00	395,758	367,463	
FY-03	2010~2013	5.12	188,626	175,140	
FY-04	2010~2034	4.88~5.75	880,240	992,460	
FY-05	2010~2012	3.13~5.25	821,306	768,850	
FY-06	2016	5.24~5.50	817,376	758,940	
FY-07	2010~2014	1.22~5.75	969,206	707,179	
FY-08	2011~2018	3M USD Libor+1.5, 3M JPY Libor+1.8, 4.06~5.38	1,730,060	1,596,007	
FY-09	2010~2014	3M EuroYenTibor+2.5, 5.5~6.25		1,877,682	
				6,563,324	7,948,694
				20,643,334	29,288,704
Less: Current portion				(2,190,963)	(3,775,653)
Discount				(49,747)	(76,358)
				(Won) 18,402,624	25,436,693

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## (d) Exchangeable Bonds

Description	Annual interest rate %	Won (millions)	
		2008	2009
Overseas exchangeable bonds(*)	0.00	(Won) 485,682	25,638
Overseas exchangeable bonds(*)	0.00	555,114	24,736
		1,040,796	50,374
Less: Current portion			
Plus: Premium on debentures issued			
Less: Discount on debentures issued		(49,729)	(1,500)
Conversion right adjustment		(39,123)	(1,269)
Exchangeable bonds, net		(Won) 951,944	47,605

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

Maturity date: November 23, 2011

Amount to be paid at maturity: JPY 61,345,128,000 and EUR 463,320,780

Exchange period: From January 4, 2007 to 10th day prior to its maturity.

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

Exchange price: (Won)51,000 per share

Put option: Bondholders have a put option that they can exercise for JPY 61,132,293,000 and EUR 437,612,000 on November 23, 2009. The Notes will be redeemable at the option of the holder of notes, by depositing a demand of redemption at the specified office of a paying agent, not less than 30 or more than 60 days prior to November 23, 2009.

Call option: The Company has a call option that it can exercise on or at any time after November 23, 2009. Notes are callable if the closing price per common share on the Korea Stock Exchange or the ADSs on the New York Stock Exchange in each case, for each of any 20 trading days in a 30 consecutive trading period ending not more than 5 days prior to the date on which notice such redemption is given, is at least 120% of the conversion price or of the conversion price per ADS.

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

On November 23, 2009, bondholders exercised a put option, 94.72% of JPY60,810,000 thousand and 95.54% of EUR401,700 thousand. The Company recorded a loss on early repayment of exchangeable bond and a loss on foreign currency transaction amounting to (Won)43,787 million and (Won)496,806 million, respectively.



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

	2008		2009	
	Foreign currency	Won equivalent	Foreign currency	Won equivalent
<b>Short-term</b>				
borrowings	US\$ 157,790	(Won) 198,421	US\$ 244,840	(Won) 285,875
	JPY		JPY 3,616,476	91,605
		198,421		377,480
<b>Long-term</b>				
borrowings	US\$ 390,826	491,464	US\$ 321,414	375,283
	PHP 3,315,884	87,970	PHP 5,913,600	149,792
		579,434		525,075
Debentures	US\$ 3,879,688	4,878,707	US\$ 5,378,496	6,279,932
	JPY 89,000,000	1,240,562	JPY 99,000,000	1,250,192
	EUR 250,000	444,055	EUR 250,000	418,570
		6,563,324		7,948,694
<b>Exchangeable</b>				
bond	JPY 61,345,128	485,682	JPY 3,238,248	25,638
	EUR 463,321	555,114	EUR 20,646	24,736
		1,040,796		50,374
		(Won) 8,381,975		(Won) 8,901,623

(f) Aggregate maturities of the Company's long-term debt as of December 31, 2009 are as follows:

Year ended December 31	Won (millions)					Total
	Local currency borrowings	Foreign currency borrowings	Domestic debentures	Foreign debentures	Exchangeable bonds	
2010	(Won) 1,809,612	193,548	2,650,000	1,127,048		5,780,208
2011	1,410,721	68,488	3,420,000	1,237,391	50,374	6,186,974
2012	386,735	68,488	4,050,010	351,320		4,856,553
2013	62,794	68,488	3,680,000	2,452,822		6,264,104
2014	62,193	39,544	3,520,000	759,585		4,381,322
Thereafter	102,358	86,519	4,020,000	2,020,528		6,229,405
	(Won) 3,834,413	525,075	21,340,010	7,948,694	50,374	33,698,566

**(19) Long-term debt under conditional agreements**

Borrowings under conditional agreements as of December 31, 2008 and 2009 are as follows:

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Lender	Type	Maturity	Annual interest rate (%)	Won (In millions)		
				2008	2009	
Korea Resources Corporation(*1)	Overseas business	2022~2024	3 year treasury			
			notes 2.25	(Won)	3,592	7,039
Korea National Oil Corporation(*2)	Oil development business	2021~2023	3 year treasury			
			notes 1.25		11,046	8,278
				(Won)	14,638	15,317

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(\*1) The Company has borrowings under conditional agreements from Korea Resources Corporation for overseas resources development projects related to uranium research in Christ and Waterberry, Canada.

(\*2) The Company has borrowings under conditional agreements from Korea National Oil Corporation for overseas resources development projects related to deepwater OPL321 and OPL323 exploration in Nigeria.

In case the projects mentioned above fail, the Company is not obliged to repay the principal and interest. The Company shall make additional payments other than the principle and interest after commercial production begins. The long-term borrowings of prior period's financial statement are reclassified to the borrowings under conditional agreement to conform to the current period's presentation. The reclassification does not affect the income before tax or net assets.

## (20) Assets and Liabilities Denominated in Foreign Currencies

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

	Won (millions), US\$, JPY and EUR (thousands)			
	2008		2009	
	Foreign currency (thousands)(*)	Won equivalent (millions)	Foreign currency (thousands)(*)	Won equivalent (millions)
<b>Assets:</b>				
Cash and cash equivalents	US\$ 17,789	(Won) 22,639	US\$ 162,469	(Won) 189,699
	CNY 62	11	CNY	
	PHP 5,013	133	PHP 2,575	65
	INR 163,304	4,280	INR 111,761	2,803
	AUD 3,013	2,621	AUD 4,129	4,315
	EUR 209	383	EUR 1,798	3,011
	NGN 1,985	18	NGN	
	PKR		PKR 14,236	199
	MGA		MGA 20,035	12
Short-term financial instruments	US\$ 500	629	US\$	
	INR 15,000	393	INR 20,664	518
Short-term loan	US\$		US\$ 2,250	2,627
Trade receivables	US\$ 10,479	13,177	US\$ 8,138	9,502
	EUR 125	221	EUR 1,899	3,179
	INR 49,640	1,301	INR 137,328	3,444
	PKR		PKR 14,974	209
	PHP 1,216	32	PHP	
Other accounts receivable	US\$ 7,483	9,410	US\$ 4,853	5,666
	INR		INR 48	1
	EUR		EUR 84	141
Accrued income	AUD		AUD 41	43
	INR 141	4	INR 291	7
Advance payments	US\$ 5,515	6,957	US\$ 285	333
Other current assets	PKR		PKR 125	2
	PHP 6,555	174	PHP 1,506	38
	INR 6,065	159	INR 7,131	179
	AUD 97	84	AUD 49	51
Long-term other accounts receivables	US\$		US\$ 61	71
Other non-current assets	US\$ 564	709	US\$ 449	524
	EUR 30	54	EUR 15	25
	JPY 13,428	187	JPY 520	7
	CAD 2	2	CAD	
	CNY 40	7	CNY 14	2

(Won) 63,585

(Won) 226,676

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	Won (millions), US\$, JPY and EUR (thousands)			
	2008		2009	
	Foreign currency (thousands)(*)	Won equivalent (millions)	Foreign currency (thousands)(*)	Won equivalent (millions)
<b>Liabilities:</b>				
Trade payables	US\$ 488,279	(Won) 614,010	US\$ 443,794	(Won) 518,173
	EUR 314	557	EUR 517	866
	JPY 33,062	461	JPY	
	CNY 1,779	328	CNY 4,111	703
	PHP 1,342	36	PHP	
	INR 4,680	123	INR 592	15
	AUD 630	548	AUD	
	GBP 1	1	GBP 84	157
	CAD		CAD 166	184
	SEK		SEK 270	44
Other accounts payable	US\$ 32,966	42,582	US\$ 799	933
	EUR 1,459	2,657	EUR 664	1,112
	JPY 492	6,862	JPY 10,606,304	133,938
	CAD 52	54	CAD 327	362
	PHP 976	26	PHP	
	INR 7,410	194	INR 13,144	330
	CHF		CHF 101	114
	GBP 29	53	GBP 22	42
	SEK 142	23	SEK	
	PKR		PKR 4,078	57
Withholdings	US\$ 99	124	US\$ 80	93
	EUR		EUR 6	10
	CAD 179	186	CAD 36	40
Other current liabilities	US\$ 458	576	US\$ 421	492
	INR 130	3	INR 25,516	640
	AUD 10,593	278	AUD 100	105
	PHP 183	159	PHP	
		(Won) 669,841		(Won) 658,410

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

## (21) Retirement and Severance Benefits

Changes in retirement and severance benefits for the years ended December 31, 2008 and 2009 are summarized as follows:

	Won (millions)	
	2008	2009
Estimated accrual at beginning of year	(Won) 1,776,614	2,190,771
Provision for retirement and severance benefits	483,909	238,001
Payments	(78,204)	(173,430)
Others	8,452	7,487
Estimated accrual at end of year	2,190,771	2,262,829
Transfer to National Pension Fund	(91)	(88)
Deposit for severance benefit insurance	(455,223)	(490,061)
Net balance at end of year	(Won) 1,735,457	1,772,680

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As of December 31, 2009, the future retirement and severance benefits which are expected to be paid to the Company's employees upon their normal retirement age are as follows:

	Korean Won (in millions) (Won)	Translation into U.S. Dollars (Note 2) (in thousands) \$
2010	79,624	68,426
2011	79,844	68,615
2012	96,843	83,223
2013	122,478	105,253
2014	125,027	107,444
2015 - 2019	952,713	818,728

The above amounts were determined based on the employees' current salary rates as of end of the reporting period and the number of service years that will be accumulated upon their retirement date. The amounts do not include amounts that might be paid to employees that will cease working with the Company before their normal retirement age.

## (22) Liability for Decommissioning Costs

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

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

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

The enactment of RWMA did not change the Company's responsibility for dismantling of nuclear power plants. But performing the disposal of spent fuel and low & intermediate radioactive waste has been transferred to newly established Korea Radio-active Waste Management Corporation (KRMC), a government-owned entity.

As of December 31, 2008 and 2009, the Company has recorded a liability of (Won)5,470,764 million and (Won)5,695,224 million, respectively, for dismantling and decontaminating existing nuclear power plants; consisting of dismantling costs of nuclear plants of (Won)4,311,052 million and (Won)4,498,716 million as of December 31, 2008 and 2009 and storage costs of spent fuel and low & intermediate radioactive waste of (Won)1,159,712 million and (Won)1,196,508 million as of December 31, 2008 and 2009, respectively. Accretion expense consists of period-to-period changes in the liability for decommissioning costs resulting from passage of time and changes in estimate related to either the timing or the amount of the initial estimate of undiscounted cash flows. This cost is included in cost of electric power in the accompanying statements of operations.

Changes in the liability for decommissioning costs for the years ended December 31, 2008 and 2009 are summarized as follows:

	Won (millions)	
	2008	2009
Balance at beginning of year	(Won) 8,206,267	5,470,764
Liabilities incurred	470,376	255,360
Accretion expense for year	379,281	223,387
Payments for year	(8,791)	(254,287)
Transfer to long-term other account payable(*)	(3,576,369)	
Balance at end of year	(Won) 5,470,764	5,695,224

(\*) For spent fuel discharged prior to December 31, 2008, the Company has accrued the liability of (Won)3,576,369 million. Under newly enacted RWMA, the Company is required to pay the disposal costs of spent fuel to KRMC over 15 years, after a 5 year grace period along with the interest at 4.36%. As a result, the liability of (Won)3,576,369 million was reclassified to the long-term other accounts payable.

### (23) Provision for Decontamination of Transformer

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

As of December 31, 2008 and 2009, the Company has recorded a liability of (Won)249,947 million and (Won)231,470 million for inspection and disposal cost related to decontamination of existing transformers, respectively. Actual cost of decontaminating are expected to vary from those because of changes in assumed dates of regulatory requirement, technology, and costs of labor, material and equipment.

