KEPCO

KOREA ELECTRIC POWER CORPORATION
2007 ANNUAL REPORT

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KEPCO,

A GLOBAL ENERGY

COMPANY

BRIGHTENING

THE WORLD

The braille at the bottom of the cover means "light" and "KEPCO."
KEPCO will be a bright and warm light radiating in every corner of the world.

KEPCO,

A GLOBAL ENERGY

COMPANY

BRIGHTENING

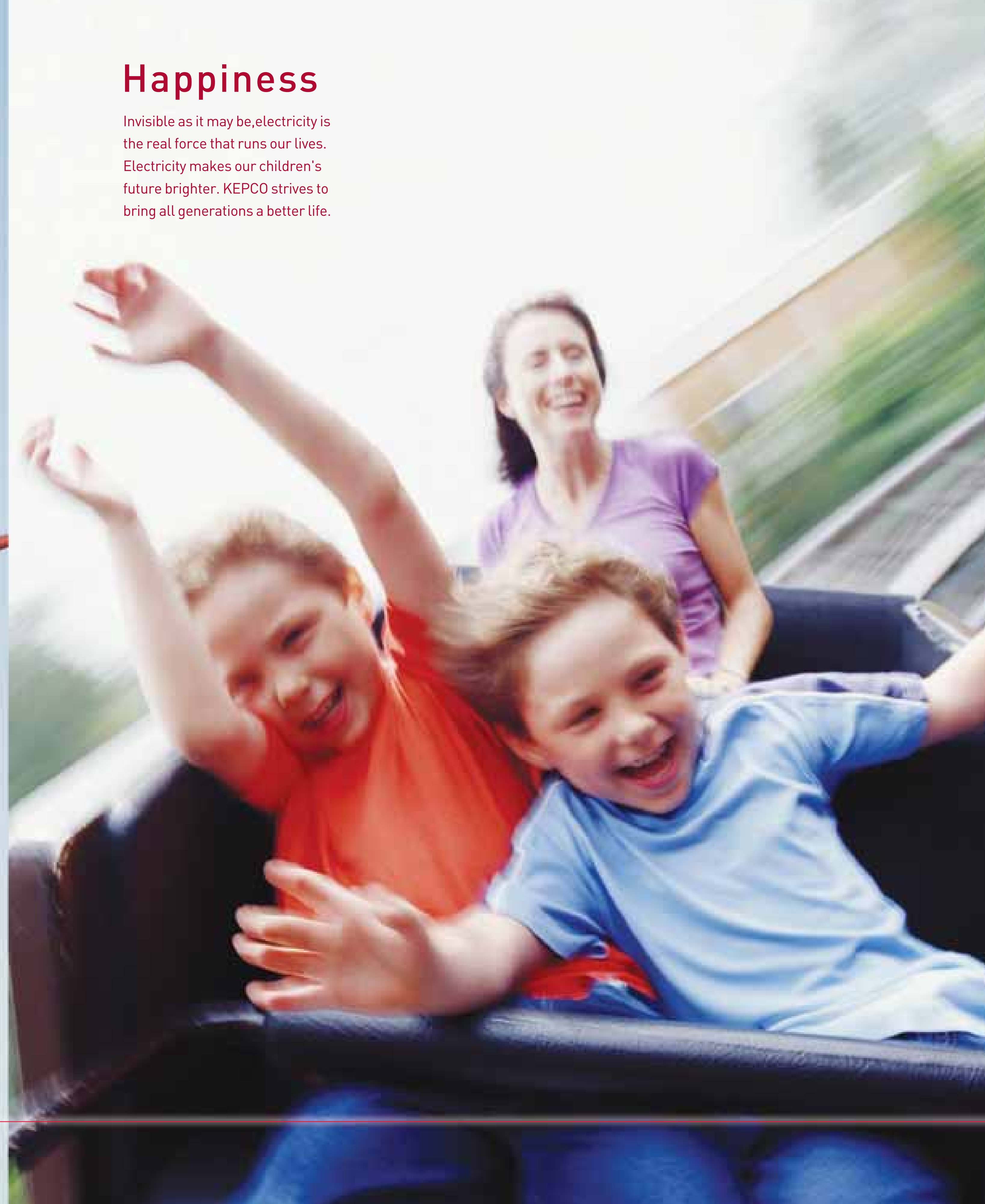
THE WORLD

Providing Power for People

KEPCO's electric light and power brighten and energize the world. KEPCO's power plants realize the happiness of all mankind. For a better world and a better future, KEPCO always reinvents itself and advances through changes and challenges.

Eco-friendly

To secure engines for future growth, KEPCO is focusing its investments on developing renewable energy. KEPCO is going green by using fuel cells and solar and wind power.



Happiness

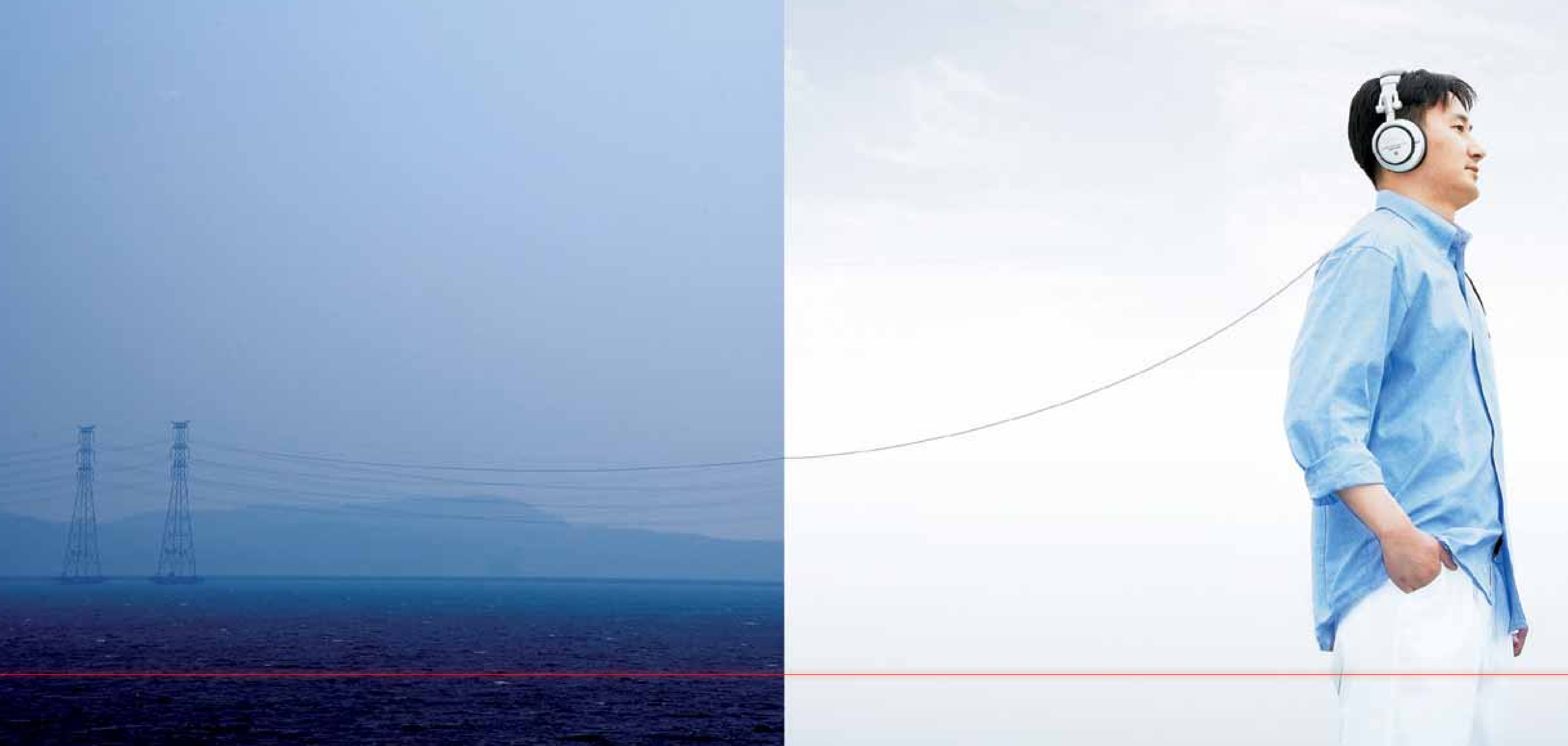
Invisible as it may be,electricity is the real force that runs our lives. Electricity makes our children's future brighter. KEPCO strives to bring all generations a better life.

World-wide

KEPCO's superior technology, used in building large scale on-the-sea transmission lines, has amazed the world. KEPCO will become the world's leading comprehensive energy provider by seeking new markets overseas and diversifying its business portfolio.

Connection

Electricity touches and moves every corner of the globe. It becomes music that pulls heartstrings, uplifting and inspiring. Electricity lays down a bridge for human beings to share their thoughts and emotions beyond the barriers of language.



Streamlined

KEPCO supplies electricity in a reliable manner by operating highly streamlined transmission and distribution systems. KEPCO has established a multi-loop transmission grid connecting every corner of the nation, and is increasing the efficiency of its operations.

Convenience

Electricity offers convenience everywhere in our daily lives from helping make a cup of morning coffee to lighting the street to make your way home safer and easier. KEPCO is working day and night to make your life more comfortable and convenient.

KEPCO HIGHLIGHTS

KEPCO in 2006 - Astonishing Achievements Through Change and Innovation

| Last year, KEPCO achieved excellent results by constantly changing and innovating. Great feats were accomplished despite an unfavorable management environment both inside and outside of Korea. KEPCO won numerous awards at home and abroad, cementing its status as a world-class energy corporation. 2006 was another year of sound financial performance for KEPCO,with a 7.4% increase in sales and a 12.2% rise in stock price from the year before. With continuous change, innovation and a challenging spirit, KEPCO will stay focused on achieving the goal of becoming the world's No. 1 comprehensive energy group by 2015. Now, let us take a journey into KEPCO's brilliant performance in 2006.

Edison

KEPCO wins 2006 Edison Award

After winning the 1997 Edison Award, regarded as the most prestigious award in the world electricity industry, KEPCO won it again in 2006. The award acknowledged two major accomplishments made by KEPCO: 1) Development of new methods in constructing 89 eco-friendly transmission towers at the sea for the first time in the world. KEPCO successfully commissioned the 345 kV Yeongheung sea transmission route, saving 370 billion won annually, and 2) KEPCO's successful completion of a long-time project to upgrade from 100 volts to 220 volts for 17 million customers.

No.1

Best in the Government's innovation evaluation

KEPCO has been working hard to lay strong foundations for innovation under the motto, 'Change and Challenge'. In the innovation evaluation of 210 government-invested corporations, KEPCO, by achieving the highest level (level 6), ranked first and received the Presidential Prize. In the Government's evaluation of overall corporate performance, KEPCO was top-positioned in 2004 and second (but first in the qualitative factors evaluation) in the 2005 evaluation.

9.08 point

Integrity index 9.08 - Establishment of customer-oriented, ethical culture

KEPCO has been focusing on ethical management and transparency. As a result, KEPCO was placed second among government-invested corporations in a 2006 overall integrity survey administered by the Korea Independent Commission Against Corruption. To promote the business ethics of employees, KEPCO carried out 40 tasks including the establishment of anti-corruption task forces. In 2006, KEPCO applied for the 3rd Ombudsman Contest hosted by the Ombudsman of Korea and received the Presidential Award, a first for a public corporation, by being the best at administering civil requests.

8 years

Top in NCSI for 8 years in a row

Regarding customers as the key driver of innovation, KEPCO has been concentrating on customer-oriented service. KEPCO kept the highest position among government-invested corporations for eight consecutive years, from 1999 to 2006, in the NCSI (National Customer Satisfaction Index) conducted by the Ministry of Planning and Budget. In KEPCO's customer survey, customers showed positive feedback and gave high credits to KEPCO's service improvement efforts, including a stable supply of high-quality electricity, diverse demand-management programs and more.

A1

A1 (Stable) Moody's credit rating

Despite a poor business environment, KEPCO succeeded in maintaining a sound financial position and received an A1 (Stable) credit rating from Moody's, a globally renowned credit rating agency. This was up from the 2005 A2 (Stable) rating and made KEPCO the first company to have a higher credit rating than the government. KEPCO's rating was enhanced thanks to strong efforts for managerial transparency, such as building internal control systems, introducing double audit systems and securing profitability.

7.4%

Up 7.4% in sales

KEPCO's 2006 sales increased to 26.9 trillion won, up 7.4% from the previous year. In 2006, 348,719GWh of electricity was sold, up 4.9% from 2005. But, due to rising costs of fuel and raw materials, net income decreased by a slight margin to 2 trillion won. Revenue from electricity sales increased by 7.8% but the amount of electricity purchased increased by 9.7%. In 2006, KEPCO increased its maintenance spending by 102.3 billion won compared to 2005, mainly to build new equipment and facilities. Based on those reinforced facilities and active overseas business, KEPCO's sales are projected to rise in 2007.

1 trillion

Total revenue from overseas business exceeded 1 trillion won

To secure future growth engines and create new profit sources, KEPCO is actively pursuing overseas business. With its high-level technological capabilities, cost competitiveness, and strong brand power, KEPCO has been exploring overseas markets for 10 years. Since its participation in rehabilitating the Malaya thermal power plant in the Philippines in 1995, KEPCO's overseas business recorded more than 1 trillion won in cumulative revenue.

1st

Set up the first Korean overseas business model

Through wind power generation projects in Gansu and Inner Mongolia in China, KEPCO became the first foreign electric company in China to capitalize on CDM (Clean Development Mechanism) business opportunities. Also, KEPCO joined a large-scale joint venture to develop power plants and coal mine projects in Shanxi, China. KEPCO is developing a gas-combined power project with gas pipe construction and oil exploration projects in Nigeria, which will create a strong foothold for future business in world markets and strengthen KEPCO's global competitiveness.

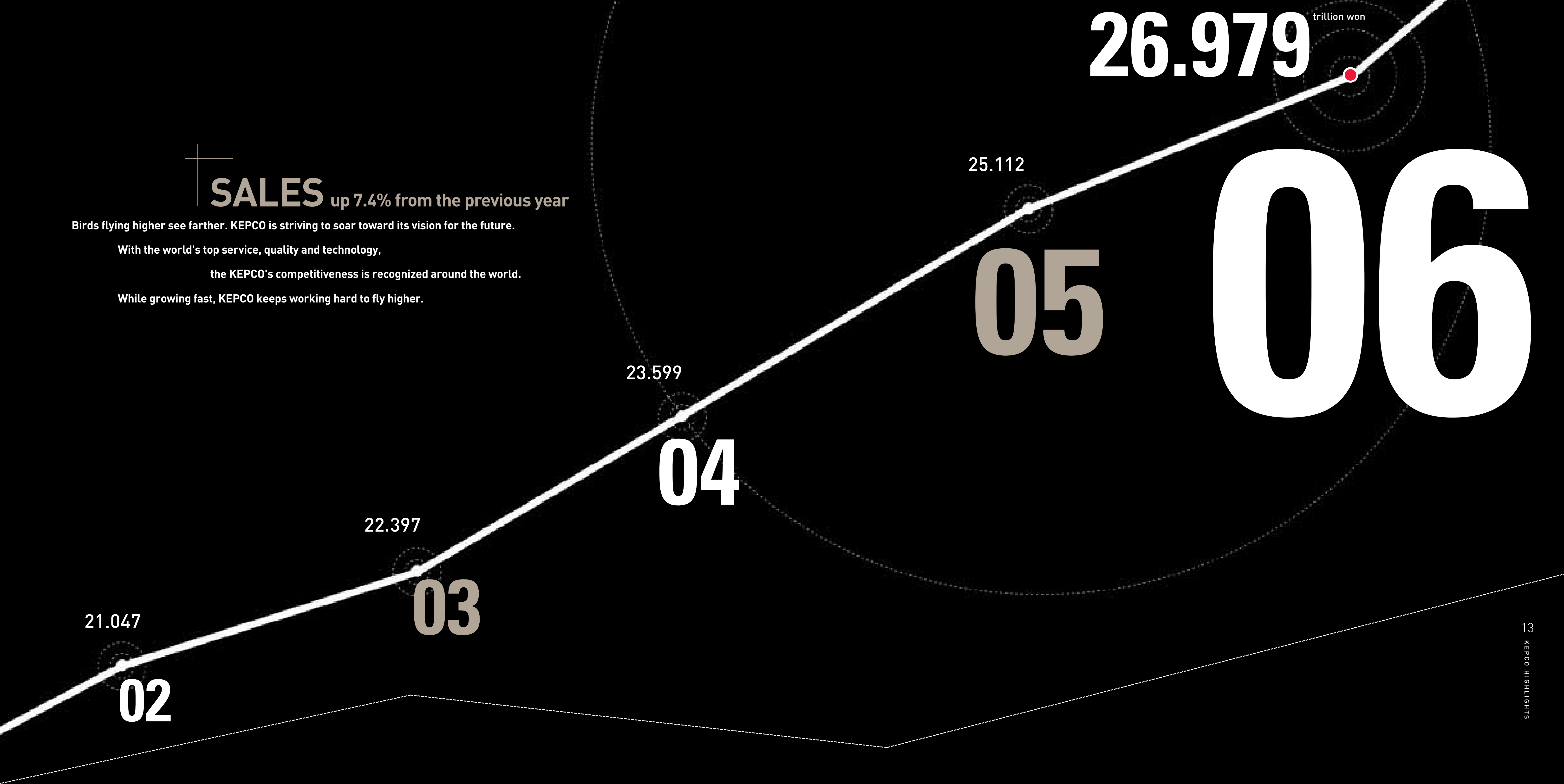
ERP

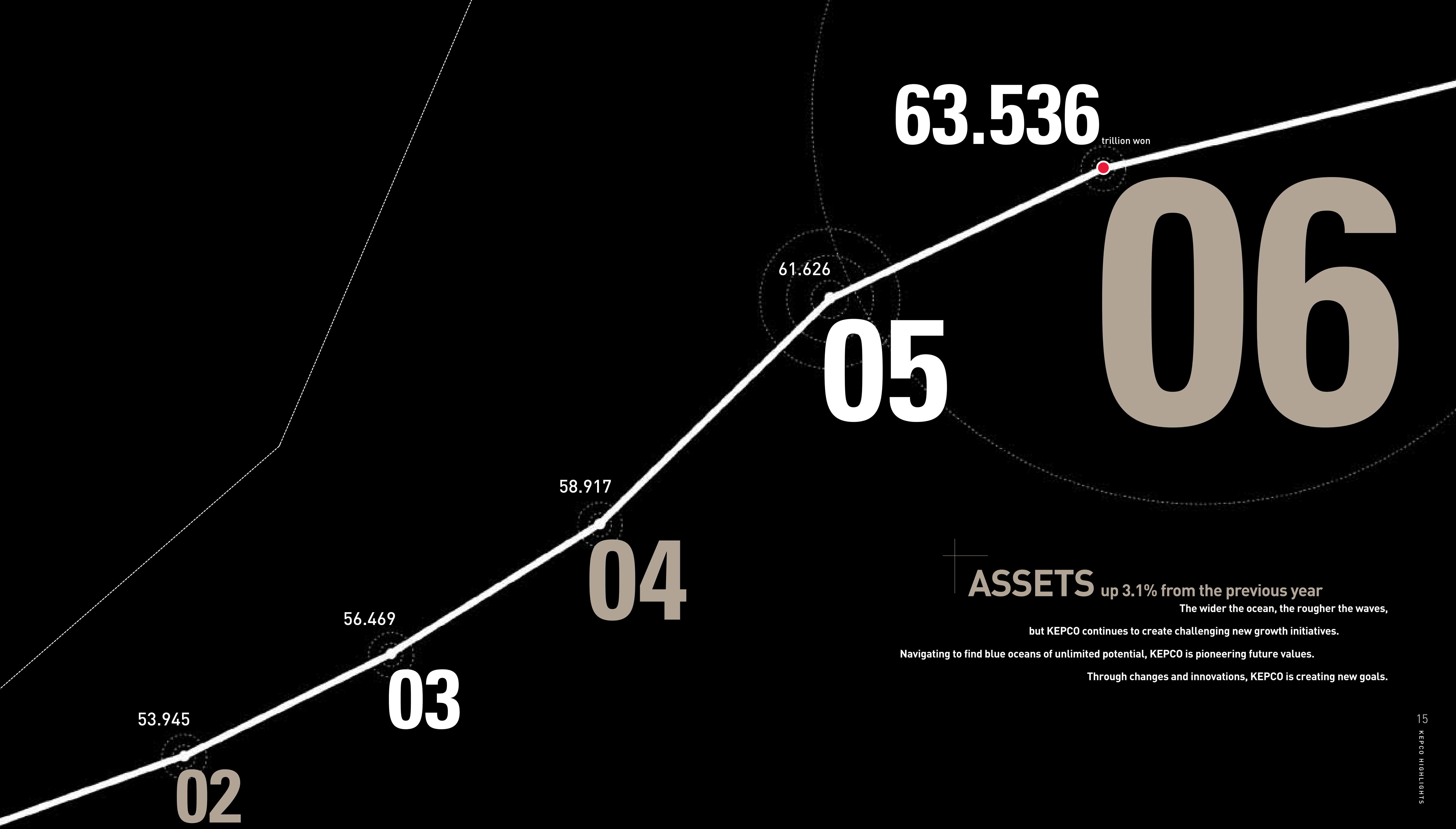
Infrastructure launched, enabling Continuous Management Innovation

Having been under development since July 2005, KEPCO's ERP (Enterprise Resource Planning) system, named 'PowerPia', officially went live as of October 2006. By enabling effective information management, the system has dramatically increased management transparency and business integration. PowerPia, providing the infrastructure for continuous management innovation at KEPCO, will prove instrumental in placing the company on par with the world's top energy groups. KEPCO will take full advantage of its ERP system to advance its technological competence and diversify its service offerings, thereby emerging as a value creator with strong market competitiveness.

SALES up 7.4% from the previous year

Birds flying higher see farther. KEPCO is striving to soar toward its vision for the future.
With the world's top service, quality and technology,
the KEPCO's competitiveness is recognized around the world.
While growing fast, KEPCO keeps working hard to fly higher.





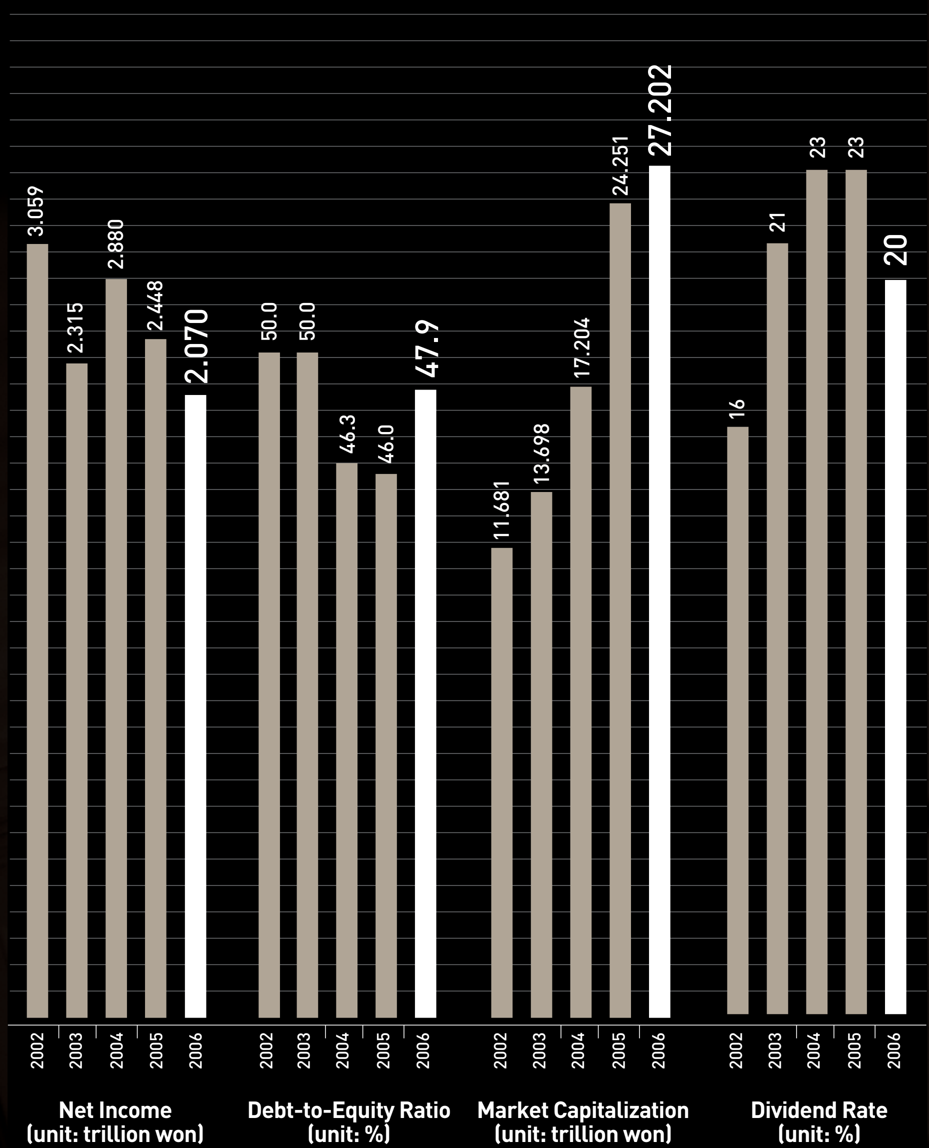
ASSETS up 3.1% from the previous year

The wider the ocean, the rougher the waves,

but KEPCO continues to create challenging new growth initiatives.

