

HYUNDAI HEAVY INDUSTRIES CO., LTD.

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2005 AND 2004

	Korean won			
	Three months		Six months	
	2005	2004	2005	2004
	(In thousands)			
Cash flows from operating activities:				
Net income (loss)	₩ 35,456,928	₩ 53,488,802	₩ (53,489,988)	₩ 73,647,639
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Provision for severance benefits	39,071,833	40,911,894	77,586,107	81,169,838
Provision for doubtful account	18,082,478	17,543,897	24,460,174	22,735,980
Amortization of development costs	7,506,277	7,999,410	14,917,206	15,780,177
Depreciation	82,236,750	79,959,188	164,845,592	158,520,610
Provision for foreseeable for construction contracts	21,292,368	3,554,715	70,584,779	6,066,287
Amortization of discount on debentures	232,191	1,398,047	791,008	3,371,515
Loss on foreign currency translation	-	3,618,750	16,282,147	38,524,915
Loss on impairment of investments	2,991,060	1,259,433	2,991,060	3,613,051
Loss on disposal of available-for-sales securities	21,706	80,266,542	300,697	80,266,542
Loss on disposal of property, plant and equipment	5,376,249	1,503,065	6,948,426	2,511,280
Loss on valuation of investments using the equity method	1,921,411	-	7,909,603	-
Loss on valuation of derivatives	24,078,266	-	55,751,472	-
Gain on foreign currency translation	(6,654,838)	(14,900,635)	(6,758,232)	(9,960,706)
Gain on disposal of property, plant and equipment	(320,268)	(643,775)	(651,886)	(766,913)
Gain on valuation of investments using the equity method	(27,088,982)	(60,634,298)	(49,662,120)	(116,449,314)
Gain on disposal of available-for-sales securities	(721,875)	(80,588,476)	(1,274,972)	(80,588,476)
Gain on valuation of derivatives	(59,973,294)[slm1]	(8,081,655)	(122,729,465)	(8,730,595)
Others	883,593	(335,824)	19,183,953	12,145,755
	<u>108,934,925</u>	<u>72,830,278</u>	<u>281,475,549</u>	<u>208,209,946</u>
Changes in operating assets and liabilities:				
Decrease in trade accounts and notes receivable	246,766,787	365,938,410	304,189,521	600,397,860
Decrease (Increase) in accounts receivable-other	(13,324,075)	(7,925,316)	28,914,212	665,987
Increase in inventories	(47,513,673)	(79,248,720)	(239,936,734)	(216,191,692)
Decrease (Increase) in advanced payments	79,257,076	(9,340,113)	(105,807,328)	(18,857,305)
Increase in accrued income	(4,244,921)	(5,693,670)	(12,900,812)	(9,827,693)
Decrease (Increase) in foreign exchange forward contracts	56,289,476	(3,946,849)	125,516,245	(8,313,134)
Decrease (Increase) in other current assets	24,579,843	7,405,357	(25,493,850)	101,078,811
Decrease (Increase) in long-term trade accounts and notes receivable	(21,270,531)	16,545,423	(21,270,531)	(25,351,086)
Increase (Decrease) in trade accounts and notes payable	(31,900,344)	50,457,186	272,957,870	(6,143,331)
Decrease in accounts payable-other	(11,391,364)	(8,994,796)	(76,156,814)	(34,269,971)

HYUNDAI HEAVY INDUSTRIES CO., LTD.