### (24) Other Current Liabilities

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

	Won (millions)	
	2008	2009
Advance received	(Won) 45,642	61,735
Withholdings	209,732	207,702
Unearned revenue	73,244	87,608
Dividends payable	9,318	17,923
Others	434,396	510,876
	(Won) 772,332	885,844

**(25) Derivative Instruments Transactions**

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

(a) Currency swap contracts as of December 31, 2009 are as follows:

Counterparty	Contract Year	Settlement Year	Contract amounts in millions			Contract interest rate per annum	
			Pay	Receive	Pay (%)	Receive (%)	
ABN AMRO	2008	2011	KRW 29,190	US\$ 30	4.15	3M Libor+1.3	
ABN AMRO	2008	2011	KRW 28,050	JPY 3,000	4.50	Libor + 1.3	
ABN AMRO	2008	2013	KRW 149,040	US\$ 150	5.03	5.38	
ANZ	2008	2011	KRW 52,025	US\$ 50	5.17	3M USD Libor + 1.80	
ANZ	2008	2011	KRW 18,700	JPY 2,000	4.50	Libor + 1.3	
Barclays	2008	2013	KRW 187,020	US\$ 200	7.50	7.75	
Barclays	2006	2016	KRW 94,735	US\$ 100	5.26	6.00	
Barclays	2008	2013	KRW 56,652	US\$ 60	4.96	5.38	
Barclays	2006	2016	KRW 71,888	US\$ 75	4.81	5.50	
Barclays	2004	2011	KRW 138,252	US\$ 120	4.85	4.88	
Barclays	2004	2014	KRW 172,875	US\$ 150	5.10	5.75	
BNP Paribas	2008	2011	KRW 52,375	US\$ 50	5.92	3M USD Libor + 1.80	
BNP Paribas	2008	2011	KRW 48,650	US\$ 50	4.15	3M Libor+1.3	
BNP Paribas	2004	2011	KRW 17,282	US\$ 15	4.85	4.88	
BNP Paribas	2008	2011	KRW 46,750	JPY 5,000	4.50	Libor + 1.3	
BTMU	2007	2010	KRW 109,060	JPY 14,000	5.29	3M JPY EURO YEN Tibor + 0.5	
BTMU	2010	2012	KRW 138,018	JPY 10,000	4.10	3M EURO YENT+0.5	
Calyon	2008	2011	KRW 52,375	US\$ 50	5.92	3M USD Libor + 1.80	
Citibank	2006	2016	KRW 94,735	US\$ 100	5.24	6.00	
Citigroup	2008	2013	KRW 113,304	US\$ 120	4.96	5.38	
Credit Suisse	2008	2013	KRW 140,265	US\$ 150	7.39	7.75	
Credit Suisse	2004	2011	KRW 86,400	US\$ 75	Within 3 years: 4.875 After 3 years: [4.875-(10.9- JPY/KRW Spot rate)]	4.95	
Credit Suisse	2006	2016	KRW 98,100	US\$ 100	5.48	5.50	
Credit Suisse	2006	2016	KRW 94,735	US\$ 100	5.26	6.00	
Credit Suisse	2009	2011	KRW 197,475	US\$ 150	5.00	4.75	
Credit Suisse	2004	2011	KRW 115,210	US\$ 100	4.85	4.88	
DBS	2008	2011	KRW 51,730	US\$ 50	5.78	3M USD Libor + 1.70	
DBS	2008	2011	KRW 52,375	US\$ 50	6.01		

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							3M USD Libor + 1.80
Deutsche Bank	2009	2014	KRW 126,610	USD	100	5.39	6.25
Deutsche Bank	2008	2010	KRW 172,959	EUR	125	2.46	3.13

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Counterparty	Contract Year	Settlement Year	Contract amounts in millions			Contract interest rate per annum	
			Pay	Receive	Pay (%)	Receive (%)	
Deutsche Bank	2006	2016	KRW 71,888	US\$ 75		4.81	5.50
Deutsche Bank	2008	2013	KRW 149,040	US\$ 150		5.03	5.38
Goldman Sachs	2008	2013	KRW 113,304	US\$ 120		4.96	5.38
ING	2008	2011	KRW 50,495	US\$ 50		6.24	6M USD Libor + 1.50
JPMorgan Chase Bank	2004	2011	KRW 86,400	US\$ 75		Within 3 years: 4.875	4.95
						After 3 years: [4.875-(10.9-JPY/KRW Spot rate)]	
Merrill Lynch	2008	2010	KRW 86,479	EUR 63		2.46	3.13
Mizuho	2008	2011	KRW 28,860	JPY 3,000		5.82	3M JPY Libor + 1.70
Morgan Stanley	2009	2014	KRW 126,610	USD 100		5.32	6.25
Nomura	2009	2014	KRW 126,610	USD 100		5.35	6.25
Nomura	2009	2014	KRW 126,610	USD 100		5.33	6.25
SMBC	2007	2010	KRW 116,620	JPY 14,000		4.56	1.38
TOKYO-MITSUBISHI UFJ BANK	2007	2010	KRW 112,600	JPY 14,000		5.09	JPY Euro Yen 3m Timor+0.5
UBS	2008	2010	KRW 86,479	EUR 62,500		2.46	3.13
UBS AG	2006	2016	KRW 98,100	US\$ 100		5.48	5.50
Tokyo-Mitsubishi UFJ Bank	2007	2010	KRW 115,783	JPY 14,000		4.72	1.65
Woori Investment & Securities	2008	2011	KRW 10,346	US\$ 10		5.78	3M USD Libor + 1.70
Woori Investment & Securities	2008	2011	KRW 19,460	US\$ 20		4.15	3M Libor+1.3
Hana Bank	2004	2011	KRW 17,282	US\$ 15		4.85	4.88

(b) Interest rate swap contracts as of December 31, 2009 are as follows:

Counterparty	Notional amount in millions	Contract interest rate per annum		Term
		Pay (%)	Receive (%)	
Korea Exchange Bank	KRW 50,000	5.19	3M CD+0.22%	2007-2010
Korea Exchange Bank	KRW 50,000	5.42	3M CD+0.21%	2007-2010
Korea Exchange Bank	KRW 100,000	5.42	3M CD+0.22%	2007-2010
Korea Exchange Bank	KRW 100,000	5.54	3M CD+0.27%	2007-2010
Korea Exchange Bank	KRW 100,000	5.30	3M CD+0.35%	2008-2011
Korea Exchange Bank	KRW 100,000	5.17	3M CD+0.38%	2008-2011
Korea Exchange Bank	KRW 200,000	4.69	4.88%	2009-2011
Korea Exchange Bank	KRW 100,000	CD 3M+0.54	3M CD+0.66%	2009-2012
Korea Development Bank	KRW 100,000	6.32	3M CD+0.66%	2008-2011
JPMorgan Chase Bank	KRW 172,800	4.65	Within 2 years: 4.875	2005-2011
			After 2 years: [4.875-(10.9-JPY/KRW Spot rate)]	
JPMorgan Chase Bank	KRW 100,000	6.13	CD+0.54%	2008-2011
ABN AMRO	KRW 100,000	4.79	CD+0.55%	2009-2012





(c) Currency forward contracts as of December 31, 2009 are as follows:

Counterparty	Contract Date	Settlement Date	Contract amounts		Contract exchange rate
			Receive (millions)	Pay (millions)	
Korea Exchange Bank	2009.12.30	2010.01.15	USD 6,000	KRW 6,989	1,164.90
ABN AMRO	2009.12.14	2010.01.15	USD 917	KRW 1,063	1,158.95
ABN AMRO	2009.12.23	2010.01.28	USD 5,000	KRW 5,922	1,184.45
ABN AMRO	2009.12.28	2010.01.29	USD 2,000	KRW 2,342	1,170.80
ABN AMRO	2009.12.30	2010.01.28	USD 3,000	KRW 3,506	1,168.70
BNP Paribas	2009.12.22	2010.01.25	USD 3,000	KRW 3,553	1,184.45
BNP Paribas	2009.12.30	2010.01.05	USD 15,000	KRW 17,447	1,163.16
Deagu Bank	2009.12.17	2010.01.21	USD 1,500	KRW 1,762	1,170.80
Barclays	2009.12.18	2010.01.22	USD 5,000	KRW 5,896	1,179.20
Barclays	2009.12.30	2010.01.27	USD 10,000	KRW 11,686	1,168.60
China Construction Bank	2009.12.10	2010.01.14	KRW 2,329	USD 2,000	1,164.35
China Construction Bank	2009.12.11	2010.01.14	USD 1,675	KRW 1,950	1,164.35
China Construction Bank	2009.12.11	2010.01.14	USD 2	KRW 3	1,164.35
China Construction Bank	2009.12.11	2010.01.14	USD 19	KRW 22	1,164.35
China Construction Bank	2009.12.11	2010.01.14	USD 4	KRW 5	1,164.35
China Construction Bank	2009.12.18	2010.01.14	USD 91	KRW 106	1,164.35
China Construction Bank	2009.12.22	2010.01.14	USD 209	KRW 243	1,164.35

(d) Fair value of the financial derivatives as of December 31, 2008 and 2009 are as follows:

	Won (millions)			
	Asset derivatives		Liability derivatives	
	2008	2009	2008	2009
<b>Cash flow hedging instruments</b>				
Investments:				
Cross currency swaps	(Won) 925,814	618,347		18,100
Total cash flow hedge	(Won) 925,814	618,347		18,100
<b>Trading instruments</b>				
Investments:				
Interest rate swaps	(Won)	378	21,297	5,350
Cross currency swaps	400,732	137,309		11,533
Current assets:				
Currency forward contracts		3	56	226
Interest rate swaps				2,797
Cross currency swaps		144,426		
Total trading	(Won) 400,735	282,136	21,353	19,906
Total financial derivatives	(Won) 1,326,549	900,483	21,353	38,006

- (e) Valuation gains and losses on swap and forward contracts that do not qualify as hedges recorded as other income or expense for the years ended December 31, 2007, 2008 and 2009 are as follows:

	Won (millions)		
	2007	2008	2009
Currency swaps			
Gains	(Won) 33,144	1,365,831	12,193
Losses	(18,900)	(5)	(382,517)
Interest rate swaps			
Gains	2,594		13,828
Losses		(23,890)	(300)
Currency forward contracts			
Gains	7,436	3	18
Losses	(44)	(52)	(226)
	(Won) 24,230	1,341,887	(357,004)

- (f) The gains on currency and interest swap contracts qualifying as cash flow hedges are reflected within accumulated other comprehensive income amounting to (Won)114,448 million and (Won)71,844 million, as of December 31, 2008 and 2009, respectively.
- (g) The transaction gains on derivatives are (Won)34,322 million, (Won)127,043 million and (Won)72,957 million for the years ended December 31, 2007, 2008 and 2009, respectively. The transaction losses on derivatives are (Won)39,752 million, (Won)281,157 million and (Won)30,101 million for the years ended December 31, 2007, 2008 and 2009, respectively. Transaction gains and losses are included in other income (expense) in the accompanying consolidated statements of operations.

**(26) Power Generation, Transmission and Distribution Expenses**

Power generation, transmission and distribution expenses for the years ended December 31, 2007, 2008 and 2009 are as follows:

	Won (millions)		
	2007	2008	2009
Fuel	(Won) 10,391,353	15,721,978	14,857,559
Labor	1,908,475	2,189,385	1,881,694
Depreciation and amortization	5,030,798	5,314,557	5,423,418
Maintenance	2,154,252	1,592,774	1,622,887
Provision for decommissioning costs/accretion and related expenses	443,980	365,617	431,744
Research and development cost	198,948	461,079	464,377
Others	1,731,784	1,456,142	1,147,608
	(Won) 21,859,590	27,101,532	25,829,287

**(27) Selling and Administrative Expenses**

Details of selling and administrative expenses for the years ended December 31, 2007, 2008 and 2009 are as follows:

	Won (millions)		
	2007	2008	2009
Labor	(Won) 579,692	651,426	544,668
Employee benefits	76,259	80,001	80,699
Sales commissions	362,705	384,305	384,119
Compensation for damages	1,533	9,317	561
Depreciation and amortization	82,266	138,215	89,423
Promotion	29,362	23,399	18,134
Commission-others	80,445	62,888	83,086
Bad debts	22,966	20,616	28,397
Maintenance	15,248	15,833	13,236
Research and development cost	110,497	106,529	102,914
Others	249,206	247,173	199,419
	(Won) 1,610,179	1,739,702	1,544,656

**(28) Income Tax Expense (Benefit)**

(a) Income tax expense (benefit) for the years ended December 31, 2007, 2008 and 2009 are summarized as follows:

	Won (millions)		
	2007	2008	2009
Current income tax expense	(Won) 1,035,386	737,426	138,106
Deferred income tax expense (benefit)	(109,221)	(1,666,990)	232,039
Income tax expense (benefit)	(Won) 926,165	(929,564)	370,145

(b) The provision for income taxes calculated using the normal tax rates differs from the actual provision for the years ended December 31, 2007, 2008 and 2009 for the following reasons:

	Won (millions)		
	2007	2008	2009
Provision for income taxes at nominal tax rate	(Won) 658,153	(1,107,127)	78,024
Tax effects of permanent differences:			
Dividend income(*1)	(138,770)	(143,743)	(8,107)
Other	8,068	3,044	11,567
Tax effects of investment in subsidiaries(*2)	452,753	(39,580)	328,081
The tax effect of tax rate revision(*3)		270,385	(33,518)
Other, net	(54,039)	87,457	(5,902)
Actual provision for income taxes	(Won) 926,165	(929,564)	370,145
Effective tax rate	38.7%	24.2%	114.8%

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(\*1) Under the Corporate Income Tax Act Article 18 paragraph 2, a certain portion of dividend income is not taxable. In this regard, certain portions of equity in net income of affiliates are considered permanent differences.

