

KOREA ELECTRIC POWER CORP
Form 20-F
June 29, 2007
Table of Contents

As filed with the Securities and Exchange Commission on June 29, 2007

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 20-F

(Mark One)

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

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2006

OR

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

OR

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

For the transition period from _____ to _____

Commission File Number: 000-13372

KOREA ELECTRIC POWER CORPORATION

(Exact name of registrant as specified in its charter)

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

The Republic of Korea
(Jurisdiction of incorporation or organization)

167 SAMSEONG-DONG, GANGNAM-GU, SEOUL 135-791, KOREA

(Address of principal executive offices)

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

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

*Not for trading, but only in connection with the listing of American depository shares on the New York Stock Exchange, pursuant to the requirements of the Securities and Exchange Commission.

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

None

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

7³/₄% Debentures due April 1, 2013

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

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

6% Debentures due December 1, 2026

7% Debentures due February 1, 2027

6³/₄% Debentures due August 1, 2027

4.25% Notes due September 12, 2007

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

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

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

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

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

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

Edgar Filing: KOREA ELECTRIC POWER CORP - Form 20-F

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

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark which financial statement item the registrant has elected to follow:

Item 17 Item 18

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

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

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

Table of Contents**TABLE OF CONTENTS**

	Page
<u>CERTAIN DEFINED TERMS</u>	1
<u>FORWARD-LOOKING STATEMENTS</u>	1
<u>PART I</u>	2
ITEM 1. <u>IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS</u>	2
ITEM 2. <u>OFFER STATISTICS AND EXPECTED TIMETABLE</u>	2
ITEM 3. <u>KEY INFORMATION</u>	2
<u>Selected Financial Data</u>	2
<u>Risk Factors</u>	5
ITEM 4. <u>INFORMATION ON THE COMPANY</u>	13
<u>History And Development</u>	13
<u>Business Overview</u>	16
<u>Property, Plant and Equipment</u>	52
ITEM 5. <u>OPERATING AND FINANCIAL REVIEW AND PROSPECTS</u>	53
<u>Operating Results</u>	53
<u>Liquidity And Capital Resources</u>	61
<u>Research And Development, Patents And Licenses, Etc.</u>	74
<u>Trend Information</u>	74
ITEM 6. <u>DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES</u>	75
<u>Directors And Senior Management</u>	75
<u>Employees</u>	79
<u>Corporate Governance</u>	80
ITEM 7. <u>MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS</u>	84
<u>Major Shareholders</u>	84
<u>Related Party Transactions</u>	84
ITEM 8. <u>FINANCIAL INFORMATION</u>	86
<u>Consolidated Statements And Other Financial Information</u>	86
ITEM 9. <u>THE OFFER AND LISTING</u>	87
ITEM 10. <u>ADDITIONAL INFORMATION</u>	94
<u>Articles of Incorporation</u>	94
<u>Exchange Controls</u>	100
<u>Taxation</u>	104
<u>Documents On Display</u>	114
ITEM 11. <u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	115
ITEM 12. <u>DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES</u>	119
<u>PART II</u>	120
ITEM 13. <u>DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES</u>	120
ITEM 14. <u>MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS</u>	120
ITEM 15. <u>CONTROLS AND PROCEDURES</u>	120
ITEM 16A. <u>AUDIT COMMITTEE FINANCIAL EXPERT</u>	122
ITEM 16B. <u>CODE OF ETHICS</u>	122
ITEM 16C. <u>PRINCIPAL ACCOUNTANT FEES AND SERVICES</u>	122
ITEM 16D. <u>EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEE</u>	123
ITEM 16E. <u>PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS</u>	123
<u>PART III</u>	124
ITEM 17. <u>FINANCIAL STATEMENTS</u>	124
ITEM 18. <u>FINANCIAL STATEMENTS</u>	124
ITEM 19. <u>EXHIBITS</u>	124

Table of Contents

CERTAIN DEFINED TERMS

All references to Korea or the Republic in this annual report on Form 20-F, or this report, are references to The Republic of Korea. All references to the Government in this report are references to the government of the Republic. All references to we, us, the Company or KEPCO in this report are references to Korea Electric Power Corporation and, as the context may require, its subsidiaries. All references to tons are to metric tons, equal to 1,000 kilograms, or 2,204.6 pounds. Any discrepancies in any table between totals and the sums of the amounts listed are due to rounding. All references to Korean GAAP in this report are references to the accounting guidelines under the Korea Electric Power Corporation Act, the Accounting Regulations for Government Invested Enterprises and accounting principles generally accepted in the Republic of Korea, and all references to U.S. GAAP in this report are references to accounting principles generally accepted in the United States.