Navigating to find blue oceans of unlimited potential, KEPCO is pioneering future values.

Through changes and innovations, KEPCO is creating new goals.



KEPCO 120 YEARS HISTORY

120 Years of Electricity History, A New Challenge at the Summit

For a challenger, the summit is not the end of a journey
but an exciting new point of departure.
KEPCO has a 120-year history of change and
innovation in the business.
As Korea's top electric power company,
KEPCO is now taking firm steps toward becoming a global energy player.
KEPCO's changes and innovations will continue
until the company is supplying electricity all over the world.

KEPCO 120 YEARS HISTORY

1887 Electric lights turned on for the first time in Korea

1898 Hansung Electric Company, the predecessor of KEPCO, established

Electricity supply from North Korea cut off 1948

1961 Three electric power companies merged into Korea Electric Company (KECO)

1964 Unlimited transmission service started

1979 Nationwide rural electrification completed

1994 KEPCO's shares listed on the New York Stock Exchange (NYSE)

First-ever overseas business landed with a successful bid in the Philippines 1995

2004 KEPCO Social Service Teams founded

Ranked No.1 on the NCSI for the eighth consecutive year 2006

2015 World-renowned comprehensive energy provider

1887~1944

The history of Korean electricity began with the first electric light being turned on in Gunchung Royal Palace in March,1887. Hansung Electric Company, Korea's first electric power company and KEPCO's predecessor, was founded in January, 1898. Later, a test run of trams was conducted and construction of the Supung Hydroelectric Power Plant was completed .

1945~1960

Despite North Korea's electricity supply cut-off in 1948, Koreans showed resilience and overcame the obstacle. Electra, a 6,900kW generating vessel, began to generate electric power in Incheon Harbor, and the Danginri coal-fired power plant went into operation. Korea ushered in a new chapter in its electric history by joining the International Atomic Energy Agency (IAEA) in 1957.

1961~1989

With the Korea Electric Company established in 1961, unlimited transmission service launched in 1964 and nationwide rural electrification completed in 1979, Koreans could now enjoy reliable electrical services. Since then, electricity has served as the engine behind the country's national growth. Peak electricity demand exceeded 10,000MW in 1987.

1990~1999

KEPCO set out to be a global player. KEPCO went public on the New York Stock Exchange (NYSE) in 1994 and won the bid for operating the Malaya Power Plant in the Philippines in 1995, its first overseas business. In 1998, KEPCO celebrated the centennial anniversary of the electrical power business in Korea.

2000~2005

While continuing to grow, KEPCO always cared for and shared with society. With the founding of KEPCO Social Service Teams in 2004, KEPCO started its social contribution initiative in various fields. On top of this, KEPCO made customer satisfaction one of its top priorities and worked relentlessly to meet customer needs with quality service.

2006~2015

KEPCO is forging toward becoming the world's best energy corpora-tion. KEPCO ranked first in the NCSI among public corporations for eight consecutive years and won the Edison Award. Now, KEPCO is one step closer to its goal of becoming a world-renowned comprehensive energy provider by 2015.

LIKE A SALMON SWIMMING AGAINST THE CURRENT OR AN EVERGREEN GETTING GREENER WITH THE PASSAGE OF TIME, KEPCO WILL KEEP ON REINFORCING ITS CORPORATE CULTURE OF INNOVATION WITH UNRELENTING COMMITMENT.

Honorable shareholders and customers!

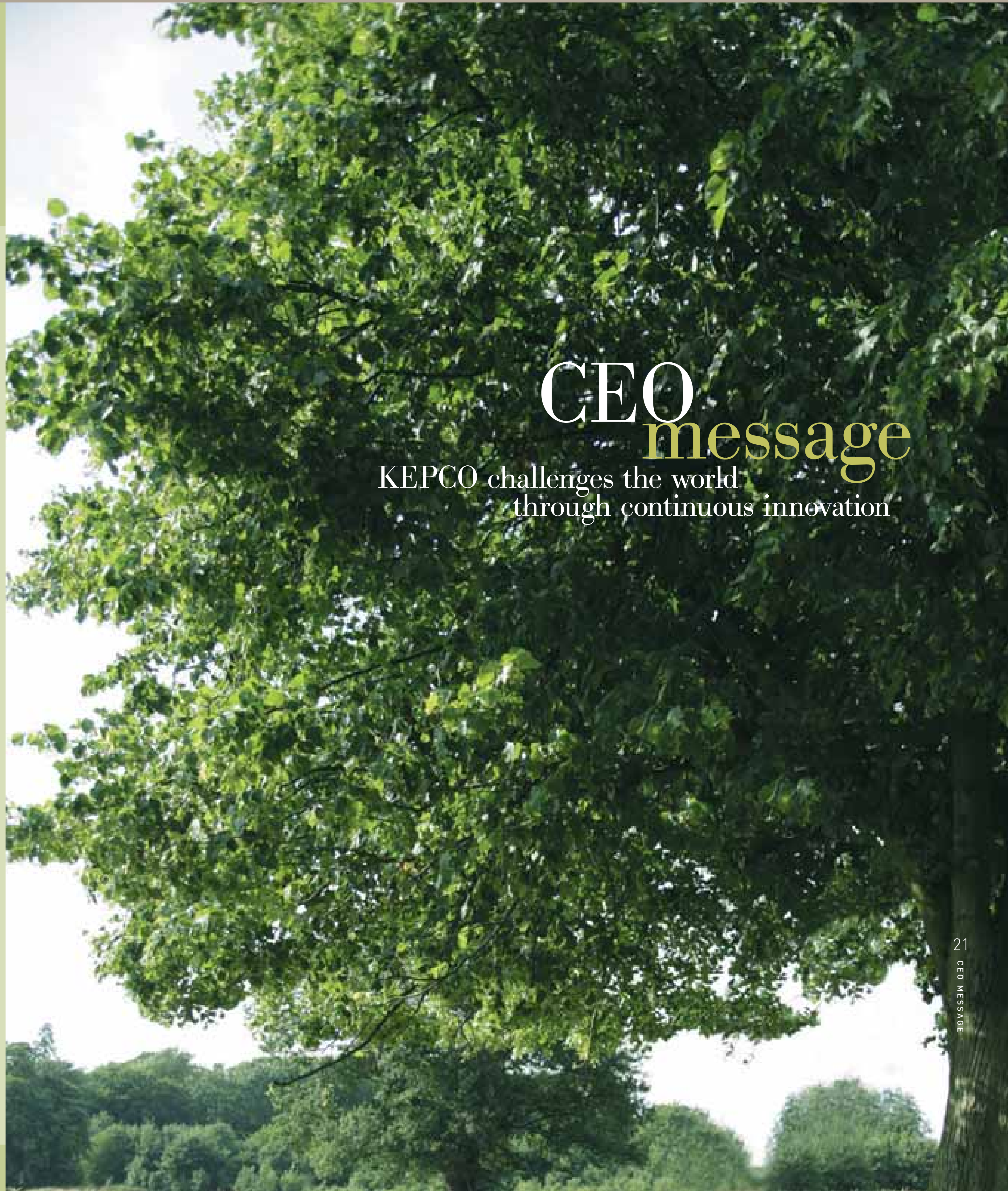
Only those who have a vision for the future, and strive for it, will have a promising future. KEPCO has a vision of emerging as the world's best comprehensive energy group. Last year, all of us at KEPCO poured our hearts and souls into that vision with a sustained drive for innovation. We worked hard to prepare for the promising years to come by focusing on making a difference with a challenging spirit.

Despite the unfavorable management environment at home and abroad in 2006, KEPCO made astonishing achievements thanks to its focused efforts. Among others, KEPCO takes a great pride in the fact that its management innovation system for facilitating continuous and willing innovation has successfully taken hold within the company. For the past 120 years, KEPCO has accelerated the modernization of Korea and served as a driving engine behind impressive economic development. Now, with the management innovation system in place as a systematic basis for innovation, KEPCO is ready for a second take-off.

KEPCO's hard work and great results have been recognized at home and abroad. KEPCO ranked first on the National Customer Satisfaction Index (NCSI) among public corporations for eight consecutive years and won the Edison Award, often dubbed the Nobel Prize in the electric power industry. Like a salmon swimming against the current or an evergreen getting greener with the passage of time, KEPCO will keep on reinforcing its corporate culture of innovation with unrelenting commitment.

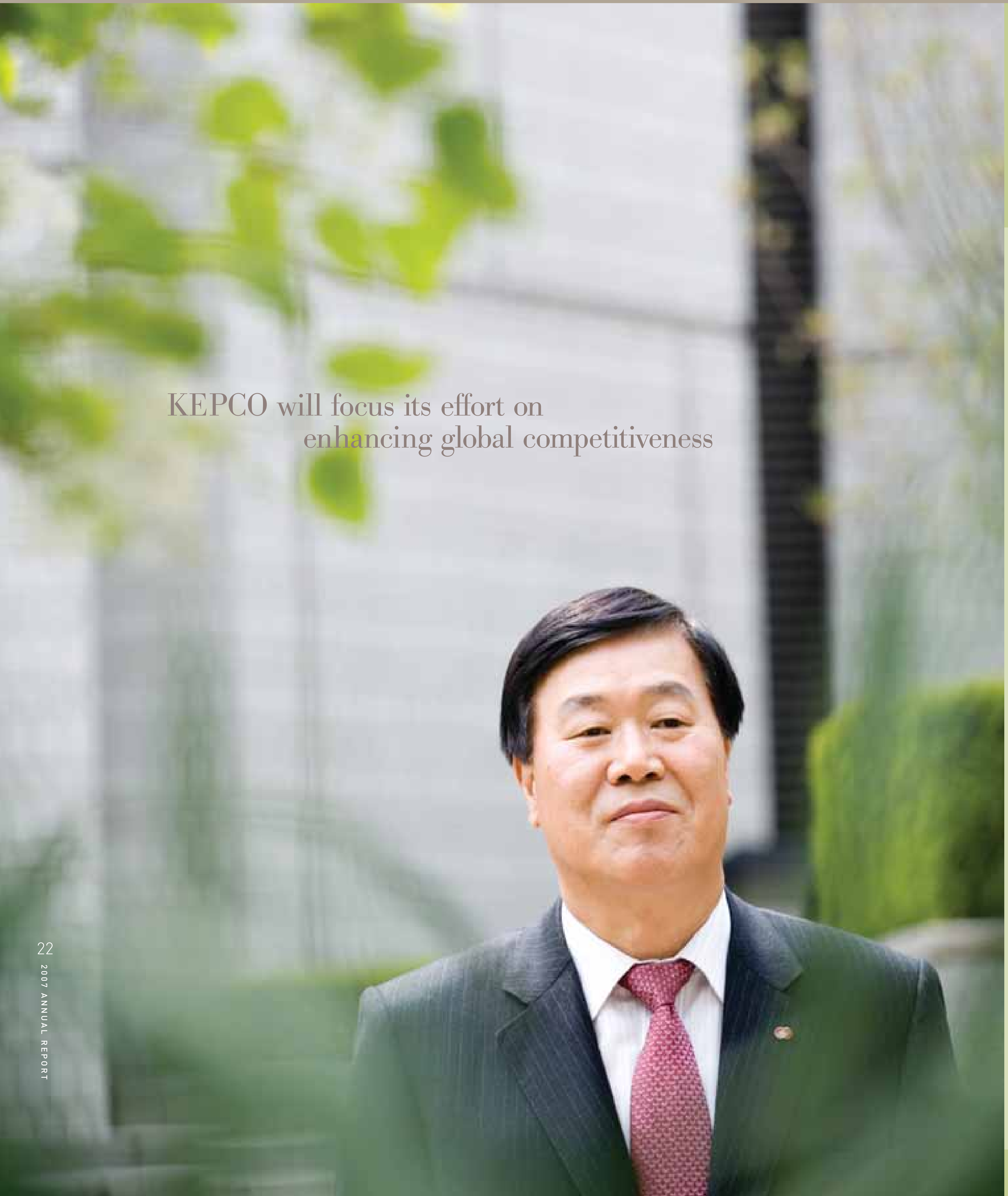
KEPCO hereby would like to make three pledges to its shareholders and customers. They are also the promises KEPCO makes to itself to open a new chapter after closing the first 120 years in the electric power business.

First, KEPCO will improve the quality of life of its customers with new technology. KEPCO's technological competence is already world-class. The quality of electricity supplied by KEPCO is second to none. KEPCO is making head-



CEO message

KEPCO challenges the world through continuous innovation



KEPCO will focus its effort on enhancing global competitiveness

KEPCO IS A PUBLIC ENTERPRISE, AND IT MEANS THAT THE PUBLIC ARE THE MOST IMPORTANT CUSTOMERS. KEPCO WILL DEVOTE ITSELF TO BECOME A COMPANY THAT IS TRUSTED BY CUSTOMERS, LOCAL COMMUNITIES, SHAREHOLDERS AND EMPLOYEES.

way in technology development as well. Yet, KEPCO will not be complacent with what it has today. We will continue to push for further advancement as we are well aware of the responsibilities of a front runner to lead the pack. Going forward, KEPCO will make every effort to secure core technologies which will position the company as the leader of the global electric power industry and strive to develop eco-friendly renewable energy technologies to enrich the lives of customers.

Second, KEPCO will become the pride of Korea through global management. KEPCO will go beyond Korea's No.1 electric power company and move forward to become the world's best comprehensive energy group. KEPCO will secure engines for future growth by expanding and diversifying its overseas businesses. KEPCO pledges to become the pride and new growth locomotive of Korea by advancing into the global arena.

Third, KEPCO will work hard to make the world a better place for all by sharing and caring for the needy. KEPCO will fulfill the corporate social responsibility that suits its status. While contributing to the development of communities and society as a whole, KEPCO will reach out a helping hand to those in need. KEPCO will always keep in mind that its mission is to make the world a better place to live in, like the electricity that brings light and warmth to the world.

KEPCO is a public enterprise, which means that the public are the most important customers. KEPCO will devote itself to become a company that is trusted by customers, local communities, shareholders and employees. KEPCO will make every effort to grow into a company that earns trust and respect from the public. As a global brand, KEPCO is devoted to renewing itself every day to serve you better. I would like to ask for your unwavering support and encouragement. Thank you.

May 31, 2007
President & CEO Lee Won-Gul

KEPCO has an ambitious vision for embracing the future. It is 'to become a globally renowned electric utility, growing with our customers'. The vision is composed of three core values - respecting customers, pursuing change and stressing profitability and KEPCO pours its best resources into these tenets. ● To actively cope with the rapidly changing business environment and to secure the sustainable development of the entire group of companies, KEPCO is fully utilizing its capabilities and corporate resources. It has set up mid- and long-term strategic management plans which lay out future blueprints and goals to be achieved by 2015. ● KEPCO is diversifying its businesses to be a total energy group, putting the electric business at the center. ● As for the management system, KEPCO pursues a horizontal and decentralized management system to empower its business units with more managerial accountability and decision-making rights. ● In marketing, by channeling corporate resources to secure growth engines, KEPCO seeks the highest level of customer satisfaction and a record of 480,000GWh in electricity sales. In addition, KEPCO is commercializing 22 of the world's top-level core technologies to increase sales up to 45 trillion won. ● To make KEPCO more financially sound, the company stresses securing future growth engines and prioritizing an increase in corporate value. KEPCO plans to grow into one of the top 100 global companies by raising its market value to 65 trillion won. ● KEPCO will practice performance-based personnel management and nurture 10% of our employees to become globally competitive experts.

VISION FOR GROWTH AND VALUE

VISION & STRATEGY

VISION | A Global Electric Utility Growing with our Customers

CORE VALUES | Respecting Customers | Pursuing Changes | Stressing Profitability

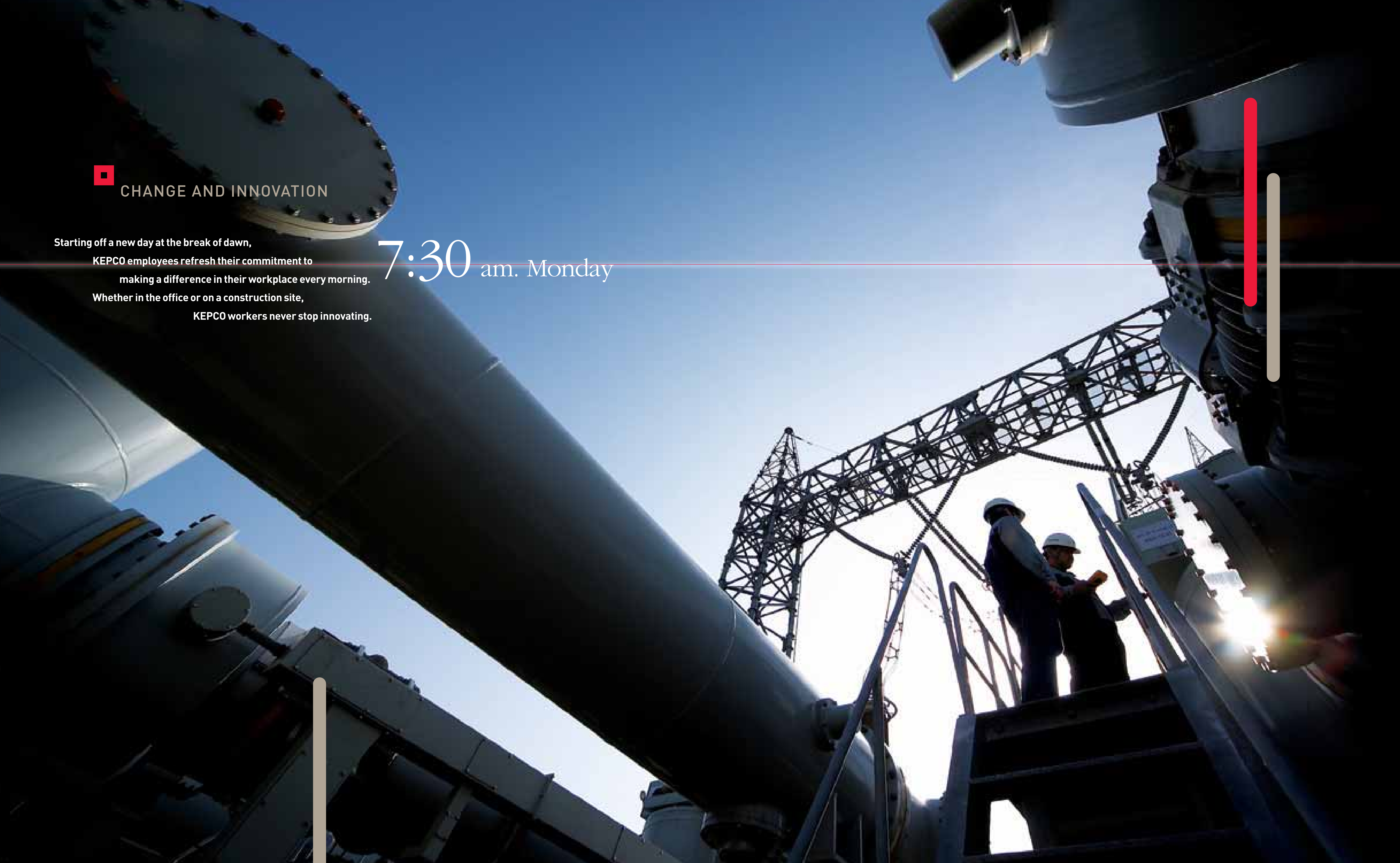
BLUEPRINT FOR 2015

A Globally Renowned Total Energy Group

● A total energy group	• Increase of overseas revenues to 3.8 trillion won
● Accountability in group management	• Application of 'Sub Business Unit' system in distribution and Reinforcement of group-wide management
● 45 trillion won in Sales	• Highest customer satisfaction in service, over 480,000 GWh in electricity sales, and preoccupation of 22 world core technologies
● 65 trillion won of corporate market value	• Leaping into the top 100 global enterprises
● 10% of employees to be global specialists	• Experts in business areas, regions and jobs

MID-TO-LONG TERM STRATEGIES

● Business structure	• Stabilization of electric business structure and expanding business scope
● Management system	• Establishment of a horizontally decentralized management system in the KEPCO group
● Marketing	• Concentrating resources on securing growth engines
● Finance	• Solidifying financial policies by securing future growth engines and increasing corporate market value
● Human resources	• Practicing meritocracy in personnel management and nuturing global specialists



CHANGE AND INNOVATION

Starting off a new day at the break of dawn,
KEPCO employees refresh their commitment to
making a difference in their workplace every morning.
Whether in the office or on a construction site,
KEPCO workers never stop innovating.

7:30 am. Monday

Voluntary and Sustainable Managerial Innovations

Changes and challenges are the basics of innovation. To be a global company, in 2004, KEPCO laid cornerstones for innovation, and in 2005, KEPCO developed various innovation systems. In 2006, KEPCO established a voluntary and sustainable managerial reform system to enhance transparency and efficiency.

●●● For constant progress, the innovation infrastructure is enhanced by establishing automated innovation systems which systemize change management, task management and performance rewards. Managers developed and executed 1,057 innovation tasks, and 3,126 task forces led innovation activities on site. The management innovation award was also created to motivate employees in innovative activities and to benchmark model examples of innovation. In addition, to bolster remarkable achievements, several district offices were designated 'model innovative organizations'. Publications of outstanding innovation cases were issued for educational purposes and details of such cases were made known to all employees through KEPCO's internal broadcasting system.

●●● KEPCO systematized innovation activities over three years, making them into a brand called 'BEST 700' (Business Excellence Strategic Target 700). BEST 700 was developed to facilitate management expertise and global competitiveness, which will help KEPCO to leap forward and become a leading company in the world. BEST 700 aims to earn more than 700 performance points in the MBNQA (Malcolm Baldrige National Quality Award) to establish KEPCO's internal management innovation system.

Infrastructure for Management Innovation

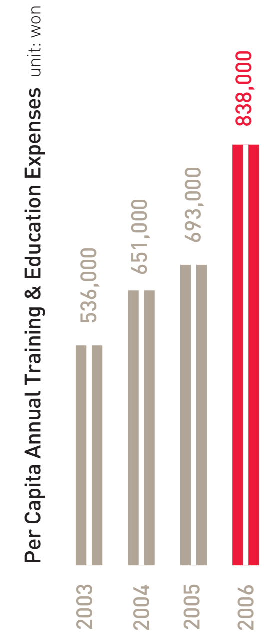
KEPCO acquired Level 6, a top rating in the review of innovation performance conducted on 210 public organizations and thus won a Presidential Honor for its outstanding innovation achievements.

Reform in HR Management and an Improved Labor Environment

To fully utilize their talents and to make them more capable with fair rewards, KEPCO continues to reform human resources management. Through negotiations between management and labor, KEPCO reached an agreement to implement an annual salary system which sets the total amount for a year for all employees. To set up a strategic system for nurturing talented employees, KEPCO initiated an educational evaluation system for long-term training course participants and made personnel management policies to enhance inner competitiveness.

●●● As for recruitment, KEPCO adopted diversified measures such as employment through open competition, recommendations from academic institutions, internships and more. To cultivate talented electrical engineers, KEPCO gives scholarships to university students and holds open contests to promote the creative designing capabilities of students. KEPCO did its best to improve welfare systems in various ways for higher employee satisfaction. KEPCO rents or builds apartments for employees transferred to district offices and supports baby births and pre-school education.

●●● To maintain a win-win relationship between labor and management, KEPCO signed a collective agreement. To celebrate the 60th anniversary of the electrical labor union, KEPCO held a photo exhibition, an exhibition of historic relics and an international symposium. To strengthen cooperation between labor and management, a range of other events, including a marathon, were held.



KEPCO became BEST HRD (Human Resource Developer) certified by the Korean government in recognition of its successful human resources reform and increased labor productivity.

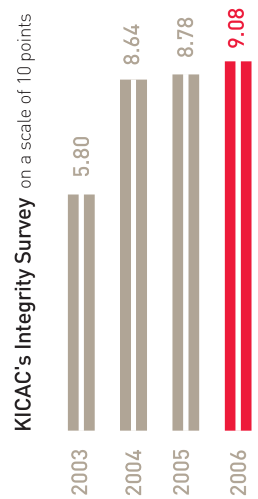
Contemporary Ethics Management

KEPCO emphasizes ethics and morality as the essence of being a global company. KEPCO expanded integrity-centered policy to the global standard to complement its ethical management system by revising behavioral ethical guidelines and establishing a voluntary participation ethical culture. Offering cyber ethical training programs for every employee, KEPCO cultivates the ethics of employees and reflects the various opinions of interested parties on management to realize truly open management.

●●● As the biggest public corporation in Korea, KEPCO makes efforts to spread ethical management to external contractors as well as to internal employees, in order to fulfill its social responsibilities. Making a 'transparent society pact among electric companies' with its subsidiaries, KEPCO is encouraging other companies to join the pact and is providing custom-tailored ethical management systems as well as offering free cyber training programs.

●●● As the top management should lead employees in practicing business ethics, they are engaged in voluntary activities to spread ethical culture. They signed an integrity contract and registered in voluntary reporting of personal wealth. Their integrity is also to be affirmed through a survey.

