

## KOREA WESTERN POWER CO., LTD.

## Statements of Cash Flows

For the years ended December 31, 2006 and 2005

(In millions of Won and U.S. dollars)

	Won		U.S. dollars (note 3)
	2006	2005	2006
Cash flows from operating activities:			
Net income	₩ 159,557	180,554	\$ 171.6
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	238,849	248,299	256.9
Provision for retirement and severance benefits	13,199	11,413	14.2
Gain on foreign currency translation, net	(14,445)	(4,698)	(15.5)
Loss on disposal of property, plant and equipment, net	2,604	7,929	2.8
Deferred income tax expense (benefit)	(10,140)	14,378	(10.9)
Loss on valuation and settlement of currency swaps and swaptions, net	15,713	1,381	16.9
Changes in assets and liabilities:			
Decrease (increase) in trade accounts receivable - KEPCO	10,757	(75,940)	11.6
Increase in inventories	(14,288)	(3,408)	(15.4)
Decrease (increase) in other current assets	21,657	(26,117)	23.3
Increase in trade accounts payable	31,281	56,914	33.6
Increase (decrease) in income taxes payable	23,133	(20,752)	24.9
Increase in other accounts payable	1,472	16,636	1.6
Increase (decrease) in other current liabilities	2,385	(1,361)	2.6
Payment of retirement and severance benefits	(1,296)	(1,248)	(1.4)
Other, net	(305)	1,017	(0.3)
Net cash provided by operating activities	<u>480,133</u>	<u>404,997</u>	<u>516.5</u>
Cash flows from investing activities:			
Purchase of short-term financial instruments	(4,498)	-	(4.9)
Purchase of investments securities	(1,200)	(300)	(1.3)
Acquisition of property, plant and equipment	(523,076)	(592,140)	(562.7)
Acquisition of intangible assets	(897)	(2,601)	(1.0)
Disposal of property, plant and equipment	2,632	-	2.8
Other, net	<u>(6,071)</u>	<u>(5,824)</u>	<u>(6.4)</u>
Net cash used in investing activities	<u>(533,110)</u>	<u>(600,865)</u>	<u>(573.5)</u>

See accompanying notes to financial statements.

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Cash flows from financing activities:			
Proceeds from short-term borrowings	₩ 37,776	59,251	\$ 40.6
Proceeds from long-term borrowings	61,500	21,600	66.2
Proceeds from issuance of debentures	239,522	199,262	257.7
Repayment of short-term borrowings	(60,578)	(5,739)	(65.2)
Repayment of current portion of long term borrowings	(1,250)	(186,759)	(1.3)
Payment of cash dividends	(57,024)	(43,473)	(61.3)
Settlement of currency swaps	<u>(2,226)</u>	<u>(3,593)</u>	<u>(2.5)</u>
Net cash provided by financing activities	<u>217,720</u>	<u>40,549</u>	<u>234.2</u>
Net increase (decrease) in cash and cash equivalents	164,743	(155,319)	177.2
Cash and cash equivalents at beginning of year	<u>2,165</u>	<u>157,484</u>	<u>2.3</u>
Cash and cash equivalents at end of year	₩ <u><u>166,908</u></u>	<u><u>2,165</u></u>	\$ <u><u>179.5</u></u>

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