

KOREA SOUTHERN POWER CO., LTD. AND SUBSIDIARIES  
 Consolidated Statements of Cash Flows  
 For the years ended December 31, 2016 and 2015

In millions of won

	<b>December 31, 2016</b>	<b>December 31, 2015</b>
<b>Cash flows from operating activities</b>		
Profit for the year	₩ 422,548	221,451
Adjustments for:		
Income tax expense	105,223	43,534
Interest expense	64,161	52,991
Interest income	(5,861)	(4,250)
Depreciation	501,848	517,706
Amortization of intangible assets	7,536	9,391
Retirement benefit expenses	18,586	15,883
Loss on disposals of property, plant and equipment and intangible assets, net	18,091	32,797
Loss on foreign currency translations, net	16,210	30,013
Gain on valuation of derivatives instruments, net	(17,728)	(28,986)
Gain on transactions of derivative instruments, net	(2,795)	(2,594)
Loss (gain) on disposal of inventories, net	(19)	9,789
Loss on impairment of available-for-sale securities	1,963	12,988
Loss on disposal of financial assets	-	60
Equity method loss (income) of associates, net	9,437	(90)
Loss on disposal of Investments in associates	1,825	-
Gain on assets contributed	-	(4,485)
Compensation and indemnification expense	-	16,958
Accrual of provisions	31,794	28,761
	<u>750,271</u>	<u>730,466</u>
Changes in:		
Trade and other receivables	(87,372)	144,771
Inventories	(101,443)	21,203
Non-financial assets	(87,441)	(6,413)
Trade and other payables	152,793	(283,584)
Current derivative liabilities	2,661	2,677
Non-financial liabilities	5,172	13,393
Use of current provisions	(41,215)	(49,598)
Payments of retirement benefit obligations	(8,554)	(11,440)
Other long-term employee benefits	37	(82)
	<u>(165,362)</u>	<u>(169,073)</u>
Cash generated from operating activities :		
Interest received	4,420	2,511
Interest paid	(145,012)	(139,735)
Dividends received	188	44
Income tax refund (paid)	(45,835)	460
	<u>(186,239)</u>	<u>(136,720)</u>
<b>Net cash provided by operating activities</b>	<b>₩ 821,218</b>	<b>646,124</b>

See accompanying notes to the consolidated financial statements.

KOREA SOUTHERN POWER CO., LTD. AND SUBSIDIARIES  
 Consolidated Statements of Cash Flows, Continued  
 For the years ended December 31, 2016 and 2015

In millions of won

	<b>December 31, 2016</b>	<b>December 31, 2015</b>
<b>Cash flows from investing activities</b>		
Decrease (increase) in short-term financial instruments	₩ 20,000	(20,000)
Increase in loans	(2,897)	(879)
Decrease in loans	1,418	-
Receipt of financial lease receivables	133	74
Proceeds from disposals of available-for-sale financial assets	-	72
Acquisition of available-for-sale financial assets	-	(393)
Proceeds from disposal of property, plant and equipment	822	14,368
Acquisition of property, plant and equipment	(701,627)	(961,662)
Proceeds from disposal of intangible assets	260	-
Acquisition of intangible assets	(4,270)	(285)
Receipt of government grants	-	-
Decrease in guarantee deposits	6,401	13,703
Increase in guarantee deposits	(6,263)	-
Proceeds from disposal of Investments in associates and joint ventures	33,548	-
Acquisition of investments in associates and joint ventures	(54,252)	(880)
<b>Net cash used in investing activities</b>	<b>(706,727)</b>	<b>(955,882)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	189,000	838,000
Repayment of borrowings	(1,016)	(850,153)
Proceeds from debentures	319,049	578,405
Repayment of debentures	(480,000)	(100,000)
Proceeds from increase in capital	14,557	25,000
Payment of cash dividends	(17,849)	(10,272)
<b>Net cash provided by financing activities</b>	<b>23,741</b>	<b>480,980</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		
Cash and cash equivalents at beginning of the period	182,151	10,839
Effect of exchange rate fluctuations	48	90
<b>Cash and cash equivalents at end of the period</b>	<b>₩ 320,431</b>	<b>182,151</b>

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