KOREA WESTERN POWER CO., LTD.

FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2009
AND REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholder and Board of Directors of
Korea Western Power Co., Ltd.:

We have audited the accompanying statements of financial position of Korea Western Power Co., Ltd. (the "Company") as of December 31, 2008 and 2009, and the related statements of operations, appropriations of retained earnings (disposition of deficit), changes in shareholder's equity and cash flows for the years then ended, all expressed in Korean Won. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2008 and 2009, and the results of its operations, changes in its retained earnings (disposition of deficit) and its shareholder's equity, and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the Republic of Korea.

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

Accounting practices used by the Company in preparing the accompanying financial statements conform with generally accepted accounting principles in the Republic of Korea, but do not conform with accounting principles generally accepted in the United States of America. The description of the significant differences and the reconciliation of net income and stockholder's equity to U.S. generally accepted accounting principles are set forth in Note 27 to the financial statements.

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

Deloitte Anjin LLC

Seoul, Korea
June 25, 2010

Notice to Readers

This report is effective as of June 25, 2010, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modifications to the auditors' report.

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

To the Shareholder and Board of Directors of
Korea Western Power Co., Ltd.:

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

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

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

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

In our opinion, management's assessment that the Company maintained effective internal control over financial reporting as of December 31, 2009, is fairly stated, in all material respects, based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the statement of financial position and the related statements of income, appropriations of retained earnings, changes in shareholder’s equity and cash flows for the year ended December 31, 2009 of the Company and our report dated June 25, 2010 expressed an unqualified opinion on those financial statements.

Deloitte Anjin LLC

Seoul, Korea
June 25, 2010

KOREA WESTERN POWER CO., LTD.

STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2008 AND 2009

ASSETS	Korean Won 2008	Korean Won 2009	Translation into U.S. Dollars (Note 2) 2009
	(In millions)		(In thousands)
CURRENT ASSETS:			
Cash and cash equivalents , net of government grants of ₩4,064 million in 2008 and ₩5,072 million in 2009 (Note 10)	₩ 42,765	₩ 126,274	$ 108,151
Trade receivables, net of allowance for doubtful accounts of ₩3,335 million in 2008 and ₩3,766 million in 2009 (Note 19)	330,208	372,872	320,433
Accounts receivable-other, net of allowance for doubtful accounts of ₩278 million in 2008 and ₩192 million in 2009 (Note 19)	28,221	19,031	16,355
Inventories	316,161	234,461	201,488
Short-term loans (Note 19)	1,186	1,302	1,119
Accrued income	83	122	105
Prepaid expenses (Note 19)	6,119	4,616	3,967
Advanced payments	1,069	4,679	4,021
Income tax receivables	-	497	427
Currency forward (Note 12)	-	18	16
Current portion of currency swap (Note 12)	-	65,308	56,123
Other current assets	12,804	13,668	11,745
	738,616	842,848	724,314
NON-CURRENT ASSETS:			
Investment securities (Note 3)	26,078	9,022	7,753
Investment securities using the equity method (Note 4)	4,822	50,270	43,201
Long-term loans (Note 19)	14,606	14,942	12,841
Guarantee deposits	22,491	25,363	21,796
Property, plant and equipment, net (Notes 5 and 11)	2,998,657	3,275,099	2,814,505
Intangibles (Note 6)	166,816	161,290	138,607
Deferred tax assets (Note 17)	40,645	23,831	20,479
Interest swap (Note 12)	-	378	325
Currency swap (Note 12)	183,112	71,698	61,615
Other non-current assets	2,671	6,900	5,929
	3,459,898	3,638,793	3,127,051
Total assets	₩ 4,198,514	₩ 4,481,641	$ 3,851,365

(Continued)

KOREA WESTERN POWER CO., LTD.

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

AS OF DECEMBER 31, 2008 AND 2009

	Korean Won		Translation into U.S. Dollars (Note 2)
	2008	2009	2009
LIABILITIES AND SHAREHOLDER’S EQUITY	(In millions)		(In thousands)
CURRENT LIABILITIES:			
Trade payables (Notes 10 and 19)	₩ 324,725	₩ 228,924	$ 196,729
Short-term borrowings (Notes 7, 9 and 11)	170,743	92,908	79,842
Current portion of long-term borrowings (Notes 7 and 10)	17,150	14,900	12,805
Current portion of long-term debentures, net of a discount on debentures issued of ₩65 million in 2008 and ₩169 million in 2009 (Notes 7 and 10)	99,935	376,626	323,659
Accounts payable-other (Notes 8, 10 and 19)	106,307	210,351	180,768
Withholdings	4,136	3,685	3,166
Accrued expenses	8,077	13,033	11,200
Unearned income (Note 19)	303	378	325
Income tax payable	4,480	-	-
Current portion of deferred income tax liabilities (Note 17)	3,519	10,046	8,633
Currency forward (Note 12)	5	-	-
Other current liabilities	138	5,336	4,587
	739,518	956,187	821,714
NON-CURRENT LIABILITIES:			
Debentures, net of discount on debentures issued of ₩2,702 million in 2008 and ₩2,653 million in 2009 (Notes 7 and 10)	906,818	809,247	695,438
Long-term borrowings (Note 7)	92,678	178,060	153,019
Long-term accounts payable-other (Notes 8 and 19)	96,241	95,525	82,091
Accrued severance benefits (Note 9)	91,005	88,288	75,871
	1,186,742	1,171,120	1,006,419
Total Liabilities	1,926,260	2,127,307	1,828,133
SHAREHOLDER’S EQUITY:			
Common stock (Note 13)	176,000	176,000	151,248
Paid-in capital in excess of par value (Note 13)	1,266,638	1,266,638	1,088,504
Accumulated other comprehensive income (Notes 3, 12, 15 and 17)	21,123	15,283	13,135
Retained earnings (Note 14):			
Appropriated	911,911	808,493	694,790
Unappropriated retained earnings (Undisposed deficit)	(103,418)	87,920	75,555
Total Shareholder’s Equity	2,272,254	2,354,334	2,023,232
Total Liabilities and Shareholder’s Equity	₩ 4,198,514	₩ 4,481,641	$ 3,851,365

See accompanying notes to financial statements.

KOREA WESTERN POWER CO., LTD.

STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2009

	Korean Won		Translation into U.S. Dollars (Note 2)
	2008	2009	2009
	(In millions, except per share amount)		(In thousands, except per share amount)
SALES (Note 19)	₩3,700,329	₩ 3,817,239	$ 3,280,401
COST OF SALES (Notes 6 and 19)	3,735,703	3,681,210	3,163,503
GROSS PROFIT (LOSS)	(35,374)	136,029	116,898
SELLING AND ADMINISTRATIVE EXPENSES (Note 20)	38,017	31,979	27,482
OPERATING INCOME (LOSS)	(73,391)	104,050	89,416
NON-OPERATING INCOME (EXPENSES):			
Interest income	4,607	3,704	3,183
Rental income	3,864	4,330	3,721
Gain on disposition of inventories	184	120	103
Gain on disposition of property, plant and equipment	11	55	47
Gain on foreign currency transactions	18,898	55,204	47,440
Gain on foreign currency translation	6,327	69,924	60,090
Gain on valuation of currency forward (Note 12)	-	18	16
Gain on valuation of currency swap	147,915	-	-
Gain on valuation of interest swap (Note 12)	-	378	325
Gain on currency swap transactions	3,381	-	-
Other income	11,473	7,022	6,035
Interest expense (Note 5)	(40,100)	(49,070)	(42,169)
Other bad debt expenses	(165)	-	-
Equity losses on investments (Note 4)	(400)	(1,979)	(1,700)
Loss on disposition of inventories	(143)	(424)	(364)
Loss on disposition of property, plant and equipment	-	(3)	(3)
Loss on retirement of property, plant and equipment	(3,087)	(1,421)	(1,221)
Loss on valuation of inventories	(552)	(2)	(1)
Loss on foreign currency translation	(151,254)	(289)	(248)
Loss on foreign currency transactions	(44,656)	(35,297)	(30,333)
Donations (Note 23)	(404)	(327)	(281)
Loss on valuation of currency forward	(6)	-	-
Loss on valuation of currency swap (Note 12)	-	(37,259)	(32,019)
Loss on currency forward transactions	-	(1,010)	(868)
Loss on currency swap transactions	(7,157)	(3,396)	(2,919)
Other expenses	(261)	(1,414)	(1,216)
	(51,525)	8,864	7,618
INCOME (LOSS) BEFORE INCOME TAX	(124,916)	112,914	97,034
INCOME TAX EXPENSE (BENEFITS) (Note 17)	(21,498)	24,994	21,479
NET INCOME (LOSS)	₩ (103,418)	₩ 87,920	$ 75,555
INCOME (LOSS) PER SHARE (Note 18)	₩ (2,938)	₩ 2,498	$ 2.15

See accompanying notes to financial statements.

KOREA WESTERN POWER CO., LTD.

STATEMENTS OF APPROPRIATIONS OF RETAINED EARNINGS (DISPOSITION OF DEFICIT)

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2009

	Korean Won		Translation into U.S. Dollars (Note 2)
	2008	2009	2009
	(In millions)		(In thousands)
RETAINED EARNINGS BEFORE APPROPRIATIONS (ACCUMULATED DEFICIT BEFORE DISPOSITION):			
Unappropriated retained earnings carried over from prior year	₩ -	₩ -	$ -
Net income (loss)	(103,418)	87,920	75,555
	(103,418)	87,920	75,555
TRANSFERS FROM VOLUNTARY RESERVES:			
Reserve for investment in social overhead capital	-	8,833	7,591
Reserve for research and human resource development	-	7,900	6,789
	-	16,733	14,380
	(103,418)	104,653	89,935
DISPOSITION:			
Reserve for investment in social overhead capital	8,652	-	-
Reserve for research and human resource development	9,567	-	-
Reserve for business expansion	85,199	-	-
	103,418	-	-
APPROPRIATIONS:			
Legal reserve	-	2,637	2,267
Reserve for business expansion	-	75,641	65,002
Dividends (Note 16)	-	26,375	22,666
	-	104,653	89,935
UNAPPROPRIATED RETAINED EARNINGS TO BE CARRIED FORWARD TO SUBSEQUENT YEAR	₩ -	₩ -	$ -

See accompanying notes to financial statements.

KOREA WESTERN POWER CO., LTD.

STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2009

	Korean Won (In millions)				
	Capital stock	Capital surplus	Accumulated other comprehensive income (loss)	Retained earnings	Total
Balance at January 1, 2008	₩ 176,000	₩ 1,266,638	₩ 1,762	₩ 981,818	₩ 2,426,218
Annual dividends	-	-	-	(69,907)	(69,907)
Net loss	-	-	-	(103,418)	(103,418)
Valuation loss on available-for-sale securities	-	-	(378)	-	(378)
Gain on valuation of financial derivatives	-	-	19,818	-	19,818
Changes in capital surplus on investments using the equity method	-	-	(79)	-	(79)
Balance at December 31, 2008	₩ 176,000	₩ 1,266,638	₩ 21,123	₩ 808,493	₩ 2,272,254
Balance at January 1, 2009	₩ 176,000	₩ 1,266,638	₩ 21,123	₩ 808,493	₩ 2,272,254
Annual dividends	-	-	-	-	-
Net income	-	-	-	87,920	87,920
Valuation loss on available-for-sale securities	-	-	(229)	-	(229)
Loss on valuation of financial derivatives	-	-	(6,855)	-	(6,855)
Changes in capital surplus on investments using the equity method	-	-	1,244	-	1,244
Balance at December 31, 2009	₩ 176,000	₩ 1,266,638	₩ 15,283	₩ 896,413	₩ 2,354,334
Translation into U.S. Dollars (In thousands) (Note 2)	$ 151,248	$ 1,088,504	$ 13,135	$ 770,345	$ 2,023,232

See accompanying notes to financial statements.

KOREA WESTERN POWER CO., LTD.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2009

	Korean Won		Translation into U.S. Dollars (Note 2)
	2008	2009	2009
	(In millions)		(In thousands)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	₩ (103,418)	₩ 87,920	$ 75,555
Addition of expenses not involving cash outflows:			
Depreciation	325,390	300,316	258,081
Equity losses on investments	400	1,979	1,700
Amortization of bond discount	733	1,036	891
Amortization expenses of intangibles	20,531	19,099	16,413
Loss on disposition of property, plant and equipment	-	3	3
Bad debt expenses	612	345	297
Other bad debt expenses	165	-	-
Loss on disposition of inventories	143	424	364
Loss on valuation of inventories	552	2	1
Loss on retirement of property, plant and equipment	3,087	1,421	1,221
Loss on foreign currency translation	151,254	289	248
Provision for severance indemnities	18,895	9,743	8,372
Loss on valuation of currency forward	6	-	-
Loss on valuation of currency swap	-	37,259	32,019
Loss on currency forward transactions	-	1,010	868
Loss on currency swap transactions	7,157	3,396	2,919
Loss on sale of investment securities	-	45	39
	528,925	376,367	323,436
Deduction of revenue not involving cash inflows:			
Gain on disposition of property, plant and equipment	(11)	(55)	(47)
Gain on foreign currency translation	(6,327)	(69,924)	(60,090)
Gain on disposition of inventories	(184)	(120)	(103)
Gain on valuation of currency forward	-	(18)	(16)
Gain on valuation of currency swap	(147,915)	-	-
Gain on valuation of interest swap	-	(378)	(325)
Gain on currency swap transactions	(3,381)	-	-
Other income	(23)	-	-
	(157,841)	(70,495)	(60,581)

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KOREA WESTERN POWER CO., LTD.

STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2009

	Korean Won		Translation into U.S. Dollars (Note 2)
	2008	2009	2009
	(In millions)		(In thousands)
Changes in operating assets and liabilities			
Increase in trade receivables	₩ (61,095)	₩ (43,009)	$ (36,961)
Decrease (Increase) in accounts receivable-other	(17,355)	9,190	7,898
Decrease (Increase) in accrued income	772	(39)	(34)
Increase in income tax receivables	-	(497)	(427)
Increase in advanced payments	(172)	(3,610)	(3,102)
Decrease (Increase) in prepaid expenses	(3,266)	1,503	1,291
Increase in other current assets	(9,760)	(862)	(741)
Decrease (Increase) in inventories	(179,818)	81,394	69,947
Decrease in current portion of deferred tax assets	7,809	-	-
Decrease (Increase) in non-current portion of deferred tax assets	(33,504)	16,814	14,450
Increase (Decrease) in trade payables	131,204	(96,090)	(82,576)
Increase in accounts payable-other	18,474	125,498	107,849
Increase (Decrease) in long-term accounts payable-other	1,443	(787)	(676)
Increase (Decrease) in withholdings	801	(452)	(388)
Increase (Decrease) in accrued expenses	(1,601)	4,956	4,259
Decrease in income tax payable	(39,450)	(4,480)	(3,850)
Increase in unearned income	241	76	65
Increase (Decrease) in other current liabilities	(885)	5,201	4,469
Payments of severance benefits, net of change in deposit for severance benefit trust	(2,272)	(5,223)	(4,488)
Increase (Decrease) in current portion of deferred income tax liabilities	(1,850)	8,192	7,040
	(190,284)	97,775	84,025
Net cash flows provided by operating activities	77,382	491,567	422,435
CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash inflows from investing activities:			
Disposal of short-term investment securities	33,867	-	-
Collection of short-term loans	1,055	1,186	1,019
Collection of long-term loans	815	-	-
Withdrawal of guarantee deposits	5,480	4,134	3,553
Proceeds from disposal of property, plant and equipment	15	645	554
Receipt of government subsidy	6,618	1,900	1,633
Disposal of other investment assets	346	1,582	1,359
	48,196	9,447	8,118

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KOREA WESTERN POWER CO., LTD.

STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2009

	Korean Won		Translation into U.S. Dollars (Note 2)
	2008	2009	2009
	(In millions)		(In thousands)
Cash outflows from investing activities:			
Acquisition of short-term financial instruments	₩ (33,866)	₩ -	$ -
Extension of long-term loans	(3,301)	(1,638)	(1,408)
Acquisition of investment securities	(14,049)	(70)	(60)
Acquisition of investment securities using the equity method	(3,780)	(29,006)	(24,927)
Acquisition of guarantee deposits	(8,374)	(7,006)	(6,021)
Acquisition of other investment assets	(1,807)	(5,810)	(4,993)
Acquisition of property, plant and equipment	(294,146)	(593,098)	(509,687)
Repayment of government subsidy	(134)	(228)	(196)
	(359,457)	(636,856)	(547,292)
Net cash flows used in investing activities	(311,261)	(627,409)	(539,174)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Cash inflows from financing activities:			
Proceeds from short-term borrowings	802,887	773,871	665,037
Proceeds from long-term borrowings	23,378	100,282	86,179
Proceeds from derivatives	1,228	-	-
Issuance of debentures	201,446	359,732	309,141
	1,028,939	1,233,885	1,060,357
Cash outflows from investing activities:			
Repayment of short-term borrowings	(644,742)	(851,139)	(731,439)
Repayment of current portion of long-term borrowings	(159,130)	(157,975)	(135,758)
Payment of currency swap	(49,970)	(3,396)	(2,919)
Payment of currency forward	-	(1,016)	(873)
Payment of cash dividends	(69,907)	-	-
	(923,749)	(1,013,526)	(870,989)
Net cash flows provided by financing activities	105,190	220,359	189,368
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(128,689)	84,517	72,629
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR (Note 22)	175,518	46,829	40,245
CASH AND CASH EQUIVALENTS, END OF THE YEAR (Note 22)	₩ 46,829	₩ 131,346	$ 112,874

See accompanying notes to financial statements.

KOREA WESTERN POWER CO., LTD.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2009

1. GENERAL:

Korea Western Power Co., Ltd. (the "Company") was incorporated on April 2, 2001 through the spin-off of the power generation division of Korea Electric Power Corporation ("KEPCO") in accordance with the restructuring plan, dated January 21, 1999, for the electricity industry in the Republic of Korea announced by the Ministry of Commerce, Industry and Energy and the Law on Promotion of Restructuring of the Electricity Industry published on December 23, 2000. The Company engages in the generation of electricity and development of electric power resources, and sells all generated electricity to KEPCO through the Korea Power Exchange (KPX) in accordance with Article 31 of the Electricity Business Law. As of December 31, 2009, KEPCO holds all of the Company's outstanding shares.

As of December 31, 2009, the Company owns and operates 5 power plants, including Taean thermal power plant. The Company's generating capacity is 8,884 MW as of December 31, 2009.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Financial Statement Presentation

The Company maintains its official accounting records in Korean won and prepares financial statements in the Korean language (Hangul) in conformity with 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 financial statements are intended for use by those who are informed about Korean accounting principles and practices. The accompanying financial statements have been translated into English from the Korean language financial statements. Certain information included in the Korean language financial statements, but not required for a fair presentation of the Company's financial position, results of operations, changes in shareholder's equity or cash flows, is not presented in the accompanying financial statements.

The accompanying financial statements are stated in Korean Won, the currency of the country in which the Company is incorporated and operates. The translation of Korean Won amounts into U.S. Dollar amounts is included solely for the convenience of the readers outside of the Republic of Korea and has been made at the rate of ₩1,163.65 to US$1.00, the noon buying rate in the City of New York for cable transfers in Won as certified for customs purposes by the Federal Reserve Bank of New York on December 31, 2009, solely for the convenience of the reader. Such translation should not be constructed as representations that the Korean Won amounts could be converted at that or any other rate.

The Company's financial statements, which are to be presented to the Company's shareholder's meeting, were approved by the board of directors on March 23, 2010.

The Company renamed the statements of financial position to statements of financial position in accordance with the revised Act on External Audit for Stock Companies.

Significant accounting policies followed by the Company in preparing the accompanying financial statements are summarized as follows:

Adoption of Statements of Korea Accounting Standards ("SKAS")

Through December 31, 2009, the Korea Accounting Standards Board ("KASB") has issued SKASs No. 1 through No. 25 to revise the previous Financial Accounting Standards. As a result, certain SKASs were amended, and interpretations and opinions were released. However, those amended or newly released standards are not applicable to the Company. Therefore, there has been no impact on equity or net income of the Company.

Revenue Recognition

Revenues derived from power generation are recognized upon product delivery or satisfaction of other conditions, all as specified by contractual terms.

Cash and Cash Equivalents

Cash and cash equivalents includes cash, substitute securities including checks issued by others, and checking accounts, ordinary deposits and financial instruments, which can be easily converted into cash and whose value changes due to changes in interest rates are not material, with maturities (or date of redemption) of three months or less from acquisition.

