

KOREA SOUTHERN POWER CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	Korean Won	
	2011	2010
	(Won in millions)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income for the period	₩ 68,356	₩ 209,387
Adjustments for:		
Income tax expenses	32,048	53,844
Depreciation	396,305	376,505
Amortization of intangible assets	3,177	932
Retirement benefit expenses	15,374	14,507
Interest expenses	69,099	58,423
Donations	-	-
Loss on disposal of property, plant and equipment	6,904	9,988
Interest income	(8,805)	(7,351)
Dividends income	-	(60)
Valuation and transaction gain on derivative instruments	(10,879)	(3,697)
Loss on foreign currency translations	11,056	1,717
Share in loss of associates	998	541
Others	-	459
	<u>515,277</u>	<u>505,808</u>
Changes in operating assets and liabilities:		
Increase in accounts receivables	(113,708)	(34,102)
Decrease(increase) in inventories	(53,145)	4,128
Increase in current non-financial assets	(6,490)	(3,904)
Increase in accounts payables	30,384	133,370
Increase in current non-financial liabilities	2,808	1,994
Payments of retirement benefit obligations	(78,461)	(4,748)
Contribution of retirement benefit obligations to affiliated companies	-	71
	<u>(218,612)</u>	<u>96,809</u>
	<u>365,021</u>	<u>812,004</u>
Dividends received	-	60
Interest received	4,699	5,906
Interest paid	(74,986)	(56,793)
Income tax paid	(42,962)	(3,192)
Net cash provided by operating activities	<u>251,772</u>	<u>757,985</u>

(Continued)

KOREA SOUTHERN POWER CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	Korean Won	
	2011	2010
	(Won in millions)	
CASH FLOWS FROM INVESTING ACTIVITIES:		
Decrease(increase) in loans	₩ 17	₩ (372)
Decrease(increase) in deposits received	(2,244)	(2,357)
Acquisition of available-for-sale financial assets	(336)	-
Acquisition of investments in associates	(30,869)	(12,203)
Acquisition of property, plant and equipment	(495,369)	(512,298)
Acquisition of intangible assets	(1,378)	(447)
Disposal of property, plant and equipment	829	3,324
Other cash flow from investing activities	-	650
	<u>(529,350)</u>	<u>(523,703)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of finance lease liabilities	(10,538)	(6,233)
Repayment of borrowings	(3,130)	(191,772)
Proceeds from debentures	148,409	210,806
Dividends paid	(56,428)	(53,136)
Settlement of derivative instruments, net	49,475	1,407
	<u>127,788</u>	<u>(38,928)</u>
EFFECTS OF EXCHANGE RATE CHANGES	422	1,720
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	(149,368)	197,074
CASH AND CASH EQUIVALENTS, BEGINING OF THE PERIOD	<u>214,786</u>	<u>17,712</u>
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	<u>₩ 65,418</u>	<u>₩ 214,786</u>

See accompanying notes to consolidated financial statements