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- (\*2) Equity income of consolidated subsidiaries was eliminated in the consolidated financial statements. However, tax effect of equity income was not eliminated as disposal gains or losses are taxable or deductible upon sales of subsidiaries.
- (\*3) As a result of the revision of income tax law in 2009, 24.2% is applied in 2010 and 2011, and 22% is applied for fiscal years beginning after January 1, 2012.
- (c) The tax effects of temporary differences that result in significant portions of the deferred income tax assets and liabilities as of December 31, 2008 and 2009 are presented below:

	Won (millions)	
	2008	2009
Loss on valuation of derivatives	(Won) 5,256	(94,528)
Retirement and severance benefits	203,862	311,986
Deferred foreign exchange translation loss	44,855	8,213
Liability for decommissioning costs	1,198,417	1,246,837
Other long-term account payables	786,801	786,801
Accounts payable purchase of electricity	301,987	177,213
Deferred tax asset for deficit carryforward	850,279	1,605,786
Deferred foreign exchange translation gain	(14,827)	(33,631)
Reserve for social overhead capital investment	(51,173)	(34,589)
Reserve for research and human resource development	(11,188)	(35,943)
Investment in subsidiaries and affiliates	(2,016,164)	(2,338,845)
Capitalized asset retirement costs	(397,715)	(336,494)
Others, net	418,459	(209,952)
Net deferred tax assets (liabilities)	(Won) 1,318,849	1,052,854
<b>Total deferred tax assets (liabilities)</b>		
Current assets	563,163	353,103
Non-current assets	1,963,520	1,689,851
Current liabilities	(14,125)	(18,023)
Non-current liabilities	(1,193,709)	(972,077)
	(Won) 1,318,849	1,052,854

## (29) Earnings (Loss) Per Share

Basic earnings (loss) per common share are calculated by dividing controlling interest in net income (loss) by the weighted-average number of shares of common stock outstanding for each of the years ended December 31, 2007, 2008 and 2009 as follows:

		Won (millions)		
		2007	2008	2009
Controlling interest in net income (loss)	(Won)	1,426,457	(2,955,339)	(96,716)
Weighted-average number of common shares outstanding		621,717,622	622,637,717	622,637,717
Basic earnings (loss) per common share	(Won)	2,294	(4,746)	(155)

Diluted earnings (loss) per share are calculated by dividing diluted controlling interest in net income (loss) by the weighted-average number of shares of common equivalent stock outstanding for the years ended December 31, 2007, 2008 and 2009 as follows:

	2007 (Won)	Won (millions)	
		2008	2009
Controlling interest in net income (loss)	1,426,457	(2,955,339)	(96,716)
Exchangeable bond interest	20,031		
<b>Diluted net income (loss)</b>	<b>1,446,448</b>	<b>(2,955,339)</b>	<b>(96,716)</b>
Weighted-average number of common shares and diluted securities outstanding	640,665,533	622,637,717	622,637,717
<b>Diluted earnings (loss) per share</b>	<b>(Won) 2,258</b>	<b>(4,746)</b>	<b>(155)</b>

In 2009, diluted earnings (loss) per share is the same as the basic earnings (loss) per share due to the anti-dilutive effect.

Exchangeable bonds to be convertible into common stocks as of December 31, 2009 are presented below:

	Exchange price (Won)	Exchange period	Number of shares to be issued
Overseas exchangeable bonds 2 <sup>nd</sup>	51,000	2007.01.04 ~ 2011.11.11	919,908

### (30) Non-cash Investing and Financing Activities

Significant non-cash investing and financing activities for the years ended December 31, 2008 and 2009 are summarized as follows:

	Won (millions)	
	2008	2009
Conversion of exchangeable bonds	(Won) 510	
Transfer into current portion of long-term borrowings	2,253,820	2,003,160
Transfer into current portion of debentures	2,190,963	3,775,653

**(31) Transactions and Balances with Related Parties**

(a) The nature of the relationship as of December 31, 2009 is as follows :

<b>The nature of the relationship</b>	<b>Related Party</b>	
Shareholder of the Company	Ministry of Knowledge Economy	
	Korea Finance Corporation(*)	
	Korea Gas Corporation	
	Korea District Heating Co.	
	LG Powercom Corporation	
	Korea Electric Power Industrial Development Co., Ltd.	
	YTN	
	Gansu Datang Yumen Wind Power Co., Ltd.	
	SPC Power Corporation	
	Datang Chifeng Renewable Co., Ltd.	
	Gemeng International Energy Group Co., Ltd.	
	KEPCO Energy Resource Nigeria Limited.	
	Affiliate of the Company	Gangwon Wind Power Co.
		Hyundai Green Power Co., Ltd.
Cheongna Energy Co., Ltd.		
PT. Cirebon Electric Power		
Eco Biomass Energy Sdn. Bhd		
Denison Mines Corporation		
Rabigh Electricity Company		
KNOC Nigerian East Oil Co., Ltd.		
KNOC Nigerian West Oil Co., Ltd.		
SET Holdings		
Areva NC Expansion		

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(\*) As mentioned in Note 1(a), KDB's entire shares in KEPCO were transferred to KoFC on October 28, 2009.

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- (b) Significant transactions between the Company and related parties for the years ended December 31, 2007, 2008 and 2009 are as follows:

Related Party	Transactions	Won (millions)		
		2007	2008	2009
Operating revenue and other income:				
Korea Gas Corporation		(Won) 1,983	4,814	40,672
Korea District Heating Co., Ltd.	Sales of electricity			
	and others	176,960	270,339	212,010
LG Powercom Corporation		75,265	73,093	77,238
Korea Electric Power Industrial Development Co., Ltd.		5,327	9,887	9,396
YTN				6,861
Rabigh Electricity Company				44,889
		(Won) 259,535	358,133	391,066
Operating and other expenses:				
Korea Gas Corporation	Purchases of LNG	(Won) 5,351,071	7,881,723	6,022,633
Korea District Heating Co., Ltd.	Commissions for service and others	334	456,165	380
LG Powercom Corporation		67,413	73,153	71,794
Korea Electric Power Industrial Development Co., Ltd.		128,788	157,766	173,372
YTN		1,460		560
		(Won) 5,549,066	8,568,807	6,268,739

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

Related party	Accounts	Won (millions)	
		2008	2009
Receivables:			
Korea Gas Corporation	Trade receivables and other accounts receivable	(Won) 3,711	4,677
Korea District Heating Co., Ltd.		63,221	42,580
LG Powercom Corporation		8,893	2,603
Korea Electric Power Industrial Development Co., Ltd.		439	181
Rabigh Electricity Company			227,607
Datang Chifeng Renewable Power Co., Ltd.		113,175	93,408
		(Won) 189,439	371,056
Payables:			
Korea Gas Corporation	Trade payables and other accounts payable	(Won) 929,845	722,495
Korea District Heating Co., Ltd.		59,961	2,175
LG Powercom Corporation		4,601	2,691
Korea Electric Power Industrial Development Co., Ltd.		16,568	14,623
YTN			99
		(Won) 1,010,975	742,083

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(d) Long-term debt from related parties as of December 31, 2008 and 2009 are as follows:

Lender	Type	interest rate (%)	Won (millions)	
			2008	2009
Korea Development Bank(*)	Facility	0.5~6.87	(Won) 3,351,893	1,937,702
Ministry of Knowledge Economy	Rural area development	4.0	20,000	10,000
Less : Current portion			(10,000)	(10,000)
			(Won) 3,361,893	1,937,702

(\*) As mentioned in Note 1(a), due to the reorganization of KDB into KoFC and KDB Financial Group, KDB and the Company are no longer directly related as of December 31, 2009. However, KoFC owns 94.3% of KDB Financial Group while KDB Financial Group owns 100% of KDB. As such, the Company has disclosed KDB as a related party as of December 31, 2009 above.

(e) Guarantees provided by related companies for the Company as of December 31, 2009 are as follows:

Type	Related party	Currency	USD (thousands)		Balance of borrowing as of December 31, 2009
			Guaranteed amounts	Type of borrowings	
Payment guarantee(*)	Korea Development Bank	US\$	651,663	Foreign currency bond	US\$ 533,334

(\*) Korea Development Bank has provided a repayment guarantee for some of foreign currency debentures of KEPCO and debt related to the power generation business of KEPCO Ilijan Corporation, which existed at the time of spin-off, but not redeemed as of December 31, 2009.

**(32) Transactions and Balances with Consolidated Subsidiaries**

(a) Significant transactions among KEPCO and consolidated subsidiaries for the years ended December 31, 2007, 2008 and 2009 are as follows. These were eliminated in consolidation:

Consolidated subsidiaries	Transactions	Won (millions)		
		2007	2008	2009
<b>Operating revenue and other income:</b>				
KEPCO	Sales of electricity and others	(Won) 450,970	631,700	601,710
Korea Hydro & Nuclear Power Co., Ltd.		5,514,741	5,801,584	5,150,848
Korea South-East Power Co., Ltd.		2,146,334	3,102,176	3,723,306
Korea Midland Power Co., Ltd.		2,802,963	3,608,107	3,714,084
Korea Western Power Co., Ltd.		3,100,953	3,687,034	3,809,276
Korea Southern Power Co., Ltd.		3,733,243	4,647,023	4,613,557
Korea East-West Power Co., Ltd.		2,868,392	3,883,761	3,822,546
Others	Commissions for service and others	1,213,598	1,352,502	1,492,928
		(Won) 21,831,194	26,713,887	26,928,255
<b>Operating and other expenses:</b>				
KEPCO(*)	Purchased power and others	(Won) 20,499,256	25,077,826	25,190,362
Korea Hydro & Nuclear Power Co., Ltd.	Commissions for service and others	719,076	809,484	895,516
Korea South-East Power Co., Ltd.		139,091	172,245	185,398
Korea Midland Power Co., Ltd.		138,064	198,752	194,730
Korea Western Power Co., Ltd.		120,066	182,435	173,284
Korea Southern Power Co., Ltd.		84,827	95,618	112,063
Korea East-West Power Co., Ltd.		120,999	164,536	156,889
Others		9,815	12,991	20,013
		(Won) 21,831,194	26,713,887	26,928,255

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

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

Consolidated subsidiaries	Accounts	Won (millions)	
		2008	2009
<b>Receivables:</b>			
KEPCO	Trade receivables and other accounts receivable	(Won) 1,366,570	1,237,686
Korea Hydro & Nuclear Power Co., Ltd.		990,144	1,172,682
Korea South-East Power Co., Ltd.		818,593	811,137
Korea Midland Power Co., Ltd.		374,625	415,385
Korea Western Power Co., Ltd.		480,977	539,282
Korea Southern Power Co., Ltd.		582,781	583,022
Korea East-West Power Co., Ltd.		661,659	667,567
Others		215,786	183,760
		(Won) 5,491,135	5,610,521
<b>Payables:</b>			
KEPCO	Trade payables and other accounts payable	(Won) 3,932,976	4,123,008
Korea Hydro & Nuclear Power Co., Ltd.		441,247	336,327
Korea South-East Power Co., Ltd.		525,077	521,257
Korea Midland Power Co., Ltd.		57,181	50,042
Korea Western Power Co., Ltd.		124,996	112,469
Korea Southern Power Co., Ltd.		118,519	113,029
Korea East-West Power Co., Ltd.		259,060	245,137
Others		32,079	109,252
		(Won) 5,491,135	5,610,521

- (c) The elimination entries of revenues and expenses among KEPCO and consolidated subsidiaries for the year ended December 31, 2009 are summarized as follows:

Won (millions)		Won (millions)	
Accounts	Amount	Accounts	Amount
Operating revenues	(Won) 26,817,726	Operating expenses	(Won) 26,763,749
Rental income	21,568	Rent expenses	11,695
Interest income	69,359	Commissions	71,578
Other income	19,602	Interest expenses	69,416
		Other expenses	11,817
	(Won) 26,928,255		(Won) 26,928,255

- (d) The elimination entries of receivables and payables among KEPCO and consolidated subsidiaries as of December 31, 2009 are summarized as follows:

Won (millions)		Won (millions)	
Accounts	Amount	Accounts	Amount
Trade payables	(Won) 2,443,639	Trade receivables	(Won) 2,610,145
Other accounts payable	317,821	Other accounts receivables	148,027
Advances received	102,850	Construction in-progress	166,767
Unearned revenue	12,468	Other intangible asset	1,505,049
Other long-term account payable	1,055,952	Other long-term account receivable	1,053,929
Construction grants	1,671,816		
Others	5,975	Others	126,604
	(Won) 5,610,521		(Won) 5,610,521