Allowance for Doubtful Accounts

The Company provides an allowance for doubtful accounts to cover estimated losses on receivables (account receivable, account receivable - other), based on collection experience and analysis of the collectability of individual outstanding receivables.

Inventories

Inventories are stated at the lower of cost or net realizable value, cost being determined using the average method and specific identification method for materials in transit. The Company maintains perpetual inventory records, which are adjusted through physical counts.

Securities (Excluding Investment Securities using the Equity Method)

Debt and equity securities are initially stated at the market value of consideration given for acquisition (market value of securities acquired if market value of consideration given is not available) plus incidental costs attributable to the acquisition of the securities and are classified into trading, available-for-sale and held-to-maturity securities depending on the purpose and nature of acquisition. The Company presents trading securities as short-term investments, and available-for-sale securities and held-to-maturity securities as short-term investments or long-term investment securities depending on their nature in the statement of financial position. The moving average method for equity securities and the specific identification method for debt securities are used to determine the cost of securities for the calculation of gain (loss) on disposal of those securities.

The following is the specific valuation method applied for debt and equity securities:

1) Trading securities

Securities that are bought and held principally for the purpose of selling them in the near term with active and frequent buying and selling, including securities which consist of a portfolio of securities with the clear objective of generating profits on short-term differences in price, are classified as trading securities. Trading securities are recorded at their fair value and unrealized gains or losses from trading securities are recorded as gain (loss) on valuation of trading securities included in the non-operating income (expense).

2) Held-to-maturity security

Debt securities that have fixed or determinable payments with a fixed maturity are classified as held-to-maturity securities only if the Company has both the positive intent and ability to hold those securities to maturity. However, debt securities, whose maturity dates are due within one year from the period end date, are classified as current assets.

After initial recognition, held-to-maturity securities are stated at amortized cost in the statement of financial position. When held-to-maturity securities are measured at amortized costs, the difference between their acquisition cost and face value is amortized using the effective interest rate method and the amortization is included in the cost and interest income.

When the possibility of not being able to collect the principal and interest of held-to-maturity securities according to the terms of the contracts is highly likely, the difference between the recoverable amount (the present value of expected cash flows using the effective interest rate upon acquisition of the securities) and book value is recorded as loss on impairment of held-to-maturity securities included in the non-operating expense and the held-to-maturity securities are stated at the recoverable amount after impairment loss. If the value of impaired securities subsequently recovers and the recovery can be objectively related to an event occurring after the impairment loss was recognized, the reversal of impairment loss is recorded as reversal of impairment loss on held-to-maturity securities included in non-operating income. However, the resulting carrying amount after the reversal of impairment loss shall not exceed the amortized cost that would have been measured, at the date of the reversal, if no impairment loss was recognized.

3) Available-for-sale securities

Debt and equity securities that do not fall under the classifications of trading or held-to-maturity securities are categorized and presented as available-for-sale securities included in investment assets. However, if an available-for-sale security matures or it is certain that such security will be disposed of within one year from the period end date, it is classified as a current asset.

Available-for-sale securities are recorded at fair value. Unrealized gain or loss from available-for-sale securities are presented as gain or loss on valuation of available-for-sale securities included in accumulated other comprehensive income (loss) under shareholder's equity. In addition, accumulated gain or loss on valuation of available-for-sale securities is reflected in either gain or loss on disposal of available-for-sale securities or loss on impairment of available-for-sale securities upon disposal or recognition of impairment of the securities. However, available-for-sale equity securities that are not marketable and whose fair value cannot be reliably measured are recorded at acquisition cost.

When there is objective evidence that the available-for-sale securities are impaired and the recoverable amount is lower than the cost (amortized cost for debt securities) of the available-for-sale securities, an impairment loss is recognized as loss on impairment of available-for-sale securities in non-operating expense and the related unrealized gain or loss remaining in shareholder's equity is adjusted to the impairment loss. If the value of impaired securities subsequently recovers and the recovery can be objectively related to an event occurring after the impairment loss was recognized, the reversal of impairment loss can be recognized up to the previously recorded impairment loss as a reversal of loss on impairment of available-for-sale securities in non-operating income. However, if the fair value increases after the impairment loss is recognized but does not relate to the recovery of impairment loss as described above, the increase in fair value is recorded in shareholder's equity.

4) Reclassification of securities

Trading securities cannot be reclassified as other categories of securities. However, when those securities can no longer be held for sale in the near-term to generate profits from short-term price differences, the trading securities can be reclassified as available-for-sale or held-to-maturity securities. When those securities are no longer traded in an active market, such securities are reclassified as available-for-sale securities.

When trading securities are reclassified to other categories, the fair value (latest market value) as of the date of the reclassification becomes new acquisition cost of the security and the security's unrealized holding gain or loss through the date of the reclassification is recorded in the non-operating income or expenses.

Investment Securities Using the Equity Method

Investments in equity securities in companies in which the Company is able to exercise significant influence over the operating and financial policies of the investees are accounted for using the equity method. The change in the Company's portion of an investee's net equity resulting from a change in an investee's net equity is reflected in the Company's net income (loss), retained earnings and accumulated other comprehensive income (loss), in accordance with the causes of the change, which consist of the investee's net income (loss), changes in retained earnings and changes in capital surplus, capital adjustments and accumulated other comprehensive income (loss). Unrealized gain (loss) arising from the transactions of assets between the Company and equity method investees is eliminated according to the ownership percentage.

Property, Plant and Equipment

Property, plant and equipment are stated at cost (acquisition cost or manufacturing cost plus expenditures directly related to preparing the assets ready for use). Assets acquired from investment-in-kind, by donation or free of charge in other ways are stated at fair value.

Expenditures after acquisition or completion that increase future economic benefit in excess of the most recently assessed capability level of the asset are capitalized and other expenditures are charged to expense as incurred.

In accordance with the Company's policy, borrowing costs in relation to the manufacture, purchase, construction or development of assets are capitalized as part of the cost of those assets.

When the expected future cash flow from use or disposal of the property, plant and equipment is lower than the carrying amount due to obsolescence, physical damage or other causes, the carrying amount is adjusted to the recoverable amount (the higher of net sales price or value in use) and the difference is recognized as an impairment loss. When the recoverable amount subsequently exceeds the carrying amount of the impaired asset, the excess is recorded as a reversal of impairment loss to the extent that the reversed asset does not exceed the carrying amount before previous impairment as adjusted by depreciation.

Depreciation is computed based on the following depreciation methods and estimated useful lives:

	Method	Years
Buildings & structures	Straight-line	8 - 30
Machinery	Declining-balance	16
Vehicles	Declining-balance	4
Others	Declining-balance	4~9

Intangibles

Intangible assets are initially recognized at acquisition cost (purchase cost plus expenditures directly related to preparing the asset ready for use) and subsequently presented at amortized cost. Intangible assets are stated at cost, net of accumulated amortization computed using straight-line method (electric facility usage right: declining-balance and straight-line) over the estimated economic useful lives of the assets as described below. Amortization related to the manufacture of other assets is included in the manufacturing cost whereas other amortization is included in selling and administrative expense.

	Method	Years
Electric facility usage right	Declining-balance /Straight-line	4 - 30
Industrial water usage right	Straight-line	10
Other intangible assets	Straight-line	5~10

When the recoverable amount (the higher of net sales price or value in use) of intangible assets is significantly lower than the carrying amount due to obsolescence and other, the difference is recognized as an impairment loss. When the recoverable amount subsequently exceeds the carrying amount of the impaired asset, the excess is recorded as a reversal of impairment loss to the extent that the reversed asset does not exceed the carrying amount before previous impairment as adjusted by amortization.

Government Subsidy

Government subsidy and contribution for construction granted for the purpose of acquisition of certain assets are recorded as a deduction from the assets granted or other assets acquired for the temporary use of the assets granted. When the related assets are acquired, they are recorded as a deduction from the acquired assets and are offset against the depreciation of the acquired assets over their useful lives. In addition, government subsidy and contribution for construction without any repayment obligation is offset against the related expenses which they are intended to be disbursed, however, if there is no matching expense, they are recorded as operating revenue or non-operating revenue depending on whether they are directly related to the Company’s principal operating activities. Government subsidy and contribution for construction with a repayment obligation is recorded as a liability.

Discount on Debentures

Discounts on debentures issued are amortized over the redemption period of debentures using the effective interest rate method. Amortization of discounts is recognized as interest expense.

Accrued Severance Benefits

Employees 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 resign on the period end date, is accrued in the accompanying statement of financial position. A portion of the liability is covered by an employees’ severance benefits trust where the employees have a vested interest in the deposit with the insurance company. The deposit for severance benefits held in trust is reflected in the accompanying statements of financial position as a reduction from accrued severance benefits.

Translation of Assets and Liabilities Denominated in Foreign Currency

Transactions denominated in foreign currencies are recorded in Korean won translated at the exchange rate prevailing on the transaction date and the resulting gain (loss) from foreign currency transactions is included in non-operating income (expense). Monetary assets and liabilities denominated in foreign currency are translated into Korean Won at the Base Rates announced by Seoul Money Brokerage Services, Ltd. at the period end dates, which were ₩1,167.60 and ₩1,257.50 to USD 1.00 at December 31, 2009 and 2008, respectively, and the resulting gain (loss) from foreign currency translation is included in non-operating income (expense). When it is probable that the conversion right will not be exercised, such convertible bonds are regarded as monetary liabilities denominated in foreign currency.

Accounting for Derivative Instruments

The Company records rights and obligations arising from derivative instruments in assets and liabilities, which are stated at fair value. Gains and losses that result from the changes in the fair value of derivative instruments are recognized in current earnings. However, for derivative instruments that cash flow hedge accounting applies to, the effective portion of the gain or loss on the derivatives instruments are recorded as gain (loss) on valuation of derivatives included in accumulated other comprehensive income (loss).

