

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, 2002 and 2003, and the related statements of income, appropriations of retained earnings and cash flows for the years ended December 31, 2002 and 2003, 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 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 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 audits, the financial statements referred to above present fairly, in all material respects, the financial positions of the Company as of December 31, 2002 and 2003, and the results of its operations, changes in its retained earnings and its cash flows for the years ended December 31, 2002 and 2003 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.

As discussed in Note 2 to the financial statements, in 2003, the Company adopted Statements of Korea Accounting Standards ("SKAS") No. 2, 3, 4, 5, 6, 7, 8 and 9, which are effective from January 1, 2003. Those statements provide accounting and reporting standards for the interim financial reporting, intangible assets, revenue recognition, tangible assets, events occurring after the balance sheet date, capitalization of financing cost, investments in securities and convertible securities. The prior year financial statements, which are presented for comparative purposes, were restated to conform to the provisions of those standards. As a result of the adoption of SKAS No.6-"Events Occurring After the Balance Sheet Date", shareholder's equity increased and current liabilities decreased by ₩44,000 million as of December 31, 2002.

As discussed in Note 15 to the financial statements, sales and purchases to and from related parties, including Korea Electric Power Corporation, amounted to ₩2,039,143 million and ₩526,003 million, respectively, for the year ended December 31, 2002 and ₩2,150,905 million and ₩519,754 million, respectively, for the year ended December 31, 2003. Related receivables and payables amount to ₩181,021 million and ₩55,357 million, respectively, as of December 31, 2002 and ₩169,045 million and ₩58,942 million, respectively as of December 31, 2003.

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 22 to the financial statements.

Anjin Deloitte LLC

Anjin Deloitte LLC

Seoul, Korea
January 30, 2004

Notice to Readers

This report is effective as of January 30, 2004, 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.