- (e) The Company has provided guarantees for related companies as of December 31, 2009 as follows:

Guaranteed company	Type	Amounts (In thousands)	
KEPCO Ilijan Co.(*1)	Subsidiary	USD	72,000
KEPCO Shanxi International Ltd.(*2)	Subsidiary	USD	180,000
		RMB	800,000
KEPCO Lebanon SARL.(*3)	Subsidiary	USD	17,113
KEPCO SPC Power Corporation.(*4)	Subsidiary	USD	100,000
KEPCO Netherlands B.V.(*5)		SAR	100,000
KNOC Nigerian East Oil Co., Ltd.(*6)	Affiliated	USD	59,468
KNOC Nigerian West Oil Co., Ltd.(*6)			
KOMIPO Global Pte Ltd.(*7)	Subsidiary	IDR	17,356,000

- (\*1) KEPCO Ilijan Corporation, which is a subsidiary of KEPCO International Philippines Inc., is engaged in the power generation business in the Philippines and has borrowed US\$242 million in 2000, as project financing from Japan Bank of International Cooperation and others. In connection with the borrowing, KEPCO Ilijan Corporation's investment securities held by KEPCO International Philippines Inc. were pledged as collateral. The Company has provided the National Power Corporation and others with the guarantee not to exceed US\$72 million on performance of the power generation business by KEPCO Ilijan Corporation.
- (\*2) KEPCO Shanxi International Ltd., a wholly owned subsidiary, formed the consortium with Deutsche Bank and Shanxi International Electric Power Ltd. to invest in the Chinese electric power generation business. The consortium established Gemeng International Energy Group Co., Ltd. to support this business. The Company has provided HSBC and Export-Import Bank of Korea (the EXIM Bank) with the payment guarantee for KEPCO Shanxi International Ltd.'s loan of US\$180 million. The Company agreed with Deutsche Bank to refund the investment of RMB800,000 thousand and pay the additional interest of Libor + 2% for the period from initial investment date to the unqualified date in accordance with terms of the agreement, if Gemeng International Energy Group Co., Ltd. fails to be listed on the Hong Kong stock exchange within 6 years from the establishment date.
- (\*3) The Company has provided performance guarantees related to the operation of the Lebanon power generation plant amounting to US\$ 17.2 million to the Lebanon Electricity Agency.
- (\*4) The Company invested in power plant construction business in Cebu, Philippines and established KEPCO SPC Power Corporation to support this business. The Company has provided the debt payment guarantee amounting US\$ 100,000 thousand to EXIM Bank for KEPCO SPC Power Corporation.



- (\*5) The Company invested in power plant construction business in Rabigh, Saudi Arabia through KEPCO Netherlands B.V. (the wholly owned subsidiary), and established Rabigh Electricity Company (40% of ownership) to operate this business. Rabigh Electricity Company has provided the Saudi Electricity Company with the performance guarantee for PPA contract through Saudi British Bank and counter guarantees through EXIM Bank. In relation to the guarantee the Company has provided the payment guarantee amounting SAR 100 million to EXIM Bank for the above counter guarantees.
- (\*6) In August 2005, a consortium consisting of the Company, Korea National Oil Corporation, a state-controlled enterprise, and Daewoo Shipbuilding & Marine Engineering won a bid from the federal government of Nigeria for exploration and production of oil in two off-shore blocks. This consortium holds 60% of the equity interest in the special purpose vehicle established to carry out the project regarding these two blocks and the Company holds 15% of the interest in the consortium. In March 2006, the consortium entered into production sharing contracts with the Nigerian National Petroleum Corporation in connection with this project. Under these contracts, if the consortium is successful in finding oil, it will be entitled to operate the related facilities for 20 years. Regarding the exploration and development project, the Company provides the Nigeria government with performance guarantee of USD 24,818 and USD 34,650 respectively.

However, in January 9, 2009, the leader of the consortium, Korea National Oil Corporation, was informed of a unilateral decision by the government of Nigeria to void allocation of the oil blocks granted to the consortium based on a claim that the consortium failed to pay full amount of the consideration. Korea National Oil Corporation has filed a suit in the Nigerian court challenging this assertion. On August 20, 2009, the Federal High Court in Nigeria ruled that the Nigerian government illegally cancelled offshore exploration rights with respect to the deep sea oil exploration projects and banned the Nigerian government from further interfering with the consortium. The Nigerian government subsequently appealed against the ruling and the case is still pending in court.

- (\*7) PT Cirebon Electric Power, an affiliate of the Company is engaged in the power generation business in Indonesia. PT Cirebon Electric Power has commenced a construction of a 660MW thermal power plant for its power generation business. In relation to the power generation business, the Company has provided Indonesia Mizuho Bank with secondary performance guarantee of IDR 17.4 billion, through Korea Exchange Bank's guarantee.

**(33) Commitments and Contingencies**

- (a) The Company is involved in legal proceedings regarding matters arising in the ordinary course of business. Related to these matters, as of December 31, 2009, the Company is engaged in 404 lawsuits as a defendant and 85 lawsuits as a plaintiff. The total amount claimed against the Company is (Won)187,102 million and the total amount claimed by the Company is (Won)55,885 million as of December 31, 2009. As of December 31, 2009, the Company recorded a liability related to the above claims amounting to (Won)30,022 million in other long-term liabilities. The outcome of these lawsuits cannot presently be determined. In the opinion of management, the ultimate results of these lawsuits will not have a material adverse effect on the Company's financial position, results of operation, or liquidity.



(b) Short-term Credit Facilities

Payment guarantee and short-term credit facilities from financial institutions as of December 31, 2009 are as follows:

(i) Payment Guarantee

Description	Financial institution	Won (millions), US\$ and SAR (thousands)	
		US\$	SAR
Payment of import letter of credit	Korea Exchange Bank and others	USD	1,000,481
		JPY	61,169
Inclusive credits	Kookmin Bank and others	KRW	120,100
		USD	40,000
Borrowings	Korea Exchange Bank and others	KRW	486,582
		USD	335,838
Guarantees for bid	Korea Exchange Bank	INR	290,000
		OMR	6,000
	Export-Import Bank of Korea	SAR	100,000
		USD	700
Performance guarantees	Export-Import Bank of Korea and others	USD	120,600
		CHF	24,818
		KRW	13,283
Payment of foreign currency(*)	Shinhan Bank and others	USD	11,512
		EUR	72,000
		KRW	450
Other guarantees	Seoul Guarantee Insurance Co.,Ltd.		

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

(ii) Overdraft and Others

Description	Financial institution	Won (millions), US\$ and JPY (thousands) Credit lines	
		US\$	JPY
Overdraft	Korea Exchange Bank and others	(Won)	878,000
Commercial paper	Korea Exchange Bank and others	(Won)	775,000
		US\$	130,000
Trade financing	National Agricultural Cooperative Federation and others	(Won)	71,500
Repayment guarantees for foreign currency debentures	Korea Develop Bank	US\$	690,737
		JPY	3,000,000

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

Objective	Providing company	Provided company	Description
Success repayable loan	KEPCO Nuclear Fuel Co., Ltd	Korea Resources Corporation	six promissory notes (blank)

- (d) The Company entered into an arrangement with the Korea Peninsula Energy Development Organization ( KEDO ) on December 15, 1999, to construct two 1,000,000 KW-class pressurized light-water reactor units in North Korea. But, the executive board of KEDO decided to terminate the light water reactor project on May 31, 2006 due to the political environment surrounding the Korean peninsula. On December 12, 2006, the Company entered into the Termination Agreement ( TA ) with KEDO.

According to the TA, the Company mainly accepts all rights and obligations related to the light water reactor outside of North Korea, from KEDO. In exchange, the Company waives the right to claim any expenses incurred and any potential claims by subcontractors to KEDO. As a result, the Company recorded transferred equipment in accordance with the TA as other non-current assets amounting to (Won)93,519 million. In addition, the Company recorded the estimated claims by subcontractors as other long-term liabilities amounting to (Won)15,139 million.

Pursuant to the terms of the TA, the Company is required to report the disposal or reuse of the transferred equipment to KEDO, and the gains and losses from the TA are shared with KEDO through the negotiation between two parties. The Company's management believes that ultimate gains or losses cannot be reasonably estimated as of December 31, 2009 as it is contingent upon disposal or reuse of the related assets and settlement of obligations.

- (e) The Company entered into a Power Purchase Agreement with GS EPS Co., Ltd. and other independent power producers, under which the Company is required to annually purchase a minimum amount of power from these companies. The power purchased from these companies amounted to (Won)1,487,345 million, (Won)2,228,262 million and (Won)1,507,741 million for the years ended December 31, 2007, 2008 and 2009, respectively. In relation to the power purchases, the Company entered into long-term purchase contracts with various suppliers and the terms of these contracts can be summarized as follows:

Generation type	Contract expiration term
Combined cycle units	2018~2025
Photovoltaic power and other units	Annual rollover

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

- (f) The Company has contracted Doosan Industrial Co., Ltd. and others amounting to (Won)9,050,866 million and JPY 17,811 thousand in the aggregate as of December 31, 2009, for construction of power plant facilities and facility maintenance.
- (g) The Company has bituminous coal, anthracite Coal, oil and LNG purchase contracts with domestic and foreign suppliers including Korea Gas Corporation (a related party) as of December 31, 2009. Under these contracts, the Company must purchase an annual quantity of coal. The purchase price is determined based on market prices. In relation to coal imports, the Company entered into long-term transportation contracts with Hanjin Shipping Co., Ltd. and others as of December 31, 2009.

Fuel type	Contract expiration Term	Quantity
Bituminous Coal	2010~2027	56,087 thousand ton/year
Anthracite Coal	2010	Set by government
Oil	2010	1,391 thousand kl/year
LNG	2026	Mutual agreement

- (h) During 2001, the Company voluntarily suspended operations of the Gangneung hydroelectric generating plant to improve the quality of water used in generating electricity. The expenses related to the suspension of operations, including depreciation on the utility plant during 2008 and 2009 amounting to (Won)6,020 million and (Won)5,722 million, respectively, were charged to other expenses. In December 2005, a hearing was held by government officials, and attended by representatives of the Company, Gangneung residents and Korea Environment Institute (KEI). At the hearing, the Korean government ordered the conditional suspension of operations based on the KEI findings on the environmental effect of Gangneung hydroelectric generating plant. As of December 31, 2009, Gangneung hydroelectric generating plant is still under conditional suspension of operations based on the KEI findings. The Company will be able to utilize this plant in the future provided that the quality of the water improves and the residents of Gangneung consent to operations. As of December 31, 2009, if the plant were to be discontinued, the tangible and intangible assets amounting to (Won)62,507 million, would be impaired. No adjustment has been made in the accompanying consolidated financial statements related to this matter.
- (i) As the national project administrator, the Company is currently researching the use of RDF (Refuse Derived Fuel) as an alternative source for power generation at Wonju city in the Gangwon province. For the project, the Company is expected to receive a total funding of (Won)9 billion from Korea Energy Management Corp and as of December 31, 2009, the Company has received (Won)4.5 billion from POSCO.
- (j) The Company imports all uranium ore concentrates from sources outside Korea (including the United States, United Kingdom, Kazakhstan, France, Russia, South Africa, Canada and Australia) and are paid for with currencies other than Won, primarily in U.S. dollars. In order to ensure stable supply, the Company entered into long-term and medium-term contracts with various suppliers, and supplements such supplies with purchases of fuels on spot markets. The long-term and medium-term contract periods vary among contractors and the stages of fuel manufacturing process. Contract prices for processing of uranium are generally based on market prices. Contract periods for ore concentrates, conversion, enrichment and design and fabrication are as follows:

Source of supply	Contract Year	Quantity
Concentrates	2010~2036	36,885 Ton U3O8
Conversion	2010~2012	11,083 Ton U
Enrichment	2010~2029	38,990 Ton SWU
Enriched Uranium	2010~2022	7,250 Ton U (4.5% enrichment)
Fuel design and fabrication	2010~2011	889 Ton U

- (k) In April 2005, the Company invested in Gangwon wind power corporation to participate in renewable energy industry. Gangwon wind power corporation entered into the loan contract for financing construction costs. The investments in Gangwon wind power (book value of (Won)7,412 million) are restricted as collateral with Industrial Bank of Korea and BNP PARIBAS.
- (l) On June 24, 2005, the Korean government announced its policy to relocate the headquarters of Public Agencies, including KEPCO and certain of its subsidiaries including six generation units, out of the Seoul metropolitan area to other provinces in Korea by the end of 2012. Pursuant to this policy, KEPCO's headquarters are scheduled to be relocated to Naju in Jolla Province, which is approximately 300 kilometers south of Seoul, by the end of 2012.
- (m) On December 27, 2009, the Company entered into a contract with the Emirates Nuclear Energy Corporation ( ENEC ), a state-owned nuclear energy provider in the United Arab Emirates to design, build and help operate four civil nuclear power generation units for the United Arab Emirates civilian nuclear energy program. The contract amount is US\$18.6 billion, subject to change based on certain price escalation provisions of the contract, and is to last until May 1, 2020. Under the contract, we are obligated to provide the design and construction of four nuclear power generation units, each with a capacity of 1,400 megawatts, supply nuclear fuel for three fuel cycles including initial loading and

provide technical support and training and education of the plant operation personnel. The generation units will be located in Sila, a region approximately 330 kilometers from Abu Dhabi, the capital of the United Arab Emirates, and the first units are expected to be completed by May 2017.

