

Anjin & Co

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**Deloitte
Touche
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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

We have audited the accompanying balance sheets of Korea Western Power Co., Ltd. (the "Company") as of December 31, 2001 and 2002, and the related statements of income, appropriations of retained earnings and cash flows for the period from April 2, 2001 (inception) to December 31, 2001 and for the year ended December 31, 2002, 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 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 audits provide a reasonable basis for our opinion.

In our opinion, based on our audits, the financial statements referred to above present fairly, in all material respects, the financial positions of the Company as of December 31, 2001 and 2002, 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 and for the year ended December 31, 2002, in conformity with the financial accounting standards as established by the Financial Supervisory Commission of the Republic of Korea (see Note 2).

The translated amounts in the accompanying financial statements have been translated into U.S. dollars, solely for the convenience of the reader, on the basis set forth in Note 2 to the financial statements.

As discussed in Note 15 to the financial statements, sales and purchases to and from related parties, including Korea Electric Power Corporation, amounted to ₩1,484,453 million and ₩334,634 million, respectively, for the period from April 2, 2001 (inception) to December 31, 2001 and ₩2,039,143 million and ₩526,003 million, respectively, for the year ended December 31, 2002. Related receivables and payables amounted to ₩169,601 million and ₩51,178 million, respectively, as of December 31, 2001 and ₩181,021 million and ₩55,357 million, respectively, as of December 31, 2002.

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 20 to the financial statements.


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Seoul, Korea
January 29, 2003