

Korea Western Power Co., Ltd.
Statements of Cash Flows
Years Ended December 31, 2007 and 2006

(in millions of Korean won)

	2007	2006
Cash flows from operating activities		
Net income	₩ 174,779	₩ 159,557
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	333,298	230,475
Amortization	17,995	8,374
Provision for severance benefits	11,573	13,199
Loss on foreign currency translation	6,847	528
Loss on disposal of property, plant and equipment	2,730	5,134
Loss on valuation and transactions of currency swap	4,396	17,530
Gain on foreign currency translation	(108)	(14,973)
Reversal of allowance for doubtful accounts	-	(203)
Gain on valuation and transactions of currency swap	(6,172)	(1,817)
Others	2,933	(2,277)
	<u>373,492</u>	<u>255,970</u>
Changes in operating assets and liabilities		
Increase(decrease) in trade accounts and notes receivable	(38,367)	10,757
Increase(decrease) in other accounts and notes receivable	(3,399)	9,710
Increase in inventories	(37,733)	(14,288)
Increase(decrease) in other assets	(10,713)	5,373
Increase in trade accounts and notes payable	21,544	31,281
Increase in income tax payable	1,308	23,133
Increase in other accounts and notes payable	5,600	1,472
Payment of severance benefits	(2,401)	(1,296)
Decrease in other liabilities	(2,687)	(1,536)
	<u>(66,848)</u>	<u>64,606</u>
Net cash provided by operating activities	<u>481,423</u>	<u>480,133</u>

Korea Western Power Co., Ltd.
Statements of Cash Flows
Years Ended December 31, 2007 and 2006

(in millions of Korean won)

	2007	2006
Cash flows from investing activities		
Proceeds from disposal of long-term investment	₩ 8	₩ -
Proceeds from long-term loans to employees	1,438	-
Proceeds from disposal of property, plant and equipment	319	2,632
Receipt of government grants	4,982	-
Proceeds from disposal of other non-current assets	25,871	24,738
Acquisition of long-term investment	(2,791)	(1,200)
Acquisition of equity-method investment	(900)	-
Acquisition of long-term loans to employees	(3,066)	(1,869)
Acquisition of property, plant and equipment	(282,470)	(523,077)
Acquisition of intangible assets	(3,326)	(897)
Acquisition of other non-current assets	(24,228)	(33,437)
Net cash used in investing activities	<u>(284,163)</u>	<u>(533,110)</u>
Cash flows from financing activities		
Issuance of short-term borrowings	768,685	37,776
Issuance of debentures	112,215	239,522
Issuance of long-term borrowings	-	61,500
Payment of short-term borrowings	(795,392)	(60,578)
Payment of current portion of long-term debts	(185,000)	(1,250)
Settlement of currency swap	(7,959)	(2,226)
Payment of long-term accounts payable	(29,948)	-
Payment of dividends	(51,251)	(57,024)
Net cash provided by (used in) financing activities	<u>(188,650)</u>	<u>217,720</u>
Net increase in cash and cash equivalents	8,610	164,743
Cash and cash equivalents		
Beginning of the year	166,908	2,165
End of the year	<u>₩ 175,518</u>	<u>₩ 166,908</u>

The accompanying notes are an integral part of these financial statements.