

KOREA SOUTHERN POWER CO., LTD.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	Korean Won	
	2010	2009
	(In millions)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	<u>₩ 188,092</u>	<u>₩ 177,122</u>
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for severance indemnities	17,430	11,380
Depreciation and amortization	427,966	409,408
Interest expenses	1,629	1,419
Loss on disposition of property, plant and equipment, net	3,718	410
Equity (income) losses of affiliates	(1,662)	78
Loss(Gain) on foreign currency translation, net	2,332	(53,623)
Reversal of allowance for doubtful accounts	609	767
Loss(Gain) on valuation of derivatives, net	(2,523)	53,562
Gain on derivatives transactions, net	(1,165)	-
Others	(697)	11,097
	<u>447,637</u>	<u>434,498</u>
Changes in operating assets and liabilities:		
Decrease(increase) in trade receivables	(46,239)	21,950
Decrease(increase) in accounts receivable-other	(6,120)	19,052
Decrease in current portion of deferred income tax assets	5,629	29,113
Decrease in other current assets	40	3,276
Decrease (increase) in inventories	4,128	34,078
Increase in other non-current assets	-	(16,268)
Decrease(increase) in deferred income tax assets	(5,563)	22,115
Increase(decrease) in trade payables	79,081	(140,459)
Increase(decrease) in accounts payable-other	40,959	(20,359)
Decrease in accrued expenses	(1,611)	(649)
Increase in income tax payable	43,471	1,143
Increase in other current liabilities	734	11,401
Increase in long-term accounts payable-other	4,733	868
Succession of severance indemnities from affiliate	71	-
Payment of severance indemnities	(4,748)	(9,388)
	<u>114,565</u>	<u>(44,127)</u>
	<u>750,294</u>	<u>567,493</u>

(Continued)

KOREA SOUTHERN POWER CO., LTD.

STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	Korean Won	
	2010	2009
	(In millions)	
CASH FLOWS FROM INVESTING ACTIVITIES:		
Collection of short-term loans	₩ 1,639	₩ 2,766
Proceeds from disposal of long-term investment securities	157	28
Withdrawal of guarantee deposits	1,820	1,326
Collection of long-term loans	162	8,454
Proceeds from disposal of property, plant and equipment	3,324	2,828
Receipt government subsidies	493	50
Proceeds from disposal of investment assets-other	-	652
Acquisition of long-term investment securities	(6,053)	(3,038)
Extension of long-term loans	(1,991)	(3,656)
Acquisition of investment securities using the equity method	(6,349)	(4,137)
Acquisition of property, plant and equipment	(512,317)	(652,088)
Payment of guarantee deposits	(4,172)	(4,633)
	<u>(523,287)</u>	<u>(651,448)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from short-term borrowings	239,734	332,327
Proceeds from issuance of debentures	210,806	-
Proceeds from long-term borrowings	100,000	283
Settlement of derivatives	2,148	-
Repayment of short-term borrowings	(281,706)	(290,215)
Repayment of current portion of long-term debt	(249,800)	(21,641)
Payment of cash dividends	(53,136)	-
Settlement of derivatives	(741)	-
	<u>(32,695)</u>	<u>20,754</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (Note 17)	194,312	(63,201)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	<u>17,458</u>	<u>80,660</u>
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	<u>₩ 211,770</u>	<u>₩ 17,458</u>

See accompanying notes to financial statements.