

Maximizing values as the 21st Century's Power Industry Leader



‘A New Forerunner’

We will continue contributing to society by optimally producing energy
in harmony with man, technology, and the environment.

We create and deliver new values for the future.

We seek innovations to become a true leader in the power generation industry in the 21st century.

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A large billboard stands against a bright blue sky with scattered white clouds. The billboard is supported by a metal lattice structure. Along the top edge of the billboard, there are five small, silver, cone-shaped objects, possibly lights or sensors. The billboard itself has a blue background with white text and a logo.

cwp KOREA WESTERN POWER CO., Ltd.

21C Leader

CEO'S MESSAGE



"We are devoted to building a 'future of hope' by working towards the satisfaction of all our clients"

Korea Western Power (KOWEPO) was established in April 2001 after being spun off from Korea Electric Power Corporation (KEPCO) during the power industry's restructuring, which marking the beginning of competitive power trading in Korea.

Two years after its initiation, KOWEPO has become an industry leader with a vision to contribute to society by generating power in harmony with man, technology, and the environment.

KOWEPO's success is attributed to its focus on basic fundamentals, such as providing efficient and reliable services, and maintaining state-of-the-art facilities. KOWEPO also continues working towards in improving our service capabilities to ensure growth, competitiveness, and profitability.

HISTORY IN BRIEF & SINCE 2001



KOWEPO contributes to the power generation industry in Korea through developing electric power resources and power generation projects, while performing relevant research, making technological developments, and developing supplementary businesses.

The company is backed by more than 1,600 devoted employees and \ 3 trillion in assets.

History in Brief

July 1961

Korea Electric Power Company established by incorporating three power generators (Chosun Electric Company, Kyung Sung Electric Company, Namsun Electric Company)

March 1965

Opened Gunsan Thermal Power Plant

April 1977

Opened Pyeongtaek Thermal Power Plant

October 1979

Opened Samrangjin Pumped Storage Power Plant

February 1982

Company name changed to Korea Electric Power Corporation (KEPCO)

June 1990

Opened Seoincheon Combined Cycle Power Plant

January 1991

Opened Taeon Thermal Power Site Division

September 2000

Opened Cheongsong Pumped Storage Power Construction Office

April 2001

Korea Western Power Co., Ltd. established after being spun off from KEPCO (power generation sector)



STRONG MANAGEMENT



Leading changes in the power generation industry

“We will strengthen customer confidence through honest and transparent management”



KOWEPO actively copes with a changing environment by constantly studying possible effective management reforms.

We are improving our power generation technologies and developing a sound financial structure, by implementing management reforms, and reinforcing core capabilities by maintaining high-caliber human resources. In addition, employee satisfaction is a key objective for KOWEPO, which will allow us to construct a foundation for efficient operating performance and productive labor-management relationships.

At the same time, we strive for a ‘clean KOWEPO’ based on our ethical principles presented in the ‘Westrn Power’s Credo,’ and the pledge by all employees to practice it. Above all, we will lead industry changes through continuous management reforms and transparent management.



CONTRIBUTING TO SOCIETY



Building affluent communities through social activities and services

**“We will brighten the lives of the
communities we serve with unflinching
power throughout each year”**



KOWEPO continues to focus on the community by taking measures to benefit society and sharing our achievements with others.

