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**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS**

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

We have audited the accompanying balance sheet of Korea Western Power Co., Ltd. as of December 31, 2001 and the related statement of income, appropriation of retained earnings, and cash flows for the period from April 2, 2001 (inception) to December 31, 2001, 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 audit.

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

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2001 and the results of its operations, changes in its retained earnings and its cash flows for the period from April 2, 2001 (inception) to December 31, 2001, in conformity with the financial accounting standards in the Republic of Korea (see Note 2).

Without qualifying our opinion, we draw attention to Note 1 of the financial statements which states that the operations of the Company have been affected, and may continue to be affected for the foreseeable future, by the general unstable economic conditions in the Republic of Korea and in the Asia Pacific region. The ultimate effect of these uncertainties on the financial position of the Company as of the balance sheet date cannot presently be determined.

As discussed in Notes 1 and 17 to the financial statements, the Company was incorporated on April 2, 2001 through the spin-off of the power generation division of Korea Electric Power Corporation 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. At the time the Company was incorporated, assets and liabilities transferred from Korea Electric Power Corporation to the Company were ₩2,904,046 million and ₩1,461,408 million, respectively.

As discussed in Note 13 to the financial statements, sales and purchases to and from related parties, including Korea Electric Power Corporation and Korea Gas Corporation, amounted to ₩1,478,974 million and ₩304,457 million, respectively, for the period from April 2, 2001 (inception) to December 31, 2001. Related receivables and payables amount to ₩166,596 million and ₩41,175 million, respectively, as of December 31, 2001.

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 stockholders' equity to U.S. generally accepted accounting principles are set forth in Note 18 to the financial statements.

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Seoul, Korea  
April 26, 2002