

S-OIL Corporation
Non-Consolidated Statements of Cash Flows
Years Ended December 31, 2010 and 2009

<i>(In millions of Korean won)</i>	2010	2009
Cash flows from operating activities		
Net income	₩ 705,068	₩ 273,246
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation and amortization	188,691	177,491
Provision for severance benefits	28,389	22,881
Bad debts expense	-	4,671
Reversal of allowance for bad debts	(12,745)	-
Loss on foreign currency translation	18,475	15,744
Loss on valuation of equity-method investments	-	10
Loss on disposal of property, plant, and equipment	713	775
Loss on impairment of property, plant, and equipment	-	5,969
Loss on derivative transactions	68,668	117,218
Loss on valuation of derivatives	2,137	570
Gain on foreign currency translation	(54,486)	(82,167)
Gain on valuation of equity-method investments	(5,847)	(6,872)
Reversal of loss on valuation of inventories	(6,939)	(205,564)
Gain on disposal of property, plant, and equipment	(612)	(782)
Gain on derivative transactions	(65,542)	(67,631)
Gain on valuation of derivatives	(1,262)	(957)
Amortization on deferred catalyst expenses	87,432	87,125
Others, net	1,025	8,280
	<u>248,097</u>	<u>76,761</u>
Changes in operating assets and liabilities		
Increase in accounts receivable	(334,362)	(490,344)
Increase in inventories	(371,206)	(756,143)
Increase in accounts payable	725,459	366,960
Decrease in accrued expenses	(6,359)	(12,099)
Increase in income taxes payable	139,129	306
Payment of severance benefits	(34,002)	(30,600)
Decrease in non-trade other accounts receivable	33,272	91,655
Increase (decrease) in non-trade other accounts payable	(442,638)	146,783
Increase (decrease) in advance from customers	27,378	(7,634)
Changes in deferred income tax liabilities	17,160	39,463
Others	25,224	9,251
	<u>(220,945)</u>	<u>(642,402)</u>
Net cash provided by (used in) operating activities	<u>732,220</u>	<u>(292,395)</u>

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Cash flows from investing activities		
Decrease (increase) in short-term investments	₩ 366,083	₩ (145,371)
Decrease in short-term loans receivable	101,294	40,228
Settlement of derivative instruments	(2,740)	(10,349)
Proceeds from disposal of property, plant and equipment	5,072	1,654
Acquisition of property, plant and equipment	(948,404)	(657,879)
Acquisition of intangible assets	(124)	(141)
Decrease in leasehold deposits	930	3,738
Increase in guarantee deposits	960	2,174
Others	(18,322)	(34,917)
Net cash used in investing activities	<u>(495,251)</u>	<u>(800,863)</u>
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	(400,888)	171,910
Proceeds from long-term borrowings	7,666	9,943
Bond issuance	311,713	348,435
Repayment of current portion of long-term borrowings	(1,779)	(242,122)
Repayment of long-term borrowings	-	(8)
Payment of dividends	(122,318)	(244,566)
Net cash provided by (used in) financing activities	<u>(205,606)</u>	<u>43,592</u>
Net increase (decrease) in cash and cash equivalents	31,363	(1,049,666)
Cash and cash equivalents		
Beginning of year	821,267	1,870,933
End of the year	<u>₩ 852,630</u>	<u>₩ 821,267</u>

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