### (34) Segment Information

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

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

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

(a) The following table provides information for each operating segment for the years ended December 31, 2007, 2008 and 2009.

	Won (millions)					Consolidated
	Electric business			All other	Consolidation adjustment	
	Transmission & distribution	Power generation	2007			
	(Won)					
Unaffiliated revenues	28,602,955	99,082	435,183			29,137,220
Intersegment revenues	380,930	20,155,982	1,263,606		(21,800,518)	
<b>Total operating revenues</b>	<b>28,983,885</b>	<b>20,255,064</b>	<b>1,698,789</b>		<b>(21,800,518)</b>	<b>29,137,220</b>
Power generation, transmission and distribution costs	(24,749,725)	(17,770,613)			20,660,748	(21,859,590)
Purchased power	(2,584,097)					(2,584,097)
Other operating cost	(43,657)	(2,475)	(1,305,609)		1,090,062	(261,679)
Selling and administrative expenses	(1,224,706)	(291,529)	(172,946)		79,002	(1,610,179)
<b>Operating income</b>	<b>381,700</b>	<b>2,190,447</b>	<b>220,234</b>		<b>29,294</b>	<b>2,821,675</b>
Interest income	82,447	133,570	48,752		(78,454)	186,315
Interest expense	(602,489)	(177,948)	(34,931)		78,247	(737,121)
Equity income of affiliates	1,786,145	1,572	4,447		(1,672,600)	119,564
Other, net	235,971	(105,194)	84,925		(212,802)	2,900
<b>Income before income taxes</b>	<b>1,883,774</b>	<b>2,042,447</b>	<b>323,427</b>		<b>(1,856,315)</b>	<b>2,393,333</b>
Income taxes	(326,960)	(552,122)	(44,174)		(2,909)	(926,165)
<b>Segment earnings before minority interests</b>	<b>(Won) 1,556,814</b>	<b>1,490,325</b>	<b>279,253</b>		<b>(1,859,224)</b>	<b>1,467,168</b>

	Won (millions)				
	Electric business			Consolidation adjustment	Consolidated
	Transmission & distribution	Power generation	All other		
	(Won)				
Unaffiliated revenues	30,980,762	34,550	544,788		31,560,100
Intersegment revenues	541,621	24,712,237	1,371,855	(26,625,713)	
<b>Total operating revenues</b>	<b>31,522,383</b>	<b>24,746,787</b>	<b>1,916,643</b>	<b>(26,625,713)</b>	<b>31,560,100</b>
Power generation, transmission and distribution costs	(29,378,477)	(23,855,042)		26,131,987	(27,101,532)
Purchased power	(4,433,889)				(4,433,889)
Other operating cost	(59,359)	(9,193)	(1,413,450)	398,952	(1,083,050)
Selling and administrative expenses	(1,309,860)	(311,032)	(235,969)	117,159	(1,739,702)
<b>Operating income (loss)</b>	<b>(3,659,202)</b>	<b>571,520</b>	<b>267,224</b>	<b>22,385</b>	<b>(2,798,073)</b>
Interest income	90,590	98,993	54,911	(73,543)	170,951
Interest expense	(752,366)	(281,970)	(39,796)	73,359	(1,000,773)
Equity income of affiliates	(64,944)	(9)	1,824	161,740	98,611
Other, net	(120,310)	(197,260)	109,352	(106,101)	(314,319)
<b>Income (loss) before income taxes</b>	<b>(4,506,232)</b>	<b>191,274</b>	<b>393,515</b>	<b>77,840</b>	<b>(3,843,603)</b>
Income taxes	1,553,763	(523,598)	(82,233)	(18,368)	929,564
<b>Segment earnings before minority interests</b>	<b>(Won) (2,952,469)</b>	<b>(332,324)</b>	<b>311,282</b>	<b>59,472</b>	<b>(2,914,039)</b>

	Won (millions)				
	Electric business			Consolidation adjustment	Consolidated
	Transmission & distribution	Power generation	All other		
	(Won)				
Unaffiliated revenues	33,164,995	214,305	614,552		33,993,852
Intersegment revenues	520,719	24,817,778	1,496,018	(26,834,515)	
<b>Total operating revenues</b>	<b>33,685,714</b>	<b>25,032,083</b>	<b>2,110,570</b>	<b>(26,834,515)</b>	<b>33,993,852</b>
Power generation, transmission and distribution costs	(29,372,297)	(22,818,239)		26,361,249	(25,829,287)
Purchased power	(3,666,468)				(3,666,468)
Other operating cost	(56,048)	(12,371)	(1,491,164)	320,964	(1,238,619)
Selling and administrative expenses	(1,159,598)	(275,081)	(207,784)	97,807	(1,544,656)
<b>Operating income (loss)</b>	<b>(568,697)</b>	<b>1,926,392</b>	<b>411,622</b>	<b>(54,495)</b>	<b>1,714,822</b>
Interest income	89,362	42,547	60,111	(78,155)	113,865
Interest expense	(988,368)	(640,474)	(33,233)	78,212	(1,583,863)
Equity income of affiliates	1,513,752	(6,513)	(8,117)	(1,476,649)	22,473
Other, net	(166,488)	261,813	67,888	(108,098)	55,116
<b>Income (loss) before income taxes</b>	<b>(120,439)</b>	<b>1,583,765</b>	<b>498,271</b>	<b>(1,639,184)</b>	<b>322,413</b>
Income taxes	42,727	(329,695)	(103,836)	20,659	(370,145)
<b>Segment earnings (loss) before minority interests</b>	<b>(Won) (77,712)</b>	<b>1,254,070</b>	<b>394,435</b>	<b>(1,618,525)</b>	<b>(47,732)</b>



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

	Won (millions)				
	Electric business			Consolidation adjustment	Consolidated
	Transmission & distribution	Power generation	All other		
December 31, 2008					
Property, plant and equipment	(Won) 31,941,153	35,588,883	1,051,525	1,213,724	69,795,285
Intangible assets	195,951	2,182,367	69,731	(1,501,202)	946,847
Total assets	66,868,176	48,725,647	3,591,874	(30,987,087)	88,198,610
December 31, 2009					
Property, plant and equipment	(Won) 33,346,531	38,398,615	1,205,295	1,082,990	74,033,431
Intangible assets	105,134	2,028,491	58,333	(1,509,613)	682,345
Total assets	69,985,451	51,816,641	4,930,354	(33,524,415)	93,208,031

**(35) Comprehensive Statement of Income (Loss)**

Comprehensive income (loss) for the years ended December 31, 2007, 2008 and 2009 is summarized as follows:

	2007	Korean Won (in millions)		2009	Translation into
		2008	2009		U.S.
					Dollars (Note 2)
					(in thousands)
					2009
Net income (loss)	(Won) 1,467,168	(2,914,039)	(47,732)	\$	(41,019)
Other comprehensive income, net of tax :					
Gain (loss) on valuation of available-for-sale securities	(1,309)	(8,274)	18,086		15,542
Equity in other comprehensive income of affiliates	7,734	205,359	107,968		92,784
Gain (loss) on valuation of derivatives	10,736	108,798	(42,604)		(36,612)
Overseas operations translation	28,859	45,266	(31,303)		(26,901)
Comprehensive income (loss)	(Won) 1,513,188	(Won) (2,562,890)	(Won) 4,415	\$	3,794

The amounts of tax allocated to the other comprehensive income for the years ended December 31, 2007, 2008 and 2009 are as follows:

	2007	Korean Won (in millions)		2009	Translation into
		2008	2009		U.S.
					Dollars (Note 2)
					(in thousands)
					2009
Gain (loss) on valuation of available-for-sale securities	(Won) 497	4,143	(5,101)	\$	(4,384)
Equity in other comprehensive income of affiliates	(2,933)	(44,346)	(30,453)		(26,170)
Gain (loss) on valuation of derivatives	(4,072)	(71,774)	12,017		10,327
Overseas operations translation	(10,947)	(14,233)	8,829		7,587
Comprehensive income	(Won) (17,455)	(Won) (126,210)	(Won) (14,708)	\$	(12,640)





**(36) Subsequent Event**

The Company issued debentures after December 31, 2009 and details of the issued debentures are as follows (Won in millions):

Subsidiary	Type	Annual interest rate (%)	Issue date	Maturity date	Amount
Korea Hydro & Nuclear Power Co., Ltd.	Corporate bond	4.67	2010.03.26	2015.03.26	(Won) 200,000
	Corporate bond	5.10	2010.04.20	2020.04.20	100,000
Korea Western Power Co., Ltd.	Corporate bond	5.08	2010.02.18	2015.02.18	120,000
	Corporate bond	4.57	2010.03.19	2015.03.19	100,000

**(37) Plan and Progress for Adoption of K-IFRS**

The Company is scheduled to prepare financial statements in accordance with Korean International Financial Reporting Standards (the K-IFRS) effective for financial statements issued for fiscal years beginning after January 1, 2011. The Company has set up a special task force and the Company has been assessing the impact that the adoption of K-IFRS may have on financial statements and has been conducting on-the-job training and off-the-job training to its employees. In addition, the task force regularly reports the introduction plan and progress to the management.

The differences between the K-IFRS and K-GAAP, which are expected to have significant influences on the Company are; property, plant and equipment, revenue recognition and others, and are subject to change according to the Company's additional assessment.

**(38) Reconciliation to United States Generally Accepted Accounting Principles**

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

**(a) Revenue Recognition**

The Company reads meters and bills customers on a cycle basis. The Company does not accrue revenue for power sold to customers between the meter-reading date and end of the reporting period but records the revenue in the subsequent period. Under Korean GAAP, such practice is consistent with the Accounting Regulations for Public Enterprise Associated Government Agency, which have been approved by the Korean Ministry of Strategy and Finance (formerly the Korean Ministry of Finance and Economy) and considered by the utility industry in Korea as Korean GAAP. However under U.S. GAAP beginning in 2006, the Company began recognizing unbilled revenue related to the sale of power between the meter-reading dates, at the end of each reporting period.

**(b) Asset Revaluation and Depreciation**

Under Korean GAAP, property, plant and equipment are stated at cost, except for those assets that are stated at their appraised values in accordance with the KEPCO Act and the Assets Revaluation Law of Korea. If an asset revaluation occurs, the revaluation becomes the new basis for the property, plant and equipment is established.

Under U.S. GAAP, property, plant and equipment must be stated at cost less accumulated depreciation and impairment. The revaluation of property, plant and equipment and the resulting depreciation of revalued

amounts are not considered in the consolidated financial statements prepared in accordance with U.S. GAAP. When revalued assets are sold, revaluation surplus related to those assets under Korean GAAP would be reflected in income as additional gain on the sale of property, plant and equipment under U.S. GAAP.

(c) Special Depreciation

Under Korean GAAP, a special depreciation has been allowed prior to 1994, which represents an accelerated depreciation of certain facilities and equipment acquired for energy saving and anti-pollution purposes. However, such special depreciation is not in accordance with U.S. GAAP. The U.S. GAAP reconciliation reflects the adjustment of special depreciation to the Company's normal depreciation method, based on the economic useful life of the asset. In 2008, the related facilities and equipment became fully depreciated under U.S. GAAP and as such there is no longer a GAAP difference to be reconciled.

(d) Accounting for Regulation

Under U.S. GAAP accounting guidance for accounting for the effects of certain types of regulation, a regulated utility is required to defer the recognition of costs (a regulatory asset) or recognize obligations (a regulatory liability) if it is probable that, through the rate-making process, there will be a corresponding increase or decrease in future utility rates, while under Korean GAAP no such guidance exists.

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

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

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

	Korean Won (in millions)		Translation into
	2008	2009	U.S.
			Dollars (Note 2)
			(in thousands)
	2008	2009	2009
Capitalized foreign currency translation	(Won) 609,723	559,357	\$ 480,692
Reserve for self-insurance	(115,268)	(121,416)	(104,341)
Deferred income taxes	(1,068,372)	(844,301)	(725,563)
	(Won) (573,917)	(406,360)	\$ (349,212)

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

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

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

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

(f) Foreign Currency Translation

As discussed in Note 1(f), under Korean GAAP, the Company capitalizes certain foreign exchange transaction and translation gains and losses on borrowings associated with certain qualified assets during the construction period.