●●● To promote participation of employees in practicing ethical management, KEPCO is operating a hot line system which enables employees to report any corrupt activities and recommendations directly to the CEO. Also, ethical factors are included in employee performance evaluations, and intensive ethical training is required for all employees to ensure ethical behavior and spirit. Expressing the importance of ethical management, the CEO emphasized that employees observe ethical principles.



KEPCO attained a high rank for 3 consecutive years by scoring high points, for example 9.08 in 2006, in the transparency survey conducted by the Korean Independent Commission Against Corruption(KICAC).

Improved Efficiency through IT

For more efficient use of information KEPCO is developing IT systems as a high-value production project. KEPCO's ERP (Enterprise Resource Planning) system, named 'PowerPia' (of which development started in July 2005 and operation began in October 2006), became a strong management innovation tool by incorporating KEPCO's systems and innovating all processes from the bottom up to meet global standards. Also, PowerPia was the first ERP system in the world to include the whole transmission area, and as such was applied to all business areas at the same time (54 jobs in 10 categories) through a Big-Bang method. PowerPia will help to raise the corporate value of KEPCO and play a vital role in making KEPCO a leading global energy group. As such, PowerPia facilitated the overall innovation of KEPCO's former systems. Linked with the ERP system, sales and distribution portal systems were constructed, and a performance management system for R&D was completed for the first time among Korean public corporations.

●●● To prepare for the business environment of the future, KEPCO is expanding high-quality electric communications infrastructure and is building internal telecommunication infrastructure called KepCIT (KEPCO Communication IT) and electric IT centers. KEPCO employees are also taught through cyber education programs. To protect such development, KEPCO is preparing for the cyber terrorism which threatens the safety of companies in the IT era. Further, in the current atmosphere of expansion, the company has constructed overseas marketing support systems by utilizing KEPCO's brand power as a global company and made provisional deals of 43.5 million dollars in foreign markets.

●●● As a way of voluntarily managing innovation, 9 SBUs (Sub Business Units) were successfully established and authorized to handle 299 decentralized jobs autonomously. Independent accounting systems and performance evaluation systems became the basis for the management accountability of the units.

Successful launching of SUBs

KEPCO reorganized its corporate structure around 9 Sub Business Units in an attempt to boost internal competition for higher management efficiency.

Solid Financial Performance

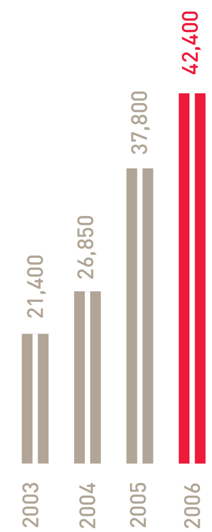
In an unfavorable business environment, KEPCO reformed managerial systems and focused on securing future growth engines. As a result, KEPCO posted a net income of 2.07 trillion won, which is down slightly from the previous year due to rising costs of fuels and raw materials.

●●● KEPCO recorded growth rates of 6.4% in annual sales and 7.4% in revenue from 2005. The electricity sold was 348,719GWh, up 4.9% from 2005. The revenue increased by 1.9 trillion won due to increased electricity rates and sales. The debt-to-equity ratio rose from 46.0% in 2005 to 47.9% in 2006, keeping a sound financial position.

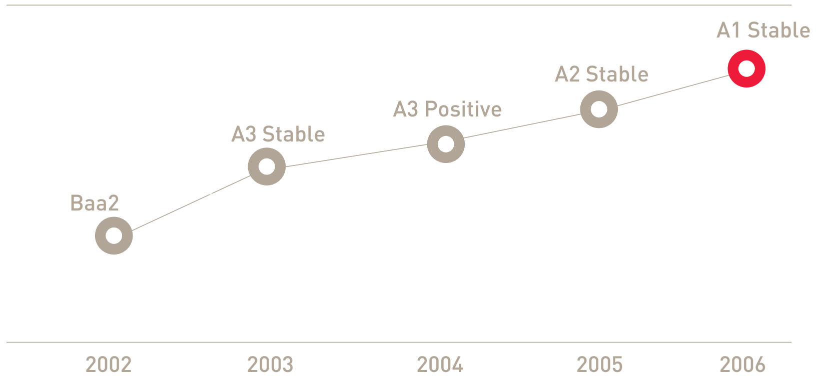
●●● As a listed company on the NYSE, KEPCO implements CEO/CFO certification of its annual report, establishment of ethical principles for high-rank accounting managers, and the obligation to get the audit commission's prior consent when using external auditors, in order to observe the regulations required under the Sarbanes-Oxley Act. KEPCO also adopted a global accounting system. In March 2005, the company built an internal control system to ensure it could effectively control financial reporting practices. KEPCO files financial reports audited by top management and external auditing agencies on the SEC (Securities and Exchange Commission) of the United States.

●●● Through success in innovation, KEPCO's corporate value increased, as proven in the rise in the stock price from 37,800 won per share at the end of 2005 to 42,400 won at the end of 2006. Further, KEPCO made active IR efforts. Considering such activities, Moody's rated KEPCO's credit as 'A1 (Stable)', which is higher than that of the government.

Stock price unit: won, at year end



Changes in international credit rating (Moody's)



"Park Hyun-Bin (3rd grade, Jeonju Elementary School) and Chung Ji-Eun from the Management Innovation Department of KEPCO. Innovation is the common denominator between them. At last year's Venture Essay Contest, Hyun-Bin won the prize for his innovative ideas. Ji-Eun, having participated in the recently completed project for implementing an ERP system at KEPCO, is experiencing the fruits of innovation first-hand. We put trust in their commitment to the pursuit of innovation."

CHALLENGE AND GROWTH

10:00 am
Wednesday

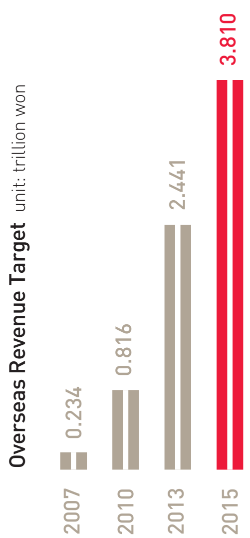
KEPCO, as a global brand, is making a name as a leading player in the international electric power industry. Unwavering will to pioneer new frontiers, advanced technology and a talented workforce with a global mindset are strong engines behind KEPCO's growth. KEPCO employees are taking one impassioned step after another to reach the top of the global market.

Expansion and Diversification of Overseas Business

Based on its international achievements, well-known brand and excellent managerial and technological capabilities, KEPCO is strengthening its image as a global energy group.

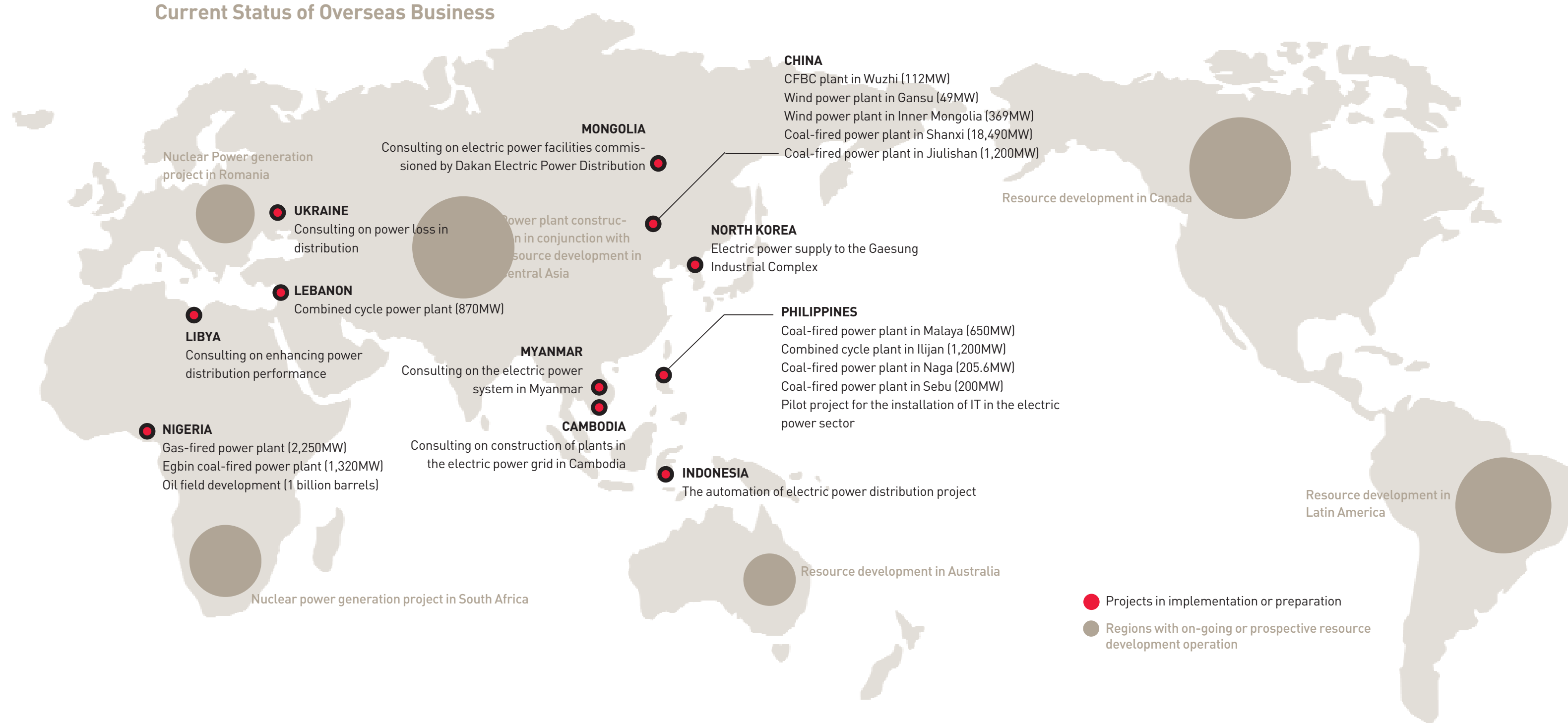
●●● At the end of 2006, KEPCO posted 171.6 billion won in overseas revenue from projects in eight countries including the Philippines, China and Lebanon, and is operating power plants of 1,506MW installed capacity. In the future, through package deals covering resource development, power facility and infrastructure construction, KEPCO aims to expand its power generation assets to 5,000MW by 2010 and 10,000MW by 2015. KEPCO plans to increase its overseas revenue to 3.8 trillion won, or about 8% of expected domestic revenue, by 2015.

●●● To accomplish these goals, KEPCO is changing its business strategies and expanding its business regions. It also added nuclear power generation projects in overseas power generation businesses and diversified its overseas projects into transmission, communications and resource development. KEPCO signed a contract with Nigeria to build a 2,250MW gas combined power plant that is linked with a project to build 1,200km of gas pipelines and another to explore two off-shore oil mines with expected reserves of 1 billion barrels.



As of the end of 2006, KEPCO had overseas operations in eight countries, including the Philippines, China and Lebanon, from which it made 171.6 billion won in overseas revenue. KEPCO aims to increase the share of its overseas business to 8% of its total revenue, or 3.8 trillion won, by 2015.

Current Status of Overseas Business



●●● By successfully completing the construction of the 112MW Wuzhi CFBC (circulating fluidized-bed combustion) Co-generation Power Plant in China, KEPCO made a solid step into the Chinese electricity market. KEPCO also completed 139MW wind power projects located in Inner Mongolia and a 49MW wind power project in Gansu, China. KEPCO is developing a 1,200MW coal-fired power plant in Henan Province, China and set up a joint venture to build more power plants to make a total capacity of 18,490MW in Shanxi Province, China.

●●● To develop and operate overseas projects more successfully, KEPCO reinforced its overseas business organizations from two departments to three departments, and adopted competition among departments in terms of development and operation of overseas projects.

●●● In March of 2005, KEPCO started supplying electricity to the Gaesung Industrial Complex in North Korea for the first time in 57 years of separation on the Korean Peninsula. And KEPCO will supply additional electricity for the complex by constructing 154kV transmission lines and a substation. By June of 2007, construction of the transmission facilities will be complete.

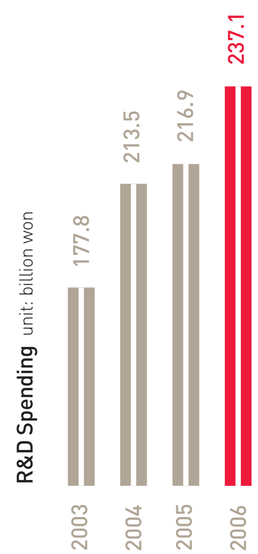
Development of Cutting-edge Technologies

To acquire high-level international technology, KEPCO has been making aggressive investments into technology development. KEPCO's R&D investment increased to 237.1 billion won in 2006, up 9.3% from 216.9 billion won in 2005.

●●● In 2006, KEPCO innovated R&D systems to concentrate on core technologies. By setting up a basic plan for electric technology development, KEPCO developed 109 technologies in fields such as hydro, thermal and nuclear power generation. KEPCO also introduced a BSC-based strategic performance management system by elaborating on the existing R&D achievement management system.

●●● To nurture key R&D personnel, KEPCO diversified recruiting channels into various categories such as exchange researchers and doctorate and master's-degree holders. For active R&D with academic industrial research institutes and international cooperation, KEPCO made MOUs with the KJTD Company in Japan, Atomic Energy of Canada Limited, and the Europe Desalination Association, and did co-research with EPRI in USA and COG in Canada.

●●● KEPCO developed an evaluation mechanism for technology and established a measure to facilitate technology transfer. KEPCO also implemented a task to optimize patented property management techniques to boost intellectual capital management. Further, KEPCO's efforts to develop cutting-edge technologies resulted in a presidential commendation at the 'The 39th Science Day' event. Korea Laboratory Accreditation Scheme (KOLAS) confirmed KEPCO's R&D quality, proving the company's excellent R&D capabilities.



Securing Growth Engines in Renewable Energy

As its future growth engines, KEPCO is developing renewable energy, such as fuel cells and solar and wind power generators. Selecting renewable energy as strategic projects of future growth, KEPCO is making a lot of investments. In this regard, KEPCO is working along with the government to supply 7% of the nation's total energy consumption with renewable energy by 2011, and is playing a leading role in developing and distributing relevant technologies.

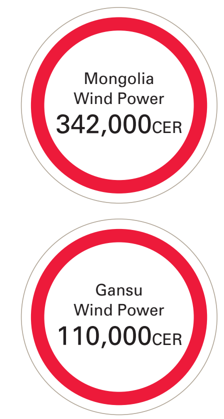
●●● KEPCO developed a renewable energy business model for fuel cells, seaside wind power projects and IGCC plants, and set up development strategies and a master plan for CDM (Clean Development Mechanism) business. In China, KEPCO made a 7.68 million-dollar contract to sell emission rights from wind power generation in Gansu and Inner Mongolia, utilizing the CDM business mechanism. In addition, KEPCO completed 26.5MW in renewable energy projects, comprised of a 3.1MW solar power plant, a 17.7MW wind power complex, a 5.4MW hydroelectric power plant, and a 0.3MW fuel cell facility.

●●● Currently, independent solar power generation systems are built in Hodo (90kW), Chungnam Province, Hawado (60kW) and Gosado (45kW), Jeonnam Province. A 120kW grid-connected solar power generation system is installed around the area of the Taean Thermal Power Plant.

●●● KEPCO is yielding good outcomes in the development of fuel cells and seaside wind projects. The company developed a 100kW MCFC (Molt Carbonate Fuel Cell) project, which uses carbonate as electrolyte material, and installed it at the site of the Boryeong Thermal Power Plant. In addition, a 6MW wind power plant in Bukjeju-gun, Jeju Island is in operation.

●●● KEPCO and its 6 power-generation subsidiaries plan to invest 1.13 trillion won in developing renewable energy projects by 2008 to secure future growth engines.

CER acquired from CDM Projects (unit: tons)



KEPCO is seeking to accelerate the development of core technologies with innovations in its R&D system. By drawing up the Basic Plan for Electrical Power Technology Development aligned with business strategies, KEPCO has identified 109 technologies, including those for renewable energy, to be obtained in the future.

Developing Global Talent

2006
2.2%
(447 employees)

2015
10%

No. of Employees Listed in Top 3 International Biographical Dictionaries

2005
13 employees

2006
23 employees

Nurturing Globally Competitive Personnel

Talented employees of a company are the keys to success, and are integrated resources of knowledge, information and technology. To be a total energy group with global competitiveness, KEPCO's '2015 KEPCO HRD (Human Resources Development) Plan' stresses linking education programs with job tasks, assigns educational positions to each business unit and implements an educational performance evaluation system. Through these initiatives, 447 employees, or 2.2% of all employees, were nurtured to be globally competitive personnel. KEPCO has a plan to cultivate 10% of its total employees as globally competitive specialists by 2015.

●●● To continue its drive for developing future growth engines through nurturing globally talented personnel, KEPCO opened an in-house Job Specialist School and trained 120 staff members in 6 fields. Also, KEPCO sponsors selected employees to complete master's and doctorate degrees at domestic and foreign universities, and opened MBA courses at local universities. By connecting the company's educational programs with overseas projects, KEPCO employees become prepared for more overseas experiences.

●●● To foster a global mindset in new employees, KEPCO prepares to offer a 'global challenge program' which will include visits to sites of KEPCO's overseas projects. Such efforts are producing significant achievements. Two KEPCO's employees were listed in the top 100 engineers in the world, as selected by IBC (International Biographical Center). 23 KEPCO employees were listed in the world's Top 3 international biographical dictionaries, which is 10 more employees than in 2005.

The KEPCO Job Specialist School is an in-house college at KEPCO. So far, the school has produced 120 graduates in 6 programs. KEPCO strives to upgrade the education provided by opening a local MBA course and expanding master's and doctorate programs conducted on commission.

"A seagull flying high sees very far. Choi Hoon-Kyu (1st grade, Kyo-ha Middle School, Paju) and Huh Kyung-Gu, head of Asia Business at KEPCO. Hoon-Kyu won the Global Talent Award in February this year in recognition of his multiple awards in competitions for youths who are gifted in the sciences. Mr. Huh is building a future growth engine of KEPCO by working on overseas projects. The world seems too small for their great aspirations."

CARE AND SHARE

3:00 pm. Sunday

Love grows when it's shared. KEPCO Social Service Teams are filling the world with warm rays of love. From doing recovery work on disaster scenes to volunteering medical services in less developed countries and performing puppet plays for children, KEPCO Social Service Teams carry out diverse volunteering activities.

Volunteering by newly promoted employees taking root as part of corporate culture at KEPCO

Winning a Prime Minister's Prize in recognition of support for farming villages

KEPCO Volunteer Group - A Messenger of Hope and Love

As a socially responsible corporation, KEPCO has a company-wide initiative for community volunteering led by the KEPCO Volunteer Group, which is composed of a number of Social Service Teams. These teams were inaugurated within KEPCO in 2004 with the objective of organizing employees' individual volunteering activities, which had been taking place without any coordination, into a company-wide effort. Today, the social service teams have grown into a body of 273 teams with a total membership of 10,500.

●●● Since the founding of the group, KEPCO Social Service Teams have organized over 15,000 volunteering activities. To raise funds for their volunteering activities, KEPCO Social Service Teams have set up a 'Love Fund', in which each employee is encouraged to buy one account for 1,000 won. Last year, 95.3% of KEPCO employees, 19,068 people, purchased an average of 5.33 accounts per person, making the accumulated number of accounts in the Love Fund hit 100,000 as of October 2006. As a result, the total funds raised for the social service teams reached 6.3 billion won in 2006 with the addition of an annual 2 billion won in matching grants donated by the company.

●●● Under the slogan of 'Light to the World, Love to the Neighbors', KEPCO Social Service Teams have been actively reaching out to those in need. Each team sought a sisterhood relationship with one rural village to provide much-needed help with their farming work, and 214 villages were supported. This was recognized by the Prime Minister's Prize, given for a company that supports farming villages. The teams also visited 4,200 veteran households in need of financial support, to help them with household chores and deliver daily necessities, and took out senior citizens living alone to an event with free meals, performances, health care advice and gift giveaways. The teams also carried out joint volunteering activities with other organizations, including National Emergency Management Agency, Korea Gas Safety Corporation and Korea Electricity Safety Corporation.

Status of KEPCO Social Service Teams

As of 2006 year-end

	Category	At Founding	Present	Change
Social Service Teams	No. of Teams	263	273	10
	Membership	4,038	10,500	6,462
Love Fund	No. of Accounts	79,941	101,806	21,865
	No. of Subscribers	16,380	19,068	2,688
	Subscription Rate(%)	84.5	95.3	10.8
	Average No. of Accounts Per Subscriber	4.88	5.33	0.45

"Ggok-ggok-yee", the puppet play performed by KEPCO Social Service Teams

KEPCO Art Center, a cultural multiplex with a multi-purpose auditorium, galleries and an electricity museum

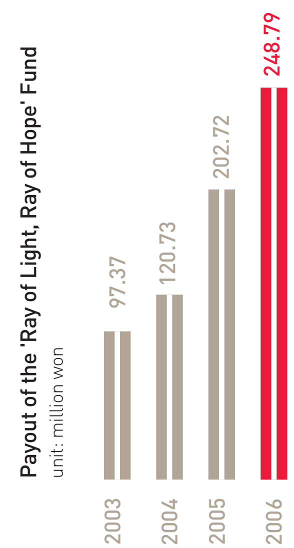
Social Contribution Programs

Social contribution is an integral part of implementing KEPCO's corporate philosophy of 'Care and Share'. KEPCO carries out a wide variety of social contribution activities nationwide, such as on-site electric wiring and device checkups for underprivileged households and free supply of high-efficiency electric devices to low-income families. Also, to support low-income families who were subjected to power disconnection due to bill payment delay, funds were raised under the 'Ray of Light, Ray of Hope' campaign that paid the electricity bills of 1,309 households with 248.8 million won raised.

●●● With the hopes of sharing the pain of those in despair, KEPCO began in 1999 to post pictures of missing children on electricity bills, and continued to do so with its newsletters and Internet homepage. By 2006, 101 missing children were found and returned to their families. KEPCO put together a performance team who performed a children's puppet show every month with stories about missing children, and the 'name tags for children' campaign is ongoing.

●●● KEPCO is also very active in sponsoring culture and art. KEPCO Plaza provides exhibition hall free of charge for many artists and KEPCO Art Center runs the multi-purpose concert hall that can hold almost 1,000 seats. Every year, in partnership with the Korea Symphony Orchestra, KEPCO organizes 20 concerts around the nation under the theme of hope, love and sharing, and holds fund-raising events for underprivileged youngsters on the sidelines. KEPCO is supporting talented young artists as well; KEPCO has sponsored the Young Musicians Contest since 1992.

●●● For children, KEPCO holds Electricity Science Camps during vacations to let our future leaders have fun with science and learn more about electricity.



Reaching Beyond Borders

Dismantling barriers between people and sharing with others are the essence of social contribution. KEPCO actively engages in social contribution activities beyond national borders. In the Philippines, KEPCO runs power plants in Malaya and Ilijan. There, KEPCO is not only interested in ensuring business success, but also in carrying out a variety of social contribution activities, becoming a close neighbor of Philippine government and its people. The initiative has enabled electrification in 262 local villages since 2001 and we plan to support additional 500 villages by 2010.

●●● Every year, KEPCO sends out a group of health care professionals to rural villages in the Philippines. Medical services at the infirmaries on power plant sites are made available to local residents and patients. KEPCO replaced outdated toilets at homes near the Ilijan Power Plant with modern ones, and donated a gym to be used for leisure activities, sports and cultural events of the community. Also, KEPCO is donating ambulances and cleaning cars, and sponsoring the effort to manage the surroundings of the power plant. KEPCO is building a strong bond with the local communities.

●●● KEPCO pro-actively engages in social contribution activities in communities where its overseas operations are executed. Through such efforts, KEPCO contributes to the enhancement of Korea's reputation overseas and plays the role of private diplomacy. In the future, KEPCO will continue to expand its social contribution efforts in all areas of its overseas operations, including Southeast Asia and China.

Rural Electrification in the Philippines

262 villages

In the Philippines, KEPCO is not just a business partner, but a caring neighbor. KEPCO carried out electrification of 262 rural villages in the country.

Growing Together with SMEs

Understanding that the technological competency of SMEs (Small-to-Medium size Enterprises) is the source of its own technological competency and that the growth of SMEs directly affects its own growth, KEPCO pursues co-prosperity with its SME partners and is building a sustainable basis for parallel growth.

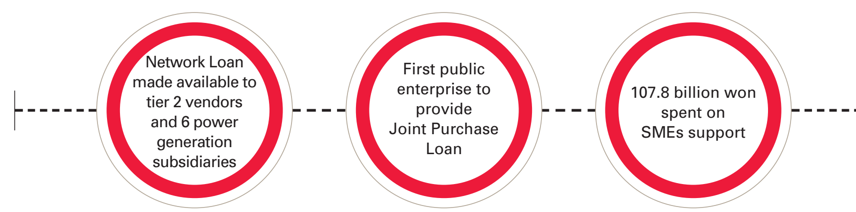
●●● With a group-wide system to encourage integrated support to SMEs, KEPCO's 6 power generation subsidiaries and 4 affiliates are evaluated on their performance in supporting SMEs. KEPCO is taking financial support for SMEs more seriously and has diversified financing options for SMEs; the eligibility of the Network Loan has been expanded to include not just contractors but also sub-contractors of KEPCO and 6 power generation subsidiaries. KEPCO introduced a collateral and security deposit-free Joint Purchase Loan for the first time among public corporations. In 2006, a total of 107.8 billion won was provided to SMEs to meet their financing needs.

