

**S-OIL Corporation**  
**Non-Consolidated Statements of Cash Flows**  
**Six-month Period ended June 30, 2010 and 2009**

(In millions of Korean won)

	2010	2009
<b>Cash flows from operating activities</b>		
Net income	₩ 155,315	₩ 281,806
<b>Adjustments to reconcile net income to net cash used in operating activities</b>		
Depreciation and amortization	92,226	86,421
Provision for severance benefits	12,091	14,698
Bad debts expense	-	3,703
Reversal of allowance for bad debts	(12,788)	-
Loss on foreign currency translation	135,101	34,748
Loss on valuation of equity-method investment	-	5
Loss on disposal of property, plant and equipment	305	231
Loss on derivative transactions	44,405	63,754
Loss on valuation of derivative investments	15,241	46,553
Gain on foreign currency translation	(27,089)	(174,341)
Gain on valuation of equity-method investments	(2,814)	(3,296)
Reversal of loss on valuation of inventories	(4,303)	(183,556)
Gain on disposal of property, plant and equipment	(443)	(334)
Gain on derivative investments	(37,603)	(58,913)
Gain on valuation of derivatives	(25,299)	(3,075)
Others	42,880	43,847
	<u>231,910</u>	<u>(129,555)</u>
<b>Changes in operating assets and liabilities</b>		
Decrease (increase) in accounts receivable	128,110	(370,356)
Decrease (increase) in inventories	(283,592)	(566,467)
Increase in accounts payable	399,801	781,198
Increase(decrease) in accrued expenses	(6,863)	2,119
Decrease in non-trade other accounts payable	(521,627)	(375,897)
Increase in income taxes payable	53,012	17,204
Payment of severance benefits	(16,061)	(14,723)
Decrease (increase) in non-trade other receivables	(103,423)	113,638
Cash dividend from affiliate under equity method	5,250	-
Others	(766)	56,722
	<u>(346,159)</u>	<u>(356,562)</u>
<b>Net cash provided by (used in) operating activities</b>	<u>41,066</u>	<u>(204,311)</u>

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	<u>2010</u>	<u>2009</u>
<b>Cash flows from investing activities</b>		
Decrease (increase) in short-term investment	₩ 266,458	₩ (9,588)
Settlements of derivative instruments	(6,415)	34,396
Proceeds from disposal of property, plant and equipment	4,481	890
Acquisition of property, plant and equipment	(431,119)	(198,270)
Acquisition of intangible assets	(34)	(3)
Decrease (increase) in leasehold and other deposits	434	(3,052)
Increase in guarantee deposits	313	1,515
Others	81,880	(2,556)
<b>Net cash used in investing activities</b>	<u>(84,002)</u>	<u>(176,668)</u>
<b>Cash flows from financing activities</b>		
Increase(decrease) in short-term borrowings	(154,810)	272,327
Proceeds from issuance of debentures	311,714	-
Proceeds from long-term debts	6,584	6,730
Repayment of current portion of long-term borrowings	(969)	(1,061)
Payment of dividends	(87,400)	(174,722)
<b>Net cash provided by financing activities</b>	<u>75,119</u>	<u>103,274</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	32,183	(277,705)
<b>Cash and cash equivalents</b>		
Beginning of year	821,267	1,870,933
End of the year	<u>₩ 853,450</u>	<u>₩ 1,593,228</u>

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