US$1.00. No representation is made that the Won or U.S. Dollar amounts referred to in this report could have been or could be converted into Dollars or Won, as the case may be, at any particular rate or at all.

The following table sets forth, for the periods and dates indicated, certain information concerning the Noon Buying Rate in Won per US$1.00.

Year Ended December 31,	At End of Period	Average(1)	High	Low
		(Won per US$1.00)		
1998	1,206.00	1,401.00	1,812.00	1,196.00
1999	1,136.00	1,189.80	1,243.00	1,125.00
2000	1,267.00	1,130.90	1,267.00	1,105.50
2001	1,313.50	1,292.00	1,369.00	1,234.00
2002	1,186.30	1,250.40	1,332.00	1,160.60
2003 (through June 19)	1,200.00	1,206.40	1,262.00	1,164.60
January	1,165.00	1,176.45	1,197.30	1,164.60
February	1,193.70	1,190.37	1,206.00	1,173.00
March	1,252.00	1,237.20	1,260.00	1,184.60
April	1,215.50	1,231.10	1,262.00	1,204.00
May	1,210.00	1,201.20	1,217.00	1,192.00
June (through June 19)	1,200.00	1,195.60	1,203.00	1,185.00

(1) The average of the Noon Buying Rates over the relevant period.

RISK FACTORS

Our business and operations are subject to various risks, many of which are beyond our control. If any of the risks described below actually occurs, our business, financial condition or results of operations could be seriously harmed.

Risks Relating to KEPCO

The Government's Plan for Restructuring the electricity industry in Korea (the "Restructuring Plan") may have a material adverse effect on us and the price of our securities.

On January 21, 1999, the Ministry of Commerce, Industry and Energy (the "MOCIE") announced the Restructuring Plan for the electricity industry in Korea. For a detailed description of the Restructuring Plan, see Item 4 "Information on the Company — Business Overview — Restructuring of the Electricity Industry in Korea".

The Government promulgated the Law on Promotion of Restructuring of Electricity Industry (the "Restructuring Law") and amended the Electricity Business Law on December 23, 2000, which allowed us to implement the Restructuring Plan. Pursuant to such law:

- on April 2, 2001, the Government established the Korea Power Exchange to deal with the sale of electricity and to work out regulations governing the electricity industry to allow for electricity distribution via a competitive bidding process;
- on April 2, 2001, the Government established a competitive bidding pool system; and
- on April 27, 2001, the Government established the Korean Electricity Commission to regulate the restructured Korean electricity industry and to ensure fair competition.

On February 23, 2001, our board of directors approved a new plan to split our non-nuclear and non-hydroelectric generating capacity into five wholly-owned generation subsidiaries and our nuclear and hydroelectric generating capacity into a separate wholly-owned generation subsidiary. On March 16, 2001, our shareholders approved the plan to establish the generation subsidiaries and the allocation of our assets and liabilities to such generation subsidiaries, effective as of April 2, 2001.

It is possible that the Government may make substantial changes to the currently announced details of the Restructuring Plan, particularly since a new administration has taken office in February 2003. Such possible changes to the Restructuring Plan, as well as the uncertainty regarding the timing and manner of implementing the Restructuring Plan, may adversely affect us or the price of our securities.

The Restructuring Plan currently contemplates that we eventually dispose of our interests in our generation subsidiaries (excluding our nuclear and hydroelectric power generation subsidiary) and distribution subsidiaries. In April 2002, the MOCIE released the basic privatization plan for five of our generation subsidiaries, excluding our nuclear and hydroelectric power generation subsidiary. In the first phase of the privatization plan, we have commenced the sale of two generation subsidiaries in the second half of 2002. The process of selling these two generation subsidiaries will involve strategic stake sale and domestic initial public offering. Upon completion of the first phase, we will evaluate the results of the initial sale of two generation subsidiaries before proceeding with the sale of the remaining three non-nuclear generation subsidiaries. The aggregate foreign ownership will be limited to 30% of total power generation capacity. We cannot assure you as to the timing or the extent to which our divestiture will occur. In addition, it is possible that Korean law relating to anti-competitive practices as existing at that time may affect the manner in which we conduct our business through such subsidiaries.