●●● Meanwhile, KEPCO has formed a task force dedicated to expanding joint purchases so that its policy for mutual growth with SMEs can be linked to corporate procurement practices. As of the end of 2006, KEPCO group companies purchased goods and services from SMEs valued at 5.5 trillion won, a 25% increase from 2005. This is almost half (45%) of the 2005 performance of 6 large public corporations that had signed an MOU for joint purchases. In order to boost SME exports, KEPCO participated along with its SME partners in a number of overseas exhibitions, export meetings, and investment opportunity seminars to let them leverage on KEPCO's brand name. Thanks to such support, KEPCO's SME partners concluded export contracts worth 435.4 million dollars in 2006.

●●● Profit-sharing with vendors is a model unique to KEPCO. The model was introduced in 2006 in areas of manufacturing cost reduction for machinery and equipment and construction cost reduction through new construction techniques. Profits made from manufacturing cost reduction in machinery and equipment were distributed between SMEs and KEPCO. Savings in construction cost reduction was also distributed between SMEs and KEPCO.

KEPCO will continue to discover and support innovative SMEs to build a sustainable basis for mutual growth of large and small companies, which it views essential in deepening technology and expanding the market.

Financial Support for SMEs



Environmental Management for a Sustainable Society

KEPCO strives to implement environmental management across all areas of its business, from generation to transmission and distribution, as part of its effort for sustainable management. Today, KEPCO has an integrated system in place for environmental management, whereby it sets and implements the company's environmental policies regarding issues such as making the power supply chain more environmentally friendly and responding to climate change.

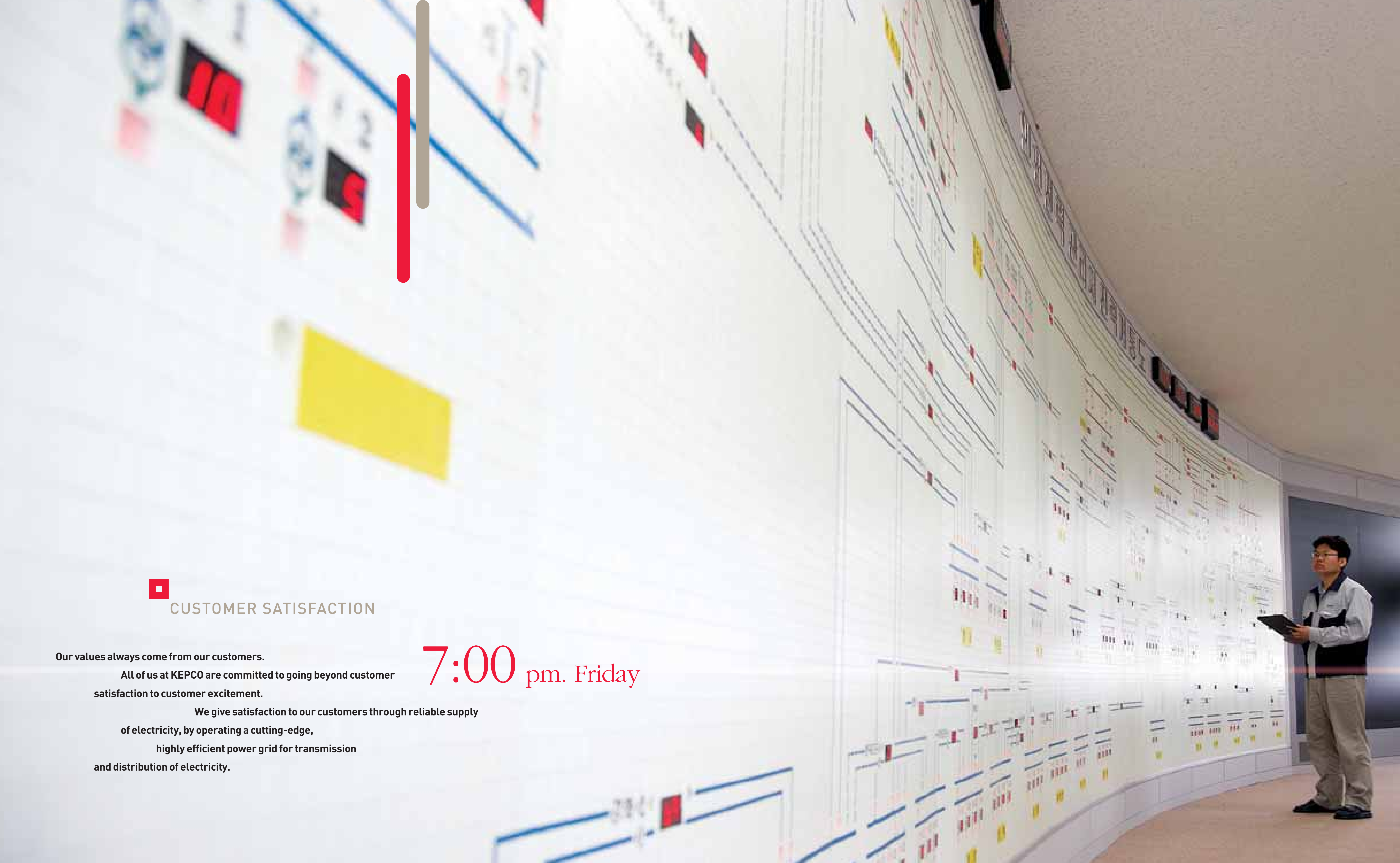
●●● In 2007, KEPCO plans to acquire ISO14001 certification for its operations in transmission and distribution, and additional certification for the rest of operations in 2008. Also, KEPCO plans to conduct a bi-annual analysis of key projects and to publish sustainability reports on a regular basis. As response to resource depletion and environmental degradation, KEPCO is actively seeking to develop renewable energy.

●●● KEPCO is taking initiatives in implementing environmental management. Its power plants are already equipped with desulphurization and waste treatment facilities. KEPCO uses satellite images when selecting a location for new facilities in order to minimize the impact on the environment. Electricity poles are transported by helicopter and environmentally friendly construction methods are increasingly put to use by KEPCO, such as the use of pipe-type steel towers, to fit into the landscape well.

●●● Doon-ji Substation in Daejeon, which was completed last year, takes the form of multi-purpose building including residences. The 154kV-class Doonji Substation, in particular, is a building in which state-of-the-art alternative energy solutions have been adopted, such as solar power generation and heating with waste heat collected from transformers. Jongro Substation, which is well-mixed into the urban landscape near Cheong-gye Stream, and Hwang-gye Substation, which is nestled in its surrounding environment, are often cited as good examples of environmentally friendly substations.

Hwa-yang Substation in Seoul is actually a residential building constructed with environmental considerations in mind. The substation building has 154kV-class transformation facilities in an underground space and 16 residential units on the five above-ground floors, which are leased to KEPCO employees.

"As a ray of light brightens up the darkness, a warm heart brings hope to the world. Lee Ye-Won (5th grade, Seoyee Elementary School, Seoul) won the grand prize in the environment painting competition organized by UNEP National Committee for Korea. Lee Ha-Won, the team leader in charge of social contribution activities at KEPCO, oversees KEPCO Social Service Teams and supervises various outreach programs at KEPCO. Both of them say that happiness is doubled when shared."



CUSTOMER SATISFACTION

7:00 pm. Friday

Our values always come from our customers. All of us at KEPCO are committed to going beyond customer satisfaction to customer excitement. We give satisfaction to our customers through reliable supply of electricity, by operating a cutting-edge, highly efficient power grid for transmission and distribution of electricity.

Customer-Oriented Services

KEPCO is making every effort to satisfy customers by providing services that go beyond customers' expectations. KEPCO revised its Electricity Supply Agreement in favor of customers and reduced the time required to give answers to customer complaints to an average of 22 minutes by initiating the 'Internet Cyber Branch Service' for the first time among public institutions. Moreover, KEPCO introduced overdue charge calculation by applicable day and removed charges on customers for power loss on customer-owned power lines. As a result, KEPCO's customers saved 10.6 billion won in utility costs over the year.

●●● KEPCO expanded its 'Sales SI System' and 'Customer Centers' to all branch offices in order to improve accuracy and speed in handling customer complaints. Those at customer contact points took part in additional workshops and training sessions to learn how to respond to customers in a friendly way, thereby enhancing their competency in identifying and satisfying customer needs.

●●● KEPCO encourages suppliers and key customers to freely offer their ideas on how to improve KEPCO's business management. Furthermore, KEPCO instituted a consultation panel consisting of housewives and hired college students as part-time marketers in an effort to stay relevant to customers' needs and to remove potential causes for customer complaints at an early stage.

●●● KEPCO provides special discounts on electricity rates to low income families and customers with disabilities under the 'Welfare Discount Scheme'. During the hot or cold seasons, electricity disconnection is put on hold for residential customers. Even for those households subject to forced disconnection, KEPCO installs current limiters on their premises. In addition, KEPCO issued electricity bills in Braille for 16,000 households of visually disabled people. KEPCO's efforts to provide customer-oriented services paid off. KEPCO has ranked first in customer satisfaction for eight consecutive years among public organizations.

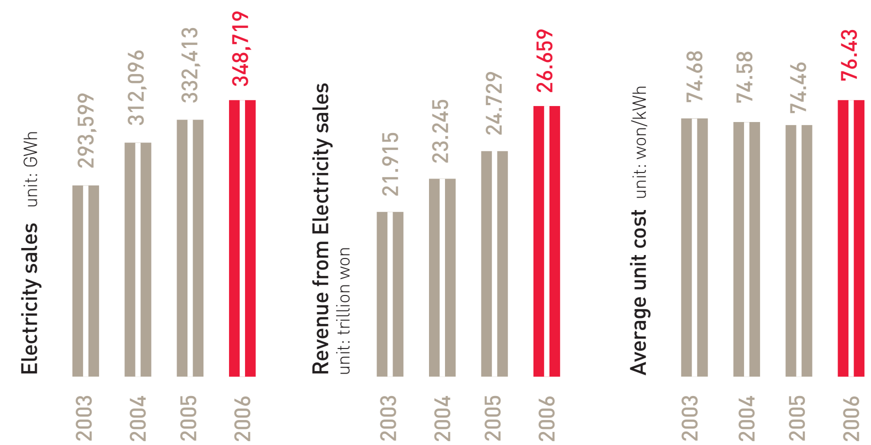
Energy Welfare Program

- Welfare Discount Scheme
- Electricity disconnection withheld in extremely hot or cold periods
- Rate incentives for low income families
- Electricity bills issued in braille

The eighth consecutive year of ranking No. 1 on the National Customer Satisfaction Index and becoming the first public enterprise to win the Ombudsman Grand Prize - the year 2006 saw KEPCO's efforts toward customer satisfaction bearing precious fruit.

Reasonable Adjustment of Electricity power rates

As of January 15, 2007, electricity rates were adjusted from 76.43 won/kWh to 78.04 won/kWh, up by 2.1%. Rate adjustment had to be made due to cost pressures, including rising fuel prices and the increased burden of community development taxes while encouraging energy conservation. While rates for residential and commercial customers were frozen at the current level, there was an increase of 4.2% in the electricity rates of industrial customers, 9.7% for night-time electricity and 4.2% for street-light electricity.



Highly Efficient System Operation for Transmission and Distribution

KEPCO operates highly efficient facilities for electric power transmission and distribution in order to supply electric power in a reliable way, and as a result, it is winning customer trust. The underground transmission/distribution line ratio also increased; in urban areas, the underground transmission line ratio stood at 97.3%, achieving 101% of the annual target. 83.1% of substations were replaced with GIS, achieving 100% of the target. A total of 22,017c-km of distribution lines were buried underground, also achieving 100% of the target.

●●● For voltage stabilizations in the Seoul metropolitan area, static condensers were installed at 42 locations in order to preempt failures in electric power facilities an on-line monitoring and diagnosis system was established for detecting defects at substation facilities in advance; the equipment history management system was made available enterprise-wide; phase-specific load management systems for distribution lines were developed and installed enterprise-wide; a system for simulating planned outage scenarios was built and linked to the SCADA system as part of an effort to advance power system operation coverage of the instructions issued by the Distribution Control Center was expanded with the use of IT applications, and the center's operations were digitalized to a large extent.

Transmission Facilities

As of Dec. 31, 2006

Voltage	Line length (c-km)			Poles and Towers (units)		
	Overhead	Underground	Total	Steel Tower	Others	Total
765kV	755	-	755	748	-	748
345kV	8,059	220	8,279	10,836	11	10,847
154kV	17,348	2,166	19,514	25,683	267	25,950
66kV	493	3	496	1,049	1,043	2,092
180kV(HVDC)	30	202	232	-	617	617
Total	26,685	2,591	29,276	38,316	1,938	40,254

Substation Facilities

As of Dec. 31, 2006

Voltage	Substation(number)		Switch Yard (number)	Total	No. of Transformers (Bank)	Transformer Capacity (MBA)
	Manned	Unmanned				
765kV	4	-	1	5	12	21,114
345kV	55	-	25	80	181	90,049
154kV	110	419	19	548	1,765	104,417
66kV	1	5	-	6	28	485
22kV	-	5	2	7	19	212
Total	170	429	47	646	2,005	216,277

Electric Power Distribution Facilities

Route Length
393,304
c-km

Transformer Capacity
88,266MVA

Distribution Poles/Towers
7,608,000
units

A Reliable Supply of Top Quality Electricity

The first light of modernization was lit in Korea 120 years ago, and today electricity produced by KEPCO boasts the world's highest level of quality: electric power generation at peak capacity is 58,990MW, a 8.0% rise year-on-year; the power outage time per household was 18.8 minutes as of 2006, which is far shorter than that of the U.S. (138 minutes) and France (56.6 minutes); the voltage regulation compliance ratio stood at 99.9% and the frequency regulation compliance ratio at 99.7%, both of which correspond to the world's top levels. For 2007, KEPCO has set the target for outage time at 18.6 minutes, down by 0.2 minutes from the previous year, and the target for high voltage breakdowns at 1,605 times, down 3% from the year before.

Advanced System for Disaster Recovery

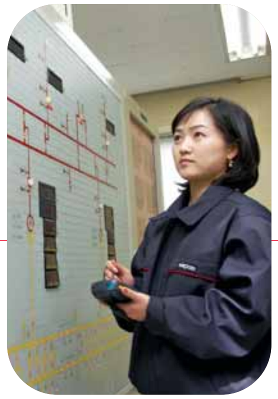
KEPCO operates DAMS (Disaster Action Management System), an advanced disaster recovery system, to respond to contingencies such as natural disasters in order to ensure the reliability of power facilities. Also, to facilitate swift recovery from a disaster, the Disaster Situation Room pools together resources from the entire KEPCO group of companies. KEPCO shares any information about electric power disasters immediately with relevant government agencies, such as the National Security Council, the Ministry of Commerce, Industry and Energy, and the National Emergency Management Agency to collaborate with the government side in dealing with disaster situations.

Reasonable and Efficient Demand-side Management

Korea is the world's number one in per capita energy consumption relative to per capita income. Due to high oil prices in particular, Korea's energy imports amounted to 85.5 billion dollars last year, representing as much as 28% of the country's total imports in terms of value. KEPCO has closely followed Demand-Side Management (DSM) programs of countries with leading energy technology, such as the U.S., Japan and European countries, since 1980s. Based on the analysis, KEPCO has developed its own DSM model to fit the Korean market, and has been building expertise in DSM for over 20 years.

●●● With the electricity reserve rate maintained at 10.5%, KEPCO successfully balanced electricity demand with supply in summer time. KEPCO also achieved the world's highest level of load factor at 73.8%, and with a reduction of 2,790MW in peak demand, which is equivalent to six times the capacity of a 450MW class LNG-fired combined cycle power plant, 878.1 billion won in national capital investment was saved as a result.

●●● KEPCO's DSM efforts can be divided into two parts: one is load management focused on load leveling, and the other is energy efficiency enhancement in which demand is curbed through efficient use of electricity. Load management covers 8 programs, including summer holiday incentives, voluntary power-saving and ice storage cooling systems. Energy efficiency enhancement covers 7 items, including highly efficient lighting devices, motors and vending machines. The energy efficiency enhancement program encourages the development and widespread use of high-efficiency devices, thereby helping customers to save on their bills and curbing energy use on the national level.



In March of last year, KEPCO won the Demand Response Annual Award from the Peak Load Management Alliance (PLMA). It is an award presented in honor of the best performance in demand-side management, such as peak demand control and load management, and KEPCO became the first foreign company outside of the U.S. to win the award.

"Ahn Joon-Do (5th grade, Samyook Elementary School) meeting with Dr. Sung Tae-Hyun, a world-renowned scientist. Joon-Do is gifted in science, and designated as such by Seoul Dongbu District Office of Education. Dr. Sung, the chief researcher at the superconductivity group of the Korea Electric Power Research Institute, developed a superconductive flywheel energy storage device. He was listed among the world's top 100 scientists, and the American Biographical Institute founded an award named after Dr. Sung. As a scientist of tomorrow and a scientist of today, they share one dream - making a better world through science."

2006 at a glance

Feb. 15 Acquired shares of Salcon Power Corp. of the Philippines KEPCO bought 40% of shares of Salcon Power Corporation, which is operating the Naga Power Plant in the Philippines, and appointed the Senior VP of the Overseas Business Division as a board member of the company to take part in management.

Mar. 3 Held an IR meeting in London KEPCO held an IR meeting to introduce the overall performance and status of KEPCO in London, one of the largest global financial markets. More than 50 institutional investors attended the event and showed great interest in KEPCO, regarding it as a very attractive company to invest in.

Mar. 9 Signed a contract to develop offshore oil blocks in Nigeria A consortium comprised of KEPCO, Korea National Oil Corporation, and Daewoo Shipbuilding & Marine Engineering Company concluded a contract to develop two offshore oil blocks. The project is linked with constructing and operating 2,250 MW gas combined-cycle power generating units and 1,200 km gas pipelines.

Mar. 13 Received PLMA Demand Response Award KEPCO won an award for its excellent performance in demand-side management from the PLMA (Peak Load Management Alliance) of the U.S.A.. PLMA gives the award to a company which showed outstanding results in peak demand reduction and load factor management.

May 3 Formed an investment fund to support SMEs KEPCO and its over 10 subsidiaries and affiliates invested 8.2 billion won to establish a fund to support electricity-related projects and SMEs joint with the government and private investors. In addition, KEPCO plans to support R&D projects through advice from experts and surveys of the R&D demands of the industry.

May 10 Made an agreement to supply more electricity to Gaeseong Industrial Complex KEPCO signed an Agreement on Constructing Transmission Facilities to increase power transmission capacity to the Gaeseong Industrial Complex. This will contribute to boosting cooperation and economic relations between two Koreas.

May 15 Held opening ceremony of KEPCO-Lebanon There was an opening ceremony of KEPCO-Lebanon, one of KEPCO's overseas local subsidiaries, which operates the Zahrani and Deir Ammar thermal power plants in Lebanon. Based on the operation business of the two power plants in Lebanon, KEPCO expects to take part in IPP projects in the nation and to expand its business in Middle Eastern power markets.

May 25 Moody's increased KEPCO's credit to A1-Stable Moody's, a world renowned credit rating agency, raised KEPCO's long-term investment credit grade from A2-Positive to A1-Stable, the highest credit rating in Korea and two-notches higher than that of the government.

Jun. 20 Received 2006 Edison Award KEPCO won the '2006 Edison Award', which is the most prestigious prize in the world electric industry. By winning the award, KEPCO's outstanding capabilities in project implementation and high-level technology were accredited around the world.

Jun. 28 1st Sustainable Management Award KEPCO won the Grand Prize in the '1st Sustainable Management Award' hosted by the Seoul School of Integrated Sciences and Technologies. The award was given in recognition of KEPCO's leading role in instituting sustainable management.

Jul. 7 Nominated as the most innovative company by the government In recognition of KEPCO's performance in innovating managerial systems and concentrating on future growth engines, KEPCO was selected as the best innovator in the '2005 Innovation Evaluation' conducted by the Ministry of Planning and Budget for over 210 public corporations.

Sep. 6 Selected as the best electric company in Asia by Platts magazine KEPCO was nominated as the best electricity company in the Asia/Pacific region by Platts magazine of the U.S.A., a world-famous energy information provider. This is another recognition of KEPCO's top-level international capabilities and technologies.

Sep. 25 Introduced SBUs(Sub Business Units) system in distribution To promote the internal competition, KEPCO transformed 9 distribution district offices into SBUs. Under the new system, each business unit is more accountable for business and financial performance, based on decentralized and empowered authority.

Oct. 2 Initiated ERP system operation After a two year development, KEPCO started operation of its ERP system called 'PowerPia',which will facilitate job integration, business transparency, and managerial efficiency. Using the system, KEPCO will provide better services for customers and strengthen competitiveness in the market.

Nov. 29, 30 Completed Wuzhi CFBC Plant and Inner Mongolia wind power projects KEPCO successfully commissioned the Wuzhi CFBC Power Plant, KEPCO's first thermal power generation project, and wind power complexes in Inner Mongolia, China.

Dec. 2 Received grand prize in the 3rd Ombudsman Award The Ombudsman of Korea gave KEPCO the grand prize in the 3rd Ombudsman Awards ceremony in recognition of its efforts to protect the public's interest and improve civil rights.

CORPORATE DATA

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

1. Sales

Our results of operations, sales in particular, are dependent upon demand for electricity in Korea and the rates we charge for the electricity we sell.

Demand for electricity in Korea grew at a compounded average rate of 6.2% per annum for the five years ended December 31, 2006. According to The Bank of Korea, the real gross domestic product, or GDP, compounded growth rate was approximately 4.7% for the same period. The GDP growth rate was 4.0% in 2005 and 5.0% for 2006.

The rapid growth in Korea's economy since the early 1960s has resulted in substantial growth in the demand for electricity. While the worldwide economic recession of the early 1980s slowed economic growth in Korea, in the latter half of the 1980s, Korean economy resumed its rapid growth, which resulted in a substantial increase in demand for electricity. The slow economic growth in Korea in the early 1990s resulted in a slight decline in the growth of demand for electricity. After facing the negative growth rate in 1998 due to the financial crisis, we recovered the stable electricity demand growth rate between 6% and 8% in the early 2000s. However, electricity consumption levels, particularly during periods of peak demand, continue to press the limits of available supply. Demand for electricity increased by 8.0% from 2001 to 2002, by 5.4% from 2002 to 2003, by 6.3% from 2003 to 2004, by 6.5% from 2004 to 2005 and by 4.9% from 2005 to 2006. The table below sets forth, for the periods indicated the annual rate of growth in Korea's gross domestic product, or GDP, and the annual rate of growth in electricity demand (measured by total annual electricity consumption).

	2002	2003	2004	2005	2006
Growth in GDP (at 2000 constant prices)	7.0%	3.1%	4.6%	4.0%	5.0%
Growth in electricity consumption	8.0%	5.4%	6.3%	6.5%	4.9%

Electricity demand in Korea varies within each year for a variety of reasons other than the general growth in demand. Electricity demand tends to be higher during daylight hours due to heightened commercial and industrial activities and electrical appliance use. Due to the use of air conditioners, electricity demand is higher during the summer than during any other season. Variation in weather conditions may also cause significant fluctuation in electricity demand.

2. Demand by Types of Usage

The table below sets forth the consumption of electric power by the type of usage for the periods indicated.

	2002	2003	2004	2005	2006	% of Total (2006)
Industrial	144,454	150,387	158,337	166,813	174,661	50.1
Commercial	91,719	98,640	105,144	114,727	121,535	34.8
Residential	42,278	44,572	48,615	50,873	52,523	15.1
Total	**278,451**	**293,599**	**312,096**	**332,413**	**348,719**	**100.0**

Demand for electricity increased by 3.0% to 93,771 million kilowatt hours from the first quarter of 2006 to the first quarter of 2007.

The industrial sector represents the largest segment of electricity consumption in Korea. While demand from the industrial sector (including the agricultural sector) has increased steadily as a result of economic expansion in Korea, it has gradually declined as a percentage of total demand from 58.0% of total demand in 1997 to 50.1% in 2006. Demand from the industrial sector (including the agricultural sector) increased by 4.7% to 174,661 million kilowatt hours in 2006 as compared to 2005.

Demand from the commercial sector has increased in recent years, both in absolute terms and as a percentage of total demand. The rapid expansion of the service sector of the Korean economy has resulted in increased office building construction, office automation and use of air conditioners. Growth in the commercial sector is also attributable to the construction industry and the expansion of the leisure and distribution industries. Demand from the commercial sector increased by 5.9% to 121,535 million kilowatt hours in 2006 as compared to 2005

In 2006, we provided electricity to 11 million households, or almost all of the households in Korea. Continuing increase in demand from the residential sector is due primarily to an increase in population and increased use of air conditioners and other electrical appliances. Demand from the residential sector increased by 3.2% to 52,523 million kilowatt hours in 2006 as compared to 2005.

3. Financial Results

The following analysis is based on our audited non-consolidated financial statements prepared in accordance with generally accepted accounting princples in Korea as of Dec. 31, 2006.

