

HYUNDAI HEAVY INDUSTRIES CO., LTD.

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2006 AND 2005

	Korean won			
	Three months		Six months	
	2006	2005	2006	2005
	(In thousands)			
Cash flows from operating activities:				
Net income (loss)	₩ 192,365,358	₩ 35,456,928	₩ 215,266,596	₩ (53,489,988)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Provision for severance benefits	42,443,203	39,071,833	85,453,496	77,586,107
Provision for doubtful account	-	18,082,478	11,951,999	24,460,174
Amortization of development costs	6,529,842	7,506,277	12,530,178	14,917,206
Depreciation	87,138,253	82,236,750	172,256,569	164,845,592
Provision for foreseeable losses on construction contracts	22,626,043	21,292,368	14,630,731	70,584,779
Amortization of discount on debentures	102,664	232,191	204,200	791,008
Loss on foreign currency translation	-	-	26,201,847	16,282,147
Loss on impairment of investments	304,620	2,991,060	336,686	2,991,060
Loss on disposal of available-for-sales securities	-	21,706	550	300,697
Loss on disposal of property, plant and equipment	3,079,305	5,376,249	3,966,556	6,948,426
Loss on valuation of investment securities accounted for using the equity method	1,090,762	1,921,411	8,069,075	7,909,603
Loss on valuation of derivatives	3,924,203	24,078,266	8,710,505	55,751,472
Additional payment of income tax	-	-	118,420,797	-
Gain on foreign currency translation	(14,563,745)	(6,654,838)	(22,820,029)	(6,758,232)
Gain on disposal of property, plant and equipment	(299,185)	(320,268)	(523,765)	(651,886)
Gain on valuation of investment securities accounted for using the equity method	(68,986,298)	(27,088,982)	(97,416,869)	(49,662,120)
Gain on disposal of available-for-sales securities	(526,931)	(721,875)	(526,931)	(1,274,972)
Gain on valuation of derivatives	(106,169,449)	(59,973,294)	(241,535,831)	(122,729,465)
Reversal of allowance for doubtful accounts	(6,265,354)	-	-	-
Others	4,198,868	883,593	12,094,522	19,183,953
	<u>(25,373,199)</u>	<u>108,934,925</u>	<u>112,004,286</u>	<u>281,475,549</u>

(Continued)

HYUNDAI HEAVY INDUSTRIES CO., LTD.

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2006 AND 2005

	Korean won			
	Three months		Six months	
	2006	2005	2006	2005
	(In thousands)			
Changes in operating assets and liabilities:				
Decrease in trade accounts and notes receivable	₩ 125,296,874	₩ 246,766,787	₩ 35,256,172	₩ 304,189,521
Decrease (Increase) in accounts receivable-other	16,769,465	(13,324,075)	(84,024,175)	28,914,212
Decrease (Increase) in inventories	62,377,275	(47,513,673)	37,193,691	(239,936,734)
Decrease (Increase) in advanced payments	(53,064,806)	79,257,076	(147,722,795)	(105,807,328)
Increase in accrued income	(5,538,154)	(4,244,921)	(12,309,308)	(12,900,812)
Decrease in derivatives	131,317,958	56,289,476	231,422,917	125,516,245
Decrease (Increase) in other current assets	(77,999,059)	24,579,843	(88,546,712)	(25,493,850)
Decrease (Increase) in long-term trade accounts and notes receivable	19,754,695	(21,270,531)	19,754,695	(21,270,531)
Increase (Decrease) in trade accounts and notes payable	6,552,023	(31,900,344)	(22,929,010)	272,957,870
Increase (Decrease) in accounts payable-other	(6,825,595)	(11,391,364)	125,961,152	(76,156,814)
Increase (Decrease) in advances from customers	306,823,421	(131,152,440)	188,050,841	165,700,276
Increase in income tax payable	57,131,009	8,683,095	56,582,022	5,355,692
Increase in other current liabilities	35,426,849	4,637,536	1,522,771	98,572,388
Increase (Decrease) in long-term accrued expenses	(50,090,852)	4,705,250	(50,090,852)	9,410,500
Increase in other long-term liabilities	127,043	80,821	871,035	314,279
Payments of severance benefits	(20,505,174)	(25,238,238)	(42,865,786)	(44,026,609)
Decrease (Increase) in deferred income tax assets	-	2,899,153	5,474,278	(31,357,549)
Decrease in severance insurance deposits	14,678,362	16,336,064	29,170,699	27,422,051
Increase deferred income tax liabilities	500,610	-	62,227,364	-
Others	775,847	(623,942)	1,708,153	255,065
	<u>563,507,791</u>	<u>157,575,573</u>	<u>346,707,152</u>	<u>481,657,872</u>
Net cash provided by operating activities	<u>730,499,950</u>	<u>301,967,426</u>	<u>673,978,034</u>	<u>709,643,433</u>
Cash flows from investing activities:				
Withdrawal of short-term financial instruments	20,000,000	133,168,641	160,500,000	403,198,594
Disposal of short-term investment securities	20,672,921	120,331,528	20,772,623	124,335,634
Withdrawal of long-term financial instruments	-	20,000,000	20,000,000	20,000,000
Disposal of long-term investment securities	-	-	19	-
Disposal of investment securities accounted for using the equity method	2,073,143	14,867,304	149,843,470	19,362,965
Disposal of property, plant and equipment	864,659	866,393	3,308,862	1,987,451
Disposal of other investments	429,608	781,189	607,030	794,576
Acquisition of short-term financial instruments	-	(99,754,270)	(500,000)	(202,903,394)
Acquisition of short-term investment securities	(40,000,000)	-	(40,000,000)	(33,730,000)

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HYUNDAI HEAVY INDUSTRIES CO., LTD.

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2006 AND 2005

	Korean won			
	Three months		Six months	
	2006	2005	2006	2005
	(In thousands)			
Acquisition of long-term financial instruments	₩ -	₩ -	₩ (20,182,163)	₩ (20,179,658)
Acquisition of long-term investment securities	(134,894)	(4,139,072)	(232,324)	(10,523,738)
Acquisition of investment securities accounted for using the equity method	(408,319,068)	-	(408,319,068)	-
Acquisition of property, plant and equipment	(119,211,227)	(65,085,663)	(212,606,688)	(107,350,534)
Acquisition of other investments	(507,517)	(4,849,490)	(535,275)	(4,872,098)
Expenditures for development costs	(16,316,748)	(17,838,208)	(30,947,374)	(29,529,136)
Net cash provided by (used in) investing activities	<u>(540,449,123)</u>	<u>98,348,352</u>	<u>(358,290,888)</u>	<u>160,590,662</u>
Cash flows from financing activities:				
Repayment of current maturities of long-term borrowings and other long-term liabilities	(372,639)	(383,969)	(372,639)	(165,383,969)
Payments of cash dividends	(96,740,184)	(80,616,820)	(96,740,184)	(80,616,820)
Net cash used in financing activities	<u>(97,112,823)</u>	<u>(81,000,789)</u>	<u>(97,112,823)</u>	<u>(246,000,789)</u>
Net increase in cash and cash equivalents	92,938,004	319,314,989	218,574,323	624,233,306
Cash and cash equivalents at the beginning of the period	<u>570,150,869</u>	<u>663,131,753</u>	<u>444,514,550</u>	<u>358,213,436</u>
Cash and cash equivalents at the end of the period (Note 23)	<u>₩ 663,088,873</u>	<u>₩ 982,446,742</u>	<u>₩ 663,088,873</u>	<u>₩ 982,446,742</u>

See accompanying notes to non-consolidated financial statements.