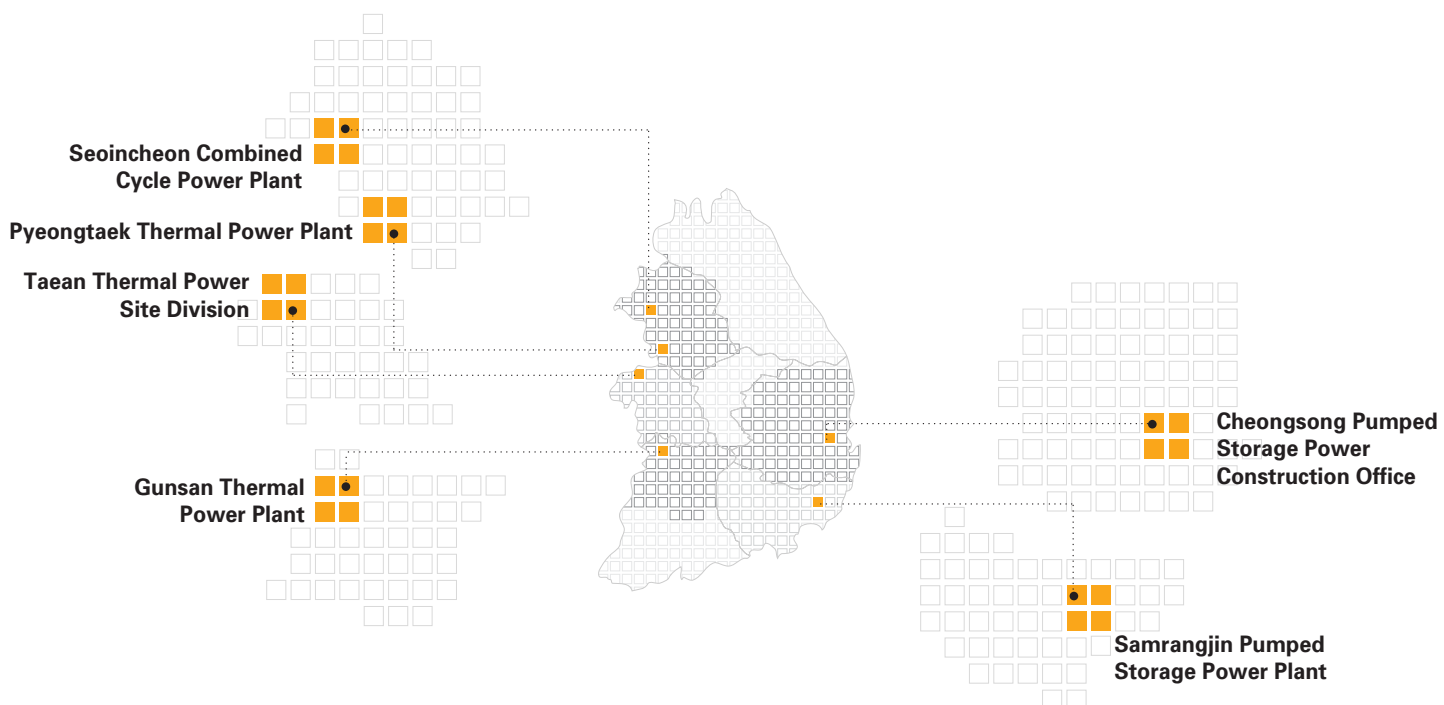
Every business site at KOWEPO has established close ties with social welfare institutions and underprivileged neighbors to continuously provide public services and support activities. We also strive to contribute to the development of local economies by moving ahead with long-term projects. KOWEPO also provides scholarships and educational materials as part of an effort to foster talent and improve the educational environment in the communities we serve.

We will continue to support society by presenting ideal models for community development.



KOWEPO never sleeps.

It strives to realize greater value around the clock.



“A never failing light on the West Coast”





The Seoincheon Combined Cycle Power Plant contributes to stable power supply, as it can promptly cope with changes in demand for electricity.

SEOINCHEON COMBINED CYCLE POWER PLANT

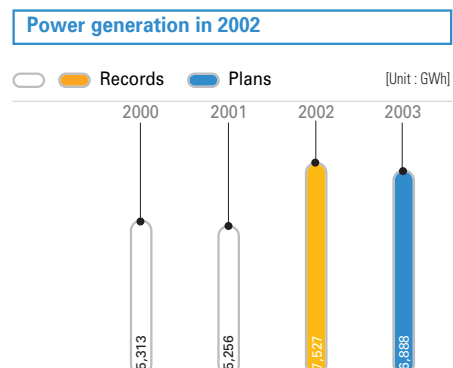
Location : 674, Gyeongseo-dong, Seo-gu, Incheon City
Type : Combined cycle power plant using gas-steam turbines
Capacity : 1,800 MW
Gas Turbine ; 1,200 MW (8 units), Steam Turbine ; 600 MW (8 units)
Completion : Gas Turbine - June 30, 1992
Steam Turbine - November 17, 1992

The Seoincheon Combined Cycle Power Plant is located next to the Yeongjong Grand Bridge, a gateway to Incheon International Airport. Using liquefied natural gas (LNG), which is a clean fuel, the plant was designated as an environmentally friendly enterprise by the Ministry of Environment every year since 1996.