Income Tax Expense

When the Company recognizes deferred income tax assets or liabilities for the temporary differences between the carrying amount of an asset and liability and tax base, a deferred income tax liability for taxable temporary difference is fully recognized except to the extent in accordance with related SKAS while a deferred tax asset for deductible temporary difference is recognized to the extent that it is almost certain that taxable profit will be available against which the deductible temporary difference can be utilized. Deferred income tax asset (liability) is classified as current or non-current asset (liability) depending on the classification of related asset (liability) in the statement of financial position. Deferred income tax asset (liability), which does not relate to specific asset (liability) account in the statement of financial position such as deferred income tax asset recognized for tax loss carryforwards, is classified as current or non-current asset (liability) depending on the expected reversal period. Deferred income tax assets and liabilities in the same tax jurisdiction and in the same current or non-current classification are presented on a net basis. Current and deferred income tax expense are included in income tax expense in the statement of operations and additional income tax or tax refunds for the prior periods are included in income tax expense for the current period when recognized. However, income tax resulting from transactions or events, which was directly recognized in shareholder‘s equity in current or prior periods, or business combinations, is directly adjusted to equity account or goodwill (or negative goodwill).

Use of Estimates

The preparation of 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 financial statements and related notes to the financial statements. Actual results could differ from those estimates

3. INVESTMENT SECURITIES:

(1) Available-for-sale-securities as of December 31, 2008 and 2009 are as follows (Won in millions):

	2008			2009	
	Ownership percentage (%)	Acquisition cost	Book value	Acquisition cost	Book value
Korea Power Exchange (*1)	7.14	₩ 9,131	₩ 8,846	₩ 9,131	₩ 8,352
POSTECH Electric Power & Electricity Companies' Cooperative Fund (*2)	1.05	300	300	300	300
Hanwha Electric Power Venture Fund (*2)	1.20	300	300	300	300
Rabigh, The Kingdom of Sadui Arabia O&M (*2,3)	40.00	-	-	70	70
Kowepo International Corporation (*4)	99.99	2,499	2,499	-	-
Garolim Tidal Power (*4)	49.00	5,660	5,660	-	-
Kowepo Australia Pty. Ltd. (*4)	100.00	8,673	8,673	-	-
		₩ 26,563	₩ 26,078	₩ 9,801	₩ 9,022

(*1) The fair value is reliably determined using a Discounted Cash Flow Method (Income Approach). The Company recorded loss on valuation of ₩779 million (net of tax), which have been accounted for as accumulated other comprehensive loss.

(*2) As the fair value cannot be determined reliably, the security is stated at acquisition cost.

(*3) The Company owns 20% or more of the voting stock. However, if the difference between the equity method and cost is considered to be immaterial, the Company can record the investment in available-for-sale securities at cost.

(*4) The Company reclassified its investment securities from available-for-sale securities to invesment securities using the equity method as of December 31, 2009 due to significant influence which the Company can exercise over such affiliates.

(2) Details of fair value estimation of one of above available-for-sale-securities are as follows (Won in millions):

	Fair value	Ownership percentage(%)	Net asset value	Acquisition cost	Loss on valuation of available-for-sale securities(*1)
Korea Power Exchange	₩ 116,972	7.14	₩ 8,352	₩ 9,131	₩ 779

(*1) Before tax adjustment

4. INVESTMENT SECURITIES USING THE EQUITY METHOD:

(1) Investment securities using the equity method as of December 31, 2008 and 2009 are as follows(Won in millions):

<December 31, 2008>

	Ownership (%)	Acquisition cost	Equity in net asset value	Book value
Cheongna Energy Co., Ltd.	27.00	₩ 5,580	₩ 4,822	₩ 4,822

<December 31, 2009>

	Ownership (%)	Acquisition cost	Equity in net asset value	Book value
Cheongna Energy Co., Ltd.	30.00	₩ 18,200	₩ 16,870	₩ 16,946
Kowepo International Corporation (*1)	99.99	2,685	2,142	2,142
Garolim Tidal Power (*1)	49.00	17,714	16,870	16,870
Kowepo Australia Pty. Ltd. (*1)	100.00	12,819	14,312	14,312
		₩ 51,418	₩ 50,194	₩ 50,270

(*1) The Company reclassified its investment securities from available-for-sale securities to investment securities using the equity method as of December 31, 2009 due to significant influence which the Company can exercise over such affiliates.

These securities were accounted for using the equity method of accounting based on unaudited financial statements as of and for the year ended December 31, 2009 as the audited financial statements of these companies could not be obtained at the Company's year-end closing. In order to verify the reliability of such unaudited financial statements, the Company has performed the following procedures and found no significant exceptions:

1) Obtained the unaudited financial statements signed by the investee's chief executive officer and statutory auditor
2) Identified whether the major transactions or accounting events, including those disclosed to public by the investee, which were acknowledged by the Company, are properly reflected in the unaudited financial statements
3) Identified the major accounting issues under discussion between the investee and its external auditors and the investee's plan to resolve such issues
4) Analyzed the effect of potential difference between the unaudited and audited financial statements

(2) Details of valuation using the equity method of accounting for the years ended December 31, 2008 and 2009 are as follows (Won in millions):

<December 31, 2008>

	January 1,2008	Acquisition	Other comprehensive income (loss)	Equity losses on investments	Others	December 31, 2008
Cheongna Energy Co., Ltd.	₩ 1,499	₩ 3,780	₩ (79)	₩ (400)	₩ 22	₩ 4,822

<December 31, 2009>

	January 1,2009	Acquisition	Other comprehensive income (loss)	Equity losses on investments	Others	December 31, 2009
Cheongna Energy Co., Ltd.	₩ 4,822	₩ 12,620	₩ (178)	₩ (318)	₩ -	₩ 16,946
Kowepo International Corporation	-	186	293	(836)	2,499	2,142
Garolim Tidal Power	-	12,053	(97)	(746)	5,660	16,870
Kowepo Australia Pty. Ltd.	-	4,146	1,572	(79)	8,674	14,313
	₩ 4,822	₩ 29,005	₩ 1,590	₩ (1,979)	₩16,833	₩ 50,271

(3) The change in goodwill incurred from the affiliates subject to the equity method accounting for the year ended December 31, 2009 is as follows (Won in millions):

<December 31, 2009>

	December 31, 2008	Increase	Amortization	December 31, 2009
Cheongna Energy Co., Ltd.	₩ -	₩ 84	₩ (8)	₩ 76

(4) The key financials of investee accounted for using the equity method as of and for the years ended December 31, 2008 and 2009 are as follows (Won in millions):

<December 31, 2008>

	Total assets	Total liabilities	Sales	Net loss
Cheongna Energy Co., Ltd.	₩ 88,346	₩ 70,485	₩ 1,021	₩ (1,483)

<December 31, 2009>

	Total assets	Total liabilities	Sales	Net loss
Cheongna Energy Co., Ltd.	₩ 223,200	₩ 166,985	₩ 3,024	₩ (1,011)
Kowepo International Corporation	2,374	232	-	(431)
Garolim Tidal Power	34,929	500	-	(641)
Kowepo Australia Pty. Ltd.	14,312	-	-	(19)

5. PROPERTY, PLANT AND EQUIPMENT:

(1) The published price of the Company's land announced by the Korea government as of December 31, 2008 and 2009 is as follows (Won in millions):

	Book value		Official price	
	2008	2009	2008	2009
Land	₩ 283,285	₩ 283,069	₩ 433,975	₩ 400,208

(2) The changes in property, plant and equipment for the years ended December 31, 2008 and 2009 are as follows (Won in millions):

<December 31, 2008>

Account	Beginning of year	Acquisition	Disposal	Depreciation	Other	End of year
Land	₩ 282,860	₩ -	₩ (4)	₩ -	₩ 429	₩ 283,285
Buildings	395,958	-	(1,942)	(32,334)	46,047	407,729
Structures	698,390	-	(449)	(31,973)	88,715	754,683
Machinery	1,583,382	-	(408)	(255,968)	(74,933)	1,252,073
Government subsidy	(500)	-	-	86	-	(414)
Vehicles	1,099	-	-	(707)	721	1,113
Others	5,162	-	(8)	(4,494)	5,289	5,949
Construction in progress	86,590	294,146	-	-	(79,095)	301,641
Government subsidy	(2,192)	-	-	-	(5,210)	(7,402)
	₩ 3,050,749	₩ 294,146	₩ (2,811)	₩ (325,390)	₩ (18,037)	₩ 2,998,657

<December 31, 2009>

Account	Beginning of year	Acquisition	Disposal	Depreciation	Other	End of year
Land	₩ 283,285	₩ -	₩ (281)	₩ -	₩ 65	₩ 283,069
Buildings	407,729	-	(1,034)	(34,503)	18,372	390,564
Structures	754,683	-	(160)	(38,381)	1,659	717,801
Machinery	1,252,073	-	(245)	(222,216)	101,194	1,130,806
Government subsidy	(414)	-	-	70	-	(344)
Vehicles	1,113	-	-	(677)	263	699
Others	5,949	-	(4)	(4,609)	9,955	11,291
Construction in progress	301,641	593,098	-	-	(145,459)	749,280
Government subsidy	(7,402)	-	-	-	(665)	(8,067)
	₩ 2,998,657	₩ 593,098	₩ (1,724)	₩ (300,316)	₩ (14,616)	₩ 3,275,099

Government subsidy of ₩70 million on December 31, 2009 (₩86 million on December 31, 2008) was offset against the depreciation expense.

(3) The Company capitalizes interest and other borrowing costs on debt issued to finance capital expenditures as part of the acquisition cost of major facilities and equipment. The amount of capitalized expense for the years ended December 31, 2008 and 2009 is ₩18,119 million and ₩5,517 million, respectively. The effects of the expense capitalized on the financial statements as of and for the year ended December 31, 2009 are as follows (Won in millions):

	Statement of financial position		Statement of operations	
	Construction in-progress	Total assets	Interest expense	Income before income tax
When capitalized	₩ 749,280	₩ 4,481,641	₩ 49,070	₩ 112,914
When expensed	731,161	4,463,522	67,189	94,795
Difference	₩ 18,119	₩ 18,119	₩ (18,119)	₩ 18,119

(4) Insured assets as of December 31, 2009 are as follows (Won in millions, USD in thousands and JPY in millions):

Insured type	Insured assets	Insurer	Insured value
Property general insurance	Electricity generation units	Hyundai Insurance	₩ 4,936,312
Loading and shipping insurance	Inventories	Lotte Insurance	1,673,848
Other	Construction in progress	Meritz and others	402,063
〃	〃	〃	JPY 13,745
〃	〃	〃	USD 676
			₩ 7,012,223
			JPY 13,745
			USD 676

In addition, the Company carries general group insurance for vehicles.

