

# KOREA GAS TECHNOLOGY CORPORATION

## Statements of Cash Flows

For the years ended December 31, 2011 and 2010

(In thousands of won)

		<u>2011</u>	<u>2010</u>
<b>Cash flows from operation activities</b>			
Net income	₩	6,621,577	7,973,398
Adjustments for:		19,143,095	20,898,415
Income tax expenses		2,711,217	4,467,562
Net finance costs		12,377	197,975
Depreciation and amortization		5,487,840	4,769,742
Impairment loss		5,901,363	7,211,087
Unrealized foreign exchange loss		416	2,111
Loss on change in fair value of derivative financial instruments		23,157	62,595
Gain on disposal of non-current assets		(192,127)	(419,577)
Other adjustments, net		5,198,852	4,606,920
Changes in:		1,665,017	4,735,684
- Inventories		-	255,851
- Trade receivables		(3,768,888)	4,806,700
- Other receivables related with operation activities		448,959	(362,726)
- Trade payables		7,853,920	(690,632)
- Other payables related with operation activities		(2,868,974)	726,491
<b>Cash generated from operating activities</b>		<u>27,429,689</u>	<u>33,607,497</u>
Dividends received		8,395	3,225
Interest received		584,163	406,837
Income taxes paid		(5,149,874)	(4,174,704)
<b>Net cash from operating activities</b>	₩	<u>22,872,373</u>	<u>29,842,855</u>

See accompanying notes to the separate financial statements.

# KOREA GAS TECHNOLOGY CORPORATION

## Statements of Cash Flows, Continued

For the years ended December 31, 2011 and 2010

(In thousands of won)

	<u>2011</u>	<u>2010</u>
<b>Cash flows from investing activities</b>		
Proceeds from sales of property, plant and equipment	₩ 193,736	617,566
Acquisition of property, plant and equipment	(6,027,657)	(26,299,173)
Acquisition of intangible assets	(699,106)	(586,387)
Acquisition of available-for-sale financial assets	(798,066)	-
Proceeds from sales of held-to-maturity financial assets	157,020	93,860
Acquisition of held-to-maturity financial assets	(130,135)	(655,940)
Proceeds from sales of other non-current assets	4,237,522	5,341,875
Acquisition of other non-current assets	(5,321,500)	(4,603,620)
Increase in advances and loans on the third parties	(278,433)	(274,622)
Collection of advances and loans on the third parties	307,390	400,591
Others, net	(3,946,464)	(85,538)
<b>Net cash used in investing activities</b>	<u>(12,305,693)</u>	<u>(26,051,388)</u>
<b>Cash flows from financing activities</b>		
Repayment of borrowings	(5,577,200)	(1,185,000)
Interest paid	(12,377)	(199,597)
<b>Net cash used in financing activities</b>	<u>(5,589,577)</u>	<u>(1,384,597)</u>
<b>Net increase in cash and cash equivalents</b>	4,977,103	2,406,870
Cash and cash equivalents at beginning of year	7,955,240	5,547,057
Effect of exchange rate fluctuations on cash held	234	1,313
<b>Cash and cash equivalents at end of year</b>	<u>₩ 12,932,577</u>	<u>7,955,240</u>

See accompanying notes to the separate financial statements.

# KOREA GAS TECHNOLOGY CORPORATION

## Statements of Cash Flows

For the years ended December 31, 2011 and 2010

(In thousands of U.S. dollars)

		<b>2011</b>	<b>2010</b>
		(Note 4)	(Note 4)
<b>Cash flows from operation activities</b>			
Net income	USD	5,741	6,914
Adjustments for:		16,599	18,120
Income tax expenses		2,351	3,874
Net finance costs		11	172
Depreciation and amortization		4,758	4,136
Impairment loss		5,117	6,252
Unrealized foreign exchange loss		-	2
Loss on change in fair value of derivative financial instruments		20	54
Gain on disposal of non-current assets		(166)	(364)
Other adjustments, net		4,508	3,994
Changes in:		1,443	4,106
- Inventories		-	222
- Trade receivables		(3,268)	4,168
- Other receivables related with operation activities		389	(315)
- Trade payables		6,810	(599)
- Other payables related with operation activities		(2,488)	630
<b>Cash generated from operating activities</b>		<u>23,783</u>	<u>29,140</u>
Dividends received		7	3
Interest received		507	353
Income taxes paid		(4,465)	(3,620)
<b>Net cash from operating activities</b>	USD	<u>19,832</u>	<u>25,876</u>

See accompanying notes to the separate financial statements.

# KOREA GAS TECHNOLOGY CORPORATION

## Statements of Cash Flows, Continued

For the years ended December 31, 2011 and 2010

(In thousands of U.S. dollars)

		<b>2011</b>	<b>2010</b>
		(Note 4)	(Note 4)
<b>Cash flows from investing activities</b>			
Proceeds from sales of property, plant and equipment	USD	168	535
Acquisition of property, plant and equipment		(5,226)	(22,803)
Acquisition of intangible assets		(606)	(508)
Acquisition of available-for-sale financial assets		(692)	-
Proceeds from sales of held-to-maturity financial assets		136	81
Acquisition of held-to-maturity financial assets		(113)	(569)
Proceeds from sales of other non-current assets		3,674	4,632
Acquisition of other non-current assets		(4,614)	(3,992)
Increase in advances and loans on the third parties		(241)	(238)
Collection of advances and loans on the third parties		267	347
Others, net		(3,422)	(74)
<b>Net cash used in investing activities</b>		(10,669)	(22,589)
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(4,836)	(1,027)
Interest paid		(11)	(173)
<b>Net cash used in financing activities</b>		(4,847)	(1,200)
<b>Net increase in cash and cash equivalents</b>		4,316	2,087
Cash and cash equivalents at beginning of year		6,898	4,810
Effect of exchange rate fluctuations on cash held		-	1
<b>Cash and cash equivalents at end of year</b>	USD	11,214	6,898

See accompanying notes to the separate financial statements.