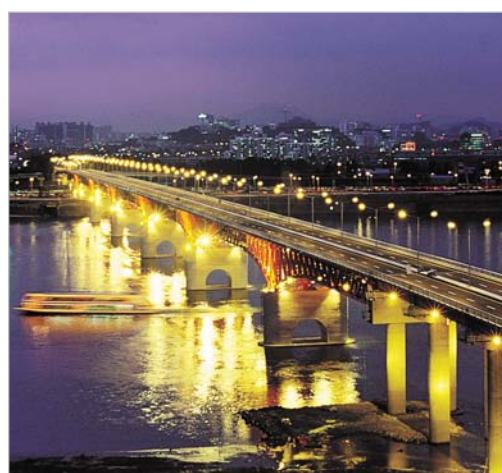
The plant can timely cope with changes in electricity demand, as the time required from the suspension of power generation to synchronizing is quite short (approximately 10 minutes). Accordingly, it contributes to the standardized maintenance of frequencies for electric power systems, and the stable operation of the entire power generation system.

It has also secured combined cycle power by replacing gas turbines with the latest versions in a bid to significantly increase efficiency.

Moreover, the plant has faithfully played its role as a corporate citizen by sharing with the community it serves. Such endeavors include its continued support for the increase in income for local residents and public establishments since 1990. Particularly, it has provided scholarships and educational materials to improve the community's educational environment, while also providing lunches for local students.



“A core power plant in a metropolitan area”



Long life

The Gunsan Thermal Power Plant provides a base for the domestic coal mining industry's operations, while playing an important role in the development of the local economy in the Gunsan area.

GUNSAN THERMAL POWER PLANT

Location : 590-2, Gyeongam-dong, Gunsan City, North Jeolla Province

Type : Anthracite-utilizing steam power plant

Capacity : 66 MW

Completion : October 29, 1968

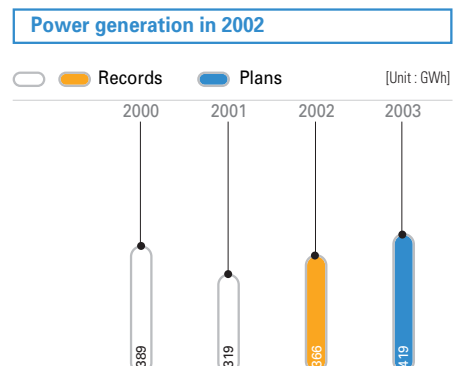


The Gunsan Thermal Power Plant, completed in October 1968 in Gunsan, a beautiful port city and a home for the arts, is KOWEPO's oldest power plant using anthracite for 25 years.

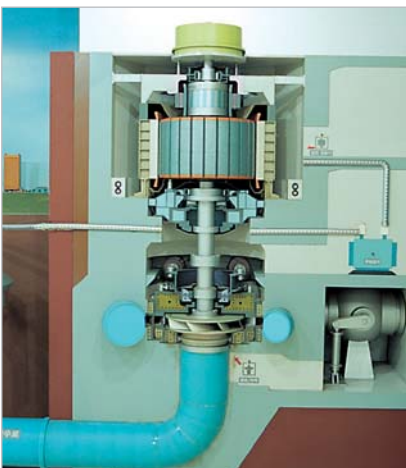
The plant is becoming a foundation for the fragile coal mining industry's economic activities by consuming approximately 0.1 million tons of hard coal on an annual basis. It also significantly contributes to the development of the local economy by supplying 419 GWh in electricity per annum.

In addition, the Ministry of Environment designated the plant as the only environmentally friendly enterprise among domestic power generators using hard coal. It has also been

recognized as a civil complaint-free power plant by actively participating in community activities, such as opening its sports facilities to the local community.



“An economical producer of electricity”





The Cheongsong Pumped Storage Power Plant is currently under construction to be an up-to-the-minute power plant which will be remote-controlled from Samrangjin.

