

KOREA SOUTHERN POWER CO., LTD.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2004

	<u>Korean Won</u>		<u>Translation into</u>
	<u>2003</u>	<u>2004</u>	<u>U.S. Dollars (Note 2)</u>
	(In millions)		2004 (In thousands)
CASH FLOW FROM OPERATING ACTIVITIES:			
Net income	W 186,199	W 97,854	US\$ 94,535
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for severance indemnities	9,295	12,978	12,538
Depreciation	370,619	400,535	386,953
Amortization	208	266	257
Interest expense	1,639	1,674	1,617
Gain on foreign currency translation, net	(1,029)	(43,279)	(41,811)
Loss on disposition of property, plant and equipment	2,440	3,161	3,054
Loss on interest rate swap valuation	1,005	1,387	1,340
Loss on currency swap valuation	9,133	44,890	43,368
Loss on currency swap transactions	1,242	2,423	2,341
Gain on interest rate swap valuation	-	(94)	(91)
Gain on disposition of property, plant and equipment	(426)	(12)	(12)
Gain on debentures valuation	-	(11,610)	(11,216)
Others	525	480	463
	<u>394,651</u>	<u>412,799</u>	<u>398,801</u>
Changes in operating assets and liabilities:			
Increase in trade receivables	(49,702)	(48,231)	(46,596)
Decrease in accounts receivable-other	2,390	1,139	1,100
Decrease in accrued income	176	18	18
Decrease (increase) in advanced payments	(137)	165	159
Decrease (increase) in prepaid expenses	6	(131)	(126)
Decrease (increase) in other current assets	247	(370)	(358)
Decrease (increase) in inventories	(6,122)	2,248	2,171
Decrease in deferred income tax assets	-	(3,413)	(3,297)
Increase in trade payables	57,067	41,706	40,292
Increase (decrease) in accounts payable-other	10,955	(28,373)	(27,410)
Increase in withholdings	1,551	340	329
Increase in accrued expenses	2,939	2,103	2,032
Increase (decrease) in income tax payable	8,567	(45,229)	(43,695)
Increase in unearned revenues	3	-	-
Increase (decrease) in other current liabilities	14,570	(18,514)	(17,886)
Decrease in deferred income tax liabilities	(2,912)	(2,516)	(2,431)
Payment of severance indemnities	(176)	(376)	(363)
	<u>39,422</u>	<u>(99,434)</u>	<u>(96,061)</u>
	<u>620,272</u>	<u>411,219</u>	<u>397,275</u>

(continued)

KOREA SOUTHERN POWER CO., LTD.

STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2004

	<u>Korean Won</u>		<u>Translation into</u>
	<u>2003</u>	<u>2004</u>	<u>U.S. Dollars (Note 2)</u>
	(In millions)		2004
			(In thousands)
CASH FLOW FROM INVESTING ACTIVITIES:			
Disposition of investment securities	W -	W 8	US\$ 8
Collection of long-term loans	967	1,027	992
Withdrawal of guarantee deposits	481	1,706	1,648
Proceeds from disposal of property, plant and equipment	625	13	12
Acquisition of short-term financial instruments	-	(40,000)	(38,644)
Acquisition of investment securities	(1,850)	(224)	(217)
Extension of long-term loans	(2,631)	(3,429)	(3,312)
Payment of guarantee deposits	(362)	(3,098)	(2,993)
Acquisition of other investment assets	-	(761)	(735)
Acquisition of property, plant and equipment	(415,542)	(159,822)	(154,402)
Acquisition of intangible assets	(116)	(226)	(218)
	<u>(418,428)</u>	<u>(204,806)</u>	<u>(197,861)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from short-term borrowings	560,132	562,107	543,046
Proceeds from debentures	378,901	271,992	262,769
Proceeds from long-term borrowings	56,000	37,000	35,745
Proceeds from currency swap	3,742	7,411	7,160
Repayment of short-term borrowings	(567,611)	(569,340)	(550,034)
Repayment of current portion of debentures	(308,556)	(484,926)	(468,482)
Repayment of current portion of long-term borrowings	(147,046)	(100,000)	(96,609)
Repayment of currency swap	(6,619)	(9,834)	(9,501)
Repayment of long-term borrowings	-	(13,000)	(12,559)
Payment of dividends	(43,870)	(64,652)	(62,460)
	<u>(74,927)</u>	<u>(363,242)</u>	<u>(350,925)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	126,917	(156,829)	(151,511)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR (Note 18)	<u>58,737</u>	<u>185,654</u>	<u>179,359</u>
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 18)	<u>W 185,654</u>	<u>W 28,825</u>	<u>US\$ 27,848</u>

See accompanying notes to financial statements.