

S-OIL Corporation
Non-Consolidated Statements of Cash Flows
Nine-month Period ended September 30, 2010 and 2009

(In millions of Korean won)

	2010	2009
Cash flows from operating activities		
Net income	₩ 397,559	₩ 360,674
Adjustments to reconcile net income to net cash used in operating activities		
Depreciation and amortization	139,539	130,938
Provision for severance benefits	21,996	17,357
Bad debts expense	-	4,908
Reversal of allowance for bad debts	(13,152)	-
Loss on foreign currency translation	35,915	35,285
Loss on valuation of equity-method investment	-	6
Loss on disposal of property, plant and equipment	511	252
Loss on derivative transactions	55,273	109,723
Loss on valuation of derivative investments	4,533	6,555
Gain on foreign currency translation	(88,136)	(161,793)
Gain on valuation of equity-method investments	(4,268)	(5,109)
Reversal of loss on valuation of inventories	(2,622)	(190,923)
Gain on disposal of property, plant and equipment	(588)	(475)
Gain on derivative investments	(53,089)	(66,691)
Gain on valuation of derivatives	(8,960)	(1,657)
Others	65,010	66,993
	<u>151,962</u>	<u>(54,631)</u>
Changes in operating assets and liabilities		
Decrease in accounts receivable	(118,001)	(533,500)
Decrease in inventories	(216,165)	(705,082)
Increase in accounts payable	265,276	657,903
Decrease in accrued expenses	(5,904)	(10,187)
Decrease in non-trade other accounts payable	(543,976)	(232,867)
Increase in income taxes payable	77,166	-
Payment of severance benefits	(17,499)	(16,035)
Decrease in non-trade other receivables	(102,365)	(184,820)
Cash dividend from affiliate under equity method	5,250	-
Others	57,443	70,779
	<u>(598,775)</u>	<u>(953,809)</u>
Net cash provided by (used in) operating activities	<u>(49,254)</u>	<u>(647,766)</u>

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	<u>2010</u>	<u>2009</u>
Cash flows from investing activities		
Increase (decrease) in short-term investment	₩ 386,290	₩ (288,727)
Settlements of derivative instruments	(1,798)	(3,794)
Proceeds from disposal of property, plant and equipment	4,981	1,131
Acquisition of property, plant and equipment	(666,060)	(338,959)
Acquisition of intangible assets	(124)	(89)
Increase (decrease) in leasehold and other deposits	1,213	(2,066)
Increase in guarantee deposits	15	2,377
Others	80,312	(6,378)
Net cash used in investing activities	<u>(195,171)</u>	<u>(636,505)</u>
Cash flows from financing activities		
Increase in short-term borrowings	160,422	287,621
Proceeds from issuance of debentures	311,714	348,435
Proceeds from long-term debts	6,584	7,583
Repayment of current portion of long-term borrowings	(1,453)	(120,000)
Repayment of long-term debts	(1,592)	(1,592)
Payment of dividends	(122,318)	(244,565)
Net cash provided by financing activities	<u>354,949</u>	<u>277,482</u>
Net increase (decrease) in cash and cash equivalents	110,524	(1,006,789)
Cash and cash equivalents		
Beginning of year	821,267	1,870,933
End of the year	<u>₩ 931,791</u>	<u>₩ 864,144</u>

The accompanying notes are an integral part of these non-consolidated financial statements.