

KOREA SOUTHERN POWER CO., LTD.

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2004

	<u>Korean Won</u>		Translation into
	<u>2003</u>	<u>2004</u>	<u>U.S. Dollars (Note 2)</u>
	(In millions, except per share amounts)		2004 (In thousands, except per share amounts)
SALES (Note 15)	₩ 2,019,628	₩ 2,718,763	US\$ 2,626,570
COST OF SALES (Note 15)	<u>1,664,564</u>	<u>2,507,768</u>	<u>2,422,730</u>
GROSS PROFIT	355,064	210,995	203,840
SELLING AND ADMINISTRATIVE EXPENSES (Note 14)	<u>23,215</u>	<u>24,711</u>	<u>23,873</u>
OPERATING INCOME	331,849	186,284	179,967
OTHER INCOME (EXPENSES):			
Interest income	3,554	4,737	4,576
Rental income (Note 15)	1,880	4,051	3,914
Gain on foreign currency transactions and translation	3,314	51,295	49,556
Gain on interest rate swap valuation (Note 10)	-	94	91
Gain on disposition of property, plant and equipment	426	12	12
Gain on debentures valuation	-	11,610	11,216
Other income	2,456	4,010	3,875
Interest expense (Note 2)	(54,728)	(60,186)	(58,145)
Loss on disposition of property, plant and equipment	(2,440)	(3,161)	(3,054)
Donation	(9,219)	(7,283)	(7,036)
Loss on interest rate swap valuation (Note 10)	(1,005)	(1,387)	(1,340)
Loss on currency swap valuation (Note 10)	(9,133)	(44,890)	(43,368)
Loss on currency swap transactions (Note 10)	(1,242)	(2,423)	(2,341)
Other expenses	<u>(1,313)</u>	<u>(2,319)</u>	<u>(2,241)</u>
	<u>(67,450)</u>	<u>(45,840)</u>	<u>(44,285)</u>
ORDINARY INCOME	264,399	140,444	135,681
EXTRAORDINARY ITEM	<u>-</u>	<u>-</u>	<u>-</u>
INCOME BEFORE INCOME TAX	264,399	140,444	135,681
INCOME TAX EXPENSE (Note 13)	<u>78,200</u>	<u>42,590</u>	<u>41,146</u>
NET INCOME	<u>₩ 186,199</u>	<u>₩ 97,854</u>	<u>US\$ 94,535</u>
ORDINARY INCOME PER SHARE (Note 2)	<u>₩ 4,032</u>	<u>₩ 2,119</u>	<u>US\$ 2.05</u>
EARNINGS PER SHARE (Note 2)	<u>₩ 4,032</u>	<u>₩ 2,119</u>	<u>US\$ 2.05</u>

See accompanying notes to financial statements.