

KOREA SOUTHERN POWER CO., LTD.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2005

	<u>Korean Won</u>		<u>Translation into</u>	
	<u>2004</u>	<u>2005</u>	<u>U.S. Dollars (Note 2)</u>	
	(In millions)		(In thousands)	
CASH FLOW FROM OPERATING ACTIVITIES:				
Net income	₩ 97,854	₩ 107,152	US\$	106,091
Adjustments to reconcile net income to net cash provided by operating activities:				
Provision for severance indemnities	12,978	10,725		10,619
Depreciation	400,535	370,257		366,591
Amortization	266	438		434
Interest expense	1,674	1,078		1,068
Loss on disposition of property, plant and equipment	3,161	5,575		5,520
Loss on interest rate swap valuation	1,387	-		-
Loss on currency swap valuation	44,890	3,248		3,216
Loss on currency swap transactions	2,423	3,350		3,317
Loss on debentures valuation		9,055		8,965
Gain on foreign currency translation, net	(43,279)	(10,225)		(10,124)
Gain on interest rate swap valuation	(94)	-		-
Gain on disposition of property, plant and equipment	(12)	(390)		(386)
Gain on currency swap transactions	-	(123)		(122)
Gain on debentures valuation	(11,610)	-		-
Others	480	(8,701)		(8,615)
	<u>412,799</u>	<u>384,287</u>		<u>380,483</u>
Changes in operating assets and liabilities:				
Increase in trade receivables	(48,231)	(86,884)		(86,024)
Increase (decrease) in accounts receivable-other	1,139	(7,097)		(7,027)
Decrease in accrued income	18	33		33
Increase (decrease) in advanced payments	165	(2,659)		(2,633)
Increase in prepaid expenses	(131)	(1,649)		(1,632)
Decrease (increase) in other current assets	(370)	3,545		3,509
Increase (decrease) in inventories	2,248	(33,137)		(32,809)
Increase in deferred income tax assets	(3,413)	(8,142)		(8,062)
Increase in trade payables	41,706	27,842		27,566
Increase (decrease) in accounts payable-other	(28,373)	34,362		34,022
Increase in withholdings	340	168		166
Decrease (increase) in accrued expenses	2,103	(1,612)		(1,596)
Increase (decrease) in income tax payable	(45,229)	15,677		15,522
Decrease in other current liabilities	(18,514)	(1,237)		(1,224)
Increase (decrease) in deferred income tax liabilities	(2,516)	892		884
Payment of severance indemnities	(376)	(1,559)		(1,543)
	<u>(99,434)</u>	<u>(61,457)</u>		<u>(60,848)</u>
	<u>411,219</u>	<u>429,982</u>		<u>425,726</u>

(continued)

KOREA SOUTHERN POWER CO., LTD.

STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2005

	Korean Won		Translation into
	2004	2005	U.S. Dollars (Note 2)
	(In millions)		2005 (In thousands)
CASH FLOW FROM INVESTING ACTIVITIES:			
Disposition of short-term financial instrument	₩ -	₩ 465,000	US\$ 460,396
Disposition of investment securities	8	-	-
Disposition of other investment assets	-	1,157	1,145
Collection of long-term loans	1,027	1,545	1,529
Withdrawal of guarantee deposits	1,706	933	924
Proceeds from disposal of property, plant and equipment	13	444	440
Acquisition of short-term financial instruments	(40,000)	(445,000)	(440,594)
Acquisition of investment securities	(224)	-	-
Extension of long-term loans	(3,429)	(3,220)	(3,188)
Payment of guarantee deposits	(3,098)	(2,052)	(2,032)
Acquisition of other investment assets	(761)	(12)	(12)
Acquisition of property, plant and equipment	(159,822)	(293,641)	(290,734)
Acquisition of intangible assets	(226)	(874)	(866)
	(204,806)	(275,720)	(272,992)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from short-term borrowings	562,107	351,272	347,793
Proceeds from debentures	271,992	99,703	98,715
Proceeds from long-term borrowings	37,000	30,000	29,703
Proceeds from currency swap	7,411	15,424	15,271
Repayment of short-term borrowings	(569,340)	(310,940)	(307,861)
Repayment of current portion of debentures	(484,926)	(259,926)	(257,352)
Repayment of current portion of long-term borrowings	(100,000)	(62,500)	(61,881)
Repayment of interest rate swap	-	(464)	(459)
Repayment of currency swap	(9,834)	(18,651)	(18,466)
Repayment of long-term borrowings	(13,000)	-	-
Payment of dividends	(64,652)	(26,323)	(26,062)
	(363,242)	(182,405)	(180,599)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(156,829)	(28,143)	(27,865)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR (Note 18)	185,654	28,825	28,540
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 18)	₩ 28,825	₩ 682	US\$ 675

See accompanying notes to financial statements.