FORWARD-LOOKING STATEMENTS

This report includes future expectations, projections or forward-looking statements (as defined in Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934). The words believe, expect, anticipate, estimate and similar words identify forward-looking statements. In addition, all statements other than statements of historical facts included in this report are forward-looking statements. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to have been correct. We caution you not to place undue reliance on the forward-looking statements, which speak only as of the date of this report.

This report discloses, under the caption Item 3. Key Information Risk Factors and elsewhere, important factors that could cause actual results to differ materially from our expectations, or Cautionary Statements. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the Cautionary Statements.

Table of Contents**PART I****ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS**

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION**SELECTED FINANCIAL DATA**

The following table sets forth certain selected consolidated financial data of us. The selected consolidated financial data in the table have been derived from our audited consolidated financial statements for each of the years in the five-year period ended December 31, 2006. The consolidated financial statements as of and for the year ended December 31, 2002 and 2003 have been audited by Deloitte Anjin LLC, a member firm of Deloitte Touche Tohmatsu. Deloitte Anjin LLC is a Korean independent registered public accounting firm. The consolidated financial statements as of and for the years ended December 31, 2004, 2005 and 2006 have been audited by KPMG Samjong Accounting Corp., a Korean corporation, which is a member of KPMG International, a Swiss cooperative, our current independent registered public accounting firm. The selected consolidated financial data should be read in conjunction with our consolidated financial statements and notes thereto as of December 31, 2005 and 2006 and for each of the years in the three-year period ended December 31, 2006.

Our consolidated financial statements are prepared in accordance with the Korea Electric Power Corporation Act, the accounting regulations for Government-invested enterprises 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 33 of the notes to our consolidated financial statements.

Consolidated Statement of Earnings Data

	2002	2003	Year Ended December 31,		2006	
			2004	2005		
	(in billions of Won and millions of US\$, except per share data)					
Amounts in Accordance with Korean GAAP(1):						
Operating revenues	(Won) 21,366	(Won) 22,775	(Won) 23,956	(Won) 25,445	(Won) 27,409	\$ 29,472
Operating expenses	16,319	17,551	19,488	21,523	24,014	25,821
Operating income	5,047	5,224	4,467	3,922	3,395	3,650
Income before income taxes and minority interest	5,171	4,110	4,700	3,832	3,389	3,644
Income taxes	2,104	1,763	1,795	1,399	1,143	1,229
Net income	3,048	2,323	2,883	2,408	2,226	2,393
Earnings per share						
Basic	4,770	3,686	4,576	3,790	3,488	3.75
Diluted	4,770	3,677	4,510	3,766	3,389	3.64
Earnings per ADS						
Basic	2,385	1,843	2,288	1,895	1,744	1.88
Diluted	2,385	1,839	2,255	1,883	1,695	1.82
Dividends per share	800	1,050	1,150	1,150	1,000	1.08
Amounts in Accordance with U.S. GAAP(2):						
Operating revenue(3)	(Won) 21,373	(Won) 22,781	(Won) 23,995	(Won) 25,445	(Won) 27,408	\$ 29,471
Operating income	5,835	6,373	4,860	4,382	3,727	4,008
Net income	3,573	4,552	3,535	2,970	2,645	2,844
Earnings per share						
Basic	5,591	7,221	5,612	4,675	4,146	4.46
Diluted	5,591	7,204	5,529	4,645	4,028	4.33
Earnings per ADS						
Basic	2,796	3,611	2,806	2,338	2,073	2.23

Edgar Filing: KOREA ELECTRIC POWER CORP - Form 20-F

Diluted	2,796	3,602	2,765	2,323	2,014	2.17
Other Data:						
Ratio of earnings to fixed charges(4):						
Korean GAAP	4.2	4.1	4.6	4.8	3.8	3.8
U.S. GAAP(2)	4.8	6.0	5.0	5.3	4.2	4.0

Table of Contents**Consolidated Balance Sheet Data**

	2002	2003	As of December 31,		2006	
			2004	2005		
	(in billions of Won and millions of US\$, except per share data)					
Amounts in Accordance with Korean GAAP (2):						
Net working capital surplus (deficit)(5)	(Won) (5,192)	(Won) (4,056)	(Won) (2,291)	(Won) (130)	(Won) 171	\$ 183
Property, plant and equipment, net	53,527	51,820	55,809	56,651	56,874	61,154
Construction in progress	7,777	9,551	7,517	7,355	8,393	9,025
Total assets	70,512	71,727	73,654	74,737	77,435	83,264
Total stockholders equity	35,562	37,782	40,602	42,338	43,235	46,490
Common stock	3,201	3,204	3,204	3,208	3,208	3,449
Long-term debt (excluding current portion)	17,671	15,814	15,073	15,494	15,428	16,589
Other long term liabilities	7,173	7,992	9,719	9,767	10,152	10,916
Amounts in Accordance with U.S. GAAP(2):						
Total assets	62,297	65,380	65,310	66,864	70,708	\$ 76,030
Total stockholders equity	27,291	31,163	33,747	35,972	37,912	40,765