2006 Compared to 2005

In 2006, our revenues from the sale of electric power, the principal component of our operating revenues, increased by 7.6% to ₩26,901 billion(US$28,926 million) from ₩24,995 billion in 2005, reflecting primarily a 4.9% increase in kilowatt hours of electricity sold in 2006 and 1.9% increase in the tariff rates on average, which became effective in Dec.2005. The increase in electricity sold was primarily attributable to a 4.7% increase in kilowatt hours of electricity sold to the industrial sector, a 5.9% increase in kilowatt hours of electricity sold to the commercial sector and a 3.2% increase in kilowatt hours of electricity sold to the residential sector.

Operating expenses increased by 8.2% to ₩25,747 billion (US$27,685million) in 2006 from ₩23,786 billion in 2005, largely due to a 9.7% increase in our power purchasing expenses, the principal component of our operating expenses, to ₩20,347 billion (US$21,879 million) in 2006 from ₩18,544 billion in 2005, which resulted primarily from an increase in fuel costs. Our selling and administrative expenses increased by 4.1% to ₩1,202 billion in 2006 from ₩1,155 billion in 2005.

As a result of these changes, our operating income for 2006 decreased by 7.1% to ₩1,232 billion (US$1,325 million) as compared to ₩1,326 billion in 2005.

Our net non-operating income decreased by 25.0% to ₩1,392 billion (US$1,497 million) in 2006 from ₩1,855 billion in 2005, primarily as a result of (a decrease of net equity income of affiliates by 16.9% to ₩1,589 billion (US$1,709 million) in 2006 from ₩1,912 billion in 2005. Foreign currency transaction and translation gains remained stable at ₩236 billion(US$254million) in 2005 and 2006.

As a result of the above factors, our net income decreased by 15.4% to ₩2,071 billion (US$2,226 million) in 2006 as compared to ₩2,449 billion in 2005.

INDEPENDENT AUDITORS' REPORT

Based on a report originally issued in Korean

The Board of Directors and Shareholders
Korea Electric Power Corporation:

We have audited the accompanying non-consolidated balance sheets of Korea Electric Power Corporation (the "Company") as of December 31, 2006 and 2005, and the related non-consolidated statements of income, appropriation of retained earnings and cash flows for the years then ended. These non-consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these non-consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance 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 non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of Korea Electric Power Corporation as of December 31, 2006 and 2005, and the results of its operations, the appropriation of its retained earnings, and its cash flows for the years then ended in conformity with the Korea Electric Power Corporation Act, the Accounting Regulations for Government Invested Enterprises and accounting principles generally accepted in the Republic of Korea.

The accompanying non-consolidated financial statements as of and for the years ended December 31, 2006 and 2005 have been translated into United States dollars solely for the convenience of the reader. We have audited the translation and, in our opinion, the non-consolidated financial statements expressed in Korean Won have been translated into dollars on the basis set forth in note 2 to the accompanying non-consolidated financial statements.

Without qualifying our opinion, we draw attention to the following:

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

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

As discussed in note 27 to the non-consolidated financial statements, the Company had sales and purchases with related parties, including its six power generation subsidiaries for the year ended December 31, 2006 and recorded related receivables and payables as of December 31, 2006. Also, as of December 31, 2006, the Company has borrowings and long-term borrowings (including current portion) from Korea Development Bank ("KDB"), one of the Company's major shareholders. The Company has provided debt guarantees of KEPCO Ilijan Co., one of the Company's foreign subsidiaries, and performance guarantees of KEPCO Ilijan Co. to National Power Corporation in Philippine. In addition, KDB has provided guarantees for a portion of the Company's foreign currency debt.

KPMG Samjong Accounting Corp.

Seoul, Korea
January 31, 2007

Notice to Readers This report is effective as of January 31, 2007, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying non-consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

NON-CONSOLIDATED BALANCE SHEETS

December 31, 2006 and 2005
(In millions of Korean Won and in thousands of U.S. dollars)

	Won		U.S. dollars (note 2)	
Assets	**2006**	**2005**	**2006**	**2005**
Property, plant and equipment (notes 3 and 5):	46,072,259	43,163,840	49,561,380	46,432,702
Less: accumulated depreciation	(12,556,783)	(10,854,375)	(13,507,727)	(11,676,393)
Less: construction grants	(4,086,894)	(3,640,966)	(4,396,401)	(3,916,702)
	29,428,582	28,668,499	31,657,252	30,839,607
Construction in-progress	2,122,773	2,118,540	2,283,534	2,278,980
Net property, plant and equipment	31,551,355	30,787,039	33,940,786	33,118,587
Investments and other assets:				
Investment securities (note 6)	27,644,238	26,797,485	29,737,777	28,826,898
Long-term loans (note 7)	195,413	180,084	210,211	193,722
Currency and interest rate swaps(note 22)	-	549,668	-	591,295
Intangible assets (note 4)	214,284	235,040	230,512	252,839
Other non-current assets(notes 8 and 19)	262,197	151,854	282,054	163,356
Total non-current asset	28,316,132	27,914,131	30,460,554	30,028,110
Current assets:				
Cash and cash equivalents (notes 9 and 19)	129,225	208,513	139,012	224,304
Trade receivables, less allowance for doubtful accounts of W48,559 in 2006 and ₩44,330 in 2005 (notes 19 and 27)	2,249,045	2,041,366	2,419,369	2,195,962
Other accounts receivable, less allowance for doubtful accounts of ₩5,724 in 2006 and ₩5,232 in 2005 (notes 19 and 27)	264,305	263,041	284,321	282,961
Short-term financial instruments (note 10)	25,000	38,000	26,894	40,878
Currency swaps (note 22)	479,879	-	516,221	-
Currency forwards (note 22)	64	-	69	-
Inventories (note 11)	178,099	92,741	191,587	99,765
Deferred income tax assets, net (note 25)	251,413	207,860	270,453	223,601
Other current assets (notes 7 and 12)	91,684	74,150	98,627	79,766
Total current assets	3,668,714	2,925,671	3,946,553	3,147,237
Total assets	**63,536,201**	**61,626,841**	**68,347,893**	**66,293,934**

See accompanying notes to non-consolidated financial statements.

December 31, 2006 and 2005
(In millions of Korean Won and in thousands of U.S. dollars, except share data)

	Won		U.S. dollars (note 2)	
Liabilities and Shareholders' Equity	**2006**	**2005**	**2006**	**2005**
Stockholders'equity:				
Common stock of W5,000 par value				
Authorized - 1,200,000,000 shares				
Issued and outstanding- 641,567,712 shares in 2006 and 2005	3,207,839	3,207,839	3,450,773	3,450,773
Capital surplus (notes 3 and 13)	14,518,843	14,422,727	15,618,377	15,514,981
Retained earnings:				
Appropriated (note 14)	23,922,207	22,209,291	25,733,872	23,891,234
Unappropriated	2,071,223	2,444,451	2,228,080	2,629,574
Capital adjustments (note 15)	(758,088)	(78,646)	(815,499)	(84,602)
Total shareholders' equity	42,962,024	42,205,662	46,215,603	45,401,960
Long-term liabilities:				
Long-term debt, net (notes 18 and 27)	10,230,839	10,430,342	11,005,637	11,220,248
Accrual for retirement and severance benefits, net (note 20)	557,887	450,422	600,137	484,533
Reserve for self insurance	103,942	98,618	111,813	106,087
Currency and interest rate swaps (note 22)	-	56,388	-	60,659
Deferred income tax liabilities, net (note 25)	2,435,310	2,300,950	2,619,740	2,475,204
Other long-term liabilities	389,062	401,270	418,525	431,658
Total long-term liabilities	13,717,040	13,737,990	14,755,852	14,778,389
Current liabilities:				
Trade payables (note 27)	1,776,592	2,103,862	1,911,137	2,263,191
Other accounts payable (notes 19 and 27)	421,832	358,007	453,778	385,119
Current portion of long-term borrowings (note 17)	200,000	71,000	215,146	76,377
Current portion of long-term debt, net (note 18)	3,363,742	2,328,206	3,618,483	2,504,525
Income tax payable	423,120	97,189	455,164	104,549
Accrued interest expense	98,951	81,749	106,445	87,940
Other current liabilities (note 21)	572,900	643,176	616,285	691,884
Total current liabilities	6,857,137	5,683,189	7,376,438	6,113,585
Total liabilities	20,574,177	19,421,179	22,132,290	20,891,974
Commitments and contingencies (note 29)				
Total shareholders' equity and liabilities	**63,536,201**	**61,626,841**	**68,347,893**	**66,293,934**

See accompanying notes to non-consolidated financial statements.

NON-CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31, 2006 and 2005
(In millions of Korean Won and in thousands of U.S. dollars, except earnings per share

	Won		U.S. dollars (note 2)	
	2006	2005	2006	2005
Operating revenue (notes 27 and 32):				
Sale of electricity	26,900,604	24,995,344	28,937,827	26,888,279
Other operating revenues	78,429	116,987	84,368	125,847
Total operating revenue	26,979,033	25,112,331	29,022,195	27,014,126
Operating expense (note 27):				
Power transmission and distribution costs (note 23)	4,112,928	3,964,824	4,424,406	4,265,086
Purchased power	20,347,128	18,543,717	21,888,046	19,948,060
Other operating costs	85,611	122,680	92,095	131,971
Selling and administrative expenses (note 24)	1,201,775	1,155,193	1,292,787	1,242,678
Total operating expense	25,747,442	23,786,414	27,697,334	25,587,795
Operating income	1,231,591	1,325,917	1,324,861	1,426,331
Other income (expense):				
Interest income	15,702	16,001	16,891	17,213
Interest expense	(544,328)	(472,979)	(585,550)	(508,799)
Gain on foreign currency transactions and translation, net	236,336	235,946	254,234	253,815
Donations (note 31)	(105,687)	(108,636)	(113,691)	(116,863)
Rental income	138,294	128,469	148,767	138,198
Equity income of affiliates, net (note 6)	1,589,394	1,912,194	1,709,762	2,057,007
Gain on disposal of property, plant and equipment, net	6,784	22,359	7,298	24,052
Valuation gain (loss) on currency and interest rate swaps and currency forward contracts, net (note 22)	(26,466)	127,363	(28,470)	137,009
Income tax refund	25,808	14,510	27,762	15,609
Prior year error correction	4,126	38,986	4,438	41,938
Other, net	52,384	(59,089)	56,351	(63,564)
Other income, net	1,392,347	1,855,124	1,497,792	1,995,615
Income before income taxes	2,623,938	3,181,041	2,822,653	3,421,946
Income taxes (note 25)	(553,395)	(732,430)	(595,304)	(787,898)
Net income	**2,070,543**	**2,448,611**	**2,227,349**	**2,634,048**
Basic earnings per share (note 26)	**3,245**	**3,854**	**3.49**	**4.15**
Diluted earnings per share (note 26)	**3,153**	**3,830**	**3.39**	**4.12**

See accompanying notes to non-consolidated financial statements.

NON-CONSOLIDATED STATEMENTS OF APPROPRIATION OF RETAINED EARNING

Years ended December 31, 2006 and 2005
Date of Appropriation for 2006: March 23, 2007
Date of Appropriation for 2005: March 17, 2006

	Won		U.S. dollars (note 2)	
	2006	2005	2006	2005
Unappropriated retained earnings:				
Balance at beginning of year	-	-	-	-
Change in retained earnings due to cumulative effect of accounting change (note 1(t))	-	12,422	-	13,363
Change in retained earnings of affiliated companies due to cumulative effect of accounting changes (note 6 (d))	680	(16,581)	731	(17,837)
Net income	2,070,543	2,448,611	2,227,349	2,634,048
Balance at end of year before appropriation	2,071,223	2,444,452	2,228,080	2,629,574
Appropriation of retained earnings:				
Legal reserve	-	2,048	-	2,202
Reserve for investment in social overhead capital	60,000	65,000	64,544	69,923
Reserve for research and human resource development	60,000	60,000	64,544	64,544
Reserve for business expansion	1,330,141	1,585,869	1,430,875	1,705,969
Dividends - 20% on par value at 1,000 Won per share in 2006 and 23% on par value at 1,150 Won per share in 2005 (note 16)	621,082	731,535	668,117	786,936
	2,071,223	2,444,452	2,228,080	2,629,574
Unappropriated retained earnings to be carried over to subsequent year	**-**	**-**	**-**	**-**

See accompanying notes to non-consolidated financial statements.

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2006 and 2005
(In millions of Korean Won and in thousands of U.S. dollars)

	Won		U.S. dollars (note 2)	
	2006	2005	2006	2005
Cash flows from operating activities:				
Net income	2,070,543	2,448,611	2,227,349	2,634,048
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	1,825,733	1,860,860	1,963,998	2,001,786
Property, plant and equipment removal cost	229,417	193,232	246,791	207,866
Provision for retirement and severance benefits	128,802	122,383	138,557	131,651
Reversal of bad debt expense	-	(14,201)	-	(15,277)
Bad debt expense	21,814	23,732	23,466	25,529
Interest income	-	(4,262)	-	(4,585)
Interest expense	13,731	14,091	14,771	15,158
Gain on foreign currency translation, net	(197,115)	(167,898)	(212,043)	(180,613)
Equity income of affiliates, net	(1,589,394)	(1,912,194)	(1,709,761)	(2,057,008)
Gain on disposal of property, plant and equipment, net	(6,784)	(22,359)	(7,298)	(24,052)
Deferred income taxes	81,720	264,321	87,909	284,340
Valuation loss (gain) on currency and interest rate swaps and currency forward contracts, net	26,466	(127,363)	28,470	(137,009)
Provision	53,708	50,690	57,775	54,529
Changes in assets and liabilities:				
Trade receivables	(229,496)	(488,556)	(246,876)	(525,555)
Other accounts receivable	(3,037)	220,955	(3,267)	237,688
Inventories	(17,232)	58,471	(18,537)	62,899
Other current assets	(119,069)	(106,294)	(128,088)	(114,344)
Trade payables	(327,269)	725,886	(352,054)	780,858
Other accounts payable	63,803	(148,065)	68,635	(159,279)
Income tax payable	317,024	(604,518)	341,033	(650,299)
Accrued interest expenses	17,202	(14,109)	18,505	(15,176)
Other current liabilities	(75,307)	114,722	(81,010)	123,410
Other long-term liabilities	(12,138)	(31,338)	(13,057)	(33,712)
Payment of retirement and severance benefits	(20,862)	(12,762)	(22,442)	(13,728)
Deposit of retirement and severance benefits	(475)	(98,900)	(511)	(106,390)
Payment of self-insurance	(1,582)	(1,535)	(1,702)	(1,651)
Other, net	27,476	23,629	29,559	25,419
Net cash provided by operating activities	**2,277,679**	**2,367,229**	**2,450,170**	**2,546,503**

See accompanying notes to non-consolidated financial statements.

Years ended December 31, 2006 and 2005
(In millions of Korean Won and in thousands of U.S. dollars)

	Won		U.S. dollars (note 2)	
	2006	2005	2006	2005
Cash flows from investing activities:				
Proceeds from disposal of property, plant and equipment	25,491	65,382	27,422	70,333
Additions to property, plant and equipment	(3,657,394)	(3,643,081)	(3,934,374)	(3,918,977)
Receipts of construction grants	796,994	679,692	857,352	731,166
Proceeds from disposal of investment securities	765,172	658,624	823,120	708,503
Acquisition of investment securities	(35,664)	(11,629)	(38,365)	(12,510)
Collection of loans	23,474	19,260	25,252	20,718
Increase in long-term loans	(40,209)	(38,275)	(43,255)	(41,174)
Acquisition of intangible assets	(33,366)	(25,459)	(35,893)	(27,387)
Proceeds from short-term financial instruments	38,000	46,000	40,878	49,484
Purchase of short-term financial instruments	(25,000)	(38,000)	(26,893)	(40,878)
Other, net	(16,468)	(2,013)	(17,716)	(2,164)
Net cash used in investing activities	(2,158,970)	(2,289,499)	(2,322,472)	(2,462,886)
Cash flows from financing activities:				
Proceeds from short-term borrowings	129,000	-	138,769	-
Proceeds from long-term debt	3,725,919	2,934,965	4,008,089	3,157,234
Repayment of short-term borrowings	-	(129,172)	-	(138,955)
Repayment of long-term debt	(2,529,532)	(2,192,577)	(2,721,097)	(2,358,624)
Dividends paid	(730,858)	(723,876)	(786,207)	(778,696)
Early termination of currency and interest rate swap contracts, net	(51,574)	(204,443)	(55,480)	(219,926)
Payment of stock issue cost, net	(3)	(7)	(3)	(8)
Acquisition of treasury stocks	(740,949)	-	(797,062)	-
Other, net	-	30	-	33
Net cash used in financing activities	(197,997)	(315,080)	(212,991)	(338,942)
Net decrease in cash and cash equivalents (note 28)	(79,288)	(237,350)	(85,293)	(255,325)
Cash and cash equivalents,at beginning of the year	208,513	445,863	224,304	479,629
Cash and cash equivalents, at end of the year	**129,225**	**208,513**	**139,011**	**224,304**

See accompanying notes to non-consolidated financial statements.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2006 and 2005

01 Summary of Significant Accounting Policies and Basis of Presenting Financial Statements

1. Organization and Description of Business

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

As of December 31, 2006, the Government of the Republic of Korea, Korea Development Bank ("KDB"), which is wholly owned by the Korean Government and foreign investors held 21.12%, 29.95% and 28.97%, respectively, of the Company's shares.

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

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

2. Basis of Presenting Financial Statements

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

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

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

3. Property, Plant and Equipment

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

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

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

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

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

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

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

4. Investment Securities

Upon acquisition, the Company classifies certain debt and equity securities into one of the three categories: held-to-maturity, available-for-sale, or trading securities and such determination is reassessed at each balance sheet date. Investments in debt securities that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity. Securities that are bought and held principally for the purpose of selling them in the near term (thus held for only a short period of time) are classified as trading securities. Trading generally reflects active and frequent buying and selling, and trading securities are generally used to generate profit on short-term differences in price. Investments not classified as either held-to-maturity or trading securities are classified as available-for-sale securities.

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

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

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

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

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

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

5. Investment Securities under the Equity Method of Accounting

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

Under the equity method of accounting, the Company's initial investment is recorded at cost and is subsequently increased to reflect the Company's share of investee income and reduced to reflect the Company's share of investee losses or dividends declared. 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 are eliminated in their entirety.

Assets and liabilities of foreign-based companies accounted for using the equity method are translated at the current rate of exchange at the balance sheet date while profit and loss items in the non-consolidated 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 recorded on a net basis and accumulated as a capital adjustment.

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

(1) Cost of Inventory

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

(2) Depreciation Methods

Company	Machinery	Vehicles	Others	Computer software
KEPCO	Declining-balance	Declining-balance	Declining-balance	Straight-line
Korea Hydro & Nuclear Power Co., Ltd.	Declining-balance	Declining-balance	Declining-balance	Declining-balance
Korea Plant Service & Engineering Co., Ltd.	Declining-balance	Declining-balance	Declining-balance	Declining-balance
KEPCO Nuclear Fuel Co., Ltd.	Straight-line	Straight-line	Straight-line	Straight-line
Korea Electric Power Data Network Co., Ltd.	Straight-line	Straight-line	Straight-line	Straight-line
KEPCO Philippines Corporation (Subsidiary of KEPCO International Hong Kong Ltd.)	Straight-line	Straight-line	Straight-line	Straight-line
KEPCO Ilijan Corporation (Subsidiary of KEPCO International Philippines Inc.)	Straight-line	Straight-line	Straight-line	Straight-line

6. Intangible Assets

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

7. Impairment of Long-Lived Assets

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. Management's estimate of undiscounted future cash flows to determine the recoverability of an asset inherently includes judgments and assumptions. If management's assumptions about these assets change as a result of events or circumstances, and management believes the assets may have declined in value, then the Company may record impairment charges. Management uses its best estimate in making these evaluations and considers various factors, including the future prices of energy, fuel costs and operating costs. However, actual market prices and operating costs may vary from those used in impairment evaluations, and the impact of such variations could be material.

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

8. Cash Equivalents

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

9. Financial Instruments

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

10. Allowance for Doubtful Accounts

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

11. Inventories

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

12. Convertible Bonds

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

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

13. Discount (Premium) on Debentures

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

14. Retirement and Severance Benefits

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

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

15. Reserve for Self-Insurance

In accordance with the Accounting Regulations for Government Invested Enterprises, 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% of non-insured buildings and machinery. Payments made to settle applicable claims are charged to this reserve.

16. Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into Korean Won at the balance sheet date, with the resulting gains or losses recognized in current results of operations. Monetary assets and liabilities denominated in foreign currencies are translated into Korean Won at ₩929.6 to US$1, the rate of exchange on December 31, 2006 that is permitted by the Financial Accounting Standards. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into Korean Won at the foreign exchange rate at the date of the transaction.

17. Derivatives

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

Where a derivative instrument which meets certain criteria is used for hedging the exposure to changes in the fair value of a recognized asset, liability or firm commitment, it is designated as a fair value hedge. Where a derivative instrument which meets certain criteria is used for hedging the exposure to the variability of future cash flows of a forecasted transaction, it is designated as a cash flow hedge. The Company entered into various derivative contracts to hedge foreign currency risk and interest rate risk but do not apply hedge accounting.

18. Provisions, Contingent Assets and Contingent Liabilities

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

Where the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as a separate asset when, and only when, it is virtually certain that reimbursement will be received if the Company settles the obligation. The expense relating to a provision is presented net of amount recognized for a reimbursement.

19. Revenue Recognition

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

20. Income Taxes

Income tax on income or loss for the period consists of the corporate income tax and resident tax surcharges currently payable, and the changes in deferred income tax assets and liabilities during the period.

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

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

Deferred tax assets and liabilities are classified as current or non-current based on the classification of the related asset or liability for financial reporting or the expected reversal date of the temporary difference for those with no related asset or liability such as loss carryforwards and tax credit carryforwards. The deferred tax amounts are presented as a net current asset or liability and a net non-current asset or liability.

Deferred taxes are recognized on the temporary differences related to unrealized gains and losses on available-for-sale securities that are reported as a separate component of capital adjustment.

Cumulative effect of accounting change in 2005 was as follows:

Prior to January 1, 2005, the deferred tax effect of temporary differences arising from unrealized gain and losses on investment securities and conversion right of the convertible bond issued in 2003 amounted to ₩12,422 million. This amount was expensed during 2003. However, effective January 1, 2005, per SKAS No.16 Income Taxes, the tax effect amounting to ₩12,422 million should be directly charged to capital surplus. As a result of such change, as of January 1, 2005, capital surplus decreased and retained earnings increased by ₩12,422 million.

21. Dividends Payable

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

22. Prior Period Adjustments

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

23. Earnings Per Share

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

24. Use of Estimates

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

02 Basis of Translating Financial Statements

The non-consolidated financial statements are expressed in Korean Won and have been translated into U.S. dollars at the rate of ₩929.6 to US$1, the basic exchange rate on December 31, 2006, solely for the convenience of the reader. These translations 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.

03 Property, Plant and Equipment

1. Asset Revaluation

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

2. Officially Declared Value of Land

The officially declared value of land at December 31, 2006, as announced by the Minister of Construction and Transportation, was as follows:

Won (millions)

Purpose	Book value	Declared value
Land - transmission and distribution sites and other	3,393,138	5,028,999

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

3. Capitalized Interest

For the years ended December 31, 2006 and 2005, the amount of capitalized interest was ₩74,579 million and ₩58,490 million, respectively. The net foreign currency transactions and translation gains excluded from the calculation of capitalized interest amounted to ₩135,479 million and ₩133,186 million, respectively, for the years ended December 31, 2006 and 2005.

The impact on the Company's financial position as of and for the year ended December 31, 2006 if interest and other borrowing costs had been expensed instead of being capitalized would have been as follows:

Won (millions)

	Construction in-progress	Total assets	Interest expense	Income before income taxes
Capitalized	2,122,773	63,536,201	544,328	2,623,938
Expensed	2,048,194	63,461,622	618,907	2,549,359
	74,579	**74,579**	**(74,579)**	**74,579**

4. Changes in Property, Plant and Equipment

Changes in property, plant and equipment and construction grants for the year ended December 31, 2006 were as follows:

Won (millions)

	2006					
	Book value as of January 1, 2006	Acquisitions	Disposals	Depreciation	Others	Book value as of December 31, 2006
Land	3,359,398	2,053	(14,553)	-	46,240	3,393,138
Buildings	1,936,420	83	(1,490)	(117,989)	109,692	1,926,716
Structures	22,372,354	12,604	-	(998,744)	1,977,316	23,363,530
Machinery	4,566,636	8,805	(3,309)	(857,942)	1,040,681	4,754,871
Vehicles	19,143	8,283	(53)	(12,293)	4,424	19,504
Others	55,514	15,020	(8)	(34,269)	21,460	57,717
Construction-in-progress	2,118,540	3,610,546	-	-	(3,606,313)	2,122,773
Construction grants	(3,640,966)	(796,994)	-	265,175	85,891	(4,086,894)
	30,787,039	**2,860,400**	**(19,413)**	**(1,756,062)**	**(320,609)**	**31,551,355**

The Company received ₩796,994 million and ₩679,692 million of construction grants, and offset ₩265,175 million and ₩166,773 million against depreciation expense, and ₩85,891 million and ₩54,319 million against property, plant and equipment removal cost for the years ended December 31, 2006 and 2005, respectively.

