

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Non-consolidated Statements of Cash Flows

For the six-month periods ended June 30, 2008 and 2007

(Unaudited)

In thousands of Won

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities		
Net income	₩ 1,097,512,337	788,521,498
Depreciation	166,182,287	178,277,144
Provision for severance benefits	93,922,262	85,025,214
Provision for doubtful accounts	11,125,363	15,348,344
Loss on foreign currency translation	60,670,276	3,167,999
Loss on disposal of property, plant and equipment	39,778,483	20,775,812
Equity in net loss of equity accounted investments	57,287,332	745,651
Amortization of development costs	20,343,863	18,577,314
Loss on valuation of foreign exchange forward contracts	344,229,233	2,655,504
Provision for foreseeable losses on construction contracts	2,881,047	-
Loss on impairment of long-term investment securities	-	98,676
Gain on foreign currency translation	(69,200,330)	(4,361,986)
Equity in net gain of equity accounted investments	(384,222,798)	(234,116,983)
Gain on valuation of foreign exchange forward contracts	(349,350)	(189,797,491)
Gain on reversal of provision	(1,528,160)	(27,008,711)
Others, net	(33,154,657)	5,374,152
	<u>1,405,477,188</u>	<u>663,282,137</u>
Changes in operating assets and liabilities		
Change in trade accounts and notes receivable	(429,787,143)	43,224,948
Change in accounts receivable - other	(67,517,349)	(67,804,870)
Change in accrued income	(37,618,760)	(23,182,234)
Change in advanced payments	(183,795,244)	121,012,788
Change in inventories	(394,800,978)	31,287,326
Change in foreign exchange forward contracts	(183,477,720)	249,761,965
Change in trade accounts payable	339,127,434	151,335,106
Change in accounts payable - other	(21,468,208)	(40,070,916)
Change in advances from customers	1,827,633,294	667,040,895
Change in accrued expenses	259,002,263	201,383,671
Change in income tax payable	(75,402,505)	82,468,832
Change in long-term accrued expenses	1,050,000	(1,239,893)
Change in deposits for severance benefits	33,000,695	(73,017,526)
Payments of severance benefits	(51,540,726)	(40,638,568)
Change in deferred income tax assets	(38,406,274)	(12,262,864)
Change in deferred income tax liabilities	103,981,396	43,065,136
Others, net	(11,389,780)	43,551,559
Net cash provided by operating activities	<u>2,474,067,583</u>	<u>2,039,197,492</u>

HYUNDAI HEAVY INDUSTRIES CO., LTD.
Non-consolidated Statements of Cash Flows, Continued

For the six-month periods ended June 30, 2008 and 2007

(Unaudited)

In thousands of Won

	<u>2008</u>	<u>2007</u>
Cash flows from investing activities:		
Withdrawal of short-term financial instruments	1,510,500,000	310,500,000
Disposal of short-term investment securities	1,552,097,449	524,367,518
Disposal of long-term investment securities	1,844,997	7,190,063
Disposal of equity method accounted investments	70,937	4,811,498
Disposal of long-term financial instruments	2,004,095	539,893
Disposal of other non-current assets	3,498,549	932,067
Disposal of property, plant and equipment	5,638,089	6,598,654
Acquisition of short-term financial instruments	(862,257,210)	(1,120,500,000)
Acquisition of short-term investment securities	(1,490,000,000)	(480,000,000)
Acquisition of long-term investment securities	(123,760,627)	(3,017,700)
Acquisition of equity method accounted investments	(118,738,241)	(108,981,317)
Acquisition of long-term financial instruments	(195,430)	(184,465)
Acquisition of other non-current assets	(5,028,265)	(4,351,242)
Acquisition of property, plant and equipment	(763,828,055)	(274,198,907)
Acquisition of intangible assets	(33,318,679)	(27,404,214)
Net cash used in investing activities	<u>(321,472,391)</u>	<u>(1,163,698,152)</u>
Cash flows from financing activities		
Repayment of current maturities of long-term borrowings and other long-term liabilities	-	(341,960)
Payment of cash dividends	(466,600,920)	(161,233,640)
Acquisition of treasury stock	(832,711,781)	(344,907,695)
Net cash used in financing activities	<u>(1,299,312,701)</u>	<u>(506,483,295)</u>
Net increase in cash and cash equivalents	853,282,491	369,016,045
Cash and cash equivalents at the beginning of the period	953,756,858	819,920,933
Cash and cash equivalents at the end of the period	<u>₩ 1,807,039,349</u>	<u>1,188,936,978</u>

See accompanying notes to non-consolidated financial statements