6. <u>INTANGIBLES</u>:

(1) Intangibles as of December 31, 2008 and 2009 are as follows (Won in millions):

<December 31, 2008>

Account	Acquisition cost	Accumulated amortization	Book value
Electric facility usage right	₩ 165,136	₩ (21,342)	₩ 143,794
Industrial water usage right	78,642	(60,058)	18,584
Other intangible assets	7,984	(3,546)	4,438
	₩ 251,762	₩ (84,946)	₩ 166,816

<December 31, 2009>

Account	Acquisition cost		Accumulated amortization		Book value	
Electric facility usage right	₩	177,923	₩	(31,810)	₩	146,113
Industrial water usage right		78,642		(67,922)		10,720
Other intangible assets		8,770		(4,313)		4,457
	₩	265,335	₩	(104,045)	₩	161,290

(2) Changes in intangibles for the years ended December 31, 2008 and 2009 are as follows (Won in millions):

<December 31, 2008>

Account	Beginning of year		Acquisition		Amortization (*1)		Others (*2)		End of year	
Electric facility usage right	₩	136,261	₩	-	₩	(11,842)	₩	19,375	₩	143,794
Industrial water usage right		26,448		-		(7,864)		-		18,584
Other intangible assets		4,364		-		(825)		899		4,438
	₩	167,073	₩	-	₩	(20,531)	₩	20,274	₩	166,816

<December 31, 2009>

Account	Beginning of year		Acquisition		Amortization (*1)		Others (*2)		End of year	
Electric facility usage right	₩	143,794	₩	-	₩	(10,468)	₩	12,787	₩	146,113
Industrial water usage right		18,584		-		(7,864)		-		10,720
Other intangible assets		4,438		-		(767)		786		4,457
	₩	166,816	₩	-	₩	(19,099)	₩	13,573	₩	161,290

(*1) Allocation of amortization expenses on intangible assets is as follows (Won in millions):

	2008		2009	
Cost of sales	₩	20,080	₩	18,688
Selling and administrative expenses		424		411
Construction in progress		27		-
	₩	20,531	₩	19,099

(*2) Transfer of construction-in-progress to intangibles

(3) Ordinary development expenses incurred for the years ended December 31, 2008 and 2009 are ₩18,035 million and ₩11,575 million, respectively.

7. BORROWINGS AND DEBENTURES:

(1) Short-term borrowings as of December 31, 2008 and 2009 are as follows (Won in millions):

Financial institution	Type	Interest rate per annum (%)	2008		2009	
BNP Paribas	Foreign currency	1.25	₩	-	₩	50,200
ABN AMRO	〃	1.34~1.35		-		38,341
Korea Exchange Bank	〃	1.33		10,343		4,367
Woori Bank	〃	-		130,000		-
Eugene Securities Co, Ltd.	〃	-		30,400		-
			₩	170,743	₩	92,908

(2) Long-term borrowings as of December 31, 2008 and 2009 are as follows (Won in millions):

Lender	Type	Interest rate per annum (%)	Maturity date	2008	2009
Korea Resource Corporation	Local currency	2.55	2024.06.25	₩ 3,750	₩ 74
〃	〃	〃	2024.09.15	10,800	208
〃	〃	〃	2023.03.15	2,994	2,994
〃	〃	〃	2023.06.15	112	112
〃	〃	〃	2023.12.15	272	272
Industrial Bank of Korea	〃	4.00	2012.10.08	10,400	7,800
〃	〃	〃	2016.05.29	20,000	20,000
Hana Bank	〃	〃	2014.04.10	61,500	61,500
Korea Exchange Bank	〃	〃	2012.10.22	-	10,000
				109,828	192,960
Less: Current portion				(17,150)	(14,900)
				₩ 92,678	₩ 178,060

(3) Debentures as of December 31, 2008 and 2009 are as follows (Won in millions)

Type	Issued date	Maturity date	Annual interest rate (%)	2008	2009
3rd Corporate bond	2004.11.29	2009.11.29	3.54	₩ 100,000	₩ -
4th Corporate bond	2005.03.30	2010.03.30	4.35	100,000	100,000
5th Corporate bond	2005.08.08	2010.08.08	4.94	100,000	100,000
6th Corporate bond	2006.06.15	2011.06.15	5.09	100,000	100,000
7th Corporate bond	2007.10.25	2010.10.25	1.30	195,146	176,795
8th Corporate bond	2008.03.18	2011.03.18	4.06	125,750	116,760
9th Corporate bond	2008.11.26	2011.11.26	6.00	100,000	100,000
10th Corporate bond	2009.01.23	2012.01.23	4.38	-	120,000
11th Corporate bond	2009.05.29	2014.05.29	5.15	-	80,000
12th Corporate bond	2009.11.24	2013.11.24	5.12	-	120,000
Global bond (#2)	2006.09.29	2016.09.29	5.50	188,624	175,140
				1,009,520	1,188,695
Less: Current portion				(100,020)	(376,795)
Discount on bonds payable				(2,702)	(2,653)
				₩ 906,818	₩ 809,247

(4) Payment schedules of the Company's long-term borrowings and debentures as of December 31, 2009 are as follows (Won in millions):

	Long-term borrowings	Debentures	Total
2010.12.31	₩ 14,900	₩ 376,795	₩ 391,695
2011.12.31	14,900	316,760	331,660
2012.12.31	118,900	120,000	238,900
2013.12.31	16,530	120,000	136,530
2014.12.31	16,638	80,000	96,638
There after	11,092	175,140	186,232
	₩ 192,960	₩ 1,188,695	₩ 1,381,655

8. LONG-TERM ACCOUNTS PAYABLE-OHTER:

Long-term accounts payable-other as of December 31, 2008 and 2009 are as follows (Won in millions):

Company name	Type	Annual interest rate(%)	2008	2009
KEPCO	Electric facility usage fee	4	₩ 110,035	₩ 94,798
Less: Current portion			(15,237)	(7,166)
			₩ 94,798	₩ 87,632

The Company pays the usage fee for electricity transmission utilities constructed by KEPCO in accordance with the payment schedules.

9. ACCRUED SEVERANCE BENEFITS:

Changes in accrued severance benefits for the years ended December 31, 2008 and 2009 are summarized as follows (Won in millions):

	2008	2009
Beginning of year	₩ 74,381	₩ 91,005
Payments of severance indemnities	(2,271)	(5,223)
Provision for severance benefits	18,895	9,743
End of year	₩ 91,005	₩ 95,525

10. FOREIGN CURRENCY DENOMINATED ASSETS AND LIABILITIES:

Significant liabilities denominated in foreign currencies as of December 31, 2008 and 2009 are as follows (Won in millions, EUR in thousands, USD in thousands and JPY in millions):

	2008			2009		
	Foreign currencies		Equivalent Korean Won	Foreign currencies		Equivalent Korean Won
Assets:						
Cash and Cash equivalents	EUR	-	₩ -	EUR	381	₩ 637
Liabilities:						
Trade payables	USD	122,730	154,333	USD	62,897	73,438
Accounts payable-other	USD	767	964	USD	-	-
	JPY	492	6,862	JPY	10,592	133,759
Short-term borrowings	USD	8,225	10,343	USD	79,572	92,908
Current portion of long-term borrowings	JPY	-	-	JPY	14,000	176,795
Debentures	USD	250,000	314,375	USD	250,000	291,900
	JPY	14,000	195,145	JPY	-	-
Total Liabilities	USD	381,722	₩ 480,015	USD	392,469	₩ 458,246
	JPY	14,492	202,007	JPY	24,592	310,554

11. CONTINGENCIES AND COMMITMENTS:

(1) The Company is involved in litigation as a defendant in 5 cases with claims in the aggregate amount of ₩ 483 million and as a plaintiff in 1 case with claims in the aggregate amount of ₩ 20 million as of December 31, 2009. The Company is unable to determine the outcome of the litigations. However, the management believes that the ultimate settlement of these matters will not have a materially adverse effect on the Company’s financial position or results of operations.

(2) The guarantees provided by banks for import letters as of December 31, 2009 are as follows (Won in millions, USD in thousands and JPY in millions):

Financial institution	Credit limit		Description
Hana Bank	USD	42,000	Bituminous coal. importation
Nonghyup	USD	15,000	〃
Woori Bank	USD	72,500	〃
Korea Development Bank	USD	20,000	〃
Kookmin Bank	USD	30,000	〃
Korea Exchange Bank	USD	90,730	〃
	JPY	4,733	〃
SC First Bank	USD	120,000	Property and equipment importation
Total	USD	390,230	
	JPY	4,733	

(3) The details of the significant agreements with banks for loans as of December 31, 2009 are as follows (Won in millions, USD in thousands):

Type	Financial institution	Credit limit		Amount used	
Loan agreements	Korea Exchange Bank		164,000		100,000
〃	Woori Bank		30,000		-
〃	Korea Exchange Bank	USD	15,000	USD	3,740
〃	ABN AMRO	USD	32,838	USD	32,838
〃	Industrial Bank of Korea		33,000		27,800
	Hana Bank		61,500		61,500
	Shinhan Bank	USD	30,000		-
Overdraft agreements	Nonghyup		50,000		-
Total			338,500		189,300
		USD	77,838	USD	36,578

(4) The Company has entered into several contracts for construction of power plant facilities, including the construction of Teaan 7th and 8th generators of thermal power plant facilities and Gunsan combined cycle power plant facilities. The total contract amount to ₩518,792 million and JPY 17,811 million.

(5) The Company has several coal and oil purchase contracts with domestic and foreign suppliers as of December 31, 2009. In relation to coal imports, the Company has long-term transportation contracts with nine transportation companies including STX Pan Ocean. The Company also has a long-term LNG purchase contract with Korea Gas Corporation as of December 31, 2009.

12. DERIVATIVES:

(1) Derivatives contracts as of December 31, 2009 are as follows:

Transaction purpose	Type	Position
Trading	Currency forward	Sell
Trading	Interest swap	Purchase
Trading	Currency swap	Purchase
Cash Flow Hedging (*1)	Currency swap	Purchase

(*1) The Company entered into derivative transactions to hedge the fluctuation risk of exchange rate of foreign currency debts.

(2) Currency forward contract as of December 31, 2009 is as follows (Won in millions, USD in thousands):

	Maturity date (*1)	Contract amounts Condition	Receive	Pay	Fair value
Korea Exchange Bank	2010.01.15	1,164.90	USD 6,000	KRW 6,989	₩ 18

(*1) The above currency forward contracts were all settled on the expiration date after December 31, 2009.