The Restructuring Plan as currently approved by our board contemplates corporate splits to form certain new subsidiaries (as was the case in forming generation subsidiaries) and disposition of the shares of such subsidiaries. Each step of the corporate split and disposition of the shares of the subsidiaries may not itself trigger the shareholders' legal right to require us to purchase their shares under the Korean Commercial Code. However, in the event that the combination of such corporate split and disposition of the shares of the new subsidiaries within a short-time frame shall be interpreted as a transfer of material business, dissenting shareholders may exercise their rights to require us to purchase their common stock. If the foregoing would be the case, it is also possible that a substantial number of our shareholders may dissent with respect to such allocation and exercise their right to require us to purchase their common stock. The purchase price will be determined by negotiation between the dissenting shareholders and us. If a price cannot be agreed upon through such negotiation, the purchase price will be the average of (1) the weighted average of the daily share price on the Korea Stock Exchange (the "KSE") for a two-month period before the date of adoption of the board resolution approving the allocation of a substantial portion of our assets or liabilities, (2) the weighted average of the daily share price on the KSE for the one month period before such date and (3) the weighted average of the daily share price on the KSE for the one week period before such date. However, the Korea Financial Supervisory Commission (the "FSC") may adjust this price if we or at least 30% of the dissenting shareholders do not accept such purchase price. If a substantial number of shareholders exercise dissenter's rights, we may have to expend a substantial amount of funds to repurchase such common stock and this may adversely affect our financial condition.

The Restructuring Plan and the privatization plan for our generation subsidiaries in particular continue to generate labor unrest. Labor unions to which our employees belong have voiced their opposition to the Restructuring Plan from its very inception. In particular, the prospect of privatizing some of our core assets have raised concerns among some of our employees. On February 25, 2002, employees belonging to labor unions of our five non-nuclear generation subsidiaries commenced a six-week strike to protest the Government's plans to privatize our five non-nuclear generation subsidiaries. The Korean Confederation of Trade Unions (KCTU), the second-largest governing body of labor unions in Korea with over 600,000 members, negotiated with the Government on behalf of the labor unions. After prolonged negotiations with the Government, KCTU directed the labor unions of our five non-nuclear generation subsidiaries to end their strike on April 2, 2002. We cannot assure you that a large-scale strike will not occur again in the future, or that any such labor unrest will be satisfactorily resolved. Such labor unrest may adversely affect our results of operations by severely disrupting the power supply as well as substantially hinder the implementation of the Restructuring Plan.

We anticipate that we need to incur substantial indebtedness for future capital expenditures.

Subject to the implementation of the Restructuring Plan, we anticipate that a substantial additional indebtedness will be required through the years in order to refinance existing debt and to make capital expenditures for construction of generation plants and other facilities. We expect that a substantial portion of our long-term debt will need to be raised through foreign currency borrowings and in external capital markets. It is possible that the cost at which such financing may be provided may not be acceptable to us.

We conduct a portion of our operations through and depend, to an extent, on funds from our subsidiaries.

We hold a significant portion of our assets in, and conduct some of our operations through, subsidiaries. In addition, the Restructuring Plan currently contemplates the creation of additional subsidiaries to which certain of our assets and liabilities will be transferred. See Item 4 “Information on the Company — Business Overview — Restructuring of the Electricity Industry in Korea”.

In order to satisfy our payment obligations, we will rely on our own operations as well as to an extent on dividends and other payments received from our subsidiaries. The Restructuring Plan contemplates that we will eventually dispose of our interests in our generation subsidiaries (excluding our hydro and nuclear power generation subsidiary) and distribution subsidiaries to be established later.

Our generation subsidiaries are dependent on imported fuel bought in currencies other than Won.

Our generation subsidiaries purchase substantially all of the fuel materials they use, other than anthracite coal, from sources outside Korea. In addition, our generation subsidiaries purchase a significant portion of such fuel materials under contracts with limited duration and at prices determined in whole or in part by prevailing market prices in currencies other than Won. Our generation subsidiaries have not experienced any material fuel delivery disruptions to date. Fuel cost increases, including as a result of depreciation of Won against U.S. dollars or other foreign currencies, or supply disruptions could adversely affect our results of operations.

Inherent in the operation of nuclear power generation facilities are numerous hazards risks, any of which could result in a material loss of revenues or increased expenses.

We operate nuclear-fuel generating units. The operation of nuclear power plants is subject to certain hazards, including environmental hazards such as leaks, ruptures and discharge of toxic and radioactive substances and materials. These hazards can cause personal injuries or loss of life, severe damage to or destruction of property and natural resources, pollution or other environmental damage, clean-up responsibilities, regulatory investigation and penalties and suspension of operations. The breakdown, failure or suspension of operation of a nuclear unit could result in a material loss of revenues and/or additional costs to repair, which could have a material adverse impact on our financial conditions and results of operation.

