

KOREA SOUTHERN POWER CO., LTD.

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2006

	Korean Won		Translation into
	2005	2006	U.S. Dollars (Note 2)
	(In millions, except per share amounts)		2006 (In thousands, except per share amounts)
SALES (Note 15)	₩ 2,847,095	₩ 3,308,285	US \$3,557,295
COST OF SALES (Note 15)	<u>2,629,214</u>	<u>2,992,270</u>	<u>3,217,495</u>
GROSS PROFIT	217,881	316,015	339,800
SELLING AND ADMINISTRATIVE EXPENSES (Note 14)	<u>32,029</u>	<u>32,987</u>	<u>35,469</u>
OPERATING INCOME	185,852	283,028	304,331
OTHER INCOME (EXPENSES):			
Interest income	4,760	8,743	9,401
Rental income (Note 15)	4,185	1,669	1,795
Gain on foreign currency transactions and translation, net	12,012	28,630	30,786
Gain on currency swap transactions (Note 10)	123	-	-
Gain on disposition of property, plant and equipment	390	2,869	3,085
Gain on valuation of debentures	-	10,832	11,648
Other income (Note 17)	12,567	24,195	26,016
Interest expense	(43,733)	(20,678)	(22,235)
Loss on disposition of property, plant and equipment	(5,575)	(3,301)	(3,549)
Loss on impairment of property, plant and equipment (Note 5)		(2,036)	(2,189)
Donation	(7,141)	(8,193)	(8,810)
Loss on currency swap valuation (Note 10)	(3,248)	(35,660)	(38,345)
Loss on currency swap transactions (Note 10)	(3,350)	(4,140)	(4,452)
Loss on valuation of debentures	(9,055)	-	-
Other expenses	(181)	(178)	(192)
	<u>(38,246)</u>	<u>2,752</u>	<u>2,959</u>
ORDINARY INCOME	147,606	285,780	307,290
EXTRAORDINARY ITEM	<u>-</u>	<u>-</u>	<u>-</u>
INCOME BEFORE INCOME TAX	147,606	285,780	307,290
INCOME TAX EXPENSE (Note 13)	<u>40,454</u>	<u>78,116</u>	<u>83,996</u>
NET INCOME	<u>₩ 107,152</u>	<u>₩ 207,664</u>	<u>US\$ 223,294</u>
ORDINARY INCOME PER SHARE (Note 2)	<u>₩ 2,320</u>	<u>₩ 4,497</u>	<u>US\$ 4.84</u>
EARNINGS PER SHARE (Note 2)	<u>₩ 2,320</u>	<u>₩ 4,497</u>	<u>US\$ 4.84</u>

See accompanying notes to financial statements.