(3) Interest swap contract as of December 31, 2009 is as follows (Won in millions):

	Maturity date	Contract amounts Amount	Receive	Pay	Fair value
ABN AMRO	2012.10.22	100,000	4.79%	KRW CD(3M)+0.55%	₩ 378

(4) Currency swap contracts as of December 31, 2009 are as follows (Won in millions, USD in thousands and JPY in millions):

	Term	Contract amounts		Contract interest rate per annum		Fair value
		Receive	Pay	Receive (%)	Pay (%)	
BTMU (*1)	2007~2010	JPY 14,000	109,060	3M JPY EURO YEN TIBOR+0.5%	5.29%	₩ 65,308
Barclays (*2)	2006~2016	USD 75,000	71,888	5.50%	4.81%	24,798
Deutsche Bank (*2)	2006~2016	USD 75,000	71,888	5.50%	4.81%	24,373
BNP Paribas (*2)	2008~2011	USD 50,000	48,650	3M Libor+1.3%	4.15%	12,955
ABN AMRO (*2)	2008~2011	USD 30,000	29,190	3M Libor+1.3%	4.15%	5,752
Woori Investment & Securities (*2)	2008~ 2011	USD 20,000	19,460	3M Libor+1.3%	4.15%	3,820
						₩ 137,006

(*1) Trading
(*2) Cash flow hedging

(5) The gain and loss on swap and forward valuation for the years ended December 31, 2008 and 2009 are as follows (Won in millions):

Type	Changes in valuation 2008	Changes in valuation 2009	Gain (Loss) on valuation 2008	Gain (Loss) on valuation 2009	Accumulated other comprehensive income (loss) (*1) 2008	Accumulated other comprehensive income (loss) (*1) 2009
Currency forward	₩ (5)	₩ 18	₩ (5)	₩ 18	₩ -	₩ -
Interest swap	-	378	-	378	-	-
Currency swap	173,361	(46,106)	147,915	(37,259)	25,446	(8,847)
	₩ 173,356	₩(45,710)	₩ 147,910	₩ (36,863)	₩ 25,446	₩ (8,847)

(*1) Before adjustment of income tax

13. SHARHOLDER'S EQUITY:

(1) Capital stock

The Company has authorized 100,000,000 shares of ₩5,000 par value, of which 35,200,000 shares are issued and outstanding as of December 31, 2009.

(2) Capital surplus

Capital surplus as of December 31, 2009 is additional paid-in capital that was made at the date of physical spinoff.

14. RETAINED EARNINGS:

Appropriated retained earnings as of December 31, 2008 and 2009 consist of the following (Won in millions):

Account	Amount			
	2008		2009	
Involuntary				
Legal reserve	₩	37,832	₩	37,832
Voluntary				
Reserve for business expansion		813,279		728,080
Reserve for research and human development		23,467		13,900
Reserve for business rationalization		181		181
Reserve for investment on social overhead capital		37,152		28,500
		874,079		770,661
	₩	911,911	₩	808,493

The Korean Commercial Code requires the Company to appropriate s a legal reserve an amount equal to at least 10% of the cash dividends for each accounting period until the reserve equals 50% of stated capital.

The legal reserve is not available for cash dividends; however, these reserves may be credited to paid-in capital or offset against any accumulated deficit by resolution of the shareholder.

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

15. COMPREHENSIVE INCOME (LOSS):

Comprehensive income (loss) for the years ended December 31, 2008 and 2009 is as follows (Won in millions):

	Amount			
	2008		2009	
Net income (loss)	₩	(103,418)	₩	87,920
Other comprehensive gain (loss):				
Loss on available-for-sale-securities		(378)		(229)
Changes in capital surplus on investments using the equity method		(79)		1,244
Unrealized loss on valuation of derivatives		19,818		(6,855)
Comprehensive income (loss)	₩	(84,057)	₩	82,080

16. DIVIDENDS:

(1) Proposed dividends for the years ended December 31, 2008 and 2009 are as follows (Won):

	2008	2009
Common shares	35,200,000	35,200,000
Par value	5,000	5,000
Dividend rate	-%	14.99%
Dividends	-	749 per share

(2) Ratio of dividends to net income for the years ended December 31, 2008 and 2009 is as follows (Won in millions):

	2008	2009
Dividends	-	26,375
Net income	(103,418)	87,920
Ratio of dividends to net income	-%	30%

17. INCOME TAX EXPENSE (BENEFITS):

(1) The statutory corporate income tax rate (including resident surtax) applicable to the Company is approximately 24.2% and 27.5% in 2008 and 2009, and the effective corporate income tax rate is 22.14% for the year ended December 31, 2009. Income tax expense (benefits) for the years ended December 31, 2008 and 2009 are as follows (Won in millions):

	2008	2009
Income tax currently payable	₩ 1,098	₩ -
Change in deferred income taxes by temporary differences	13,888	469
Change in deferred income taxes by accumulated deficit	(31,115)	24,598
Change in deferred income taxes by tax credit carryforwards	-	(1,726)
Change in deferred income taxes adjusted directly in net assets	(5,369)	1,653
Income tax expense (benefits)	₩ (21,498)	₩ 24,994

(2) An explanation of the relationship between income tax expense (benefits) and accounting income (loss) before income tax expense (benefits) for the years ended December 31, 2009 and 2008 is as follows (Won in millions):

	2008	2009
Income (loss) before income tax	₩ (124,916)	₩ 112,914
Tax effect at the rate of 24.2% and 27.5%	(34,352)	27,325
Adjustment:		
Non-taxable income	(22)	(43)
Non-deductible expenses	534	114
Temporary differences not recognized as deferred income tax assets (liabilities)	126	455
Tax credit	-	(660)
Additional income tax	1,098	62
Other	11,118	(2,259)
Income tax expense (benefits)	₩ (21,498)	₩ 24,994
Effective tax rate (income tax expense/pretax income)	(*1)	22.14%

(*1) The effective income tax rate was not calculated because the Company incurred loss before income tax.

(3) Deferred income tax assets (liabilities) as of December 31, 2008 and 2009 are as follows (Won in millions).

	Amount	
	2008	2009
Accumulated temporary differences	₩ 170,208	₩ 57,307
Estimated tax rate	27.5%,24.2%	24.2%,22.0%
Deferred income tax assets	37,126	12,059
Tax credit	-	1,726
Current liabilities	₩ (3,519)	₩ (10,046)
Non-current assets	40,645	23,831

18. EARNINGS (LOSS) PER SHARE:

(1) Earnings (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares (35,200,000 shares for the years ended December 31, 2008 and 2009) outstanding during the years (Won in millions except per share amounts).

	Amount	
	2008	2009
Net income (loss)	₩ (103,418)	₩ 87,920
Weighted average number of common shares	35,200,000	35,200,000
Earnings (loss) per share	₩ (2,938)	₩ (2,498)

19. RELATED PARTY TRANSACTIONS:

(1) Related party is as follows:

Relationship	Company name
Parents company	Korea Electric Power Corporation
Subsidiary	Garolim Tidal Power, Kowepo International Corporation and Kowepo Australia Pty. Ltd.

(2) Significant transactions with related parties for the years ended December 31, 2008 and 2009 are as follows (Won in millions):

<December 31, 2008>

Related parties	Sales	Purchases	Other income	Other expenses	Transactions
KEPCO	₩3,684,698	₩ 117,781	₩ 886	₩ 32,797	Sales of electricity and others
Korea Gas Corporation	-	1,534,187	4,345	-	Purchases of LNG
Korea Plant Service & Engineering Co., Ltd.	115	54,627	1,035	26	Rental fee and others
Korea Electric Power Industrial Development Co., Ltd.	4,648	17,017	1,557	-	Rental fee and others
Korea Electric Power Data Network Co., Ltd.	-	1,093	-	1,238	Service fee and others
Korea South-East Power Co., Ltd.		-	32	45	Service fee and others
Korea Midland Power Co., Ltd.	-	-	32	5	Service fee and others
Korea East-West Power Co., Ltd.	-	-	32	53	Service fee and others
Korea South Power Co., Ltd.	-	441	2,212	43	Service fee and others
Korea Power Engineering Co., Inc	-	6,604	-	-	Others
LG Powercomm Corporation	-	182	13	859	Service fee and others
	₩3,689,461	₩1,731,932	₩10,144	₩ 35,066	

<December 31, 2009>

Related parties	Sales	Purchases	Other income	Other expenses	Transactions
KEPCO	₩3,803,145	₩ 90,827	₩ 1,450	₩ 25,853	Sales of electricity and others
Garolim Tidal Power	446	-	-	-	Sales of others
Cheongna Energy Co., Ltd.	946	-	-	-	Sales of others
Korea Gas Corporation	-	854,531	2,670	-	Purchases of LNG
Korea Plant Service & Engineering Co., Ltd.	-	58,663	559	-	Rental fee and others
Korea Electric Power Industrial Development Co., Ltd.	4,550	16,851	1,273	-	Rental fee and others
Korea Electric Power Data Network Co., Ltd.	-	2,394	-	2,739	Service fee and others
Korea South-East Power Co., Ltd.		-	29	34	Service fee and others
Korea Midland Power Co., Ltd.	-	46	29	-	Service fee and others
Korea East-West Power Co., Ltd.	-	27	29	98	Service fee and others
Korea South Power Co., Ltd.	1,666	644	71	35	Service fee and others
Korea Power Engineering Co., Inc	-	4,618	-	53	Others
LG Powercomm Corporation	-	221	12	930	Service fee and others
	₩3,810,753	₩1,028,822	₩ 6,122	₩ 29,742	

(3) Significant receivables and payables arising from related parties transactions as of December 31, 2008 and 2009 are as follows (Won in millions):

<December 31, 2008>

Related parties	Receivables: Trade receivables	Receivables: Others	Receivables: Sub-total	Payables: Trade payables	Payables: Others	Payables: Sub-total
KEPCO	₩ 332,886	₩ 11,245	₩ 344,131	₩ 4,817	₩ 112,447	₩ 117,264
Korea Plant Service &Engineering Co., Ltd.	-	-	-	-	4,702	4,702
Korea Gas Corporation	-	-	-	157,950	15,795	173,745
Korea South Power Co., Ltd	-	487	487	-	96	96
Korea Electric Power Industrial Development Co., Ltd.	373	9	382	-	1,494	1,494
Korea Electric Power Data Network Co., Ltd.	-	-	-	-	477	477
Korea Power Engineering Co., Inc	-	-	-	-	659	659
Korea East-West Power Co., Ltd.	-	-	-	-	11	11
	₩ 333,259	₩ 11,741	₩ 345,000	₩ 162,767	₩ 135,681	₩ 298,448

