

KOREA SOUTHERN POWER CO., LTD.

Statements of Cash Flows

For the years ended December 31, 2007 and 2006

| | Won | | U.S. dollars |
|---|------------------|------------------|------------------|
| | 2007 | 2006 | (note 3) 2007 |
| In millions of Korean Won and U.S. dollars | | | |
| Cash flows from operating activities | | | |
| Net income | ₩ 226,398 | 207,664 | \$ 241.3 |
| Adjustments for: | | | |
| Provision for bad debt | 722 | - | 0.8 |
| Depreciation and amortization | 351,240 | 339,752 | 374.4 |
| Provision for retirement and severance benefits | 12,478 | 10,876 | 13.3 |
| Loss on disposal of property, plant and equipment, net | 6,664 | 432 | 7.1 |
| Impairment loss on property, plant and equipment, net | - | 2,036 | - |
| Deferred income tax benefit | (6,539) | (8,763) | (7.0) |
| Loss (gain) on foreign currency translation, net | 2,634 | (25,097) | 2.8 |
| Loss on valuation and transaction of currency swaps, net | 3,827 | 39,800 | 4.1 |
| Gain on valuation of debentures | (1,716) | (10,832) | (1.8) |
| Changes in operating assets and liabilities: | | | |
| Trade accounts receivable | (72,151) | 37,834 | (76.9) |
| Other current assets | (24,218) | 972 | (25.8) |
| Inventories | (28,587) | 14,718 | (30.5) |
| Trade accounts payable | 80,315 | 23,401 | 85.6 |
| Other accounts payable | 44,307 | (12,412) | 47.2 |
| Other current liabilities | 2,332 | (101) | 2.5 |
| Income taxes payable | (13,027) | 34,192 | (13.9) |
| Other, net | (528) | (1,141) | (0.6) |
| Net cash provided by operating activities | 584,151 | 653,331 | 622.6 |
| Cash flows from investing activities: | | | |
| Proceeds from maturity of short-term deposits | ₩ 75,000 | 350,000 | \$ 79.9 |
| Increase of short-term deposits | - | (405,000) | |
| Acquisition of held-to-maturity securities | (5) | (625) | |
| Acquisition of property, plant and equipment | (653,966) | (333,756) | (697.0) |
| Proceeds from disposal of property, plant and equipment | 536 | 3,155 | 0.6 |
| Acquisition of intangible assets | (696) | (1,437) | (0.7) |
| Collection of current portion of long-term loans to employees | 720 | - | 0.8 |
| Long-term loans granted to employees | (1,881) | (1,202) | (2.0) |
| Increase in other non-current assets, net | (487) | (291) | (0.6) |
| Net cash used in investing activities | (580,779) | (389,156) | (619.0) |

See accompanying notes to financial statements.

KOREA SOUTHERN POWER CO., LTD.
Statements of Cash Flows, Continued

For years ended December 31, 2007 and 2006

In millions of Korean Won and U.S. dollars

| | Won | | U.S. dollars |
|--|-----------------|------------------|--------------------------------|
| | 2007 | 2006 | (note 3) 2007 |
| Cash flows from financing activities: | | | |
| Proceeds from short-term borrowings | ₩ 5,178 | 139,616 | \$ 5.5 |
| Repayment of short-term borrowings | - | (217,869) | |
| Proceeds from long-term borrowings | 31,350 | 40,000 | 212.4 |
| Proceeds from issuance of debentures | 199,271 | - | 33.4 |
| Repayment of current portion of long-term debt | (161,200) | (109,926) | (171.8) |
| Payment of cash dividends | (66,453) | (35,790) | (70.8) |
| Settlement of currency swaps | (4,690) | (4,139) | (5.0) |
| Net cash provided by (used in) financing activities | 3,456 | (188,108) | 3.7 |
| Net increase in cash and cash equivalents | 6,828 | 76,067 | 7.3 |
| Cash and cash equivalents at beginning of year | 76,749 | 682 | 81.8 |
| Cash and cash equivalents at end of year | ₩ 83,577 | 76,749 | \$ 89.1 |

See accompanying notes to financial statements.