

KOREA SOUTHERN POWER CO., LTD.

STATEMENTS OF INCOME

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, except per share amounts) | | 2005 (In thousands, except per share amounts) |
| SALES (Note 15) | ₩ 2,718,763 | ₩ 2,847,095 | US\$ 2,818,907 |
| COST OF SALES (Note 15) | <u>2,507,768</u> | <u>2,629,214</u> | <u>2,603,182</u> |
| GROSS PROFIT | 210,995 | 217,881 | 215,725 |
| SELLING AND ADMINISTRATIVE EXPENSES (Note 14) | <u>24,711</u> | <u>32,029</u> | <u>31,712</u> |
| OPERATING INCOME | 186,284 | 185,852 | 184,013 |
| OTHER INCOME (EXPENSES): | | | |
| Interest income | 4,737 | 4,760 | 4,713 |
| Rental income (Note 15) | 4,051 | 4,185 | 4,144 |
| Gain on foreign currency transactions and translation | 51,295 | 12,012 | 11,894 |
| Gain on interest rate swap valuation (Note 10) | 94 | - | - |
| Gain on currency swap transactions (Note 10) | - | 123 | 122 |
| Gain on disposition of property, plant and equipment | 12 | 390 | 386 |
| Gain on debentures valuation | 11,610 | - | - |
| Other income | 4,010 | 12,567 | 12,440 |
| Interest expense (Note 2) | (60,186) | (43,733) | (43,300) |
| Loss on disposition of property, plant and equipment | (3,161) | (5,575) | (5,520) |
| Donation | (7,283) | (7,141) | (7,070) |
| Loss on interest rate swap valuation (Note 10) | (1,387) | - | - |
| Loss on currency swap valuation (Note 10) | (44,890) | (3,248) | (3,216) |
| Loss on currency swap transactions (Note 10) | (2,423) | (3,350) | (3,317) |
| Loss on debentures valuation | - | (9,055) | (8,965) |
| Other expenses | <u>(2,319)</u> | <u>(181)</u> | <u>(179)</u> |
| | <u>(45,840)</u> | <u>(38,246)</u> | <u>(37,868)</u> |
| ORDINARY INCOME | 140,444 | 147,606 | 146,145 |
| EXTRAORDINARY ITEM | - | - | - |
| INCOME BEFORE INCOME TAX | 140,444 | 147,606 | 146,145 |
| INCOME TAX EXPENSE (Note 13) | <u>42,590</u> | <u>40,454</u> | <u>40,054</u> |
| NET INCOME | <u>₩ 97,854</u> | <u>₩ 107,152</u> | <u>US\$ 106,091</u> |
| ORDINARY INCOME PER SHARE (Note 2) | <u>₩ 2,119</u> | <u>₩ 2,320</u> | <u>US\$ 2.30</u> |
| EARNINGS PER SHARE (Note 2) | <u>₩ 2,119</u> | <u>₩ 2,320</u> | <u>US\$ 2.30</u> |

See accompanying notes to financial statements.