

Independent Auditors' Report

Based on a report originally issued in Korean

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

We have audited the accompanying balance sheets of Korea Western Power Co., Ltd. (the "Company") as of December 31, 2006 and 2005, and the related statements of income, appropriation of retained earnings and cash flows for the years then ended. 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 Republic of Korea. 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 Korea Western Power Co., Ltd. as of December 31, 2006 and 2005, and the results of its operations, the appropriation of its retained earnings and its cash flows for the years then ended in conformity with accounting principles generally accepted in the Republic of Korea.

The accompanying financial statements as of and for the year ended December 31, 2006 have been translated into United States dollars solely for the convenience of the reader. We have audited the translation and, in our opinion, the financial statements expressed in Korean Won have been translated into dollars on the basis set forth in note 3 to the financial statements.

Without qualifying our opinion, we draw attention to the following:

As discussed in note 2(a) to the financial statements, accounting principles and auditing standards and their application in practice vary among countries. The accompanying financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than the Republic of Korea. In addition, the procedures and practices utilized in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying financial statements are intended solely for use by those knowledgeable in Korean accounting principles and auditing standards and their application in practice.

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As discussed in note 8 to the financial statements, the Company had operating revenues and expenses with related parties, including Korea Electric Power Corporation ("KEPCO"), the parent, for the year ended December 31, 2006 and related accounts receivable and accounts payable as of December 31, 2006. Also, as of December 31, 2006, the Company has short-term and long-term borrowings from Korea Resources Corporation (wholly owned by the Korean Government) and long-term borrowings from the Industrial Bank of Korea (majority owned by the Korean Government).

*KPMG Samjong Accounting Corp.*Seoul, Korea
January 17, 2007

This report is effective as of January 17, 2007, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.