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

Won (millions)

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

04 Intangible Assets

Changes in intangible assets for the year ended December 31, 2006 were as follows:

Won (millions)

	2006 Book value as of January 1, 2006	Acquisitions	Depreciation	Others	Book value as of December 31, 2006
Computer software	167,879	-	(67,514)	26,808	127,173
Others	67,161	33,366	(2,157)	(11,259)	87,111
	235,040	**33,366**	**(69,671)**	**15,549**	**214,284**

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

Won (millions)

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

In addition, the Company expensed research and development costs amounting to ₩185,087 million and ₩166,680 million for the years ended December 31, 2006 and 2005, respectively.

05 Insured Assets

Insured assets as of December 31, 2006 were as follows:

Won (millions)

Insured assets	Insurance type	Insured value	Insurer
Buildings and machinery	Fire insurance	653,504	Samsung Insurance Co., Ltd. and others
Buildings	General insurance	170,675	Green Fire & Marine Insurance Co., Ltd. and others
Construction-in-progress	Construction insurance	34,954	Shindongah Fire & Marine Insurance Co., Ltd. and others
		859,133	

In addition, as of December 31, 2006, the Company carries marine cargo insurance for inventories, damage insurance for its light water nuclear reactor construction in North Korea, and general group insurance for vehicles.

06 Investment Securities

1. Investments other than those under the equity method as of December 31, 2006 are summarized as follows:

Won (millions)

	2006 Ownership (%)	Acquisition cost	Unrealized holding gains	Fair value	Book value
Available-for-sale:					
Equity securities -					
Energy Savings Investment Cooperatives (*2)	25.0~48.5	5,000	-	(*1)	5,000
Korea Power Exchange (*3)	50.0	63,920	-	(*1)	63,920
Hwan Young Steel Co., Ltd. (*4)	0.1	1,091	-	(*1)	97
Equity securities in treasury stock fund (*5)	-	11,713	3,668	15,381	15,381
KNOC Nigerian East Oil Co., Ltd (*5)	15.0	12	-	(*1)	12
KNOC Nigerian West Oil Co., Ltd (*5)	15.0	12	-	(*1)	12
Dolphin Property Ltd. (*5)	15.0	12	-	(*1)	12
Others	5.6~10.0	6,200	-	(*1)	6,200
		87,960	3,668	15,381	90,634
Held-to-maturity:					
Government bonds		23	-	23	23
Total		**87,983**	**3,668**	**15,404**	**90,657**

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

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

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

(*4) The recoverable amount of the investment in Hwan Young Steel Co., Ltd. was considered to be less than the carrying amount and an impaired loss of ₩23 million was recognized. Additionally, there was a reduction in capital stock of Hwan Young Steel Co., Ltd. for which the Company received cash in the amount of ₩273 million.

(*5) In order to stabilize the price of the Company's common stock in the market, the Company established a treasury stock fund (the Fund) composed of treasury stock and other equity securities in December 1992. The Company's treasury stock (excluded from the above table) is recorded at fair value within capital adjustments. The other equity securities in the Fund are recorded at fair value within available-for-sale securities. As of December 31, 2006 and 2005, gains on the valuation of these available-for-sale securities in the Fund, which are recorded in capital adjustments, amounted to ₩2,659 million and ₩3,252 million, respectively, net of tax.

(*6) The Company invested in oversees oil development industry with a consortium of Korean companies (the "Korean Consortium") consisting of the Company, Korea National Oil Corporation and Daewoo Shipbuilding & Marine Engineering Co., Ltd. The Korean Consortium, owning 60% equity interest in the joint venture incorporated with English Equator and Nigeria, invested in KNOC Nigerian East 323, KNOC Nigerian West 321 and Dolphin Property Ltd. Additionally, the Company provides performance guarantees of US$25 million related to the oil and gas producing activities and US$35 million related to the construction of power generation plants and gas pipes to the Nigerian government.

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

Won (millions)

	2005 Ownership (%)	Acquisition cost	Unrealized holding gains	Fair value	Book value
Available-for-sale:					
Equity securities -					
Energy Savings Investment Cooperatives (*2)	25.0~48.5	5,000	-	(*)	5,000
Korea Power Exchange (*3)	50.0	63,920	-	(*)	63,920
Hwan Young Steel Co., Ltd.	0.1	1,364	-	(*)	120
Equity securities in treasury stock fund (*5)	-	18,253	4,485	22,738	22,738
Others	10.0~15.0	2,246	-	(*)	2,246
		90,783	4,485	22,738	94,024
Held-to-maturity:					
Government bonds		23	-	23	23
Total		**90,806**	**4,485**	**22,761**	**94,047**

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

2. Investments in affiliated companies accounted for using the equity method as of December 31, 2006 were as follows:

Won (millions)

Affiliate	2006 Ownership %	Cost	Net asset value	Book value
Listed:				
Korea Gas Corporation (*1, *2)	24.5	94,500	860,213	860,213
Unlisted:				
Korea Hydro & Nuclear Power Co., Ltd.	100.0	9,364,799	13,250,521	13,251,529
Korea South-East Power Co., Ltd.	100.0	1,232,004	2,033,526	2,034,810
Korea Midland Power Co., Ltd.	100.0	1,325,891	2,424,516	2,425,990
Korea Western Power Co., Ltd.	100.0	1,442,638	2,301,747	2,303,488
Korea Southern Power Co., Ltd.	100.0	1,797,378	2,390,139	2,392,156
Korea East-West Power Co., Ltd.	100.0	2,322,905	2,567,155	2,568,814
Korea Power Engineering Co., Inc. (*1)	97.9	4,991	204,903	41,114
Korea Plant Service & Engineering Co., Ltd. (*1)	100.0	6,000	340,459	304,587
KEPCO Nuclear Fuel Co., Ltd. (*1)	96.4	89,757	190,457	167,849
Korea Electric Power Industrial Development, Ltd. (*1)	49.0	7,987	48,238	48,238
Korea Electric Power Data Network Co., Ltd. (*1)	100.0	64,000	175,357	143,321
LG Powercomm (*1)	43.1	323,470	382,036	382,036
Korea District Heating Co. (*1)	26.1	5,660	184,074	184,074
KEPCO International Hong Kong Ltd. (*1, *3)	100.0	15,102	242,060	242,060
KEPCO International Philippines Inc. (*1, *3)	100.0	104,832	159,809	159,809
KEPCO China International Ltd. (*1, *4)	100.0	18,852	15,504	15,504
KEPCO Gansu International Ltd. (*1, *5)	100.0	7,145	5,820	5,820
KEPCO Philippines Holdings Inc. (*1, *6)	100.0	202	2,634	2,634
KEPCO Asia International Ltd. (*1)	58.0	864	815	815
KEPCO Lebanon SARL (*1)	100.0	292	658	658
KEPCO Neimenggu International Ltd. (*1, *7)	100.0	18,095	18,062	18,062
		18,247,364	**27,798,703**	**27,553,581**

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

(*2) The quoted market value (based on closing Korea Stock Exchange Price) of Korea Gas Corporation as of December 31, 2006 was ₩778,680 million.

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

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

(*4) As KEPCO China International Ltd. owns 77.0% of the shares of Jiaosuo KEPCO Power Co., Ltd., the Company accounts for the equity income from KEPCO China International Ltd. including the changes in the net equity of Jiaosuo KEPCO Power Co., Ltd.

(*5) As KEPCO Gansu International Ltd. owns 40.0% of the shares of Gansu Datang Yumen Wind Power Co., Ltd., the Company accounts for the equity income from KEPCO Gansu International Ltd. including the changes in the net equity of Gansu Datang Yumen Wind Power Co., Ltd.

(*6) As KEPCO Philippines Holdings Inc. owns 40.0% of the shares of Salcon Power Corporation, the Company accounts for the equity income from KEPCO Philippines Holdings Inc. including the changes in the net equity of Salcon Power Corporation.

(*7) As KEPCO Neimenggu International Ltd. owns 40.0% of the shares of Datang Chifeng Renewable Co., Ltd., the Company accounts for the equity income from KEPCO Neimenggu International Ltd. including the changes in the net equity of Datang Chifeng Renewable Co., Ltd.

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

Won (millions)

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

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

3. The Company eliminates unrealized gains arising from transactions with its affiliates and bad debt expense for receivables from its subsidiaries which for the year ended December 31, 2006 were as follows:

Won (millions)

Allowance	**PP&E(*1)**	**Intangible assets**	**Affiliate for doubtful accounts**	**Total**
Korea Hydro & Nuclear Power Co., Ltd.	(1,889)	-	2,897	1,008
Korea South-East Power Co., Ltd.	-	-	1,284	1,284
Korea Midland Power Co., Ltd.	-	-	1,474	1,474
Korea Western Power Co., Ltd.	-	-	1,741	1,741
Korea Southern Power Co., Ltd.	-	-	2,017	2,017
Korea East-West Power Co., Ltd.	-	-	1,659	1,659
Korea Power Engineering Co., Inc.	(163,789)	-	-	(163,789)
Korea Plant Service & Engineering Co., Ltd.	(36,596)	-	724	(35,872)
KEPCO Nuclear Fuel Co., Ltd.	(22,609)	-	1	(22,608)
Korea Electric Power Data Network Co., Ltd.	(13,827)	(18,463)	254	(32,036)
	(238,710)	**(18,463)**	**12,051**	**(245,122)**

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

Won (millions)

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

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

4. Changes in investments in affiliated companies under the equity method for the year ended December 31, 2006 were as follows:

Won (millions)

Affiliate	2006 Book value as of January 1, 2006	Equity income (loss)	Capital adjustments	Others (*1)	Book value as of December 31, 2006
Korea Gas Corporation	819,100	60,356	4,949	(24,192)	860,213
Korea Hydro & Nuclear Power Co., Ltd.	12,956,002	772,949	6,429	(483,851)	13,251,529
Korea South-East Power Co., Ltd.	1,985,715	77,470	5,893	(34,268)	2,034,810
Korea Midland Power Co., Ltd.	2,332,511	168,109	(7,026)	(67,604)	2,425,990
Korea Western Power Co., Ltd.	2,199,988	159,509	1,015	(57,024)	2,303,488
Korea Southern Power Co., Ltd.	2,220,258	207,387	299	(35,788)	2,392,156
Korea East-West Power Co., Ltd.	2,572,239	45,489	(13,563)	(35,351)	2,568,814
Korea Power Engineering Co., Inc.	55,602	(12,471)	-	(2,017)	41,114
Korea Plant Service & Engineering Co., Ltd.	285,715	34,272	-	(15,400)	304,587
KEPCO Nuclear Fuel Co., Ltd.	158,105	11,132	-	(1,388)	167,849
Korea Electric Power Industrial Development, Ltd.	24,525	29,103	-	(5,390)	48,238
Korea Electric Power Data Network Co., Ltd.	120,121	25,218	(140)	(1,878)	143,321
LG Powercomm	407,666	(24,991)	8	(647)	382,036
Korea District Heating Co.	176,173	7,257	985	(341)	184,074
KEPCO International Hong Kong Ltd. (*2)	220,183	6,086	15,791	-	242,060
KEPCO International Philippines Inc. (*2)	156,814	21,297	(12,951)	(5,351)	159,809
KEPCO China International Ltd.	9,786	(1,528)	(555)	7,801	15,504
KEPCO Gansu International Ltd.	2,733	(7)	(1,318)	4,412	5,820
KEPCO Philippines Holdings Inc.	202	2,394	38	-	2,634
KEPCO Aisa International Ltd.	-	(17)	(32)	864	815
KEPCO Lebanon SARL	-	390	(24)	292	658
KEPCO Neimenggu International Ltd.	-	(10)	(23)	18,095	18,062
	26,703,438	**1,589,394**	**(225)**	**(739,026)**	**27,553,581**

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

(*2) KEPCO Philippines Corporation, a subsidiary of KEPCO International Hong Kong Ltd, and KEPCO Ilijan Corporation, a subsidiary of KEPCO International Philippines Inc. recorded cumulative effect of accounting change related to generally accepted accounting principles in the Philippines in changes in retained earnings in the amount of ₩680 million.

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

Won (millions)

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

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

(*2) KEPCO Ilijan Corporation, a subsidiary of KEPCO International Philippines Inc. recorded cumulative effect of accounting change related to generally accepted accounting principles in the Philippines in changes in retained earnings in the amount of ₩ (16,581) million.

5. Total assets, total liabilities, sales and net income (loss) of affiliated companies as of or for the year ended December 31, 2006 were as follows:

Won (millions)

Affiliate	Total assets	Total liabilities	Sales	Net income (loss)
Korea Gas Corporation	12,247,188	8,729,668	12,894,832	239,265
Korea Hydro & Nuclear Power Co., Ltd.	22,121,970	8,871,449	5,560,684	773,691
Korea South-East Power Co., Ltd.	3,990,033	1,956,507	2,069,802	77,763
Korea Midland Power Co., Ltd.	3,562,418	1,137,902	2,508,509	168,642
Korea Western Power Co., Ltd.	3,707,924	1,406,177	2,424,112	159,557
Korea Southern Power Co., Ltd.	3,655,313	1,265,174	3,308,286	207,663
Korea East-West Power Co., Ltd.	4,512,086	1,944,968	2,575,449	45,730
Korea Power Engineering Co., Inc.	320,104	110,890	330,707	11,062
Korea Plant Service & Engineering Co., Ltd.	448,113	107,654	610,953	61,901
KEPCO Nuclear Fuel Co., Ltd.	284,868	87,209	113,944	16,118
Korea Electric Power Industrial Development, Ltd.	166,189	67,745	195,207	59,546
Korea Electric Power Data Network Co., Ltd.	257,920	82,563	270,102	14,096
LG Powercomm	1,483,117	597,325	855,913	(57,945)
Korea District Heating Co.	1,749,315	1,043,305	613,441	27,800
KEPCO International Hong Kong Ltd.	242,079	19	23,438	6,086
KEPCO International Philippines Inc.	159,433	1,858	14,985	21,297
KEPCO China International Ltd.	15,504	-	-	(1,528)
KEPCO Gansu International Ltd.	5,820	-	-	(7)
KEPCO Philippines Holdings Inc.	23,941	21,307	758	2,394
KEPCO Asia International Ltd.	1,410	5	-	(28)
KEPCO Lebanon SARL	7,587	6,929	-	390
KEPCO Neimenggu International Ltd.	18,062	-	-	(10)

07 Loans to Employees

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

Won (millions)

	2006	2005
Current portion of long-term loans (note 12)	13,921	12,514
Long-term loans	195,413	180,084
	209,334	**192,598**

08 Other Non-Current Assets

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

Won (millions)

	2006	2005
Deposits	73,323	72,800
Advance received from KEDO (note 29(b))	94,088	-
Others	94,786	79,054
	262,197	**151,854**

09 Cash and Cash Equivalents

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

Won (millions)

	2006	2005
Cash and cash equivalents:		
Cash on hand	1,497	1,181
Passbook accounts (*)	127,728	207,332
	129,225	**208,513**

(*) Passbook accounts restricted in use for expenditures for certain business purposes were ₩75,514 million and ₩70,217 million, respectively, as of December 31, 2006 and 2005.

10 Short-term Financial Instruments

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

Won (millions)

	2006	2005
Repurchase agreements	**25,000**	**38,000**

11 Inventories

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

Won (millions)

	2006	2005
Raw materials	5,817	4,297
Supplies	169,799	79,820
Other	2,483	8,624
	178,099	**92,741**

12 Other Current Assets

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

Won (millions)

	2006	2005
Held-to-maturity securities (*)	-	33
Current portion of long-term loans to employees (note 7)	13,921	12,514
Accrued income	9,630	30,945
Advance payments	2,435	2,724
Prepaid expenses	6,255	2,703
Other current assets	59,443	25,231
	91,684	**74,150**

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

13 Capital Surplus

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

Won (millions)

	2006	2005
Paid-in capital in excess of par value	835,139	835,142
Reserves for asset revaluation (note 3(a))	12,552,973	12,552,973
Tax adjustment related to asset revaluation	742,125	742,125
Conversion rights	87,068	39,798
Gain on disposal of treasury stock	301,538	252,689
	14,518,843	**14,422,727**

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

14 Appropriated Retained Earnings

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

Won (millions)

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

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

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

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

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

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

15 Capital Adjustments

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

Won (millions)

	2006	2005
Treasury stock	(796,980)	(118,293)
Gain on valuation of available-for-sale securities, net (note 6(a))	2,659	3,252
Increase in capital adjustments of affiliates	139,710	122,502
Decrease in capital adjustments of affiliates	(103,477)	(86,107)
	(758,088)	**(78,646)**

The Company has shares held in the treasury stock amounting to ₩796,980 million (treasury stock 19,284,016 shares and treasury stock funds 1,201,950 shares) and ₩118,293 million (treasury stock 4,432,912 shares and treasury stock funds 1,017,150 shares) as of December 31, 2006 and 2005, respectively.

16 Dividends

Details of dividends for the years ended December 31, 2006 and 2005 were as follows:

Won (millions)

	2006	2005
Outstanding shares of common stock	621,081,746	636,117,650
Par value per share	5,000	5,000
Dividend rate	20.0%	23.0%
Dividend per share in Won	1,000	1,150
Dividend amount	621,082	731,535
Net income	2,070,543	2,448,611
Dividends as a percentage of net income	30.00%	29.88%

17 Short-term Borrowings

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

Won (millions)

Lender	Type	Annual interest rate (%)	2006	2005
Local currency:				
Woori Bank and Others	Commercial paper	4.65%	200,000	71,000
			200,000	**71,000**

The Company entered into short-term credit facilities with four banks including Woori Bank with total commitment up to ₩1,555,000 million. As of December 31, 2006 and December 31, 2005, borrowings under these facilities amounted to ₩200,000 million and ₩71,000 million, respectively.

18 Long-term Debt

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

1. Long-term Borrowings

Won (millions)

Lender	Type	Maturity	Annual interest rate (%)	2006	2005
Local Currency:					
Korea Development Bank	Industrial facility	2006	5.11~5.37	-	371,875
Korea Development Bank	Industrial facility	2007	5.25~5.51	90,625	253,125
Korea Development Bank	Industrial facility	2008	5.17~5.39	860,417	1,327,083
Korea Development Bank and other	Industrial facility	2009	4.67~5.38	2,133,333	1,550,000
Korea Development Bank	Industrial facility	2010	4.96~5.12	1,100,000	1,100,000
Korea Development Bank and other	Industrial facility	2011	4.72~4.79	1,250,000	-
The Export-import Bank of Korea	Industrial facility	2026	2.00	11,500	-
Korea Development Bank and others	Rural area development	2006~2041	5.00	23,072	25,992
				5,468,947	4,628,075
Foreign Currency:					
Koea National Oil Corporation	Oil Production	2021	3 year treasury notes - 2.25	6,787	-
				5,475,734	4,628,075
Less: Current portion				(1,352,884)	(1,170,644)
Long-term borrowing, net				**4,122,850**	**3,457,431**

2. Debentures

Won (millions)

Type	Maturity	Annual interest rate (%)	2006	2005
Local currency debentures	2006	4.67~5.32	-	890,000
(Electricity bonds)	2007	4.11~4.96	885,000	885,000
	2008	3.43~5.29	1,810,000	1,720,000
	2009	3.61~5.25	1,150,000	630,000
	2010	4.14~4.24	490,000	490,000
	2011	3.79~5.32	140,000	-
	2013	4.90	120,000	120,000
			4,595,000	4,735,000
Foreign currency debentures	2006	6M Libor + 0.13~0.14	-	266,612
	2007	0.51~8.50	1,125,948	1,222,642
	2008 (*1)	2.00	58,880	276,372
	2010	3.13	305,560	300,037
	2013	7.75	325,360	354,550
	2026	6.00	65,486	71,558
	2027	6.75~7.00	296,930	323,569
	2034	5.13	278,880	303,900
	2096 (*2)	8.28	173,899	190,837
			2,630,943	3,310,077
			7,225,943	8,045,077
Less: Current portion, net of discount of ₩1,292 million in 2006 and ₩386 million in 2005			(2,010,858)	(1,157,562)
Discount			(13,095)	(31,463)
Debentures, net			**5,201,990**	**6,856,052**

(*1) In 2003, the Company issued foreign debentures to KEPCO Cayman Company Limited of US$250 million and the right to exchange the debentures into shares of LG Powercomm held by the Company. KEPCO Cayman Company Limited issued debentures of US$250 million under substantially similar terms and conditions as the debentures issued by the Company to KEPCO Cayman Company Limited, the details of which are as follows:
- Maturity date: November 26, 2008
- Exchangeable upon Qualifying Public Offering (QPO): QPO means the first listing on the Korea Stock Exchange, New York Stock Exchange or National Association of Securities Dealers Automated Quotations (NASDAQ) meeting certain requirements. LG Powercomm is not required to complete a QPO prior to the maturity of the debentures. The Company does not guarantee the QPO of LG Powercomm.
- Shares to be exchanged: LG Powercomm's shares or Deposit Receipt (DR)
- Exchangeable period: From 10th day after the listing of LG Powercomm to 10th day before its maturity
- Exchange price: 120% of the lesser of market price on the listing day or weighted average price for 10 days after its listing.
- Early redemption: When certain conditions are met or after 3 years from the issuing, outstanding debentures are redeemable at the guaranteed return of 2.88% (102.74% of issuance amount)
- Repayment at the maturity: Repayment will be made with the guaranteed return of 3.68% (109.13% of issuance amounts).

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

Also, the Company is providing payment guarantees for the foreign currency debentures issued by KEPCO Cayman Company Limited. The Company has unconditionally and irrevocably guaranteed full and timely repayment of principal and interest of the debentures.

The Company received early redemption claim of US$191,960 thousand (76.78% of issuance amount), on November 27, 2006 and the Company paid US$197,220 thousand based on the guaranteed return of 2.88% (102.74% of issuance amount). The Company recorded a gain related to this early redemption amounting to ₩2,329,million.

3. Exchangeable Bonds

Won (millions)

Description	Annual interest rate (%)	2006	2005
Overseas exchangeable bonds(*1)	0.00	10,642	122,902
Overseas exchangeable bonds(*2)	0.00	485,682	-
Overseas exchangeable bonds(*2)	0.00	555,114	-
		1,051,438	122,902
Plus: Premium on debentures issued		314	5,556
Less: Discount on debentures issued		(80,822)	-
Conversion right adjustment		(64,931)	(11,599)
Exchangebeable bonds, net		**905,999**	**116,859**

*1) On November 4, 2003, the Company issued overseas exchangeable bonds of JPY28,245,468,400 at a premium. During 2005, the bondholders converted JPY14,438,543,000 into 344,704 shares of common stock and 10,444,768 shares of DR (equivalent to 5,222,384 shares of common stock). During 2006, exchangeable bonds of JPY10,501,022,000 were converted into 745,309 shares of common stock and 6,607,174 shares of DR (equivalent to 3,303,587 shares of common stock). As of December 31, 2006, the remaining number of common stock to be converted is 383,835 shares if the conversion right is exercised. As of December 31, 2006, the details of the bonds were as follows:
- Maturity date: November 4, 2008
- Amount to be paid at maturity: JPY995,495,000
- Exchange period: From December 15, 2003 to 10th day prior to its maturity.
- Shares to be exchanged: Common stock of the Company or its equivalent DR
- Exchange price: ₩30,000 per share
- Put option: Bondholders have a put option that they can exercise for JPY1,030,000,000 on November 6, 2006.
- In accordance with Article 17 "Issuance of Convertible Bonds" and Article 11 "Calculation of Dividend for New Shares" of the Articles of Incorporation of the Company, distribution of dividends on new shares resulting from conversion of exchangeable bonds is deemed to have been issued at the end of the immediately preceding fiscal year.

(*2) On November 21, 2006, the Company issued overseas exchangeable bonds of JPY61,345,128,000 and EUR463,320,780 with a discount value (JPY60,810,000,000 and EUR401,700,000). The Company acquired 18,900,000 treasury shares in the amount of ₩740,949 million to redeem overseas exchangeable bonds of JPY61,345,128,000 and EUR463,320,780. As of December 31, 2006, the details of the bonds were as follows:
- Maturity date: November 23, 2011
- Amount to be paid at maturity: JPY61,345,128,000 and EUR463,320,780
- Exchange period: From January 4, 2007 to 10th day prior to its maturity.
- Shares to be exchanged: Common stock of the Company or its equivalent DR
- Exchange price: ₩51,000 per share
- Put option: Bondholders have a put option that they can exercise for JPY61,132,293,000 and EUR437,612,000 on November 23, 2009.