Opposition to the constructing and operation of nuclear-fuel generating units may have adverse effect on us.

In 2002, 40.8% of the electricity generated through KEPCO in Korea was generated by nuclear generating units. In recent years, we have encountered increasing opposition in the Republic to the construction and operation of nuclear generating units. Although the Government and we have undertaken various community development programs to address concerns of residents of areas near nuclear units, community opposition to the construction and operation of nuclear units could result in construction delay or relocation of planned nuclear units. See Item 4 “Information on the Company # Business Overview — Power Generation — KHNP”, Item 4 “Information on the Company — Business Overview — Environment and Community Programs” and Item 4 “Information on the Company — Business Overview — Insurance”.

We may not be able to raise equity capital in the future without the participation of the Government.

The Korea Electric Power Corporation Act (the “KEPCO Act”) requires that the Government, directly or pursuant to The Korea Development Bank Act (the “KDB Act”), through The Korea Development Bank (a statutory banking institution wholly owned by the Government), own at least 51% of our capital stock. As of March 31, 2003, Government, directly or through The Korea Development Bank, owned 53.9% of our issued capital. Accordingly, without changes in the existing Korean law, it will be difficult or impossible for us to undertake any equity financing in the future other than sales of treasury stock without the participation of the Government.

The impact of Won depreciation may have adverse effect on us.

Due to adverse economic conditions and reduced liquidity, the value of the Won in relation to the U.S. Dollar and other major foreign currencies declined substantially in 1997 but generally rose in 1998, 1999, 2000 and 2001 and modestly declined in 2002. Such depreciation had a material effect on the cost of servicing our foreign currency debt and the cost of our purchases of fuel materials and equipment from overseas sources. As of December 31, 2002, approximately 25.1% of our long-term debt was denominated in foreign currencies, principally in Dollars and Yen. The prices for substantially all of the fuel materials and a significant portion of the equipment we purchase are stated in currencies other than Won, generally in Dollars. Since substantially all of our revenues are denominated in Won, we must generally obtain foreign currencies through foreign-currency denominated financings or through the conversion of Won to effect such purchases or service such debt. As a result, any significant depreciation of the Won against the Dollar or other foreign currencies will adversely impact us.

Risks Relating to Korea and the Global Economy

Unfavorable financial and economic conditions in Korea and worldwide have had and will in the future continue to have a material adverse impact on us.

Economic conditions in Korea, elsewhere in Asia, in the United States and elsewhere in the world materially affect our business. Financial turmoil in Asia in the late 1990's adversely affected the Korean economy and in turn Korean companies. In addition, investors' reactions to developments in one country can have adverse effects on the securities of companies in other countries, including Korea.

Developments that could hurt Korea's economy in the future include, among other things:

- failure of restructuring of *chaebols*, including financial difficulties experienced by SK Global, which admitted in March 2003 that it had falsified financial statements, and other SK Group companies, and accounting scandals of and regulatory proceedings against *chaebols* together with its negative effect on the Korean financial markets and on the small and medium-sized enterprise market;
- slowdown in the overall economy and consumer spending;
- volatility in commodity prices (including oil prices), exchange rates, interest rates, stock markets or foreign currency reserves;
- increased reliance on exports to service foreign currency debts, which could cause friction with Korea's trading partners;
- an increase in crude oil prices which may result from, among other reasons, international military conflicts;
- adverse developments in the economies of countries to which Korea exports goods and services (such as the United States and Japan), or in emerging market economies in Asia or elsewhere;
- social and labor unrest resulting from lay-offs, increasing unemployment and lower levels of income;
- a decrease in tax revenues and a substantial increase in the Government's expenditures for unemployment compensation and other social programs that together could lead to an increased Government budget deficit; and
- a deterioration in economic or diplomatic relations between Korea and its trading partners or allies, including such deterioration resulting from trade disputes or disagreements in foreign policy.

Deterioration in the Korean economy can also occur as a result of deterioration in the global economic conditions. The worldwide economy has been in a slump since the beginning of 2001, as the United States and other G8 countries have experienced recessionary conditions which have been exacerbated by the terrorist attacks in the United States on September 11, 2001, the looming prospect of war in Iraq throughout much of 2002 and the impact of Severe Acute Respiratory Syndrome ("SARS") on global exports or GDP growth rates. Any prolonged stagnation or future deterioration in global economic conditions would continue to have an adverse impact on the Korean economy. A significant adverse change in the Korean economy or a loss of investor confidence in the financial systems of emerging and other markets could have an adverse effect on us and the market price of our securities.

