

KOREA SOUTHERN POWER CO., LTD.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2006

	Korean Won		Translation into
	2005	2006	U.S. Dollars (Note 2)
	(In millions)		2006 (In thousands)
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>			
Net income	₩ 107,152	₩ 207,664	US\$ 223,295
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for severance indemnities	10,725	10,876	11,694
Depreciation	370,257	338,925	364,436
Amortization	438	826	888
Interest expense	1,078	856	920
Gain on foreign currency translation, net	(10,225)	(25,097)	(26,986)
Loss on disposition of property, plant and equipment	5,575	3,301	3,549
Loss on impairment of property, plant and equipment	-	2,036	2,189
Loss on currency swap valuation	3,248	35,660	38,345
Loss on currency swap transactions	3,350	4,140	4,452
Loss on valuation of debentures	9,055	-	-
Gain on disposition of property, plant and equipment	(390)	(2,869)	(3,085)
Gain on currency swap transactions	(123)	-	-
Gain on valuation of debentures	-	(10,832)	(11,648)
Others	(8,701)	(69)	(75)
	<u>384,287</u>	<u>357,753</u>	<u>384,679</u>
Changes in operating assets and liabilities:			
Decrease (increase) in trade receivables	(86,884)	37,834	40,682
Decrease (increase) in accounts receivable-other	(7,097)	1,065	1,145
Decrease (increase) in accrued income	33	(478)	(514)
Increase in advanced payments	(2,659)	(296)	(318)
Increase in prepaid expenses	(1,649)	(338)	(363)
Decrease in other current assets	3,545	1,019	1,096
Decrease (increase) in inventories	(33,137)	14,718	15,826
Increase in deferred income tax assets	(8,142)	(8,566)	(9,210)
Increase in trade payables	27,842	23,401	25,163
Increase (decrease) in accounts payable-other	34,362	(12,412)	(13,346)
Increase (decrease) in withholdings	168	(160)	(172)
Decrease in accrued expenses	(1,612)	(276)	(297)
Increase in income tax payable	15,677	34,192	36,766
Increase in unearned revenues	-	5	6
Increase (decrease) in other current liabilities	(1,237)	332	355
Increase (decrease) in deferred income tax liabilities	892	(197)	(212)
Payment of severance indemnities	(1,559)	(1,929)	(2,074)
	<u>(61,457)</u>	<u>87,914</u>	<u>94,533</u>
	<u>429,982</u>	<u>653,331</u>	<u>702,507</u>

(Continued)

KOREA SOUTHERN POWER CO., LTD.

STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2006

	Korean Won		Translation into
	2005	2006	U.S. Dollars (Note 2)
	(In millions)		2006 (In thousands)
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>			
Disposition of short-term financial instruments	₩ 465,000	₩ 350,000	US\$ 376,344
Disposition of other investment assets	1,157	-	-
Collection of long-term loans	1,545	1,787	1,922
Withdrawal of guarantee deposits	933	295	317
Proceeds from disposal of property, plant and equipment	444	3,155	3,392
Acquisition of short-term financial instruments	(445,000)	(405,000)	(435,484)
Acquisition of investment securities	-	(625)	(672)
Extension of long-term loans	(3,220)	(2,990)	(3,215)
Payment of guarantee deposits	(2,052)	(460)	(494)
Acquisition of other investment assets	(12)	(125)	(135)
Acquisition of property, plant and equipment	(293,641)	(333,756)	(358,877)
Acquisition of intangible assets	(874)	(1,437)	(1,545)
	<u>(275,720)</u>	<u>(389,156)</u>	<u>(418,447)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from short-term borrowings	351,272	139,616	150,125
Proceeds from debentures	99,703	-	-
Proceeds from long-term borrowings	30,000	40,000	43,011
Proceeds from currency swap	15,424	14,511	15,603
Repayment of short-term borrowings	(310,940)	(217,869)	-234,268
Repayment of current portion of debentures	(259,926)	(109,926)	-118,200
Repayment of current portion of long-term borrowings	(62,500)	-	-
Repayment of interest rate swap	(464)	-	-
Repayment of currency swap	(18,651)	(18,650)	-20,055
Repayment of long-term borrowings	-	-	-
Payment of dividends	(26,323)	(35,790)	(38,483)
	<u>(182,405)</u>	<u>(188,108)</u>	<u>(202,267)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(28,143)</b>	<b>76,067</b>	<b>81,793</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR (Note 18)</b>	<b>28,825</b>	<b>682</b>	<b>733</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR (Note 18)</b>	<b>₩ 682</b>	<b>₩ 76,749</b>	<b>US\$ 82,526</b>

See accompanying notes to financial statements.