CHEONGSONG PUMPED STORAGE POWER CONSTRUCTION OFFICE

Location : Norae-ri, Andeok-myeon/Sinheung-ri, Pacheon-myeon, Cheongsong-gun, North Gyeongsang Province

Type : Pumped storage underground power plant

Capacity : 600 MW (300 MW × 2 units)

Completion : Unit 1 to be completed in September 2006
Unit 2 to be completed in December 2006

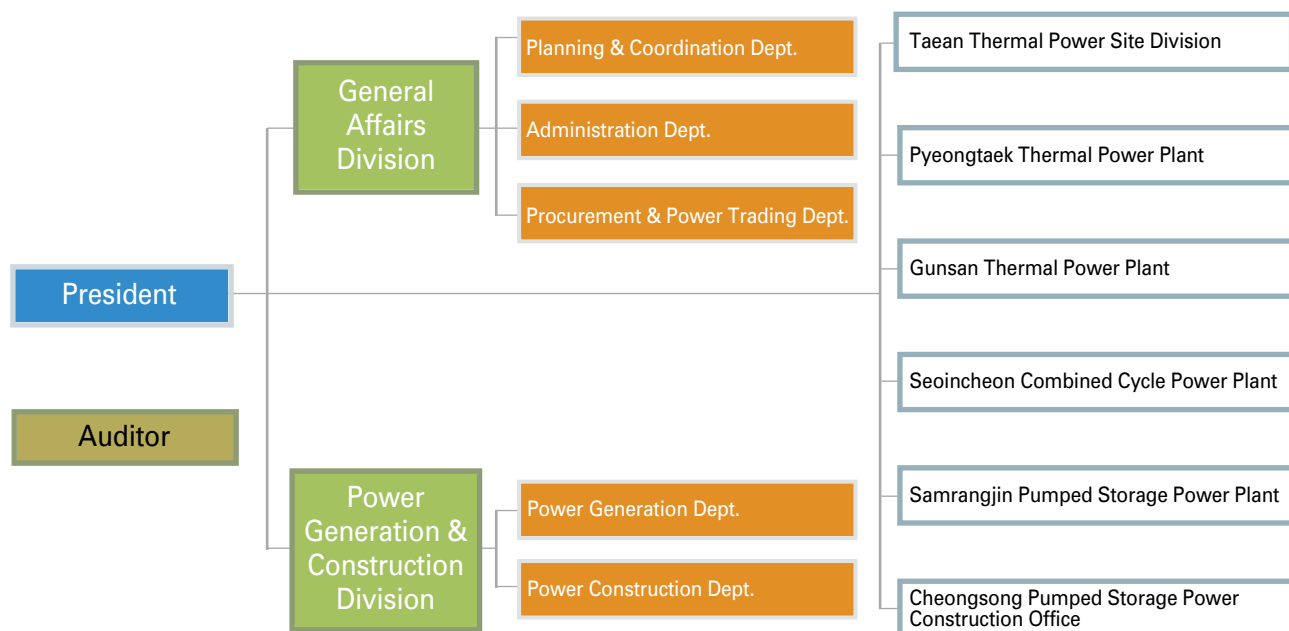
Situated at the foot of Juwangsan National Park, the Cheongsong Pumped Storage Power Construction Office is committed to building an environmentally friendly power plant, and is planned for completion in December 2006.

When completed, the plant will be a cutting-edge power generator, reducing expenses of some ₩140 billion thanks to its spearhead remote-controlled operations from the Samrangjin Pumped Storage Power Plant, which is 130 kilometers away.

The plant's construction was initiated by the local self-governing bodies and residents. Despite not yet being completed, the plant is already playing its role as a corporate citizen by employing 1.1 million man-days during its construction period.



ORGANIZATION



FACILITIES

Plant name	No of units	Capacity (MW)	Fuel	Year of completion	Remarks
Taeon Thermal	6	3,000	Bituminous Coal	Units 1~4 : '95~'97 Unit 5 : Oct. 2001 Unit 6 : May 2002	Base load
Pyeongtaek Thermal	4	1,400	Low Sulfur Fuel Oil	'80~'83	
Gunsan Thermal	1	66	Hard coal	'68	Middle load
Seoincheon Combined Cycle	16	1,800	LNG	'92	
Pyeongtaek Combined Cycle	5	480	LNG	'92~'94	Peak load
Samrangjin Pumped Storage	2	600	Water Pumping	'85	
Total	34	7,346			

FINANCIAL SUMMARY

₩ Balance Sheets

	(Unit:Korean Won in Millions)		(Unit:US Dollars in Thousands)
	FY2002	FY2001	FY2002
Assets	3,182,187	3,177,947	2,682,447
Current assets	571,365	400,328	481,636
Quick assets	504,972	325,399	425,669
Inventories	66,393	74,929	55,967
Fixed assets	2,610,822	2,777,619	2,200,811
Investment assets	17,582	13,309	14,822
Tangible assets	2,528,729	2,691,935	2,131,610
Intangible assets	64,510	72,376	54,379
Liabilities	1,451,975	1,630,919	1,223,953
Current liabilities	486,643	550,518	410,220
Fixed liabilities	965,331	1,080,401	813,733
Stockholder' equity	1,730,212	1,547,028	1,458,494
Capital stock	176,000	176,000	143,360
Capital surplus	1,266,638	1,266,638	1,067,722
Retained earnings	291,090	104,390	245,376
Capital adjustments	△3,516	0	△2,964

