

KOREA SOUTHERN POWER CO., LTD.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2003

	Korean Won		Translation into U.S. Dollars (Note 2)	
	2002	2003	2003	
	(In millions)		(In thousands)	
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>				
Net income	₩ 146,893	₩ 186,199	US\$	156,207
Adjustments to reconcile net income to net cash provided by operating activities:				
Provision for severance indemnities	6,356	9,295		7,798
Depreciation	383,174	370,619		310,922
Amortization	156	208		174
Interest expense	1,216	1,639		1,375
Gain on foreign currency translation, net	(5,392)	(1,029)		(864)
Loss on disposition of property, plant and equipment	1,241	2,440		2,047
Loss on valuation interest rate swap	382	1,005		843
Loss on valuation currency swap	-	9,133		7,662
Loss on currency swap transaction	-	1,242		1,042
Gain on disposition of property, plant and equipment	(3,153)	(426)		(358)
Gain on valuation interest rate swap	(3,373)	-		-
Others	(6)	525		442
	<u>380,601</u>	<u>394,651</u>		<u>331,083</u>
Changes in operating assets and liabilities:				
Decrease (increase) in trade receivables	17,051	(49,702)		(41,696)
Decrease (increase) in accounts receivable-other	(2,806)	2,390		2,005
Decrease in accrued income	356	176		148
Decrease (increase) in advanced payments	113	(137)		(115)
Decrease in prepaid expenses	40	6		5
Decrease (increase) in other current assets	(3,227)	247		209
Decrease (increase) in inventories	13,186	(6,122)		(5,136)
Decrease in deferred income tax assets	2,769	-		-
Increase (decrease) in trade payables	(20,166)	57,067		47,875
Increase in accounts payable-other	2,765	10,955		9,191
Increase (decrease) in withholdings	(1,291)	1,551		1,301
Increase (decrease) in accrued expenses	(1,358)	2,939		2,465
Increase in income tax payable	43,318	8,567		7,187
Increase in unearned revenues	-	3		2
Increase in other current liabilities	8,706	14,570		12,223
Increase (decrease) in deferred income tax liabilities	5,428	(2,912)		(2,443)
Payment of severance and retirement benefits	(219)	(176)		(147)
	<u>64,665</u>	<u>39,422</u>		<u>33,074</u>
	<u>592,159</u>	<u>620,272</u>		<u>520,364</u>

(continued)



KOREA SOUTHERN POWER CO., LTD.

STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2003

	Korean Won		Translation into
	2002	2003	U.S. Dollars (Note 2)
	(In millions)		2003 (In thousands)
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>			
Disposition of short-term financial instruments	₩ 65,000	₩ -	US\$ -
Withdrawal of short-term loans	247	-	-
Collection of long-term loans	166	967	811
Withdrawal of guarantee deposits	394	481	403
Proceeds from disposal of property, plant and equipment	5,875	625	523
Acquisition of investment securities	(2,738)	(1,850)	(1,552)
Increase in long-term loans	(1,555)	(2,631)	(2,207)
Payment of guarantee deposits	(652)	(362)	(304)
Acquisition of property, plant and equipment	(411,267)	(415,542)	(348,608)
Acquisition of intangible assets	(419)	(116)	(97)
	(344,949)	(418,428)	(351,031)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from short-term borrowings	266,571	560,132	469,910
Proceeds from debentures	298,888	378,901	317,870
Proceeds from long-term borrowings	-	56,000	46,980
Proceeds from currency swap	-	3,742	3,139
Repayment of short-term borrowings	(303,538)	(567,611)	(476,183)
Repayment of current portion of debentures	(409,926)	(308,556)	(258,856)
Repayment of current portion of long-term borrowings	(191,416)	(147,046)	(123,361)
Repayment of currency swap	-	(6,619)	(5,553)
Payment of dividends	(5,883)	(43,870)	(36,805)
	(345,304)	(74,927)	(62,859)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(98,094)	126,917	106,474
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR (Note 18)</b>	156,831	58,737	49,276
<b>CASH AND CASH EQUIVALENTS, END OF YEAR (Note 18)</b>	₩ 58,737	₩ 185,654	US\$ 155,750

See accompanying notes to financial statements.