4. Foreign currency debts, by currency, as of December 31, 2006 and 2005 were as follows:

	2006			2005		
	Foreign currency (thousands)		Won equivalent (millions)	Foreign currency (thousands)		Won equivalent (millions)
Long-term borrowing	US$	7,301	6,787		-	-
			6,787			-
Debentures	US$	2 ,285,270	2,124,387	US$	2,496,270	2,528,721
	JPY	20,000,000	156,366	JPY	51,000,000	438,620
	EUR	250,000	305,560	EUR	250,000	300,038
	GBP	24,467	44,630	GBP	24,467	42,698
			2,630,943			3,310,077
Exchangeable bonds	JPY	62,340,623	496,324	JPY	11,496,518	122,902
	EUR	463,321	555,114		-	-
			1,051,438			122,902
			3,689,168			**3,432,979**

5. Aggregate maturities of the Company' s long-term debts as of December 31, 2006 were as follows:

Won (millions)

Period ended December 31,	Local currency borrowings	Foreign currency borrowing	Electricity bonds	Foreign debentures	Exchangeable bonds	Total
2007	1,352,884	-	885,000	1,127,150	-	3,365,034
2008	1,469,493	-	1,810,000	60,042	10,642	3,350,177
2009	1,856,827	-	1,150,000	1,108	-	3,007,935
2010	581,629	-	490,000	306,594	-	1,378,223
2011	186,408	-	140,000	945	1,040,796	1,368,149
Thereafter	21,706	6,787	120,000	1,135,104	-	1,283,597
	5,468,947	**6,787**	**4,595,000**	**2,630,943**	**1,051,438**	**13,753,115**

19 Assets and Liabilities Denominated in Foreign Currencies

Major assets and liabilities, except mentioned in note 18(d), denominated in foreign currencies as of December 31, 2006 and 2005 were as follows:

	2006			2005		
	Foreign currency (thousands)		Won equivalent (millions)	Foreign currency (thousands)		Won equivalent (millions)
Cash and cash equivalents	US$	625	581	US$	203	206
Trade receivables	US$	1,607	1,494		-	-
Other accounts receivable	US$	-	-	US$	11,662	11,813
Other non-current assets	US$	125	117	US$	119	120
	JPY	14,091	110	JPY	10,239	88
	EUR	20	25	EUR	20	23
			2,327			**12,250**
Other accounts payable	US$	83	77		-	-
			77			**-**

20 Retirement and Severance Benefits

Changes in retirement and severance benefits for the years ended December 31, 2006 and 2005 are summarized as follows:

Won (millions)

	2006	2005
Estimated accrual at beginning of year	549,415	439,794
Provision for retirement and severance benefits	128,802	122,383
Payments	(20,862)	(12,762)
Estimated accrual at end of year	657,355	549,415
Deposit for severance benefit insurance	(99,375)	(98,900)
Transfer to National Pension Fund	(93)	(93)
Net balance at end of year	**557,887**	**450,422**

The Company entered into severance benefit trust arrangements with Samsung Life Insurance Co., Ltd. and other insurance companies, for which the deposits account for 15.12% and 18.0% of the total retirement and severance benefits as of December 31, 2006 and 2005, respectively. Severance benefit insurance deposit payable to employees in trust at insurance companies amounting to ₩99,375 million and ₩98,900 million as of December 31, 2006 and 2005, respectively, are presented as a deduction from the accrual for retirement and severance benefits.

21 Other Current Liabilities

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

Won (millions)

	2006	2005
Advances received	106,625	100,721
Withholdings	126,743	200,768
Unearned revenue	60,951	14,121
Accrued other expenses	47,560	49,172
Dividends payable	3,075	2,781
Currency swaps (note 22)	3,783	33,803
Others	224,163	241,810
	572,900	**643,176**

22 Derivative Instruments Transactions

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

1. Currency swap contracts as of December 31, 2006 were as follows:

	Contract	Settlement	Contract amounts in millions		Contract interest rate per annum(%)	
	year	year	Pay	Receive	Pay	Receive
JPMorgan Chase Bank & Deutsche Bank (*1, *2)	2002	2007	JPY 76,700	US$650	1.18	4.25
Barclays Bank PLC London	2002	2007	JPY 30,400	US$250	1.04	3M LIBOR+ 0.75

(*1) If the Republic of Korea declares default on its debts, KEPCO is entitled to receive Korean government bonds instead of cash. Valuation for these embedded derivatives is reflected in the valuation of the currency swap.
(*2) The Company pays JPY7,670 million which is 10% of the contract amount, every March and September and will receive US$650 million in September 2007.

2. Interest rate swap contracts as of December 31, 2006 were as follows:

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

3. Currency forward contracts as of December 31, 2006 were as follows:

	Contract Date	Settlement Date	Contract amounts Receive (thousands)		Pay (millions)		Contract exchange rate
Korea Exchange Bank	2006.12.28	2007.03.12	JPY	7,670,000	KRW	60,527	7.89
Korea Exchange Bank	2006.12.28	2007.04.30	GBP	24,467	KRW	44,437	1,816.22
Korea Exchange Bank	2006.12.28	2007.09.12	JPY	7,670,000	KRW	61,769	8.05
Korea Exchange Bank	2006.12.28	2007.09.21	US$	22,880	KRW	21,173	925.40

4. Valuation and transaction gains and losses on currency and interest rate swaps and currency forward contracts recorded as other income or expense for the years ended December 31, 2006 and 2005 were as follows:

Won (millions)

	2006	2005
Valuation		
Currency swaps:		
Gains	4,324	114,081
Losses	(31,727)	(50,420)
Currency forwards:		
Gains	64	-
Losses	(323)	-
Interest rate swaps:		
Gains	1,196	63,702
	(26,466)	**127,363**
Transaction		
Derivatives:		
Gains	3,905	31
Losses	(12,652)	(26,880)
	(8,747)	**(26,849)**

5. The Company, in anticipation of future foreign currency exchange rates, terminated currency and interest rate swap contracts related to two of its foreign currency debentures. As a result of the termination, transaction loss on currency and interest rate swaps amounted to ₩11,590 million for the year ended December 31, 2006. Currency and interest rate swap contracts terminated during 2006 were as follows:

Currency swap contracts:

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

Interest rate swap contracts:

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

23 Power Transmission and Distribution Costs

Power transmission and distribution costs for the years ended December 31, 2006 and 2005 were as follows:

Won (millions)

	2006	2005
Material expenses:		
Oil	34,659	29,201
Labor expenses:		
Salaries	676,207	626,596
Retirement and severance benefits	74,764	70,786
	750,971	697,382
Overhead expenses:		
Employee benefits	92,090	91,234
Taxes and dues	14,528	10,632
Rent	26,758	24,015
Depreciation and amortization	1,785,355	1,816,025
Maintenance	829,939	736,219
Commission and consultation fees	97,118	123,191
Compensation expense	12,446	9,944
Development expenses	149,102	137,972
Fixed assets removal costs	234,257	203,151
Others	85,705	85,858
	3,327,298	3,238,241
	4,112,928	**3,964,824**

24 Selling and Administrative Expenses

Details of selling and administrative expenses for the years ended December 31, 2006 and 2005 are as follows:

Won (millions)

	2006	2005
Labor	427,260	426,084
Employee benefits	72,590	73,366
Sales commission - others	411,535	397,344
Communication fees	27,771	33,026
Depreciation and amortization	31,380	35,020
Taxes and dues	30,296	18,444
Commission and consultation fees	48,283	40,619
Rent	13,634	13,372
Maintenance	27,173	18,572
Others	111,853	99,346
	1,201,775	**1,155,193**

25 Income Taxes

1. The components of income tax expense for the years ended December 31, 2006 and 2005 are summarized as follows:

Won (millions)

	2006	2005
Current income tax expense	469,468	492,216
Income taxes recorded in capital adjustments	2,207	(24,107)
Deferred income tax benefit (*)	81,720	264,321
	553,395	**732,430**

(*) Includes ₩7,185 million income tax benefit related to 2005 settlements based on the final filing.

2. Income tax expenses using statutory tax rates differs from that in the non-consolidated statement of income for the years ended December 31, 2006 and 2005 for the following reasons:

Won (millions)

	2006	2005
Income tax expense at statutory tax rates	721,570	874,773
Tax effects of permanent differences:		
Dividend income (*)	(162,860)	(135,016)
Other	(4,541)	(5,476)
Tax credit	(1,204)	(2,253)
Other, net	430	402
Income tax expense per non-consolidated statement of income	**553,395**	**732,430**

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

The effective tax rates, after adjustments for certain differences between amounts reported for financial accounting and income tax purposes, were approximately 21.09% and 23.02% for the years ended December 31, 2006 and 2005, respectively.

3. The tax effects of temporary differences that result in significant portions of deferred income tax assets and liabilities as of December 31, 2006 and 2005 are presented below:

Won (millions)

	2006	2005
Deferred income tax assets:		
Loss on valuation of derivatives	56,493	105,185
Accrual for retirement and severance benefits	108,438	90,108
Deferred foreign exchange translation loss	8,099	9,037
Trade payables - purchase of electricity	214,194	182,642
Other, net	232,859	154,679
Total deferred income tax assets	620,083	541,651
Deferred income tax liabilities:		
Gain on valuation of derivatives	(24,851)	(112,507)
Deferred foreign exchange translation gain	(19,200)	(22,099)
Reserve for investment in social overhead capital	(71,564)	(89,248)
Reserve for research and human resources development	(57,347)	(53,320)
Equity income of affiliates	(2,547,692)	(2,320,592)
Other, net	(83,326)	(36,975)
Total deferred income tax liabilities	(2,803,980)	(2,634,741)
Net deferred income tax liabilities	**(2,183,897)**	**(2,093,090)**

As of December 31, 2006, the temporary differences arising from equity loss amounting to ₩2,744 million of KEPCO China International Ltd., Jiaosuo KEPCO Power Co., Ltd., KEPCO Gansu International Ltd. and KEPCO Neimenggu International Ltd. have not been recognized as deferred tax assets as it is not probable that future profit will be available against which the Company can utilize the related benefit.

4. Under SKAS No. 16 Income Taxes, the deferred tax amounts should be presented as a net current asset or liability and a net non-current asset or liability. In addition, the Company is required to disclose aggregate deferred tax assets (liabilities). As of December 31, 2006, details of aggregate deferred tax assets (liabilities) were as follows:

Won (millions)

	Temporary differences at December 31, 2006	Estimated reversal timing		Deferred tax assets (liabilities)	
		Within one year	Thereafter	Current	Non-current
Assets:					
Loss on valuation of derivatives	(205,431)	111,820	93,611	-	56,493
Accrual for retirement and severance benefits	(394,320)	-	394,320	-	108,438
Deferred foreign exchange translation loss	(29,452)	3,057	26,395	-	8,099
Trade payables - purchase of electricity	(778,887)	778,887	-	214,194	-
Other, net	(1,074,466)	242,401	832,065	66,660	166,199
	(2,482,556)	1,136,165	1,346,391	280,854	339,229
Liabilities:					
Gain on valuation of derivatives	90,367	(66,219)	(24,148)	-	(24,851)
Deferred foreign exchange translation gain	69,818	(9,160)	(60,658)	-	(19,200)
Reserve for investment in social overhead capital	260,232	(111,001)	(149,231)	-	(71,564)
Reserve for research and human resources development	208,535	(54,643)	(153,892)	(10,527)	(46,820)
Equity income of affiliates	9,261,590	-	(9,261,590)	-	(2,547,692)
Other, net	303,003	(68,778)	(234,225)	(18,914)	(64,412)
	10,193,545	(309,801)	(9,883,744)	(29,441)	(2,774,539)
	7,710,989	**826,364**	**(8,537,353)**	**251,413**	**(2,435,310)**

26 Earnings Per Share

Basic earnings per common share for the yeas ended December 31, 2006 and 2005 are calculated by dividing net income by the weighted-average number of shares of common stock outstanding.

Won (millions except share data)

	2006	2005
Net income	2,070,543	2,448,611
Weighted-average number of common shares outstanding	638,002,913	635,289,794
Basic earnings per common share in Won	**3,245**	**3,854**

Diluted earnings per share for the years ended December 31, 2006 and 2005 are calculated by dividing net income available to common shares plus the effect of dilutive securities by the weighted average number of shares of common and common equivalent shares.

	2006	2005
Net income	2,070,543	2,448,611
Exchangeable bond interest	2,207	1,490
	2,072,750	2,450,101
Weighted-average number of common shares and dilutive securities	657,286,214	639,722,531
Diluted earnings per share in Won	**3,153**	**3,830**

Won (millions)

Exchangeable bonds to be convertible into common stocks as of December 31, 2006 are presented below:

	Won Exchange price	Exchange period	Number of shares to be issued
Overseas exchangeable bonds	₩ 30,000	2003.12.15 ~ 2008.10.24	383,835
Overseas exchangeable bonds	₩ 51,000	2007.01.04 ~ 2011.11.11	18,899,466

27 Transactions and Balances with Related Companies

1. Details of parent and subsidiary relationships as of December 31, 2006 were as follows:

Controlled subsidiary	Ownership %
Korea Hydro & Nuclear Power Co., Ltd.	100.0
Korea South-East Power Co., Ltd.	100.0
Korea Midland Power Co., Ltd.	100.0
Korea Western Power Co., Ltd.	100.0
Korea Southern Power Co., Ltd.	100.0
Korea East-West Power Co., Ltd.	100.0
Korea Power Engineering Co., Inc.	97.9
Korea Plant Service & Engineering Co., Ltd.	100.0
KEPCO Nuclear Fuel Co., Ltd.	96.4
Korea Electric Power Data Network Co., Ltd.	100.0
KEPCO International Hong Kong Ltd.	100.0
KEPCO International Philippines Inc.	100.0
KEPCO China International Ltd.	100.0
KEPCO Gansu International Ltd.	100.0
KEPCO Philippines Holdings Inc.	100.0
KEPCO Asia International Ltd.	58.0
KEPCO Lebanon SARL	100.0
KEPCO Neimenggu International Ltd.	100.0

2. Transactions with related companies for the years ended December 31, 2006 and 2005 were as follows:

Won (millions)

Related party	Transactions	2006	2005
Operating revenue and other income:			
Korea Hydro & Nuclear Power Co., Ltd.	Sale of electricity and others	132,246	123,545
Korea South-East Power Co., Ltd.	〃	40,091	34,455
Korea Midland Power Co., Ltd.	〃	44,873	20,364
Korea Western Power Co., Ltd.	〃	44,202	36,054
Korea Southern Power Co., Ltd.	〃	20,657	18,228
Korea East-West Power Co., Ltd.	〃	53,898	35,289
Others	〃	109,636	139,564
		445,603	**407,499**

Won (millions)

Related party	Transactions	2006	2005
Operating expenses and others:			
Korea Hydro & Nuclear Power Co., Ltd. (*)	Purchased power and others	5,555,450	5,626,416
Korea South-East Power Co., Ltd. (*)	〃	1,974,030	2,008,079
Korea Midland Power Co., Ltd. (*)	〃	2,483,114	2,227,464
Korea Western Power Co., Ltd. (*)	〃	2,417,181	2,213,277
Korea Southern Power Co., Ltd. (*)	〃	3,306,306	2,837,823
Korea East-West Power Co., Ltd. (*)	〃	2,512,554	2,123,280
Korea Power Engineering Co., Inc.	Designing of the power plant and others related to KEDO	6,504	6,872
Korea Plant Service & Engineering Co., Ltd.	Utility plant maintenance	48,733	47,504
Korea Electric Power Data Network Co., Ltd.	Maintenance of computer system	135,140	151,109
Others	Commissions for service and others	159,143	162,494
		18,598,155	**17,404,318**

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

3. Receivables arising from related party transactions as of December 31, 2006 and 2005 were as follows:

Won (millions)

	2006		
Related party	Trade receivables	Other accounts receivable	Total
Korea Hydro & Nuclear Power Co., Ltd.	6,623	3,450	10,073
Korea South-East Power Co., Ltd.	2,604	347	2,951
Korea Midland Power Co., Ltd.	2,256	429	2,685
Korea Western Power Co., Ltd.	4,021	113	4,134
Korea Southern Power Co., Ltd.	769	719	1,488
Korea East-West Power Co., Ltd.	1,983	1,600	3,583
Others	2,898	18,651	21,549
	21,154	**25,309**	**46,463**

Won (millions)

	2005		
Related party	Trade receivables	Other accounts receivable	Total
Korea Hydro & Nuclear Power Co., Ltd.	7,436	4,226	11,662
Korea South-East Power Co., Ltd.	2,454	283	2,737
Korea Midland Power Co., Ltd.	1,112	559	1,671
Korea Western Power Co., Ltd.	2,457	357	2,814
Korea Southern Power Co., Ltd.	992	315	1,307
Korea East-West Power Co., Ltd.	1,885	1,659	3,544
Others	4,328	24,934	29,262
	20,664	**32,333**	**52,997**

4. Payables arising from related party transactions as of December 31, 2006 and 2005 were as follows:

Won (millions)

	2006		
Related party	Trade receivables	Other accounts receivable	Total
Korea Hydro & Nuclear Power Co., Ltd. (*)	386,812	4,255	391,067
Korea South-East Power Co., Ltd. (*)	172,858	1,472	174,330
Korea Midland Power Co., Ltd. (*)	199,032	2,009	201,041
Korea Western Power Co., Ltd. (*)	235,881	1,302	237,183
Korea Southern Power Co., Ltd. (*)	276,381	1,397	277,778
Korea East-West Power Co., Ltd. (*)	225,331	1,668	226,999
Korea Power Engineering Co., Inc.	-	-	-
Korea Plant Service & Engineering Co., Ltd.	-	3,386	3,386
Korea Electric Power Data Network Co., Ltd.	-	49,142	49,142
Others	-	14,568	14,568
	1,496,295	**79,199**	**1,575,494**

Won (millions)

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

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

5. As discussed in note 18, as of and for the years ended December 31, 2006 and 2005, the balances of long-term borrowings from Korea Development Bank amounted to ₩4,634,375 million and ₩4,628,074 million, respectively, and the related interest expense amounted to ₩232,715 million and ₩197,613 million, respectively.

6. The Company has provided guarantees for related companies as of December 31, 2006 as follows:

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

(*) KEPCO Ilijan Corporation, which is a subsidiary of KEPCO International Philippines Inc., is engaged in the power generation business in the Philippines and borrowed US$281 million in 2000 as project financing from Japan Bank of International Corporation and others. In connection with the borrowing, KEPCO Ilijan Corporation' s investment securities under the equity method held by KEPCO International Philippines Inc. were pledged as collateral. The Company has provided the National Power Corporation and others with the guarantee not to exceed US$72 million on performance of the power generation business of KEPCO Ilijan Corporation as well as with partial guarantee not to exceed US$30 million for repayment of that borrowing.

7. Guarantees provided by related companies for the Company as of December 31, 2006 were as follows:

USD and GBP (thousands)

Type	Related party	Currency	Guaranteed amounts	Type of borrowings	Balance of borrowing as of December 31,2006	
Payment	Korea			Foreign		
guarantee (*)	Development	US$	1,171,313	currency bond	US$	932,069
	Bank	GBP	26,547	〃	GBP	24,467

(*) Korea Development Bank has provided a repayment guarantee for certain foreign currency debentures of the Company, which existed at the time of spin-off, but which had not been redeemed as of December 31, 2006.

8. The Company paid salaries and other compensations to key members of management for the year ended December 31, 2006 as follows:

Won (millions)

	2006	
	Annual compensation	Average payment
Salaries	1,891	713
Retirement and severance benefits	160	95
	2,051	**808**

28 Non-Cash Investing and Financing Activities

Significant non-cash investing and financing activities for the years ended December 31, 2006 and 2005 are summarized as follows:

Won (millions)

	2006	2005
Conversion of exchangeable bonds	112,260	146,763
Transfer from inventory to construction-in-progress	70,773	82,208
Investment in kind	-	27,949

29 Commitments and Contingencies

1. As of December 31, 2006, the Company was involved in 51 lawsuits as plaintiff and 247 lawsuits as defendant. The amount of damages claimed related to the lawsuits as plaintiff and defendant were ₩24,880 million and ₩278,328 million, respectively, as of December 31, 2006. Related to the lawsuits for which the Company is a defendant, the Company deposited approximately ₩4,367 million included in other current assets with the respective courts pending final ruling. As of December 31, 2006, the Company recorded a liability related to the above claims amounting to ₩3,334 million in other long-term liabilities. Additionally, the Company recorded expense related to the above liabilities amounting to ₩4,727 million and ₩51,506 million in 2006 and 2005, respectively. In the opinion of management, the ultimate results of these lawsuits will not have a material adverse effect on the Company's financial position, results of operations or liquidity.

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

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

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

The Executive Board of KEDO decided to terminate the light water reactor project as of May 31, 2006. KEDO notified the Company of the termination of the project and the related turnkey contract between KEDO and the Company. On December 12, 2006, the Company entered into the Termination Agreement ("TA") with KEDO.

In the TA, the Company mainly accepts all rights and obligations related to the light water reactor supplements outside of North Korea, from KEDO. In exchange, the Company waives the right to claim any expenses incurred and any probable claims by subcontractors to KEDO. As of December 31, 2006, the Company offset the existing accounts receivables from KEDO, which is surrendered according to the "TA", against advance received. As a result, the Company recorded in other non-current assets the net advance received amounting to ₩94,088 million which will be applied to existing and future obligations. In addition, the Company recorded in other long-term liabilities estimated claims currently reasonably estimateable to coordinated contractors amounting to ₩47,307 million. Final settlement is contingent upon full disposal of related assets and settlement of obligations.

3. The Company entered into power purchase agreements with GS EPS Co., Ltd. and other independent power producers for power purchases in accordance with the Electricity Business Act. These purchase agreements include minimum purchase requirements which the Company has historically exceeded. The power purchased under these agreements amounted to ₩1,299,061 million and ₩1,170,094 million for the years ended December 31, 2006 and 2005.

4. In compliance with Rules on Power Transmitting Facilities announced by the Ministry of Commerce, Industry and Energy (MOCIE), the Company imposes construction costs and maintenance costs to actual users of power transmitting facilities, the Company's six power generating subsidiaries. However, as of December 31, 2006, the effective date has been postponed until the final imposing date is announced.

5. The Company is provided with a guarantee for an import letter of credit payment amounting to US$9,470 thousands and US$13,300 thousands by the National Federations of Fisheries Cooperatives, and Korea Exchange Bank, respectively.

6. The Company provides performance guarantees related to the operation of the Lebanon power generation plant amounting to US$17,113 thousands to the Lebanon Electricity Agency.

30 Added Value

The components of power transmission and distribution costs and selling and administrative expenses which are necessary in calculating added value at December 31, 2006 and 2005 are as follows:

Won (millions)

	2006	2005
Salaries	1,071,301	1,021,512
Retirement and severance benefits	119,794	115,362
Employee benefits	166,139	166,216
Rent	40,601	37,554
Depreciation	1,816,735	1,851,046
Taxes and dues	44,865	29,152
Net financial charges	542,629	479,398
	3,802,064	**3,700,240**

31 Employee Welfare and Donations

For the welfare of its employees, the Company maintains a refectory, an infirmary, athletic facilities, a scholarship fund, workmen's accident compensation insurance, unemployment insurance and medical insurance. The Company donated ₩105,687 million and ₩108,636 million to the fund for the welfare of the Company's employees and others for the years ended December 31, 2006 and 2005, respectively.

32 Financial Information for the 4th Quarter (Unaudited)

Financial information for the 4th quarter of 2006 and 2005 is as follows:

Won (millions except earnings per share)

	2006	2005
Operating revenues	6,561,219	6,221,778
Net loss	27,520	138,714
Loss per share in Won	42	218

INDEPENDENT ACCOUNTANTS' REVIEW REPORT ON INTERNAL ACCOUNTING CONTROL SYSTEM

English translation of a Report Originally Issued in Korean

To the Chief Executive Officer of
Korea Electric Power Corporation:

We have reviewed the accompanying Report on the Operations of Internal Accounting Control System ("IACS") of Korea Electric Power Corporation (the "Company") as of December 31, 2006. The Company's management is responsible for designing and maintaining effective IACS and for its assessment of the effectiveness of IACS. Our responsibility is to review management's assessment and issue a report based on our review. In the accompanying report of management's assessment of IACS, the Company's management stated: "Based on the assessment on the operations of the IACS, the Company's IACS has been effectively designed and is operating as of December 31, 2006, in all material respects, in accordance with the IACS Framework issued by the Internal Accounting Control System Operation Committee."

We conducted our review in accordance with IACS Review Standards, issued by the Korean Institute of Certified Public Accountants. Those Standards require that we plan and perform the review to obtain assurance of a level less than that of an audit as to whether Report on the Operations of Internal Accounting Control System is free of material misstatement. Our review consists principally of obtaining an understanding of the Company's IACS, inquiries of company personnel about the details of the report, and tracing to related documents we considered necessary in the circumstances. We have not performed an audit and, accordingly, we do not express an audit opinion.

A company's IACS 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. Because of its inherent limitations, however, IACS 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.

Based on our review, nothing has come to our attention that Report on the Operations of Internal Accounting Control System as of December 31, 2006 is not prepared in all material respects, in accordance with IACS Framework issued by the Internal Accounting Control System Operation Committee.

This report applies to the Company's IACS in existence as of December 31, 2006. We did not review the Company's IACS subsequent to December 31, 2006. This report has been prepared for Korean regulatory purposes, pursuant to the External Audit Law, and may not be appropriate for other purposes or for other users.

Seoul, Korea
January 31, 2007

Notice to Readers This report is annexed in relation to the audit of the non-consolidated financial statements as of and for the year ended December 31, 2006 and the review of internal accounting control system pursuant to Article 2-3 of the Act on External Audit for Stock Companies of the Republic of Korea.

Executives & directors

EXECUTIVES & DIRECTORS

Lee Won-Gul	President and CEO
Kwak Jin-Eob	Executive Auditor
Moon Ho	Executive Vice-President
Kwon Oh-Hyung	Senior Vice President, Management Support Div.
Park Jong-Hwak	Senior Vice President, Marketing & Service Div.
Byun Gang	Senior Vice President, Transmission Div.
Chang Myeong-Chul	Senior Vice President, Overseas Business Div.