<December 31, 2009>

Related parties	Receivables: Trade receivables	Receivables: Others	Receivables: Sub-total	Payables: Trade payables	Payables: Others	Payables: Sub-total
KEPCO	₩ 375,997	₩ 10,180	₩ 386,177	₩ 8,300	₩ 95,608	₩ 103,908
Garolim Tidal Power	-	235	235	-	-	-
Cheongna Energy Co., Ltd.	-	1,041	1,041	-	198	198
Korea Plant Service &Engineering Co., Ltd.	-	-	-	-	2,659	2,659
Korea Gas Corporation	-	176	176	138,001	13,800	151,801
Korea South-East Power Co., Ltd	-	15	15	-	-	-
Korea South Power Co., Ltd	-	15	15	-	-	-
Korea Midland Power Co., Ltd.	-	15	15	-	-	-
Korea Electric Power Industrial Development Co., Ltd.	178	-	178	-	1,535	1,535
Korea Electric Power Data Network Co., Ltd.	-	-	-	-	296	296
Korea East-West Power Co., Ltd.	-	15	15	-	-	-
	₩ 376,175	₩ 11,692	₩387,867	₩ 146,301	₩ 114,096	₩ 260,397

(4) Short-term and long-term loans are housing and tuition loans to employees, and the balances as of December 31, 2008 and 2009 are as follows (Won in millions):

	Details	Amount: 2008	Amount: 2009
Short-term loans	Housing Loans	₩ 450	₩ 455
〃	Tuition Loans	736	847
		1,186	1,302
Long-term loans	Housing Loans	4,632	4,507
〃	Tuition Loans	9,933	10,378
〃	The others	41	57
		14,606	14,942
		₩ 15,792	₩ 16,244

20. SELLING AND ADMINISTRATIVE EXPENSES:

Selling and administrative expenses for the years ended December 31, 2008 and 2009 are as follows (Won in millions):

Account	2008	2009
Salaries and wages	₩ 13,327	₩ 9,082
Provision for severance benefits	1,693	556
Employee benefits	2,270	2,355
Travel and lodging	277	290
Communication	1,082	1,152
Insurance	24	28
Taxes and dues	611	384
Supplies	69	93
Clothing	24	22
Publication	113	123
Rent	1,854	1,825
Depreciation	1,024	759
Amortization	424	411
Maintenance and repairs	128	90
Vehicles maintenance	34	26
Commission	7,786	8,725
Advertisement	639	496
Training	48	54
Registration and regal fees	374	269
Ordinary development	5,098	4,419
Bad debt	612	345
Others	506	475
	₩ 38,017	₩ 31,979

21. VALUE-ADDED:

The components of electricity generating costs and selling, general administrative expenses and construction-in-progress, which are necessary in calculating value-added for the years ended December 31, 2008 and 2009, are as follows (Won in millions):

	Amount	
	2008	2009
Salaries	₩ 123,164	₩ 113,783
Retirement allowance and severance benefits	17,528	8,607
Other employee benefits	15,472	15,719
Rent	11,632	13,696
Depreciation & amortization	345,544	319,415
Taxes and dues	4,397	3,973
	₩ 517,737	₩ 475,193

22. STATEMENTS OF CASH FLOWS:

(1) Cash and cash equivalents in the statements of cash flows represent cash and cash equivalents in the statements of financial position.

(2) Transactions not involving cash flow for the years ended December 31, 2008 and 2009 are as follows (Won in millions):

Transactions	Amount 2008		Amount 2009	
Transfer of construction-in-progress to property, plant and equipment	₩	79,096	₩	146,124
Transfer of currency swap to current portion		-		65,308
Transfer of long term borrowings to current portion		17,150		14,900
Transfer of long term debentures to current portion		99,935		417,411
Transfer of long term accounts payable-other to current portion		15,237		7,166
Construction costs to power transmitting facilities		7,727		-
Transfer of long loan debentures to current portion		1,375		1,302

23. EMPLOYEE WELFARE AND CONTRIBUTION TO SOCIETY:

(1) For the welfare of its' employees, the Company spent ₩ 15,472 million and ₩ 15,719 million for the years ended December 31, 2008 and 2009, respectively.

(2) Contribution to society
The Company's expenditure on donation is ₩ 404 million and ₩ 327 million for the years ended December 31, 2008 and 2009, respectively.

24. PROFESSIONAL DEVELOPMENT COSTS:

Training expenses for the last 2 years are as follows (Won in millions):

	Amount 2008		Amount 2009	
Training cost	₩	355	₩	330

25. 4th QUARTER'S FINANCIAL INFORMATION (UNAUDITED):

The Company's financial information (unaudited) for the three months ended December 31, 2008 and 2009 are as follows (Won in millions, except for share amount):

	Amount 2008		Amount 2009	
Sales	₩	1,041,622	₩	1,060,630
Operating loss		(148,130)		(6,462)
Net loss		(131,349)		(6,093)
Net loss per share		(3,732)		(173)

26. SUBSEQUENT EVENT:

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

Type	Rate (%)	Issue date	Maturity date	Amount
Corporate bond (13th)	5.08	2010.02.18	2015.02.18	₩ 120,000
Corporate bond (14th)	4.57	2010.03.19	2015.03.19	100,000

27. PLAN AND PROGRESS ON ADOPTION OF K-IFRS:

The Company plans to prepare its financial statements in conformity with K-IFRS from 2011. To achieve this purpose, the Company set up task force, analyzed effect of introduction of K-IFRS and carried out training for employee and related parties. Also, result of current situation of introducing K-IFRS is periodically reported to management. Details of plan and current situation are as follows:

Main activity	Planning	Current situation
Operate task team for introduction of IFRS and analysis of its effect	Ready for the introduction of IFRS by operation task team	Organized task team for introduction of IFRS in March 2008 Received service from an accounting firm for analysis of effect of IFRS in March 2009
Training of employees	Acquire professional knowledge which is needed for conversion of IFRS until end of April 2010	Implemented staff education (Training program of accounting firm)
Organize accounting system	Finish organizing accounting system for introduction of IFRS until end of April 2010	Completed analysis of effect on accounting system with the assistance of and service from an accounting firm
Prepare the financial statements	Prepare the financial statements adopting K-IFRS until end of March 2010	Test for conversion of financial statements

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

28. RECONCILIATION TO UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES:

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

(1) Asset Revaluation and Depreciation

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

Under U.S. GAAP, property, plant and equipment must be stated at cost less accumulated depreciation and impairment. The revaluation of property, plant and equipment and the resulting depreciation of revalued amounts are not considered in the financial statements prepared in accordance with U.S. GAAP. When revalued assets are sold, revaluation surplus related to those assets under Korean GAAP would be reflected in income as additional gain on the sale of property, plant and equipment under U.S. GAAP.

(2) Special Depreciation

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

(3) Foreign Currency Translation

As discussed in Notes 2, transactions in foreign currencies are recorded in Korean Won based on the prevailing rates of exchange on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into Korean Won at the end of the reporting period, with the resulting gains and losses recognized in current results of operations. Monetary assets and liabilities denominated in foreign currencies are translated into Korean Won at ₩ 1,257.5 and ₩1,167.6 to US$1, the rate of exchange on December 31, 2008 and 2009, respectively. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into Korean Won at the foreign exchange rate ruling at the date of the transaction.

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

(4) Intangible Assets

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

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

(5) Accounting for a Lease

Under Korean GAAP, the Company recognizes an intangible asset related to the usage right to electricity transmission utilities based on the arrangement between KEPCO and the Company in accordance with Q&A 07-008, Accounting for Usage Right to Electricity Transmission Utilities, issued by KASB. The electricity transmission utilities are physically located within the premises of the Company's power plant facilities and operated by the Company's personnel. Under the arrangement, the Company will make monthly payments over a period of 4 to 30 years and recognize interest expense based on an implicit rate computed by KEPCO.

Under U.S. GAAP, the arrangement qualifies and should be accounted for as a finance lease as the arrangement substantially contains a lease.

As noted above, since this difference is only related to reclassification the difference does not effect net income or stockholder's equity under U.S. GAAP.

(6) Deferred Income Taxes

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

(7) Accounting for Uncertainty in Income Taxes

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

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

	Korean Won (in millions)				Translation into U.S. Dollars(Note 2) (in thousands)	
	2008		2009		2009	
Total unrecognized tax benefits at beginning balance	₩	1,947	₩	163	US$	140
Amount of increase for current year's tax position		163		19		16
Gross amount of increases for prior years' tax position		-		-		-
Gross amount of decreases for prior years' tax position		(1,947)		(26)		(22)
Total unrecognized tax benefits at year-end balance	₩	163	₩	156	US$	134

Any changes in the amounts of unrecognized tax benefits related to temporary differences would result in a reclassification to deferred tax liability, and any changes in the amounts of unrecognized tax benefits related to permanent differences would result in an adjustment to income tax expense and therefore, the Company's effective tax rate. As of December 31, 2008 and 2009, the unrecognized tax benefits included above which would, if recognized, affect the effective tax rate is ₩111 million and ₩130 million, respectively.

The Company's continuing practice is to recognize interest and penalties, if any, related to income tax matters in income tax expense. After the adoption of the accounting guidance for uncertainty in income taxes, the Company has total gross accrual for interest expense and penalties of ₩41 million and ₩47 million as of December 31, 2008 and 2009, respectively.

(8) Gain on Valuation of Non-marketable Securities

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

Under U.S. GAAP, investments in non-marketable equity securities without significant influence that do not have a readily determinable fair value are stated at cost using the cost method. As a result of the reconciliation of difference, the shareholder’s equity as of December 31, 2008 and 2009 increased by ₩378 million and ₩608 million, respectively compared to that under Korean GAAP.

(9) Fair Value Hierarchy

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

The accounting guidance provides for the following:

(i) Defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, and establishes a framework for measuring fair value;

(ii) Establishes a three-level hierarchy for fair value measurements based upon the observable inputs to the valuation of an asset or liability at the measurement date;

(iii) Requires consideration of nonperformance risk when valuing liabilities; and

(iv) Expands disclosures about instruments measured at fair value.

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

Level 1 — Quoted prices for identical instruments in active markets;

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

Level 3 — Instruments whose significant inputs are unobservable.

