

KOREA SOUTHERN POWER CO., LTD.

STATEMENTS OF CASH FLOWS

FOR THE PERIOD FROM APRIL 2, 2001 (INCEPTION) TO DECEMBER 31, 2001 AND
FOR THE YEAR ENDED DECEMBER 31, 2002

	Korean Won		Translation into U.S. Dollars (Note 2)	
	2001	2002	2002	
	(In millions)		(In thousands)	
CASH FLOW FROM OPERATING ACTIVITIES:				
Net income	₩ 15,808	₩ 146,893	US\$	123,824
Adjustments to reconcile net income to net cash provided by operating activities:				
Provision for severance indemnities	6,336	6,356		5,358
Depreciation	287,869	383,174		322,999
Amortization	718	156		131
Interest expense	299	1,216		1,025
Loss (gain) on foreign currency translation	1,993	(5,392)		(4,545)
Loss on disposition of property, plant and equipment	1,016	1,241		1,046
Impairment loss on property, plant and equipment	11,206	-		-
Loss on valuation interest rate swap	-	382		322
Gain on disposition of property, plant and equipment	(4)	(3,153)		(2,658)
Gain on valuation interest rate swap	-	(3,373)		(2,843)
Others	1,522	(6)		(4)
	<u>310,955</u>	<u>380,601</u>		<u>320,831</u>
Changes in operating assets and liabilities:				
Decrease (increase) in trade receivables	(147,152)	17,051		14,373
Increase in accounts receivable-other	(852)	(2,806)		(2,365)
Decrease (increase) in accrued income	(585)	356		300
Decrease in advanced payments	9,443	113		95
Decrease in prepaid expenses	16	40		33
Decrease (increase) in other current assets	2,287	(3,227)		(2,720)
Decrease (increase) in inventories	(22,461)	13,186		11,115
Decrease (increase) in deferred income tax assets	(1,644)	2,769		2,334
Increase (decrease) in trade payables	87,678	(20,166)		(16,999)
Increase in accounts payable-other	45,509	2,765		2,331
Increase (decrease) in withholdings	2,763	(1,291)		(1,089)
Increase (decrease) in accrued expenses	6,528	(1,358)		(1,145)
Increase in income tax payable	4,564	43,318		36,515
Increase (decrease) in other current liabilities	(128)	8,706		7,341
Increase in deferred income tax liabilities	-	5,428		4,575
Payment of severance and retirement benefits	(348)	(219)		(184)
	<u>(14,382)</u>	<u>64,665</u>		<u>54,510</u>
	<u>₩ 312,381</u>	<u>₩ 592,159</u>	<u>US\$</u>	<u>499,165</u>

(continued)

KOREA SOUTHERN POWER CO., LTD.

STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE PERIOD FROM APRIL 2, 2001 (INCEPTION) TO DECEMBER 31, 2001 AND
FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Korean Won</u>		<u>Translation into</u>	
	<u>2001</u>	<u>2002</u>	<u>U.S. Dollars (Note 2)</u>	
	(In millions)		(In thousands)	
CASH FLOW FROM INVESTING ACTIVITIES:				
Disposition of short-term financial instruments	₩ -	₩ 65,000	US\$	54,792
Collection of short-term loans	-	247		208
Collection of long-term loans	588	166		140
Withdrawal of guarantee deposits	224	394		331
Proceeds from sale of other investments	58	-		-
Proceeds from disposal of property, plant and equipment	31	5,875		4,953
Increase in cash and cash equivalents from spin-off	32,533	-		-
Acquisition of short-term financial instruments	(65,000)	-		-
Acquisition of investment securities	(4,384)	(2,738)		(2,308)
Increase in long-term loans	(894)	(1,555)		(1,310)
Payment of guarantee deposits	(473)	(652)		(550)
Acquisition of property, plant and equipment	(116,991)	(411,267)		(346,680)
Acquisition of other intangible assets	(604)	(419)		(353)
	<u>(154,912)</u>	<u>(344,949)</u>		<u>(290,777)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from short-term borrowings	239,493	266,571		224,708
Proceeds from debentures	97,656	298,888		251,950
Repayment of short-term borrowings	(148,379)	(303,538)		(255,869)
Repayment of current portion of debentures	(6,640)	(409,926)		(345,550)
Repayment of current portion of long-term borrowings	(117,768)	(191,416)		(161,356)
Repayment of long-term borrowings	(65,000)	-		-
Payment of dividends	-	(5,883)		(4,960)
	<u>(638)</u>	<u>(345,304)</u>		<u>(291,077)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	156,831	(98,094)		(82,689)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD (Note 17)	<u>-</u>	<u>156,831</u>		<u>132,202</u>
CASH AND CASH EQUIVALENTS, END OF THE PERIOD (Note 17)	<u>₩ 156,831</u>	<u>₩ 58,737</u>	<u>US\$</u>	<u>49,513</u>

See accompanying notes to financial statements.