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

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

Under U.S. GAAP, convertible bonds denominated in foreign currency are translated at exchange rates as of the end of the reporting period, and the resulting foreign currency transaction gain or loss is recognized in the period's earnings.

(g) Intangible Assets

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

Under U.S. GAAP, all costs incurred during the research and development stages are expensed as incurred, except for internal and external costs incurred to develop internal-use computer software during the application development stage should be capitalized.

Until 2008, as discussed in Note 5, under Korean GAAP, the Company recognized its payment to the City of Gyeongju, in the amount of (Won)300,000 million which was used for negotiations (based on government regulation) to establish a radio-active waste facility in the City, as an intangible asset. However, under U.S. GAAP, the Company recognized such amount as construction-in-progress for utility plants.

In 2009, as discussed in Notes 5 and 22, due to the transfer of roles related to the disposal of radio-active waste to KRMC, the Company transferred its intangibles asset, under Korean GAAP and its construction-in-progress, under U.S. GAAP to KRMC. The Company reclassified such amounts from respective accounts to other receivables, resulting in no GAAP difference.

(h) Deferred Income Taxes

Under Korean GAAP, the effect of changes in tax law related to items recorded directly in shareholders' equity is reflected directly in the shareholders' equity, while under U.S. GAAP, the effect is reflected in continuing operations in the period of new tax law enactment.

(i) Accounting for Uncertainty in Income Taxes

In July 2006, under U.S. GAAP new accounting guidance for uncertainty in income taxes, which sets out a consistent framework to use to determine the appropriate level of tax reserve for uncertain tax positions was issued. This guidance uses a two-step approach wherein a tax benefit is recognized if a position is more-likely-than-not to be sustained. The amount of the benefit is then measured to be the highest tax benefit which is greater than 50% likelihood of being realized. The difference between the benefit recognized for a position in accordance with this guidance and the tax benefit claimed on a tax return is referred to as an unrecognized tax benefit. Under Korean GAAP no such guidance exists.

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

	Korean Won (in millions)		Translation into U.S. Dollar (Note 2) (in thousands) 2009
	2008	2009	
Total unrecognized tax benefits at January 1	(Won) 5,690	12,695	\$ 10,910
Amount of increase for current year's tax position	11,394	71	61
Gross amount of increases for prior years' tax position	458	53	46
Gross amount of decreases for prior years' tax position	(4,847)	(6,832)	(5,871)
<b>Total unrecognized tax benefits at December 31</b>	<b>(Won) 12,695</b>	<b>5,987</b>	<b>\$ 5,146</b>

Any changes in the amounts of unrecognized tax benefits related to temporary differences would result in a reclassification to deferred tax liability, and any changes in the amounts of unrecognized tax benefits related to permanent differences would result in an adjustment to income tax expense and therefore, the Company's effective tax rate. As of December 31, 2008 and 2009, the unrecognized tax benefits included above which would, if recognized, affect the effective tax rate is (Won)6,438 million and (Won)1,312 million, respectively.

The Company's continuing practice is to recognize interest and penalties, if any, related to income tax matters in income tax expense. After the adoption of the accounting guidance for uncertainty in income taxes, the Company has total gross accrual for interest expense and penalties of (Won)3,537 million and (Won)2,213 million as of December 31, 2008 and 2009, respectively.

The Company's major tax jurisdiction is the Republic of Korea, and during the years ended December 31, 2007 and 2008, tax audits by National Tax Service for six entities, including the Company's corporate entity were carried out. The unrecognized tax benefits of the entities as of December 31, 2009 reflect the results of tax audits.

(j) Liabilities for Decommissioning Costs

Under Korean GAAP, as discussed in Note 22, since 2004, the Company has adopted SKAS No. 17 which requires companies to recognize its liability for decommissioning costs at estimated fair value. The Company should estimate the fair value using a discounted cash flow, for its asset retirement obligations for dismantling and disposal of the nuclear power plants, spent fuel and low & intermediate radioactive waste; along with recording a corresponding utility asset in the same amount. Expense is recorded for the period to period changes in the liability resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flows, as the balance is accreted to the ultimate amount payable.

Under Korean GAAP, the discount rate (4.36%) was set upon adoption in 2004 for all liabilities prior to that date and such rate is used for those liabilities for all future periods. Liabilities incurred for facilities built subsequent to the adoption of this guidance are discounted at the then applicable discount rate under Korean GAAP. Upward and downward revisions to the undiscounted estimated cash flows are discounted at the initial rate used for that facility.

Under U.S. GAAP, the Company adopted the guidance related to asset retirement in 2003, which requires the Company to recognize an estimated liability for legal obligations associated with the retirement of tangible long-lived assets. The fair value of the liabilities for decommissioning costs is determined using a present value approach and expense is recorded in each period for the accretion due to the passage of time to the amount ultimately payable. A corresponding amount is recorded as part of the book value of the related long-lived assets and depreciated over the useful lives of the assets.

Under U.S. GAAP, the discount rate for existing decommissioning liabilities prior to 2003 was set at adoption (6.49%). Liabilities incurred for facilities built subsequent to the adoption of this guidance, should be discounted at the then applicable discount rate under U.S. GAAP also. In addition, any changes that result in upward revisions to the undiscounted estimated cash flows shall be treated as a new liability and discounted at the then current discount rate. Any downward revisions to the undiscounted estimated cash flows will result in a reduction of the liability for decommissioning costs and is reduced from the recorded discounted liability at the rate that was used at the time the obligation was originally recorded.

As a result, substantially all of the difference between the Korean GAAP liability and the U.S. GAAP liability is due to the different guidance adoption dates and the resulting different adoption date discount rates which impacts the liabilities assessed prior to the respective adoption dates, as discussed above. Also, subsequent to 2004, the Company uses the same discount rates under both GAAPs for liabilities related to new facilities, so no further GAAP differences will be created unless there are upward revisions in the amount payable.

In 2008, as discussed in Note 22, effective as of January 1, 2009, the Radio-active Waste Management Act ( RWMA ) was enacted by the Korean Government, in an effort to centralize the disposal of spent fuel and low & intermediate radioactive waste and related management process. The RWMA designated the Korea Radio-active Waste Management Corporation ( KRMC ) as the entity in charge of performing the disposal of spent fuel and low & intermediate radioactive waste. As a result, the Company's related asset retirement obligation liabilities transferred to KRMC on RWMA enactment date.

As a result of the RWMA, the GAAP differences related to the asset retirement obligation liabilities for disposal of spent fuel and low & intermediate radioactive waste (for such liabilities related to periods prior to respective guidance's adoptions) was eliminated, as the Company no longer needs to discount such liabilities at a different discount rate.

For liabilities related to disposal of spent fuel recognized prior to the RWMA, the Company reclassified (Won)3,576,369 million of liabilities to other long-term payables. This amount was the asset retirement obligation liability accrued under Korean GAAP, which was deemed as the liability which transferred to KRMC by RWMA. Due to the substantial transfer amount of the liability (payables) to KRMC, the RWMA established a fifteen year payment plan, with an initial five year grace period, for the transfer of liabilities incurred prior to the RWMA.

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

	Korean Won (in millions)		Translation into
	2008	2009	U.S. Dollar (Note 2) (in thousands) 2009
Decrease in capitalized asset retirement costs, net of accumulated depreciation	(Won) (866,658)	(825,000)	\$ (708,976)
Decrease in liabilities for decommissioning costs(*1)	1,397,480	1,410,014	1,211,716
Increase in shareholders equity	(Won) 530,822	585,014	\$ 502,740

(\*1) There was no change related to the decommissioning and disposal of nuclear power plants so the GAAP difference from January 2009 forward only relates to those remaining obligations.

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

	Korean Won (in millions)		Translation into
	2008	2009	U.S. Dollar (Note 2) (in thousands) 2009
Capitalized asset retirement costs	(Won) 1,134,699	1,198,381	\$ 1,029,847
Less : accumulated depreciation	(395,025)	(493,862)	(424,408)
	(Won) 739,674	704,519	\$ 605,439

Changes in liabilities for decommissioning costs for the years ended December 31, 2008 and 2009 under U.S. GAAP are as follows:

	Korean Won (in millions)		Translation into
	2008	2009	U.S. Dollar (Note 2) (in thousands) 2009
Balance at beginning of year	(Won) 5,911,298	4,073,284	\$ 3,500,437
Liabilities incurred	470,376	255,360	219,447
Accretion expense for the year	320,250	210,853	181,200
Payments	(8,791)	(254,287)	(218,525)
Transfer to long-term other account payable(*1)	(3,576,369)		
Others(*2)	956,520		
Balance at end of year	(Won) 4,073,284	4,285,210	\$ 3,682,559

(\*1)

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For spent fuel discharged prior to December 31, 2008, the Company has accrued the liability of (Won) 3,576,369 million. Under newly enacted RWMA, as the Company is required to pay KRMC over 15 years, after a 5 year grace period. As a result, the liability of (Won)3,576,369 million was reclassified to the long-term other accounts payable.

- (\*2) With the transfer of performing the disposal of spent fuel and low and intermediate radioactive waste, the liability under U.S.GAAP increased by (Won)956,520 million to record the actual liability transferred to KRMC which was equivalent to the liability amount under Korean GAAP. There no longer exists a GAAP difference in 2009.

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(k) Convertible Bonds

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

Under U.S. GAAP, unless a conversion right is considered as an embedded derivative instrument requiring bifurcation, no portion of the proceeds from the issuance of the convertible debt securities should be attributed to the conversion feature. The Company has determined that the conversion feature embedded in its convertible debt should not be bifurcated. Additionally, the convertible bonds are subject to foreign currency translation as these convertible bonds are regarded as monetary foreign currency liabilities under U.S. GAAP.

(l) Principles of Consolidation

Under Korean GAAP, noncontrolling interests in consolidated subsidiaries are presented as a component of shareholders' equity in the consolidated statements of financial position.

Under U.S. GAAP, before the new consolidation guidance, noncontrolling interests were presented outside of the shareholders' equity section in the consolidated statements of financial position. Effective January 1, 2009, the Company adopted the new consolidation accounting guidance under U.S. GAAP, the requirements of which include that the ownership interest in subsidiaries held by parties other than the parent shall be clearly identified and presented in the consolidated statements of financial position within equity, but separate from the parent's equity. The provisions of this guidance were prospective upon adoption, except for the presentation and disclosure requirements which are required to be retrospectively applied. As such, the Company has retroactively amended its presentation of its noncontrolling interests in its subsidiaries in the consolidated statements of financial position.

(m) Reserve for Self-insurance

Under Korean GAAP, in accordance with Accounting Regulations for Public Enterprise-Associate Government Agency, the Company provides a self-insurance reserve for loss from accident and liability to third parties that may arise in connection with the Company's non-insured facilities. The self-insurance reserve is recorded until the amount meets a certain percentage of non-insured buildings and machinery.

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

(n) Gain on Disposal of Subsidiaries

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

Under U.S. GAAP, historically the Company elected the accounting guidance to recognize such gain or loss in other income, as part of earnings. Effective January 1, 2009, the Company adopted the new consolidation accounting guidance under U.S. GAAP, which states that when changes in parent's ownership interest in a subsidiary occurs, related gain or loss on disposal should be recognized in capital surplus. As retroactive application of such guidance is prohibited, the Company has prospectively applied this guidance. Consequently, the Company recognized gains from a disposal of subsidiary in 2007 as other income and as such accounted it for as an adjustment from net income under Korean GAAP to that under U.S. GAAP. In 2009, the Company also recognized gains from a disposal of subsidiary which it recognized in capital surplus, as such no reconciliation adjustment between Korean GAAP and U.S. GAAP was necessary.



(o) Gain on Valuation of Non-marketable Securities

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

Under U.S. GAAP, investments in non-marketable equity securities without significant influence that do not have a readily determinable fair value are stated at cost using the cost method. As a result of the reconciliation of difference, the shareholders' equity as of December 31, 2008 and 2009 increased by (Won)6,266 million and (Won)10,873 million, respectively, compared to that under Korean GAAP.

(p) Fair Value Hierarchy

Effective January 1, 2008, the Company adopted the accounting guidance for fair value measurements.

The accounting guidance provides for the following:

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

The Company classifies fair value balances based on the fair value hierarchy defined by the accounting guidance for fair value measurements. The classification of valuation hierarchy for fair value measurements is based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions. These two types of inputs create the following fair value hierarchy:

Level 1 Quoted prices for identical instruments in active markets;

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

Level 3 Instruments whose significant inputs are unobservable.

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

*Investment securities*

The Company classified available-for-sale equity securities with marketability within Level 1 of the valuation hierarchy if quoted prices are available in an active market. The Company generally classifies its securities within Level 2 of the valuation hierarchy if quoted prices for identical instruments in active markets are not available. The Company determines the fair values of its securities using pricing models, quoted prices of securities with similar characteristics or discounted cash flow models. These models are primarily industry-standard models that consider various assumptions, including time value and yield curve as well as other relevant economic measures.