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

Derivatives

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

Under Korean GAAP, fair value of derivatives is determined assuming the same nonperformance risk for the entity and the counterparty. However, U.S. GAAP requires consideration of both the entity's nonperformance risk and counterparty nonperformance risk in determining the fair value of a derivative instrument. Due to such differences, for U.S. GAAP purpose, net loss increased by ₩1,275 million and net income increased by ₩1,148 million, and other comprehensive income decreased by ₩9,641 million and increased by ₩6,601 million, compared to those under Korean GAAP for year ended December 31, 2008 and 2009, respectively

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

	Korean Won (in million)		
	Level 1	Level 2	Total
Assets:			
Financial derivatives	₩ -	₩ 134,235	₩ 134,235

(10) Fair Value of Financial Instruments

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

(i) Cash and cash equivalents, short term financial instruments, trade receivables, short-term borrowings, and trade payables: The carrying amount approximates fair value because of its nature or relatively short maturity.

(ii) Investments: The fair value of investments with marketability is estimated based on quoted market prices for those or similar investments. For other investments for which there are no quoted market prices, it was not practicable to estimate the fair value of investments in unlisted companies.

(iii) Long-term debt: The fair value of long-term debt is estimated based on the quoted market prices for the same or similar issues, or on the current rates offered for debt of the same remaining maturities.

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

	2008		2009	
	Carrying Amount	Fair value	Carrying Amount	Fair value
Cash and cash equivalents	₩ 46,829	₩ 46,829	₩ 131,346	₩ 131,346
Short-term financial instruments	-	-	-	-
Trade- receivables	330,208	330,208	372,872	372,872
Accounts receivable-other	28,221	28,221	19,031	19,031
Loans	15,792	15,792	16,244	16,244
Investments				
Practicable to estimate fair value	-	-	-	-
Not practicable	30,900	-	59,293	-
Deposits for severance and retirements benefits	-	-	-	-
Short-term borrowings	(170,743)	(170,743)	(92,908)	(92,908)
Trade notes and accounts payable	(415,795)	(415,795)	(432,109)	(432,109)
Long-term debt, including current portion	(1,116,581)	(925,647)	(1,378,833)	(1,294,843)
Long-term other accounts payables, including current portion	(111,478)	(111,478)	(102,691)	(102,691)

(11) Recent Changes in U.S. GAAP

In December 2007, the FASB issued the revised Accounting Standards Codification (ASC) 805, "Business Combinations", which establishes principles and requirements for how an acquirer in a business combination recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed and any noncontrolling interest; recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. This revised guidance is to be applied prospectively to business combinations for which the acquisition date is on or after the beginning of an entity's fiscal year that begins on or after December 15, 2008. The adoption of this revised guidance did not have a material impact on its results from operations or financial condition.

In December 2007, the FASB amended ASC 810, "Consolidation" for noncontrolling interests in consolidated financial statements. This amendment requires the ownership interest in subsidiaries held by parties other than the parent be clearly identified and presented in the consolidated statements of financial position within equity, but separate from the parent's equity; the amount of consolidated net income attributable to the parent and the noncontrolling interest be clearly identified and presented on the face of the consolidated statement of earnings; and changes in a parent's ownership interest while the parent retains its controlling financial interest in its subsidiary be accounted for consistently. This amendment is effective for fiscal years beginning on or after December 15, 2008.

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

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

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

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

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

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

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

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

In February 2010, the FASB issued ASU 2010-09 “Amendments to Certain Recognition and Disclosure Requirements”, which amends ASC 855 to address certain implementation issues related to an entity’s requirement to perform and disclose subsequent-events procedures. The ASU adds a definition of the term “SEC filer” to the ASC Master Glossary and requires (1) SEC filers and (2) conduit debt obligors for conduit debt securities that are traded in a public market to evaluate subsequent events through the date the financial statements are issued. All other entities are required to evaluate subsequent events through the date the financial statements are available to be issued. The guidance is effective for interim or annual periods ending after June 15, 2010. The Company is currently evaluating the impact that the adoption may have on its financial statements.

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

(12) Effect on Net Income and Stockholder’s Equity

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

	Korean Won		Translation into U.S. Dollar (Note 2)
	2008	2009	2009
	(In millions, except per share data)		(In thousands, except per share data)
Net income under Korean GAAP	₩ (103,418)	₩ 87,920	US$ 75,555
Adjustments:			
Operating Income:			
Depreciation			
Asset revaluation	22,566	14,122	12,136
Special depreciation	(125)	-	-
Capitalized foreign currency translation	4,546	(516)	(443)
Development cost	(46)	11	9
Other Income(Expenses):			
Credit valuation adjustment	(1,275)	1,148	987
Income Tax Expenses			
Deferred income taxes(*)	(24,026)	(3,248)	(2,791)
FIN48 Liabilities	454	(25)	(21)
Net income as adjusted in accordance with U.S. GAAP	₩ (101,324)	₩ 99,412	US$ 85,432
Earnings per share as adjusted in accordance with U.S. GAAP (in Won)	₩ (2,879)	₩ 2,824	US$ 2.43

(*) Deferred income tax represents the tax effect from the GAAP adjustments of the Company.

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

	Korean Won		Translation into U.S. Dollar (Note 2)
	2008	2009	2009
	(In millions)		(In thousands)
Shareholder's equity under Korean GAAP	₩ 2,272,254	₩ 2,354,334	US$ 2,023,232
Adjustments:			
Property, plant and equipment			
Asset revaluation	(299,207)	(285,085)	(244,992)
Special depreciation	-	-	-
Capitalized foreign currency translation	(26,699)	(27,215)	(23,388)
Development cost	(46)	(35)	(30)
Investment securities	485	779	669
Credit valuation adjustment	(10,916)	(3,167)	(2,722)
Deferred tax effects of U.S. GAAP adjustments	69,941	65,150	55,988
FIN48 Liabilities	(204)	(203)	(174)
Shareholder's equity as adjusted in accordance with U.S. GAAP	₩ 2,005,608	₩ 2,104,558	US$ 1,808,583

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

	Korean Won		Translation into U.S. Dollar (Note 2)
	2008	2009	2009
	(In millions)		(In thousands)
Operating income under Korean GAAP	₩ (73,391)	₩ 104,050	US$ 89,417
Adjustments:			
Depreciation			
Asset revaluation	22,566	14,122	12,136
Special depreciation	(125)	-	-
Capitalized foreign currency translation	4,547	(516)	(443)
Development Costs	(46)	11	9
Classification difference in the statements of income	(351)	(580)	(498)
Operating income under U.S. GAAP	₩ (46,801)	₩ 117,087	US$ 100,621

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

	Korean Won		Translation into U.S. Dollar (Note 2)
	2008	2009	2009
	(In millions)		(In thousands)
Net property, plant and equipment under Korean GAAP	₩ 2,998,657	₩ 3,275,099	US$ 2,814,505
Adjustment:			
Depreciation			
Asset revaluation	(299,207)	(285,085)	(244,992)
Special depreciation	-	-	-
Capitalized foreign currency translation	(26,699)	(27,215)	(23,388)
Finance lease asset	143,794	146,113	125,564
Net property, plant and equipment under U.S. GAAP	₩ 2,816,545	₩ 3,108,912	US$ 2,671,689

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

	Korean Won		Translation into U.S. Dollar (Note 2)
	2008	2009	2009
	(In millions)		(In thousands)
Total asset under Korean GAAP	₩ 4,198,514	₩ 4,481,641	US$ 3,851,365
Adjustment:			
Property, plant and equipment	(325,906)	(312,300)	(268,380)
Finance lease asset	143,794	146,113	125,564
Intangible assets	(143,794)	(146,113)	(125,564)
Development cost	(46)	(35)	(30)
Investment securities	485	779	669
Financial derivatives	(10,916)	(3,167)	(2,722)
Deferred tax effects of U.S. GAAP adjustments	69,941	65,150	55,988
Net property, plant and equipment under U.S. GAAP	₩ 3,932,072	₩ 4,232,068	US$ 3,636,890

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

	Korean Won		Translation into U.S. Dollar (Note 2)
	2008	2009	2009
	(In millions)		(In thousands)
Deferred tax assets adjustment:			
Asset revaluation	₩ 61,710	₩ 58,603	US$ 50,361
Capitalized foreign currency translation	5,874	5,987	5,145
Development cost	10	8	7
Credit valuation adjustment	2,402	697	599
Fin48 Liabilities	52	26	22
Total deferred tax assets adjustment	70,048	65,321	56,134
Deferred tax liabilities adjustment:			
Investment securities	(107)	(171)	(147)
Total deferred tax liabilities adjustment	(107)	(171)	(147)
Net deferred tax assets	₩ 69,941	₩ 65,150	US$ 55,987

(13) Additional U.S. GAAP Disclosures

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

	Korean Won		Translation into U.S. Dollar (Note 2)
	2008	2009	2009
	(In millions)		(In thousands)
Interest paid, net of capitalized portion	₩ 15,191	₩ 44,582	US$ 38,312
Income taxes	37,413	4,073	3,500

Estimated amortization expense of intangible assets for the next five years is as follows:

	2010	2011	2012	2013	2014	Total
Won(In millions)	₩ 8,798	3,562	530	382	196	13,468
U.S. Dollar (In thousands)	US$ 7,561	3,061	455	328	168	11,574

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

	Won (In millions)		U.S. Dollar (In thousands)	
2010	₩	3,578	US$	3,075
2011		1,811		1,556
2012		3,412		2,932
2013		4,379		3,763
2014		5,358		4,604
2015~2019		39,939		34,322

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

The Company entered into a capital leases arrangement with KEPCO regarding the right to use electricity transmission utilities for the next 4 ~ 30 years. At December 31, 2009, the gross amount of the leased assets and related accumulated amortization recorded under capital leases were as follows:

	Korean Won (in millions)		Translation into U.S. Dollars(Note 2) (in thousands)	
	2009		2009	
Usage right to electricity transmission utilities	₩	177,923	US$	152,900
Less accumulated amortization		(31,810)		(27,336)
	₩	146,113	US$	125,564

Future minimum capital lease payments as of December 31, 2009 are:

	Korean Won (in millions)		Translation into U.S. Dollars(Note 2) (in thousands)	
	2009		2009	
2010	₩	7,166	US$	6,158
2011		5,311		4,564
2012		4,601		3,954
2013		4,475		3,846
2014		4,356		3,743
2015 and thereafter		48,396		41,590
	₩	74,305	US$	63,855
Minimum lease payments		74,305		63,855