NON- STANDING AUDITORS

Hwang Suk-Hee	Advisor of Uhyeonjisan Law Firm
Yang Seung-Sook	Former President of Armed Forces Nursing Academy

NON-STANDING DIRECTORS

Park Chung-Boo	President of Baker Tilly Sungto LLC
Shin Jae-Hyun	Attorney at Kim & Chang Law Firm
Kang Eung-Seon	Vice President of Seoul Cyber University
Kim Ju-Sub	Guest Professor of Public Administration in Daegu Catholic University
Kwon Oh-Sung	President of Ogye Farm
Yoo Jong-Geol	Former Director of Security and Investigation Div. of National Intelligence Service
Kwak Bae-Hee	President of the Korea Legal Aid Center for Family Relations
Kim Jae-Gyu	Advisor of Natura Inc.

LEE WON-GUL
President and CEO

KWAK JIN-EOB
Executive Auditor

MOON HO
Executive Vice-President

KWON OH-HYUNG
Senior Vice President, Management Support Div.

PARK JONG-HWAK
Senior Vice President,
Marketing & Service Div.

BYUN GANG
Senior Vice President, Transmission Div.

CHANG MYEONG-CHUL
Senior Vice President,
Overseas Business Div.

ORGANIZATION CHART

As of Dec. 31, 2006

President & CEO

Executive Auditor

Executive Vice-President
KEPRI, etc. (2)

- **Planning & Coordination Division**
- **Management Support Division** — Central Education Institute, etc. (6)
- **Marketing & Service Division** — District Head & Branch Office (63)
- **Transmission Division** — Power Transmission Head & Branch Office (53)
- **Overseas Business Division** — Gaeseong District Head Office, etc. (6)
- **Business Division** — Seoul Business Division, etc. (126)

OFFICE

As of Dec. 31, 2006

● Head Office & Primary Offices(46)

Head Office	Business Division	District Head Office	Power Transmission District Office	KEPRI, etc.	Central Education Institute, etc.	Overseas Office, etc.	Total
1	9	7	15	2	6	6	46

● Secondary Offices(211)

Branch Office					Power Transmission Branch Office			Construction Branch Office	Total
I	II	III	IV	Total	I	II	Total		
40	48	43	42	173	15	22	37	1	211

ELECTRIC POWER GRID NATIONWIDE

MAJOR STATISTICS

(As of Dec. 31, 2006)

● Breakdown of Capacity by Power Generation Company (Unit: MW)

Hydro	Coal	Oil	Gas	Nuclear	Alternative	Total
5,485	18,465	6,172	17,436	17,716	240	**65,514**

* Privately funded plants included

● Breakdown of Power Production by Fuel Type (Unit: GWh)

Hydro	Coal	Oil	Gas	Nuclear	Alternative	Total
5,129	139,206	19,195	68,302	148,749	511	**381,092**

* Privately funded plants included

● Peak Demand / Supply Capability / Facility Capacity (Unit: MW)

Peak Demand	Supply Capacity	Facility Capacity	Recorded Peak Time
58,994	65,183	64,778	06.8.16 12:00

* Privately funded plants included

● Load and Utilization Factors (Unit: %)

Classification	2002	2003	2004	2005	2006
Load Factor	76.4	77.7	76.2	76.2	**73.8**
Utilization Factor	65.7	65.9	66.5	67.5	**66.9**

● Customers (Unit: 1,000(%))

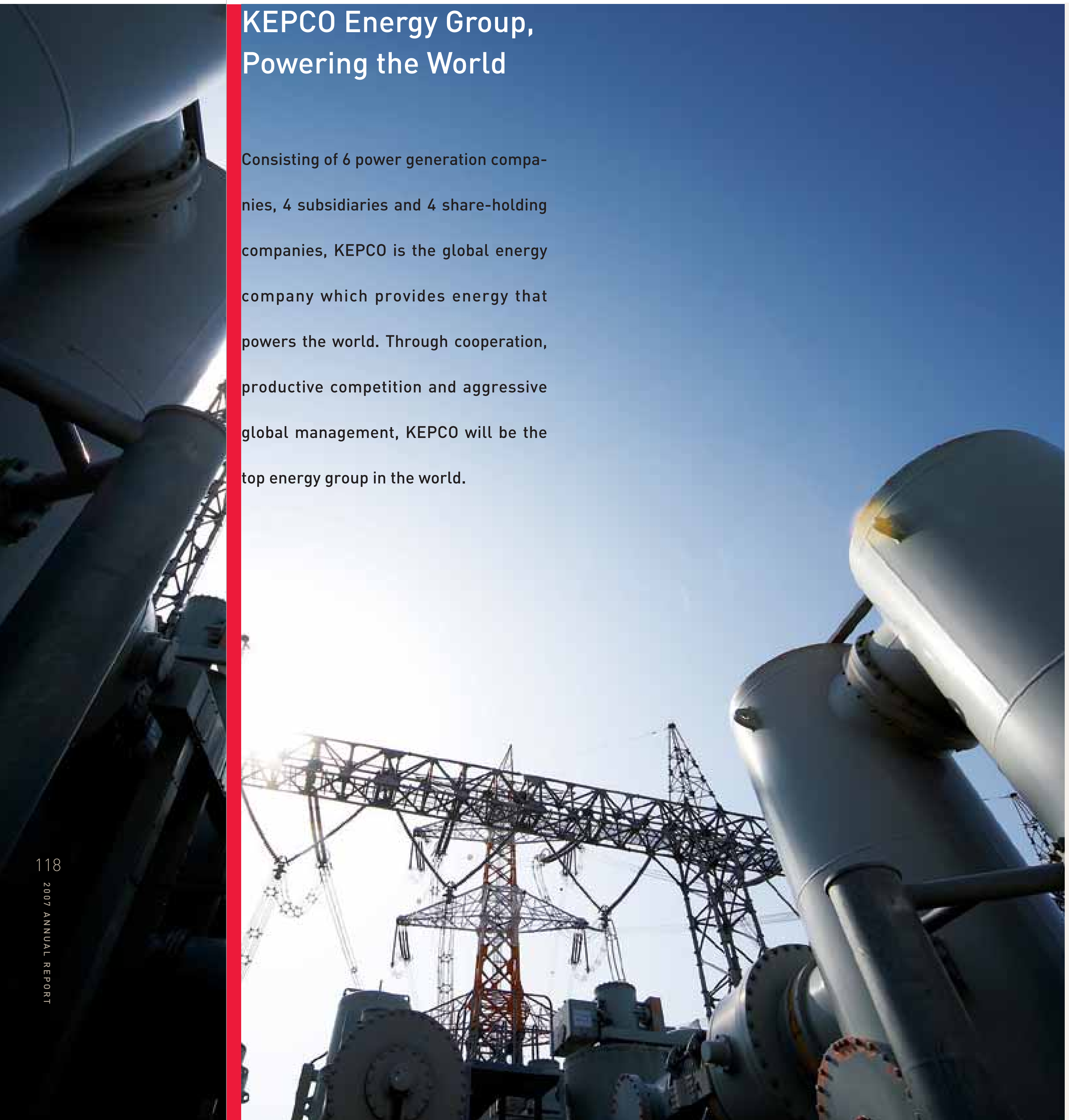
Industrial	Public and Commercial	Residential	Total
1,317(7.4)	5,265(29.9)	11,042(62.7)	**17,624(100)**

● Personnel (Person: No. of Staff(%))

Classification	Executives	Administration	Engineers	Skilled Technicians	Non-regular	Total
Persons	8	4,676(22.9)	9,865(48.4)	3,792(18.6)	2,055(10.1)	20,396(100)

● Breakdown of Capacity by Power Generation Company (Unit: MW)

Fuel Type	KOSEP	KOMIPO	WP	KOSPO	EWP	KHNP	Total
Nuclear	–	–	–	–	–	Kori (3,137) Wolseong (2,778.7) Yeonggwang (5,900) Ulchin (5,900)	17,715.5
Bituminous Coal	Samcheonpo (3,240) Yeongheung (1,600)	Boryeong (3,000)	Taean (3,000)	Hadong (3,000)	Dangjin (3,000) Honam (500)	–	17,340
Anthracite Coal	Yeongdong (325)	Seocheon (400)	–	–	Donghae (400)	–	1,125
Oil	Yeosu (528.6)	Jeju(215) Jeju Inthermal Combustion(40)	Pyeongtaek (1,400)	Yeongnam (400) Namjeju (100) Namjeju Inthermal(40) Hannim Oil Combined-cycle(105)	Ulsan Plant 1 (600) Ulsan Plant 2 (1,200)	–	4,628.6
Gas	Bundang LNG Combined-cycle(900)	Boryeong cycle (1,800) Incheon(1,150) Seoul(387.5) Incheon Combined-cycle(503.5)	Seoincheon Combined-cycle(1,800) Pyeongtaek Combined-cycle(480)	Sinincheon Combined-cycle(1,800) Busan LNG Combined-cycle(1,800)	Ulsan Plant 3 Combined-cycle(1,200) Ilsan Combined-cycle(900)	–	12,721
Hydro	Muju Pumped-storage(600)	Yangyang Small-hydro(1.4) Yangyang Pumped-storage(1,000)	Samnangjin Pumped-storage(600) Cheongsong Pumped-storage(600)	Cheongpyeong Pumped-storage(400)	Sancheong Pumped-storage(700)	Paldang, etc. 27 Hydroelectric Units (534.6)	4,436
Wind	–	Yangyang Wind-powered(3)	–	Hankyeong Wind-powered(6)	–	–	9
Others	Yeongheung Photovoltaic, etc.(1.8)	–	Taean Photovoltaic (0.1)	–	Donghae Photovoltaic, etc.(1.4)	–	3.3
Total	7,195.4	8,500.4	7,880.1	7,651.0	8,501.4	18,250.3	57,978.6



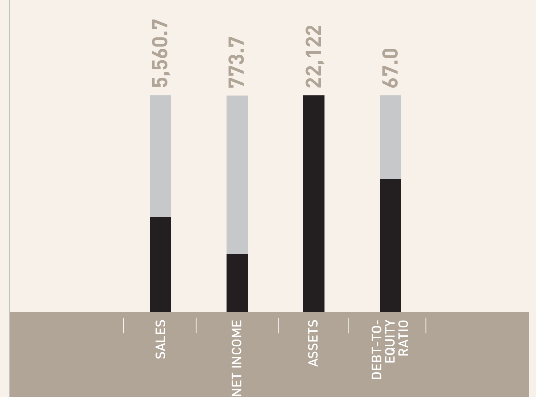
KEPCO Energy Group, Powering the World

Consisting of 6 power generation companies, 4 subsidiaries and 4 share-holding companies, KEPCO is the global energy company which provides energy that powers the world. Through cooperation, productive competition and aggressive global management, KEPCO will be the top energy group in the world.

Korea Hydro & Nuclear Power Co., Ltd.

- President & CEO: Kim Jong-Shin
- Address: 167 Samseong-dong, Gangnam-gu, Seoul, Korea
- No. of employees: 7,393
- Paid-in capital: 1,131.6 billion
- www.khnp.co.kr

●●● Korea Hydro & Nuclear Power Co., Ltd (KHNP) operates nuclear power plants to supply electricity as base load and hydroelectric power plants as mainly peak load. Since the commercial operation of Gori Nuclear Unit #1 in 1978 for the first nuclear power generating unit in Korea, KHNP has grown to the world's sixth largest company in terms of nuclear power generation capacity and is operating 20 nuclear reactors accounting for 39.3% of the Korea's total electricity production. As of the 2006 year-end, KHNP had a total generation capacity of 18,250.3MW composing 17,715.7MW(97.1%) of 20 nuclear units and 534.6MW(2.9%) of 27 hydro units. At present, KHNP is building 8 additional nuclear units having a combined capacity of 9,600MW(Singori units #1 and #2, Sinwolseong units #1 and #2, Singori units #3 and #4, and Sinuljin units #1 and #2).

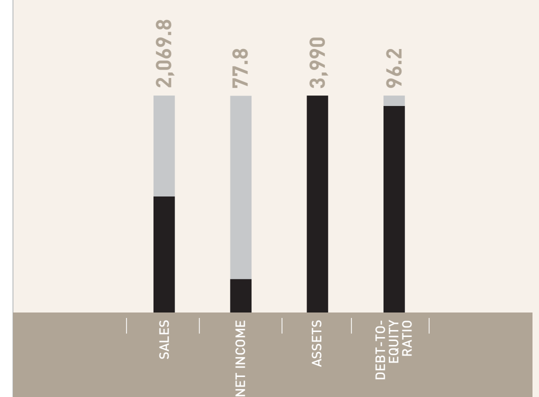


At year-end or for the period of 2006
(unit : billion won, %)

Korea Southeast Power Co., Ltd.

- President & CEO: Gwak Yeong-Uk
- Address: 167 Samseong-dong, Gangnam-gu, Seoul, Korea
- No. of employees: 1,914
- Paid-in capital: 332.7 billion
- www.kosep.co.kr

●●● Korea Southeast Power Co., Ltd(KOSEP) supplies its base load from Smacheonpo Thermal Power Plant and its total installed power generation capacity stood at 7,195.4MW as of December 31, 2006; 4,840MW(67.3%) of 8 bituminous coal-firing units, 900MW(12.5%) of 10 LNG combined-cycle units, 600MW(8.3%) of 2 pumped-storage hydro units, 528.6MW(7.3%) of 2 oil-firing units, and 325MW(4.5%) of 2 anthracite coal-firing units. According to the long-term power supply and demand basic plan, KOSEP is currently building 2 bituminous coal-firing units having a combined capacity of 1,740MW(Yeongheung units #3 and #4) and 800MW of 2 pumped-storage hydro units at Yechoen.

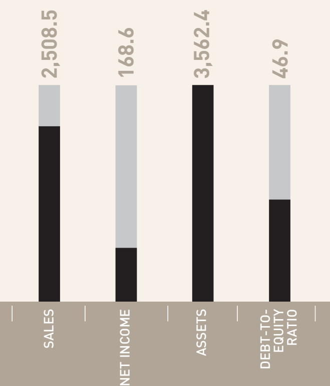


At year-end or for the period of 2006
(unit : billion won, %)

Korea Midland Power Co., Ltd

- President & CEO: Chung Jang-Sup
- Address: 167 Samseong-dong, Gangnam-gu, Seoul, Korea
- No. of employees: 2,141
- Paid-in capital: 153 billion
- www.komipo.co.kr

●●● Korea Midland Power Co., Ltd(KOMIPO) operates Boryeong Thermal Plant as its main base load facility and thermal power plants at Incheon, Seoul, Seocheon and Jeju. As of December 31, 2006, its total power generation capacity stood at 8,500.4MW; 3,000MW(35.3%) of 6 bituminous coal-firing units, 3,841MW(45.2%) of 21 LNG combined-cycle units, 400MW(4.7%) of 2 anthracite coal-firing units, 255MW(3.0%) of oil-firing units, and 1,000MW(11.8%) of 4 pumped-storage hydro units. KOMIPO is adding 1,000MW at Boryeong Power Plant(units #7 and #8).

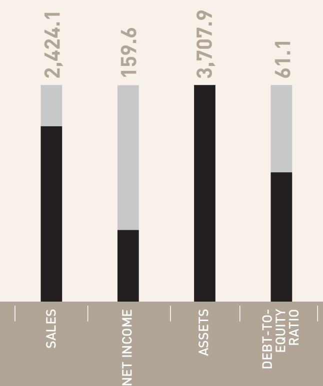


At year-end or for the period of 2006
(unit : billion won, %)

Korea Western Power Co., Ltd.

- President & CEO: Son Dong-Hee
- Address: 167 Samseong-dong, Gangnam-gu, Seoul, Korea
- No. of employees: 1,791
- Paid-in capital: 176 billion
- www.westernpower.co.kr

●●● Korea Western Power Co., Ltd(WP) supplies its base load from Taean Thermal Power Plant. Its total installed power generation capacity was 7,880.1MW at the 2006 year-end; 2,280MW (28.9%) of 21 LNG combined-cycle units, 3,000MW (38.1%) of 6 bituminous coal-firing units, 1,400MW (17.8%) of 4 oil-firing units, and 1,200MW(15.2%) of 4 pumped-storage hydro units. WP is building 1,022MW of new power generation facilities comprising 2 anthracite coal-firing units(1,000MW) at Taean(units #7 and #8) and 2 mini-hydro units (22MW) at Taean.

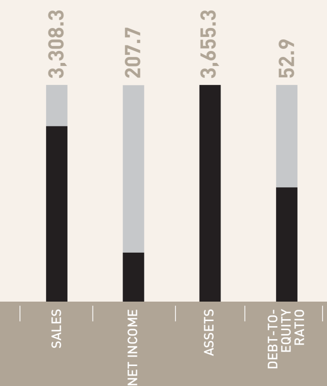


At year-end or for the period of 2006
(unit : billion won, %)

Korea Southern Power Co., Ltd.

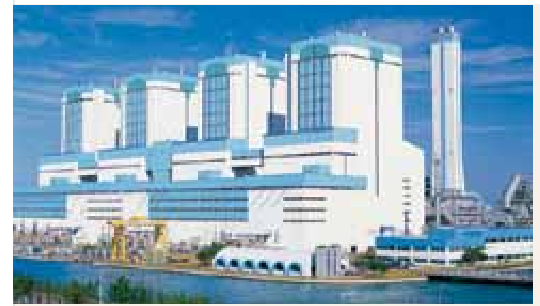
- President & CEO: Kim Sang-Kab
- Address: 167 Samseong-dong, Gangnam-gu, Seoul, Korea
- No. of employees: 1,805
- Paid-in capital: 230.9 billion
- www.kospo.co.kr

●●● Korea Southern Power Co., Ltd(KOSPO) supplies its base load from Hadong Thermal Power Plant. KOSPO had a total generation capacity of 7,651MW. As of December 2006, its total capacity is composed of 3,000MW(39.2%) of 6 bituminous coal-firing units, 3,600MW(47.1%) of 24 LNG combined-cycle units, 645MW(8.4%) of 10 oil-firing units, 400MW(5.2%) of 2 pump-storage hydro units, and 6MW(0.1%) of 4 wind power units. According to the 'long-term power supply and demand basic plan', KOSPO is currently building 1,255MW of new power generation facilities; 1,000MW of 2 anthracite coal-firing units at Hadong(units #7 and #8), 200MW of 2 oil-firing units at South Jeju(units #3 and #4), and 55MW wind power plants(Hankyeong, Seongsan, Taebaek).



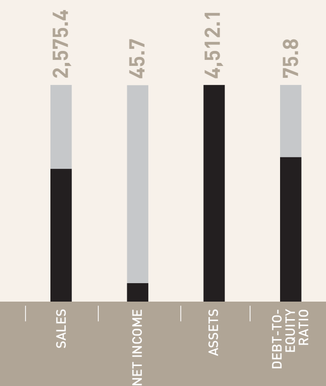
At year-end or for the period of 2006
(unit : billion won, %)

Korea East-West Power Co., Ltd



- President and CEO: Jung Tay-Ho
- Address: 167 Samseong-dong, Gangnam-gu, Seoul, Korea
- No. of employees: 2,049
- Paid-in capital: 307.4 billion
- www.ewp.co.kr

●●● Korea East-West Power Co., Ltd(EWP) supplies its base load from Dangjin Thermal Power Plant and is operating five other power plants at Ulsan, Honam, Donghae, Ilsan and Sancheong. EWP has a total generation capacity of 8,501.4MW; 3,500MW(41.2%) of 7 bituminous coal-firing units, 2,100MW(24.7%) of 17 LNG combined-cycle units, 1,800MW(21.2%) of 6 oil-firing units, 700MW(8.2%) of 2 pumped-storage hydro units, and 400MW(4.7%) of 2 anthracite coal-firing units. At present, EWP is adding 1,000MW of 2 coal-firing units st Dangjin(units #7 and #8).



At year-end or for the period of 2006

Other Subsidiaries

Korea Power Engineering Company

- President & CEO: Lim Sung-Choon
- Address: 360-9 Mabuk-ri, Guseong-eup, Yongin, Gyeonggido, Korea
- No. of employees: 1,871
- Paid-in capital: 7.6 billion www.kopec.co.kr

Korea Power Engineering Company(KOPEC) is an architecture engineering company specialized in developing and designing nuclear and fossil power plants. Also its business scope is extended to hydro projects, transmission and distribution projects, environment projects, project management and construction management. KOPEC owns NSSS(Nuclear Steam Supply System) designing technology and has designed 30 nuclear power generating units, 35 Korean-standard coal-firing units and 13 combined-cycle units.

Korea Plant Service & Engineering Co., Ltd

- President & CEO: Ham Yoon-Sang
- Address: 196 Geumgok-dong, Bundang-gu Seongnam, Gyeonggido, Korea
- No. of employees: 4,052
- Paid-in capital: 9 billion www.kps.co.kr

Korea Plant Service & Engineering Co., Ltd.(KPS) provides high-quality facility maintenance services for about 60,000MW thermal, hydro, and nuclear power plants, transmission facilities, and industrial plants throughout Korea. In particular, KPS has developed the total maintenance planning and repair service system for core components of power generating facilities including nuclear power plants. It operates technology R&D center which deals with all core technologies and provides high-level maintenance technology service to various kinds of plant facilities.

Korea Nuclear Fuel Co., Ltd.

- President & CEO: Yoon Meng-Hyun
- Address: 493, Deokjin-dong, Useong-gu, Daejeon, Korea
- No. of employees: 622
- Paid-in capital: 93.2 billion www.knfc.co.kr

Korea Nuclear Fuel Co., Ltd(KNFC) specializes in nuclear fuel design and manufacturing, pulverized uranium dioxide production, nuclear fuel supply and engineering service. KNFC is the exclusive nuclear fuel marker for both pressurized water reactors(PWR) and pressurized heavy water reactor(PWHR) in Korea. With an annual production capacity of 400MTU, it covers total demand of nuclear fuel needed for the operation of 16 PWRs and 4 PHWRs in Korea. KNFC has completed the development of advanced fuels such as PLUS7TM and ACE7TM.

Korea Electric Power Data Network Co., Ltd.

- President & CEO: Lee Hi-Taek
- Address: 1355 Seocho 2-dong, Seocho-gu, Seoul
- No. of employees: 1,180
- Paid-in capital: 64 billion www.kdn.com

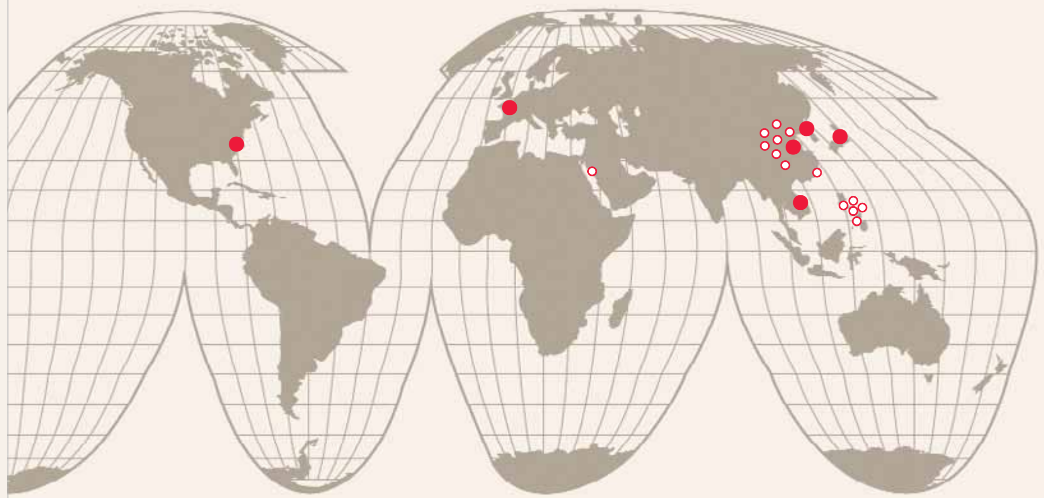
Since its establishment in 1992, Korea Electric Power Data Network Co., Ltd(KDN) has delivered IT-related services mainly in the business areas of power generation, transmission, distribution and utility sales. KDN's businesses are directed mainly to IT system construction and operation including ERP system, electricity trade system and integrated sales management system. Its services are also extended to electricity IT automation including SCADA(Supervisory Control And Data Acquisition) and distribution automation services and IT infrastructure setup and maintenance.

Other Shareholding Companies

Korea Electric Power Industrial Development Corporation	49.00%
LG Powercomm	43.13%
Korea Gas Corporation	24.46%
Korea District Heating Corporation	26.07%

(As of 2006 year-end, KEPCO's Ownership)

Global Networks



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Yurakucho1-7-1, Chiyoda-Ku,
Tokyo, 100-0006
Tel : 81-3-3212-4661 / Fax : 81-3-3212-4663

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Center, 50 Liangmaqiao Road,
Chaoyang District, Beijing100016, China
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Fax : 86-10-6466-9436

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360 Kim Ma Str., Dinha Dist., Hanoi, Vietnam
Tel : 84-4-831-5234 / Fax : 84-4-831-5103

KEPCO Gaesung Office
#3-1, Bongdong-Ri Gaesung-Si, DPRK
Tel : 8585-2200 / Fax : 8585-2214

Overseas Subsidiaries

KEPCO International Hong Kong Limited

KEPCO Philippines Corporation

KEPCO International Philippines Inc.

KEPCO Ilijan Corporation

KEPCO China International Limited

Jiaozuo KEPCO Power Company Limited

KEPCO Asia International Limited

KEPCO Gansu International Limited

Gansu Datang Wumen Wind Power Company limited

KEPCO Philippines Holdings, Inc.

KEPCO Lebanon SARL

KEPCO Neimenggu International Limited

Datang Chifeng Renewable Power Co., Ltd

Creating a new legend of light on the global stage, KEPCO strides toward the future.