

**S-OIL Corporation**  
**Non-Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2008 and 2007**

<i>(In thousands of Korean won)</i>	<b>2008</b>	<b>2007</b>
<b>Cash flows from operating activities</b>		
Net income	₩ 446,214,250	₩ 746,495,688
<b>Adjustments to reconcile net income to net cash provided by (used in) operating activities</b>		
Depreciation and amortization	169,246,599	169,229,333
Provision for severance benefits	28,615,016	27,776,112
Bad debt expenses	-	3,583,716
Reversal of allowances for bad debts	(4,475,144)	(368,396)
Loss on foreign currency translation	301,123,860	36,529,178
Loss on valuation of equity-method investments	2,779,960	-
Loss on valuation of inventories	212,761,721	-
Loss on disposal of property, plant, and equipment	2,630,795	792,922
Loss on derivative transactions	169,065,060	56,328,203
Loss on valuation of derivative investments	3,919,397	-
Gain on foreign currency translation	(184,090,348)	(13,269,501)
Gain on valuation of equity-method investments	(11,077)	(437,514)
Reversal of loss on valuation of inventories	-	(26,815,146)
Gain on disposal of property, plant, and equipment	(5,926,814)	(5,394,067)
Gain on derivative investments	(134,660,639)	(21,496,190)
Gain on valuation of derivatives	(43,156,947)	-
Others	71,426,055	59,645,104
	<u>589,247,494</u>	<u>286,103,754</u>
<b>Changes in operating assets and liabilities</b>		
Decrease (increase) in accounts receivable	438,332,965	(394,093,550)
Decrease (increase) in inventories	139,138,296	(861,197,566)
Increase (decrease) in accounts payable	(1,355,978,699)	909,277,548
Increase in accrued expenses	7,493,549	2,294,355
Decrease in income taxes payable	(471,302,548)	(40,008,837)
Payment of severance benefits	(33,345,114)	(25,652,845)
Increase in non-trade other receivables	(198,606,452)	(133,873,563)
Others	70,054,927	28,726,592
	<u>(1,404,213,076)</u>	<u>(514,527,866)</u>
<b>Net cash provided by (used in) operating activities</b>	<u>(368,751,332)</u>	<u>518,071,576</u>

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<b>Cash flows from investing activities</b>		
Decrease (increase) disposal of short-term investment	₩ 2,566,298,797	₩ (1,609,209,984)
Settlements of derivative instruments	134,660,639	18,549,779
Proceeds from disposal of property, plant and equipment	10,787,928	6,923,845
Acquisition of derivatives	(169,065,060)	(53,662,414)
Acquisition of property, plant and equipment	(328,608,913)	(172,929,923)
Acquisition of intangible assets	(1,030,921)	(26,400)
Increase in leasehold and other deposits	(9,019,401)	(330,391)
Increase in guarantee deposits	(3,041,826)	(1,191,706,708)
Others	(23,804,905)	10,956,192
<b>Net cash provided by (used in) investing activities</b>	<u>2,183,259,990</u>	<u>(1,798,537,589)</u>
<b>Cash flows from financing activities</b>		
Increase in short-term borrowings	833,773,200	305,034,527
Proceeds from long-term debts	428,000	-
Proceeds from treasury stock	-	2,138,487,450
Repayment of current portion of long-term borrowings	(350,000,000)	(411,331,650)
Repayment of long-term debts	(2,035,111)	(419,669)
Payment of dividends	(1,004,193,831)	(943,642,044)
<b>Net cash provided by (used in) financing activities</b>	<u>(522,027,742)</u>	<u>1,088,128,612</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	1,292,480,916	(192,337,399)
<b>Cash and cash equivalents</b>		
Beginning of year	578,452,498	770,789,897
End of the year	<u>₩ 1,870,933,414</u>	<u>₩ 578,452,498</u>

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