*Derivatives*

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

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Under Korean GAAP, fair value of derivatives is determined assuming the same nonperformance risk for the entity and the counterparty. However, U.S. GAAP requires consideration of both the entity's nonperformance risk and counterparty nonperformance risk in determining the fair value of a derivative instrument. Due to such differences, for U.S. GAAP purpose, net loss increased by (Won)15,698 million and decreased by (Won)13,719 million, and other comprehensive income decreased by (Won)68,706 million and increased by (Won)50,856 million, compared to those under Korean GAAP for year ended December 31, 2008 and 2009, respectively. Refer to Note 25 for disclosure of derivatives under Korean GAAP.

The following table presents assets and liabilities measured and recorded at fair value on a recurring basis as of December 31, 2009:

	Korean Won (in millions)					
	Level 1	2008 Level 2	Total	Level 1	2009 Level 2	Total
<b>Assets:</b>						
Investment securities	(Won) 8,725	13,960	22,685	123,123	9,980	133,103
Financial derivatives		1,240,790	1,240,790		880,096	880,096
<b>Total Assets</b>	(Won) 8,725	1,254,750	1,263,475	123,123	890,076	1,013,199
<b>Liabilities:</b>						
Financial derivatives	(Won)	19,997	19,997		36,996	36,996
<b>Total Liabilities</b>	(Won)	19,997	19,997		36,996	36,996

(q) Fair Value of Financial Instruments

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

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

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

	Korea Won (in millions)			
	2008		2009	
	Carrying Amount	Fair value	Carrying Amount	Fair value
Cash and cash equivalents	(Won) 1,452,886	1,452,886	1,489,390	1,489,390
Short-term financial instruments	316,442	316,442	356,115	356,115
Trade receivables and other account receivables	3,532,552	3,532,552	4,531,443	4,531,443
Investments:				
Practicable to estimate fair value	22,685	22,685	133,103	133,103
Not practicable	201,746	N/A	155,734	N/A
Short-term borrowings	(1,357,710)	(1,357,710)	(684,480)	(684,480)
Trade payables and other accounts payable	(3,099,089)	(3,099,089)	(2,763,509)	(2,763,509)
Long-term other account payable	(3,576,369)	(3,576,369)	(3,576,369)	(3,576,369)
Long-term debt, including current portion	(27,763,594)	(27,907,314)	(33,634,756)	(33,221,281)

(r) Supplementary U.S. GAAP Disclosures

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

	Korean Won (in millions)			Translation into U.S. Dollars (Note 2) (in thousands)
	2007	2008	2009	2009
Interest paid, net of capitalized portion	(Won) 903,916	928,119	1,378,799	\$ 1,184,892
Income taxes paid	1,385,254	699,070	428,371	368,127

(s) Scope of Equity Method

Under Korean GAAP, a company should account for its investment under the equity method of accounting, if it has significant influence. A company is presumed to have significant influence if it has the ability to nominate a board member, regardless of overall ownership percentage or other conditions that would be considered under U.S. GAAP.

Under U.S GAAP, to presume if a company has significant influence or not, the followings are some of the conditions it would consider; ability to nominate a board member, such board member's voting power and limitation (if any), overall ownership percentage, influence compared to other investors, relationship between the investor and investee and etc. Due to such difference in guidance and practice, certain investments which are accounted for under the equity method under K GAAP, are accounted for as an available-for-sale investment under the cost basis with unrealized gains and losses reported as other comprehensive income until realized at each reporting date under U.S. GAAP. Under U.S. GAAP, net income increased by (Won)17,788 million and accumulated other comprehensive income increased by (Won)2,787, compared to that under Korean GAAP for year ended December 31, 2009.

(t) Recent Changes in U.S. GAAP

In December 2007, the FASB issued the revised Accounting Standards Codification (ASC) 805, Business Combinations, which establishes principles and requirements for how an acquirer in a business

combination recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed and any noncontrolling interest; recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. This revised guidance is to be applied prospectively to business combinations for which the acquisition date is on or after the beginning of an entity's fiscal year that begins on or after December 15, 2008. The adoption of this revised guidance did not have a material impact on its results from operations or financial condition.

In December 2007, the FASB amended ASC 810, *Consolidation* for noncontrolling interests in consolidated financial statements. This amendment requires the ownership interest in subsidiaries held by parties other than the parent be clearly identified and presented in the consolidated statements of financial position within equity, but separate from the parent's equity; the amount of consolidated net income attributable to the parent and the noncontrolling interest be clearly identified and presented on the face of the consolidated statement of earnings; and changes in a parent's ownership interest while the parent retains its controlling financial interest in its subsidiary be accounted for consistently. This amendment is effective for fiscal years beginning on or after December 15, 2008. The provisions of this amendment were prospective upon adoption, except for the presentation and disclosure requirements. The Company applied the provisions prospectively beginning January 1, 2009 while amendments related to the presentation and disclosure requirements have been applied retrospectively to the Company's consolidated financial statements for all periods presented. See Note 38(l) for presentation and disclosures required under ASC 810.

In March 2008, the FASB amended and expanded the disclosure requirements for derivative instruments and hedging activities required under ASC 815, *Derivatives and Hedging*. The amendments to ASC 815 requires increased qualitative, quantitative, and credit-risk disclosures. Required qualitative disclosures include: (1) How and why an entity is using a derivative instrument or hedging activity (e.g., for risk management or other purposes), (2) How the entity is accounting for its derivative instrument and hedged items under ASC 815 (and related guidance), and (3) How the instrument affects the entity's financial position, financial performance, and cash flows. The Company adopted these disclosure requirements as of January 1, 2009. The adoption of this amendment to ASC 815 only affected the Company's disclosures of derivative instruments and hedging activities, and did not have a material impact on its results from operations or financial position. See related Korean GAAP disclosure at Note 25 which is inclusive of such disclosures required under ASC 815.

In May 2008, the FASB updated ASC 470-20, *Debt with Conversion and Other Options* for convertible debt instruments that may be settled in cash upon conversion (Including Partial Cash Settlement). This guidance clarifies that convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement), not addressed by the accounting guidance for convertible debt and debt issued with stock purchase warrants. Additionally, this guidance specifies that issuers of such instruments should separately account for the liability and equity components in a manner that will reflect the entity's nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. This guidance is effective for financial statements issued for fiscal years beginning after December 15, 2008 on a retrospective basis with no early adoption option. The Company's adoption of this guidance did not have a material impact on its results from operations or financial condition.

In June 2008, the FASB ratified the consensus reached by ASC 815-40, *Derivatives and Hedging: Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity's Own Stock*. Under this guidance, an instrument (or embedded feature) would not be considered indexed to an entity's own stock if its settlement amount is affected by variables other than those used to determine the fair value of a plain vanilla option or forward contract on equity shares, or if the instrument contains a feature (such as a leverage factor) that increases exposure to those variables. An equity-linked financial instrument (or embedded feature) would not be considered indexed to the entity's own stock if the strike price is denominated in a currency other than the issuer's functional currency. Effective January 1, 2009, the Company adopted this guidance. Such adoption did not have a material impact on its results from operations or financial condition.

In June 2009, the FASB amended ASC 105, *Generally Accepted Accounting Principles*, which identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with GAAP. Rules and interpretive releases of the Securities and Exchange Commission (SEC) under authority of federal securities laws are also sources of authoritative GAAP. On the effective date of the changes to ASC 105, which was for financial statements issued for interim and annual periods ending after September 15, 2009, the ASC supersedes all then-existing non-SEC accounting and reporting standards. Under the ASC, all of its content carries the same level of authority and the GAAP hierarchy includes only two levels of GAAP: authoritative and non-authoritative. While the adoption of the ASC did not have a material impact on its financial position or results of operations, the ASC impacted the references to authoritative and non-authoritative accounting literature contained within the Notes.

In September and August 2009, respectively, the FASB issued Accounting Standards Updates (ASU) 2009-12, *Fair Value Measurements and Disclosure*, and ASU 2009-05, *Measuring Liabilities at Fair Value*. ASU 2009-12 provides guidance for the fair value measurement of investments in certain entities that calculate the net asset value per share (or its equivalent) determined as of the reporting entity's measurement date. Certain attributes of the investment (such as restrictions on redemption) and transaction prices from principal-to-principal or brokered transactions will not be considered in measuring the fair value of the investment. The amendments in this standard are effective for interim and annual periods ending after December 15, 2009. The adoption of ASU 2009-12 did not have a material impact on its financial position or results of operations.

ASU 2009-05 provides guidance on measuring the fair value of liabilities under ASC 820, *Fair Value Measurements and Disclosures*. This standard clarifies that in the absence of a quoted price in an active market for an identical liability at the measurement date, companies may apply approaches that use the quoted price of an investment in the identical liability or similar liabilities traded as assets or other valuation techniques consistent with the fair-value measurement principles in ASC 820. The standard permits fair value measurements of liabilities that are based on the price that a company would pay to transfer the liability to a new obligor. It also permits a company to measure the fair value of liabilities using an estimate of the price it would receive to enter into the liability at that date. The new standard is effective for interim and annual periods beginning after August 27, 2009 and applies to all fair-value measurements of liabilities required by GAAP. The Company is currently evaluating the impact that the adoption may have on its consolidated financial statements.

In May 2009, the FASB revised ASC 855, *Subsequent Events*. This guidance establishes standards of accounting for and disclosure of events that occur after the end of the reporting period but before the date that the financial statements are issued or are available to be issued. Specifically, the Statement sets forth (1) the period after the end of the reporting period during which management of a reporting entity will evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, (2) the circumstances under which an entity will recognize events or transactions occurring after the end of the reporting period in its financial statements and (3) the disclosures that an entity will make about events or transactions that occurred after the end of the reporting period. This Standard is effective for interim and annual periods ending after June 15, 2009. The Company's adoption of this guidance did not have a material impact on its results from operations or financial condition.

In January 2010, the FASB issued ASU 2010-06, *Improving Disclosures about Fair Value Measurements*. The ASU requires disclosing the amounts of significant transfers in and out of Level 1 and 2 fair value measurements and to describe the reasons for the transfers. The disclosures are effective for reporting periods beginning after December 15, 2009. Additionally, disclosures of the gross purchases, sales, issuances and settlements activity in Level 3 fair value measurements will be required for fiscal years beginning after December 15, 2010. The Company is currently evaluating the impact that the adoption may have on its consolidated financial statements.

In February 2010, the FASB issued ASU 2010-09 *Amendments to Certain Recognition and Disclosure Requirements*, which amends ASC 855 to address certain implementation issues related to an entity's

requirement to perform and disclose subsequent-events procedures. The ASU adds a definition of the term "SEC filer" to the ASC Master Glossary and requires (1) SEC filers and (2) conduit debt obligors for conduit debt securities that are traded in a public market to evaluate subsequent events through the date the financial statements are issued. All other entities are required to evaluate subsequent events through the date the financial statements are available to be issued. The guidance is effective for interim or annual periods ending after June 15, 2010. The Company is currently evaluating the impact that the adoption may have on its consolidated financial statements.

In January 2010, the FASB issued ASU 2010-02 "Accounting and Reporting for Decreases in Ownership of Subsidiary - a Scope Clarification", in response to practice issues entities had encountered in applying the decrease-in-ownership provisions in ASC 810-10. The ASU clarifies that the decrease-in-ownership provisions of ASC 810-10 and related guidance apply to (1) a subsidiary or group of assets that is a business or nonprofit activity (2) a subsidiary or group of assets that is a business or nonprofit activity that is transferred to an equity method investee or joint venture and (3) an exchange of a group of assets that constitutes a business or nonprofit activity for a noncontrolling interest in an entity (including an equity method investee or joint venture). In addition, the ASU clarifies that the decrease-in-ownership guidance does not apply to the sales of in-substance real estate or conveyances of oil and gas mineral rights, even if these transactions involve businesses. Finally, the ASU expands the disclosures required upon deconsolidation of a subsidiary. An entity will be required to follow the amended guidance beginning in the period that it first adopts ASC 810-10. For those entities that have already adopted ASC 810-10, the amendments are effective at the beginning of the first interim or annual reporting period ending on or after December 15, 2009. The Company is currently evaluating the impact that the adoption may have on its consolidated financial statements.