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2005 AND 2004

	Korean won			
	Three months		Six months	
	2005	2004	2005	2004
	(In thousands)			
Increase (Decrease) in advances from customers	\ (131,152,440)	\ 314,522,166	\ 165,700,276	\ 926,230,760
Increase in income tax payable	8,683,095	749,365	5,355,692	513,613
Increase (Decrease) in other current liabilities	4,637,536	32,626,871	98,572,388	(27,483,173)
Increase in long-term accrued expenses	4,705,250	2,530,642	9,410,500	5,549,300
Increase in other long-term liabilities	80,821	245,635	314,279	413,538
Payments of severance benefits	(25,238,238)	(22,339,625)	(44,026,609)	(40,841,694)
Decrease (Increase) in deferred income tax assets	2,899,153	21,302,901	(31,357,549)	27,028,816
Others	(623,942)	10,626,093	255,065	11,608,653
	<u>141,239,509</u>	<u>685,460,960</u>	<u>454,235,821</u>	<u>1,286,208,259</u>
Net cash provided by operating activities	<u>285,631,362</u>	<u>811,780,040</u>	<u>682,221,382</u>	<u>1,568,065,844</u>
Cash flows from investing activities:				
Withdrawal of short-term financial instruments	133,168,641	140,458,716	403,198,594	160,958,716
Disposal of short-term investment securities	120,331,528	2,760,099	124,335,634	2,760,099
Withdrawal of long-term financial instruments	20,000,000	-	20,000,000	-
Disposal of long-term investment securities	-	169,001,680	-	169,001,680
Disposal of investment securities accounted for using the equity method	14,867,304	-	19,362,965	-
Disposal of property, plant and equipment	866,393	5,996,946	1,987,451	9,764,999
Disposal of other investments	781,189	1,389,664	794,576	1,587,099
Disposal of development costs	-	-	-	2,723,000
Decrease in severance insurance deposits	16,336,064	16,635,236	27,422,051	26,289,733
Acquisition of short-term financial instruments	(99,754,270)	(230,000,000)	(202,903,394)	(450,501,819)
Acquisition of short-term investment securities	-	(98,670,000)	(33,730,000)	(98,670,000)
Acquisition of long-term financial instruments	-	-	(20,179,658)	-
Acquisition of long-term investment securities	(4,139,072)	(39,715)	(10,523,738)	(166,485)
Acquisition of investment securities accounted for using the equity method	-	(9,213,570)	-	(37,522,621)
Acquisition of property, plant and equipment	(65,085,663)	(77,588,668)	(107,350,534)	(138,687,802)
Acquisition of other investments	(4,849,490)	(660,768)	(4,872,098)	(1,092,694)
Expenditures for development costs	(17,838,208)	(13,697,423)	(29,529,136)	(25,561,795)
Increase in severance insurance deposits	-	(2,263,306)	-	(2,263,306)
Net cash provided by (used in) investing activities	<u>114,684,416</u>	<u>(95,891,109)</u>	<u>188,012,713</u>	<u>(381,381,196)</u>

(Continued)

HYUNDAI HEAVY INDUSTRIES CO., LTD.

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2005 AND 2004

	Korean won			
	Three months		Six months	
	2005	2004	2005	2004
	(In thousands)			
Cash flows from financing activities:				
Proceeds from short-term borrowings	₩ -	₩ -	₩ -	₩ 479,285,561
Proceeds from long-term borrowings	-	-	-	172,202,768
Repayment of short-term borrowings	-	(134,906,841)	-	(584,952,228)
Repayment of current maturities of long-term borrowings and other long-term liabilities	(383,969)	(80,828,864)	(165,383,969)	(285,963,722)
Repayment of debentures	-	(20,586,770)	-	(20,586,770)
Repayment of long-term borrowings	-	(24,508,572)	-	(61,214,803)
Payments of cash dividends	(80,616,820)	(96,740,184)	(80,616,820)	(96,740,184)
Net cash used in financing activities	(81,000,789)	(357,571,231)	(246,000,789)	(397,969,378)
Net increase in cash and cash equivalents	319,314,989	358,317,700	624,233,306	788,715,270
Cash and cash equivalents at the beginning of the period	663,131,753	663,793,051	358,213,436	233,395,481
Cash and cash equivalents at the end of the period (Note 23)	<u>₩ 982,446,742</u>	<u>₩ 1,022,110,751</u>	<u>₩ 982,446,742</u>	<u>₩ 1,022,110,751</u>

See accompanying notes to non-consolidated financial statements.