- (1) See Item 5 Operating and Financial Review and Prospects Operating Results for discussion of certain changes in Korean GAAP.
- (2) For discussion of significant differences between the application of Korean GAAP and U.S. GAAP, see Item 5 Operating and Financial Review and Prospects Liquidity and Capital Resources Reconciliation to U.S. GAAP and Note 33 of the notes to our consolidated financial statements.
- (3) For discussion of significant differences in revenue recognition under Korean GAAP and U.S. GAAP, see Item 5 Operating and Financial Review and Prospects Liquidity and Capital Resources Reconciliation to U.S. GAAP and Note 33(a) of the notes to our consolidated financial statements.
- (4) For purposes of computing ratios of earnings to fixed charges, earnings consist of earnings before income taxes and fixed charges. Fixed charges consist of interest expense (including capitalized interest) and amortization of bond discount and issue expenses.
- (5) Net working capital means current assets minus current liabilities.

Currency Translations and Exchange Rates

In this report, unless otherwise indicated, all references to Won or (Won) are to the currency of the Republic, and all references to U.S. dollars, Dollars, \$, U.S.\$ or US\$ are to the currency of the United States of America. Unless otherwise indicated, all translations from Won to U.S. dollars were made at (Won)930.00 to US\$1.00, which was the noon buying rate in The City of New York for cable transfers in Won per US\$1.00 as certified for customs purposes by the Federal Reserve Bank of New York (the Noon Buying Rate) on December 31, 2006. On June 15, 2007, the Noon Buying Rate was (Won)927.6 to 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 U.S. dollars or Won, as the case may be, at any particular rate or at all.

Table of Contents

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) (Won per US\$1.00)	High	Low
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	1,192.00	1,192.10	1,262.00	1,146.00
2004	1,035.10	1,139.30	1,195.10	1,035.10
2005	1,010.00	1,023.75	1,059.80	997.00
2006	930.00	954.32	1,002.90	913.70
2007 (through June 15)	927.60	934.36	949.10	922.30
January	941.00	936.76	942.20	925.40
February	942.30	936.90	942.30	932.50
March	941.10	942.88	949.10	937.20
April	931.00	930.69	937.00	926.10
May	930.80	927.57	934.00	922.30
June (through June 15)	927.60	928.93	932.30	926.50

Note:

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

Table of Contents

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 related to the electricity industry in Korea and its restructuring may have a material adverse effect on us.

On January 21, 1999, the Ministry of Commerce, Industry and Energy, or the MOCIE, announced a restructuring plan for the electricity industry in Korea, or a Restructuring Plan. 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 and amended the Electricity Business Law on December 23, 2000, which allowed us to implement the Restructuring Plan. Pursuant to the Law on Promotion of Restructuring of Electricity Industry, in April 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 through a competitive bidding process, a competitive bidding pool system for the sale and purchase of electricity and the Korean Electricity Commission to regulate the restructured Korean electricity industry and to ensure fair competition.

In February, 2001, our board of directors approved a plan to split our non-nuclear and non-hydroelectric generation unit into five wholly-owned generation subsidiaries and convert our nuclear and hydroelectric generation unit into a separate wholly-owned generation subsidiary. In March, 2001, our shareholders approved the plan to establish the generation subsidiaries and allocate our assets and liabilities to such generation subsidiaries, effective as of April 2, 2001. In September 2003, the Tripartite Commission, which included, among others, representatives from the Government, the leading businesses and labor unions in Korea, established the Joint Study Group on Reforming Electricity Distribution Network to propose a methodology of introducing competition within the industry for distribution of electricity. In June 2004, based on a report published by this Joint Study Group, the Tripartite Commission issued a resolution that recommended halting the plan to form and privatize the distribution subsidiaries, and in lieu thereof, creating independent business divisions within us, namely, the strategy business units , as way of improving operational efficiency and internal competition among the business divisions. This resolution was adopted by the MOCIE in June 2004, and we subsequently commissioned a third party consultant to conduct a study on implementing plans r