₩ Income Statements

	(Unit:Korean Won in Millions)		(Unit:US Dollars in Thousands)
	FY2002	FY2001	FY2002
Sales	2,012,626	1,469,603	1,696,557
Gains on sales of electricity	1,970,639	1,447,226	
Miscellaneous gains on supply	37,651	19,814	
Gains on services	4,336	2,563	
Sales cost	1,593,048	1,216,022	1,342,871
Material cost	1,114,669	904,275	
Labor cost	61,596	43,389	
Other expenses	416,783	268,358	
Gross profit	419,578	253,581	353,686
Selling, general & administrative expenses	20,794	14,765	17,529
Selling expenses	3,168	3,389	
Administrative expenses	17,626	11,376	
Operating income	398,784	238,816	336,157
Non-operating income	23,157	7,825	19,521
Foreign currency gains	8,029	1,278	
Funds & subsidies	8,094		
Interest income & others	15,128	6,547	
Non-operating expenses	94,948	57,550	80,037
Interest expenses	80,738	53,668	
Foreign currency losses	3,202	1,053	
Other losses	11,008	2,829	
Ordinary income	326,993	189,090	275,641
Income taxes	96,293	58,300	81,171
Net income	230,700	130,790	194,470

Notes to Financial Statements (As of December 31, 2002)

Korea Western Power Company, Limited

1. STOCKHOLDER'S EQUITY:

(1) Capital

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, 2002.

(2) Retained earnings

Appropriated retained earnings as of December 31, 2001 and 2002 consist of the following (won in millions):

Account	FY2001	FY2002
Legal reserve	\ 2,640	\ 7,040
Reserve for business rationalization	181	181
Reserve for investment on social overhead capital	15,565	25,587
Reserve for business expansion	86,004	258,282
	\ 104,390	\ 291,090

The Korean Commercial Code requires the Company to appropriate, as a legal reserve, a minimum of 10 percent of annual cash dividends declared, until such reserve equals 50 percent of the common stock.

The legal reserve is not available for cash dividends. However, this reserve may be credited to paid-in capital or offset against accumulated deficit by the resolution of the stockholder.

The reserve for investment on social overhead capital is appropriated by the Company to avail itself of qualified tax credits to reduce corporate tax liabilities. This reserve is not available for cash dividends for a certain period defined in the Tax Incentive Control Law.

2. DIVIDENDS:

Dividends as of December 31, 2001 and 2002 are as follows (won in millions, except for dividend per share):

	FY2001	FY2002
Dividend per share	\ 750	\ 1,250
Dividend rate	15.00%	25.00%
Dividend	\ 26,400	\ 44,000
Net income	\ 130,790	\ 230,700
Dividend to net income ratio	20.19%	19.07%

3. STATEMENTS OF CASH FLOWS:

Transactions not involving cash flow for the period from April 2, 2001 (inception) to December 31, 2001 and for the year ended December 31, 2002 are as follows (won in millions):

Transactions	FY2001	FY2002
Reclassification of long-term borrowings to current portion	\ 64,714	\ 25,000
Reclassification of debentures to current portion	268,560	168,560
Reclassification of construction in progress to related assets	373,164	380,692
Reclassification of long-term loans to short-term loans	417	264

4. INCORPORATION:

As discussed in Note 1 to the financial statements, the Company was incorporated on April 2, 2001 through the spin-off of the power generation division of KEPCO as follows:

(1) Details of the spin-off

- The Company was spun off as stipulated by the Commercial Code of the Republic of Korea
- Date of the inaugural shareholder meeting: March 23, 2001
- Registration date: April 2, 2001

(2) Assets and liabilities as of the spin-off date

Assets and liabilities as of date of spin-off (April 2, 2001) are as follows (won in millions)

	April 2, 2001
Assets	\ 2,904,046
Liabilities	1,461,408
Net assets	\ 1,442,638

