

**S-OIL Corporation**  
**Non-Consolidated Statements of Cash Flows**  
**Nine-month Period ended September 30, 2009 and 2008**

*(In millions of Korean won)*

|   | 2009               | 2008                 |
|---|--------------------|----------------------|
| <b>Cash flows from operating activities</b>   |                    |                      |
| Net income  | ₩ 310,518          | ₩ 633,346            |
| <b>Adjustments to reconcile net income to net cash provided by (used in) operating activities</b> |                    |                      |
| Depreciation and amortization   | 130,938            | 126,428              |
| Provision for severance benefits  | 17,357             | 17,819               |
| Bad debt expenses   | 4,908              | 7,859                |
| Loss on foreign currency translation  | 35,285             | 438,808              |
| Loss on valuation of equity-method investments  | 6                  | 592                  |
| Loss on disposal of property, plant, and equipment  | 252                | 2,564                |
| Loss on derivative transactions   | 109,723            | 92,905               |
| Loss on valuation of derivative investments   | 6,555              | 24,778               |
| Gain on foreign currency translation  | (161,793)          | (146,886)            |
| Gain on valuation of equity-method investments  | (5,109)            | (6)                  |
| Reversal of loss on valuation of inventories  | (190,923)          | -                    |
| Gain on disposal of property, plant, and equipment  | (475)              | (1,278)              |
| Gain on derivative transactions   | (66,691)           | (17,515)             |
| Gain on valuation of derivatives  | ( 1,657)           | (77,124)             |
| Others  | 66,980             | 57,106               |
|   | <u>( 54,644)</u>   | <u>526,050</u>       |
| <b>Changes in operating assets and liabilities</b>  |                    |                      |
| Decrease (increase) in accounts receivable  | (533,500)          | (650,702)            |
| Increase in inventories   | (636,190)          | (596,004)            |
| Increase in non-trade other receivables   | (187,544)          | (478,572)            |
| Increase (decrease) in accounts payable   | 657,903            | (1,083,309)          |
| Decrease in non-trade other accounts payable  | (232,867)          | ( 85,685)            |
| Increase (decrease) in accrued expenses   | (10,187)           | 15,295               |
| Increase (decrease) in income taxes payable   | -                  | (188,746)            |
| Payment of severance benefits   | (16,035)           | (20,825)             |
| Others  | 54,767             | (36,746)             |
|   | <u>(903,653)</u>   | <u>(3,125,294)</u>   |
| <b>Net cash provided by (used in) operating activities</b>  | <u>₩ (647,779)</u> | <u>₩ (1,965,898)</u> |

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|   | 2009             | 2008             |
|---|------------------|------------------|
| <b>Cash flows from investing activities</b>                 |                  |                  |
| Decrease (increase) disposal of short-term investment       | ₩ 435,533        | ₩ 1,567,213      |
| Settlements of derivative instruments                       | (3,794)          | (75,390)         |
| Proceeds from disposal of property, plant and equipment     | 1,131            | 4,698            |
| Acquisition of property, plant and equipment                | (338,959)        | (244,331)        |
| Acquisition of intangible assets                            | (89)             | (103)            |
| Decrease (increase) in leasehold and other deposits         | (2,066)          | (3,802)          |
| Increase (decrease) in guarantee deposits                   | 2,377            | 2,712            |
| Others  | (730,638)        | (18,262)         |
| <b>Net cash provided by (used in) investing activities</b>  | <u>(636,505)</u> | <u>1,232,735</u> |
| <b>Cash flows from financing activities</b>                 |                  |                  |
| Increase (decrease) in short-term borrowings                | 287,621          | 1,756,340        |
| Proceeds from long-term debts                               | 356,031          | -                |
| Proceeds from treasury stock                                | -                | -                |
| Repayment of current portion of long-term borrowings        | (120,000)        | (350,000)        |
| Repayment of long-term debts                                | (1,592)          | (1,504)          |
| Payment of dividends  | (244,565)        | (800,464)        |
| <b>Net cash provided by (used in) financing activities</b>  | <u>277,495</u>   | <u>604,372</u>   |
| <b>Net increase (decrease) in cash and cash equivalents</b> | (1,006,789)      | (128,791)        |
| <b>Cash and cash equivalents</b>                            |                  |                  |
| Beginning of year   | 1,870,933        | 578,452          |
| End of the year   | <u>₩ 864,144</u> | <u>₩ 449,661</u> |

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