Tensions with North Korea could have an adverse effect on us and the price of our securities.

In recent months, the level of tension between the Republic of Korea and Democratic People's Republic of Korea ("North Korea"), as well as between North Korea and the United States, has increased. In response to North Korea's admission to maintaining of a nuclear weapons program in breach of the peace accord executed in October 1994, the United States, Japan, the Republic of Korea and the European Union (which became party to the 1994 accord in November 2002) decided to suspend shipments of oil to North Korea called for by the 1994 accord and reiterated their demands for the dismantling of North Korea's nuclear weapons program. Following the suspension of oil shipments, North Korea removed seals and surveillance equipment from its Yongbyon nuclear power plant and evicted nuclear inspectors from the United Nations International Atomic Energy Agency (the "IAEA") in December 2002. In January 2003, North Korea announced its intention to withdraw from the Nuclear Non-Proliferation Treaty, refusing to abandon its nuclear power and arms program unless the United States were to execute a non-agression pact. Media reports have stated that North Korea has reactivated a reactor at its main nuclear complex, the Yongbyon nuclear power plant. In February 2003, the IAEA referred the nuclear issue to the United Nations Security Council. In addition, in April 2003, the United States, North Korea and China held tripartite discussions in an effort to resolve issues relating to North Korea's nuclear weapons program, during which North Korea reportedly admitted that it had already successfully developed nuclear weapons. Both President Roh of the Republic and President Bush of the United States have pledged their support in principle to a peaceful resolution of the situation. However, there can be no assurance that the level of tension will not escalate or military confrontations will not occur, which would have a serious adverse effect on our operations and the market price of our securities.

Over the longer term, reunification of the two Koreas could occur. Reunification may entail a significant commitment by the Republic of Korea.

Other Risk

Our Consolidated Financial Statements are prepared in accordance with Korean generally accepted accounting principles, which differ materially from United States generally accepted accounting principles.

Our Consolidated Financial Statements are prepared in accordance with accounting regulations applicable to Government-invested companies and Korean GAAP, which differ in certain significant respects from U.S. GAAP. See Item 5 "Operating and Financial Review and Prospects — Liquidity and Capital Resources — Reconciliation to U.S. GAAP" and Note 24 of Notes to Consolidated Financial Statements.

Korean GAAP and U.S. GAAP differ, among other ways, in respect of the following issues:

- treatment of assets revaluation;
- treatment of foreign exchange translation gains and losses on monetary assets and liabilities;
- accounting for consolidation, primarily accounting for disposition of a subsidiary's common stock; and

- the establishment of a regulatory asset and liability to offset the impact of foreign exchange translation losses and gains on our income statement, deferred income taxes and reserves for self-insurance.

In December 1998, the FSC approved changes to Korean GAAP with respect to the accounting treatment of certain unrealized foreign exchange translation gains and losses. Beginning January 1, 1999, under revised Korean GAAP, unrealized foreign exchange translation gains and losses on monetary assets and liabilities, other than those arising from debt incurred for construction of utility plant, are to be credited or charged to current operations. During 1997, these unrealized foreign exchange translation gains and losses were deferred and amortized over the remaining life of the related asset or debt. During 1998, as permitted by Korean GAAP, we changed our method of accounting for unrealized foreign exchange gains and losses, other than those relating to the construction of utility plant. During 1998, such gains and losses were credited or charged to current operations after offsetting against deferred foreign currency translation losses carried over from prior years.

Realized and unrealized foreign exchange translation gains and losses incurred during the construction period on short-term and long-term debt incurred for construction of utility plant will continue to be capitalized as part of the cost of the related asset.

Under U.S. GAAP, all realized and unrealized foreign exchange translation gains and losses are credited or charged to current operations.

In March 2000, the Securities and Futures Commission approved changes in accounting for consolidation in accordance with Korean GAAP. Pursuant to the provisions of the revised Korean GAAP, the disposal gain or loss on a portion of a subsidiary’s common stock in consolidation is recorded as additions to or deductions from consolidated capital surplus in the event a controlling company still retains control over its subsidiary (generally, ownership is more than 50%) after disposal of a portion of its equity interest. Under U.S. GAAP, we have elected to record such gain or loss as other income or loss in consolidation.

