

KOREA GAS TECHNOLOGY CORPORATION
Separate Statements of Cash Flows

For the years ended December 31, 2012 and 2011

(In thousands of won)

	<u>2012</u>	<u>2011</u>
Cash flows from operation activities		
Net income	₩ 8,528,299	6,621,577
Adjustments for:	22,131,621	19,143,095
Income tax expenses	2,209,962	2,711,217
Net finance costs	-	12,377
Depreciation and amortization	6,337,979	5,487,840
Impairment loss	7,945,019	5,901,363
Unrealized foreign exchange loss (gain)	(6,033)	416
Loss on change in fair value of derivative financial instruments	-	23,157
Gain on disposal of non-current assets	(212,267)	(192,127)
Other adjustments, net	5,856,961	5,198,852
Changes in:		
- Trade receivables	(2,178,872)	(3,768,888)
- Other receivables related to operating activities	(306,320)	448,959
- Trade payables	(663,637)	7,853,920
- Other payables related to operating activities	(7,225,418)	(2,868,974)
Cash generated from operating activities	<u>20,285,673</u>	<u>27,429,689</u>
Dividends received	5,856	8,395
Interest received	878,150	584,163
Income taxes paid	(3,176,669)	(5,149,874)
Net cash from operating activities	₩ <u>17,993,010</u>	<u>22,872,373</u>

See accompanying notes to the separate financial statements.

KOREA GAS TECHNOLOGY CORPORATION
Separate Statements of Cash Flows, Continued

For the years ended December 31, 2012 and 2011

(In thousands of won)

	2012	2011
Cash flows from investing activities	₩	₩
Proceeds from sale of property, plant and equipment	216,751	193,736
Acquisition of property, plant and equipment	(9,479,539)	(6,027,657)
Acquisition of intangible assets	(701,534)	(699,106)
Proceeds from sale of available-for-sale financial assets	5,469	-
Acquisition of available-for-sale financial assets	-	(798,066)
Proceeds from sale of held-to-maturity financial assets	74,835	157,020
Acquisition of held-to-maturity financial assets	(223,520)	(130,135)
Proceeds from sale of other non-current assets	1,885,398	4,237,522
Acquisition of other non-current assets	(2,282,247)	(5,321,500)
Increase in advances and loans to third parties	(261,323)	(278,433)
Collection of advances and loans to third parties	278,494	307,390
Changes in short-term financial instruments	(2,300,000)	(3,946,464)
Net cash used in investing activities	(12,787,216)	(12,305,693)
Cash flows from financing activities		
Repayment of borrowings	-	(5,577,200)
Interest paid	-	(12,377)
Net cash used in financing activities	-	(5,589,577)
Net increase in cash and cash equivalents	5,205,794	4,977,103
Cash and cash equivalents at beginning of year	12,932,577	7,955,240
Effect of exchange rate fluctuations on cash held	(744)	234
Cash and cash equivalents at end of year	₩ 18,137,627	₩ 12,932,577

See accompanying notes to the separate financial statements.

KOREA GAS TECHNOLOGY CORPORATION
Separate Statements of Cash Flows

For the years ended December 31, 2012 and 2011

(In thousands of U.S. dollars)

	<u>2012</u>	<u>2011</u>
	(Note 4)	(Note 4)
Cash flows from operation activities		
Net income	USD 7,962	6,182
Adjustments for:	20,663	17,873
Income tax expenses	2,063	2,531
Net finance costs	-	12
Depreciation and amortization	5,917	5,124
Impairment loss	7,418	5,510
Unrealized foreign exchange gain	(6)	-
Loss on change in fair value of derivative financial instruments	-	22
Gain on disposal of non-current assets	(198)	(179)
Other adjustments, net	5,469	4,853
Changes in:		
- Trade receivables	(2,034)	(3,519)
- Other receivables related to operating activities	(286)	419
- Trade payables	(620)	7,333
- Other payables related to operating activities	(6,746)	(2,679)
Cash generated from operating activities	<u>18,939</u>	<u>25,609</u>
Dividends received	5	8
Interest received	820	545
Income taxes paid	(2,965)	(4,808)
Net cash from operating activities	USD <u>16,799</u>	<u>21,354</u>

KOREA GAS TECHNOLOGY CORPORATION
 Separate Statements of Cash Flows, Continued

For the years ended December 31, 2012 and 2011

(In thousands of U.S. dollars)

		2012	2011
		(Note 4)	(Note 4)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	USD	202	181
Acquisition of property, plant and equipment		(8,850)	(5,628)
Acquisition of intangible assets		(655)	(653)
Proceeds from sale of available-for-sale financial assets		5	-
Acquisition of available-for-sale financial assets		-	(745)
Proceeds from sale of held-to-maturity financial assets		70	147
Acquisition of held-to-maturity financial assets		(209)	(121)
Proceeds from sale of other non-current assets		1,760	3,956
Acquisition of other non-current assets		(2,131)	(4,968)
Increase in advances and loans to third parties		(244)	(260)
Collection of advances and loans to third parties		260	287
Changes in short-term financial instruments		(2,146)	(3,684)
		<u>(11,938)</u>	<u>(11,488)</u>
Net cash used in investing activities			
Cash flows from financing activities			
Repayment of borrowings		-	(5,207)
Interest paid		-	(12)
		<u>-</u>	<u>(5,219)</u>
Net cash used in financing activities			
		4,861	4,647
Net increase in cash and cash equivalents			
Cash and cash equivalents at beginning of year		12,074	7,427
Effect of exchange rate fluctuations on cash held		(1)	-
Cash and cash equivalents at end of year	USD	<u>16,934</u>	<u>12,074</u>