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(u) Effect on Net Income and Shareholders' Equity

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

	Korean Won (in millions)			Translation into U.S. dollars (Note 2) (in thousands)
	2007	2008	2009	2009
NET INCOME (LOSS) UNDER KOREAN GAAP	(Won) 1,467,168	(2,914,039)	(47,732)	\$ (41,018)
ADJUSTMENTS:				
OPERATING INCOME				
Asset revaluation (Note 38(b))	330,115	341,605	286,749	246,422
Special depreciation (Note 38(c))	(5,328)	(2,776)		
Regulated operation (Note 38(d))	(2,135)	157,423	167,557	143,993
Capitalized foreign currency translation (Note 38(f))	151,088	134,714	123,738	106,336
Reversal of eliminated profit on transactions with subsidiaries and affiliates (Note 38(e))	(1,461)	(7,631)	(8,464)	(7,274)
Liabilities for decommissioning costs and capitalized asset retirement costs (Note 38(j))	81,335	(844,988)	54,192	46,571
Reserve for self-insurance (Note 38(m))	5,331	5,995	6,148	5,283
Revenue recognition (Note 38(a))	52,057	73,784	187,372	161,021
Intangible assets (Note 38(g))	(44,013)	(4,965)	15,135	13,006
Classification differences in the consolidated statements of income(*1)	(157,762)	(25,807)	(3,113)	(2,675)
OTHER INCOME (EXPENSES)				
Asset revaluation equity investments (Note 38(b))	13,349	12,339	12,257	10,533
Capitalized foreign currency translation (Note 38(f))	2,381	(863)	(6,284)	(5,400)
Convertible bonds (Note 38(k))	(97,580)	(520,731)	659,405	566,670
Gain on disposal of subsidiaries (Note 38(n))	63,209			
Equity income of affiliates(*2)	(132,914)	(110,871)	(52,516)	(45,130)
Scope of equity method (Note 38(s))			17,788	15,286
Credit valuation adjustment (Note 38(p))		(15,698)	13,719	11,790
Classification differences in the consolidated statements of income(*1)	157,762	25,807	3,113	2,675
INCOME TAX EXPENSES				
Deferred income taxes	(120,192)	(198,222)	(336,739)	(289,382)
Change in enacted tax rates (Note 38(h))		6,366		
FIN48 Liabilities (Note 38(i))	(2,876)	(178)	6,449	5,542
Tax effect of gain on disposal of subsidiaries (Note 38(n))	(16,264)			
Tax effect of equity income of affiliates(*2)	24,944	17,492	2,624	2,254
EQUITY INCOME OF AFFILIATES, NET OF TAX(*2)	107,970	93,379	49,892	42,875
NET INCOME (LOSS) UNDER U.S. GAAP	(Won) 1,876,184	(3,777,865)	1,151,290	\$ 989,378
CONTROLLING INTEREST UNDER U.S. GAAP	(Won) 1,835,473	(3,819,165)	1,102,306	\$ 947,283
NONCONTROLLING INTEREST UNDER U.S. GAAP	(Won) 40,711	41,300	48,984	\$ 42,095

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



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

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	Korean Won (in millions)		Translation into U.S. dollars (Note 2) (in thousands) 2009
	2008	2009	2009
SHAREHOLDERS EQUITY UNDER KOREAN GAAP	(Won) 41,274,814	41,403,807	\$ 35,580,980
ADJUSTMENTS:			
Current Asset			
Account Receivables			
Revenue recognition (Note 38(a))	1,069,171	1,256,543	1,079,829
UTILITY PLANT			
Asset revaluation (Note 38(b))	(6,425,196)	(6,138,447)	(5,275,166)
Capitalized asset retirement costs (Note 38(j))	(866,658)	(825,000)	(708,976)
Construction in progress (Note 38(g))	300,000		
Capitalized foreign currency translation (Note 38(f))	(1,046,947)	(929,493)	(798,774)
Reversal of eliminated profit on transactions with subsidiaries and affiliates (Note 38(e))	107,918	99,454	85,467
INTANGIBLE ASSETS			
Future radioactive wastes repository sites usage rights (Note 38(g))	(300,000)		
Research and development cost (Note 38(g))	(48,978)	(33,843)	(29,083)
INVESTMENT SECURITIES			
Asset revaluation (Note 38(b))	(36,446)	(24,189)	(20,787)
Available-for-sale securities (Note 38(o))	6,266	10,873	9,344
Scope of equity method (Note 38(s))		20,575	17,681
FINANCIAL DERIVATIVES			
Credit valuation adjustments (Note 38(p))	(85,759)	(20,387)	(17,520)
DEFERRED INCOME TAXES	1,358,236	1,007,101	865,467
LIABILITIES			
Liabilities for decommissioning costs (Note 38(j))	1,397,480	1,410,014	1,211,716
Regulated operation (Note 38(d))	(573,917)	(406,360)	(349,212)
Reserve for self-insurance (Note 38(m))	115,268	121,416	104,341
Convertible bonds (Note 38(k))	(687,261)	(27,856)	(23,938)
FIN48 Liabilities (Note 38(i))	(16,231)	(8,200)	(7,047)
Credit valuation adjustments (Note 38(p))	1,356	558	480
SHAREHOLDERS EQUITY UNDER U.S. GAAP	(Won) 35,543,116	36,916,566	\$ 31,724,802
CONTROLLING INTEREST UNDER U.S. GAAP	35,230,171	36,539,993	31,401,188
NONCONTROLLING INTEREST UNDER U.S. GAAP	312,945	376,573	323,614

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

	Korean Won (in millions)			Translation into U.S. dollars (Note 2) (in thousands)
	2007	2008	2009	2009
Operating income (loss) under Korean GAAP	(Won) 2,821,675	(2,798,073)	1,714,822	\$ 1,473,658
Asset revaluation	330,115	341,605	286,749	246,422
Special depreciation	(5,328)	(2,776)		
Regulated operation	(2,135)	157,423	167,557	143,993
Capitalized foreign currency translation	151,088	134,714	123,738	106,336
Reversal of eliminated profit on transactions with subsidiaries and affiliates	(1,461)	(7,631)	(8,464)	(7,274)
Asset retirement obligation	81,335	(844,988)	54,192	46,571
Reserve for self-insurance	5,331	5,995	6,148	5,283
Revenue recognition	52,057	73,784	187,372	161,021
Research and development cost	(44,013)	(4,965)	15,135	13,006
Classification differences in the consolidated statements of income	(157,762)	(25,807)	(3,113)	(2,675)
Operating income (loss) under U.S. GAAP	(Won) 3,230,902	(2,970,719)	2,544,136	\$ 2,186,341

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

	Korean Won (in millions)		Translation into U.S. dollars (Note 2) (in thousands)
	2008	2009	2009
Utility plant, net under Korean GAAP	(Won) 69,795,285	74,033,431	\$ 63,621,733
Asset revaluation	(6,425,196)	(6,138,447)	(5,275,166)
Capitalized asset retirement costs	(866,658)	(825,000)	(708,976)
Construction in-progress	300,000		
Capitalized foreign currency translation	(1,046,947)	(929,493)	(798,774)
Reversal of eliminated profit on transactions with subsidiaries and affiliates	107,918	99,454	85,467
Utility plant, net under U.S. GAAP	(Won) 61,864,402	66,239,945	\$ 56,924,284

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

	Korean Won (in millions)		Translation into U.S. dollars (Note 2) (in thousands)
	2008	2009	2009
Total assets under Korean GAAP	(Won) 88,198,610	93,208,031	\$ 80,099,713
Adjustments:			
Account Receivables	1,069,171	1,256,543	1,079,829
Utility Plant	(7,930,883)	(7,793,486)	(6,697,449)

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Intangible assets	(348,978)	(33,843)	(29,083)
Investment securities	(30,180)	7,259	6,238
Financial derivatives	(85,759)	(20,387)	(17,520)
Deferred income taxes	1,358,236	1,007,101	865,467
Total assets under U.S. GAAP	(Won) 82,230,217	87,631,218	75,307,195

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

	Korean Won (in millions)		Translation into U.S.
	2008	2009	dollars (Note 2) (in thousands) 2009
<b>Deferred tax assets adjustments:</b>			
Asset revaluation	(Won) 1,240,849	1,178,901	\$ 1,013,106
Convertible bond	151,197	6,128	5,266
Regulated operation	126,262	89,399	76,827
Capitalized foreign currency translation	230,328	204,488	175,730
Research and development cost	10,775	7,445	6,398
FIN48 Liabilities	6,256	4,674	4,016
Scope of equity method		14,119	12,133
Credit valuation adjustments	18,867	4,485	3,854
<b>Total deferred tax assets adjustments</b>	<b>1,784,534</b>	<b>1,509,639</b>	<b>1,297,330</b>
<b>Deferred tax liabilities adjustments:</b>			
Asset retirement obligation, net	(116,781)	(128,703)	(110,603)
Reserve for self insurance	(25,359)	(26,712)	(22,955)
Reversal of eliminated profit on transactions with subsidiaries and affiliates	(23,742)	(21,880)	(18,803)
Revenue Recognition	(258,739)	(304,083)	(261,318)
Available-for-sale securities	(1,379)	(2,392)	(2,055)
Scope of equity method		(18,645)	(16,023)
Credit valuation adjustments	(298)	(123)	(106)
<b>Total deferred tax liabilities adjustments</b>	<b>(Won) (426,298)</b>	<b>(502,538)</b>	<b>\$ (431,863)</b>
<b>Net deferred tax assets adjustments:</b>	<b>1,358,236</b>	<b>1,007,101</b>	<b>\$ 865,467</b>
<b>Net deferred tax assets under Korean GAAP</b>	<b>(Won) 1,318,849</b>	<b>1,052,854</b>	<b>\$ 904,786</b>
<b>Net deferred tax assets under U.S. GAAP</b>	<b>(Won) 2,677,085</b>	<b>2,059,955</b>	<b>\$ 1,770,254</b>

Basic earnings (loss) per share (EPS) excludes dilution and is computed by dividing income (loss) available to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity. Earnings (loss) per share for the years ended December 31, 2007, 2008 and 2009 under U.S. GAAP are as follows:

		Korean Won (in millions, except per share data)			Translation into U.S. dollars (Note 2) (in thousands, except per share data)
		2007	2008	2009	2009
Controlling interest under U.S. GAAP (a)	(Won)	1,835,473	(3,819,165)	1,102,306	\$ 947,283
Effect of dilutive securities		24,283		77	67
Adjusted net income (b)	(Won)	1,859,756	(3,819,165)	1,102,383	\$ 947,350
Weighted-average shares (c)		621,717,622	622,637,717	622,637,717	622,637,717
Effect dilutive securities		9,497,722		498,802	498,802
Adjusted weighted average shares (d)		631,215,344	622,637,717	623,136,519	623,136,519
Basic earnings (loss) per share under U.S. GAAP (a)/(c)	(Won)	2,952	(6,134)	1,770	\$ 1.52
Diluted earnings (loss) per share under U.S. GAAP (b)/(d)(*)	(Won)	2,946	(6,134)	1,769	\$ 1.52
Basic earnings (loss) per ADS under U.S. GAAP	(Won)	1,476	(3,067)	885	\$ 0.76
Diluted earnings (loss) per ADS under U.S. GAAP(*)	(Won)	1,473	(3,067)	884	\$ 0.76

(\*) In 2008, Euro and JPY denominated exchangeable bonds issued on November 21, 2006 that could potentially dilute basic EPS in the future were not included in the computation of diluted EPS because those would have been antidilutive.

**INDEX OF EXHIBITS**

- 1.1 Articles of Incorporation, as amended on March 19, 2010 (in English)
- 2.1 Form of Deposit Agreement\*
- 8.1 List of Subsidiaries
- 12.1 Certifications of our Chief Executive Officer required by Rule 13a-14(a) of the Exchange Act (Certifications under Section 302 of the Sarbanes-Oxley Act of 2002)
- 12.2 Certifications of our Chief Financial Officer required by Rule 13a-14(a) of the Exchange Act (Certifications under Section 302 of the Sarbanes-Oxley Act of 2002)
- 13.1 Certifications of our Chief Executive Officer required by Rule 13a-14(b) and Section 1350 of Chapter 63 of the United States Code (18 U.S.C. 1350) (Certifications under Section 906 of the Sarbanes-Oxley Act of 2002)
- 13.2 Certifications of our Chief Financial Officer required by Rule 13a-14(b) and Section 1350 of Chapter 63 of the United States Code (18 U.S.C. 1350) (Certifications under Section 906 of the Sarbanes-Oxley Act of 2002)
- 15.1 The Korea Electric Power Corporation Act (in English)\*\*
- 15.2 Enforcement Decree of the Korea Electric Power Corporation Act (in Korean and English)\*\*\*
- 15.3 Government-Invested Enterprise Management Basic Act of 1983, as amended (in Korean and English)\*\*\*
- 15.4 Enforcement Decree of the Government-Invested Enterprise Management Basic Act of 1983, as amended (in Korean and English)\*\*\*

Incorporated by reference to the Original Annual Report.

\* Incorporated by reference to the Registrant's Registration Statement on Form F-6 with respect to the ADSs, registered under Registration No. 33-84612.

\*\* Incorporated by reference to the Registrant's Annual Report on Form 20-F for the fiscal year ended December 31, 2002.

\*\*\* Incorporated by reference to the Registrant's Registration Statement on Form F-3 filed on March 8, 2000, registered under Registration No. 333-9180.