As discussed in Item 4 “Information on the Company — Business Overview — Restructuring of the Electricity Industry in Korea” and Note 1 of Notes to Consolidated Financial Statements, on April 2, 2001, six new generation subsidiaries were established in accordance with the Restructuring Plan. Since our generation subsidiaries’ rates are determined by a competitive system that is not cost based, they no longer meet the criteria for application of SFAS No. 71 “Accounting for the Effects of Certain Types of Regulation”. Our power transmission and distribution divisions continue to meet the criteria for application of SFAS No. 71. The Consolidated Financial Statements reflect the elimination effects of regulations that have been recognized as regulatory assets and liabilities pursuant to SFAS No 71. The effect of this change has been recognized in current operations, resulting in the increase in net income under U.S. GAAP of KRW423,146 million, in accordance with SFAS No. 101 “Accounting for the Discontinuation of Application of SFAS No 71”. However, in accordance with SFAS No. 101, the carrying amounts of property, plant and equipment measured and reported pursuant to SFAS No. 71 were not adjusted since they were not impaired under the provisions of SFAS No. 121 “Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of”.

The Government approves the rates that we charge to our customers. Our utility rates are designed to recover our “reasonable costs” plus a fair investment return. In June 2001, the MOCIE announced the revised guidelines for utility rate setting, stating that non-operating expenses should be excluded from “reasonable costs” while income tax expenses (including deferred income taxes), instead of income tax payables, should be included for rate-making purpose. As a result of this guideline change and the deregulation of our generation subsidiaries, only our deferred income taxes caused by the differences between Korean GAAP and U.S. GAAP are subject to SFAS No. 71, to the extent that tax benefits or obligation will affect future allowable costs for rate making purpose.

ITEM 4. INFORMATION ON THE COMPANY

HISTORY AND DEVELOPMENT

General Information

We were established by the Government on December 31, 1981 as the successor to Korea Electric Company and, until 1989, were wholly owned by the Government. Our registered office is located at 167 Samseong-Dong, Gangnam-Gu, Seoul, Korea, and our telephone number is 82-2-3456-4264.

In 1989, the Government sold 21% of our common stock as part of a planned partial privatization. Such partial privatization was one of several sales by the Government of shares of Government-owned companies undertaken. In 1994, we sold 1.2% of our shares in a global offering. In 1995, we sold 1.1% of our shares in another global offering. From November 1997 to February 1998 the Government injected capital into The Korea Development Bank, The Export-Import Bank of Korea, Korea First Bank and Seoul Bank with our shares to support those financial institutions. In March 1999, the Government sold 5% of our shares in a global offering. As a result, as of December 31, 2000, the Government owned, directly or indirectly, 54% of our issued common stock (including treasury stock). On June 20, 2001, the Government transferred 127,086,334 shares of our common stock held by it, which represents 19.85% of our outstanding capital, to The Korea Development Bank as part of ongoing initiatives designed to facilitate the privatization of electricity industry in Korea. As a result of such transfer, the Government and The Korea Development Bank own 32.35% and 21.63%, respectively, of the outstanding shares of our common stock. See the table setting forth certain information relating to certain owners of our capital stock as of March 31, 2003 in Item 7 “Major Shareholders and Related Party Transactions – Major Shareholders”.

The KEPCO Act requires that the Government, directly or pursuant to the KDB Act, through The Korean Development Bank, own at least 51% of our capital. Direct or indirect ownership of more than 50% of our outstanding common stock enables the Government to control the approval of certain corporate matters which require a stockholders’ resolution, including approval of dividends. The Government’s and The Korea Development Bank’s rights as holders of our common stock are exercised by the MOCIE based on the Government’s ownership of our common stock and a proxy to be received from The Korea Development Bank in consultation with the Ministry of Finance and Economy (“MOFE”).

We operate under the general supervision of the MOCIE. The MOCIE, in consultation with the MOFE, has responsibility for approving the electric power rates we charge after review by the Korean Electricity Commission. See “— Business Overview — Rates”. We furnish reports to officials of the MOCIE, the MOFE and other Government agencies and regularly consult with such officials on matters relating to our business and affairs. See “— Business Overview — Regulation”.

Pursuant to our articles of incorporation, our directors are classified into two categories: standing directors and non-standing directors. The number of standing directors shall be not more than seven, including the president (who is our Chairman and CEO), and the non-standing directors shall be not more than eight. In any case, the number of standing directors may not exceed the number of non-standing directors. The standing directors other than our president shall be appointed by the MOCIE upon the motion of our president with the approval at the general meeting of our shareholders. The non-standing directors shall be appointed from among specialists in the private sector with knowledge of business management by the Minister of Planning and Budget of the Republic upon the motion of our president. Our president shall be appointed by the president of the Republic upon the motion of the MOCIE after shareholders’ approval following the