

HANATOUR SERVICE INC.

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	Korean Won	
	2009	2008
	(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	₩ (4,837,022)	₩ 5,030,257
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Provision for severance benefits	3,247,290	3,295,083
Stock compensation expense	4,311,121	6,745,255
Bad debt expense	587,967	184,998
Depreciation	1,066,923	1,511,860
Amortization of intangible assets	1,775,848	1,418,491
Mileage compensation expense	254,097	299,552
Loss (Gain) on foreign currency translation, net	(94,398)	393,089
Gain on disposal of property and equipment, net	(132)	(1,097)
Loss on valuation of investment securities accounted for using the equity method, net	7,078,394	3,890,834
Loss (Gain) on disposal of investment securities accounted for using the equity method, net	18,919	(20,837)
Transfer to reserve for provision for guarantee	398,182	355,244
Other bad debts expense	222,382	261,956
Donations	1,307	16,600
Changes in operating assets and liabilities:		
Decrease (Increase) in trade receivables	(7,997,795)	5,805,336
Decrease (Increase) in accounts receivable-other	3,624,557	(2,952,740)
Decrease (Increase) in advanced payments	(1,998,591)	3,488,497
Decrease in accrued income	759,360	125,965
Decrease (Increase) in prepaid expenses	(353,022)	457,687
Decrease (Increase) in prepaid income tax	700,484	(700,484)
Decrease (Increase) in deferred income tax assets	973,743	(1,646,645)
Decrease in trade payables	(4,249,165)	(5,707,561)
Decrease in accounts payable-other	(385,549)	(3,747,166)
Increase in advanced receipts	1,850,536	1,389,884
Increase (Decrease) in accrued expenses	821,523	(1,078,986)
Increase in withholdings	143,492	19,600
Increase (Decrease) in VAT withholdings	90,454	(956,660)
Increase in income tax payable	1,055,452	1,803,992
Increase (Decrease) in deposits received for overseas travel	6,509,507	(7,595,493)
Increase (Decrease) in operating deposits received from agents	2,420	(31,400)
Decrease in provision for mileage	(84,775)	(30,371)
Payment of severance benefits	(3,194,718)	(3,256,983)
Decrease in deferred income tax liabilities	(858,037)	(141,408)
	<u>11,440,754</u>	<u>8,626,349</u>

(Continued)

HANATOUR SERVICE INC.

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	Korean Won	
	2009	2008
	(In thousands)	
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of short-term financial instruments, net	₩ 17,652,019	₩ 5,597,926
Extension of short-term loans, net	(421,244)	(1,308,145)
Disposal of investment securities accounted for using the equity method	12,879	287,962
Proceeds from disposal of property and equipment	3,770	4,500
Refund (Payment) of guarantee deposits, net	(639,624)	679,344
Acquisition of investment securities accounted for using the equity method	(1,798,382)	(8,953,149)
Acquisitions of property and equipment	(461,169)	(449,271)
Acquisition of intangible assets	(919,534)	(2,158,200)
	<u>13,428,715</u>	<u>(6,299,033)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase (Decrease) in rental deposits, net	830,651	(1,567,549)
Exercise of stock option rights	-	9,095,590
Acquisition of treasury stock	(1,486,163)	(26,916,847)
Payment of dividends	(5,416,825)	(11,278,980)
	<u>(6,072,337)</u>	<u>(30,667,786)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	18,797,132	(28,340,470)
CASH AND CASH EQUIVALENTS, AT BEGINNING OF YEAR	<u>18,719,585</u>	<u>47,060,055</u>
CASH AND CASH EQUIVALENTS, AT END OF YEAR	<u>₩ 37,516,717</u>	<u>₩ 18,719,585</u>

See accompanying notes to non-consolidated financial statements.