

HYUNDAI HEAVY INDUSTRIES CO., LTD.

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	Korean won	
	2004	2003
	(in thousands)	
Cash flows from operating activities:		
Net income	₩ 36,719,496	₩ 113,857,159
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for severance benefits	158,257,363	162,370,669
Provision for doubtful accounts	86,434,640	69,361,992
Amortization of development costs	32,959,055	36,367,216
Depreciation	322,769,432	302,853,135
Amortization of discount on debentures	5,311,807	14,531,521
Loss on foreign currency translation	93,083,009	4,628,493
Loss on impairment of long-term investment securities	3,235,189	22,535,926
Loss on disposal of available-for-sales securities	80,297,342	209,383
Loss on disposal of property, plant and equipment	9,895,073	8,015,387
Loss on redemption of debentures	1,487,429	8,476,817
Gain on disposal of property, plant and equipment	(8,897,554)	(614,190)
Gain on foreign currency translation	(25,928,646)	(6,649,385)
Gain on valuation of investment securities accounted for using the equity method	(162,834,227)	(91,120,394)
Gain on valuation of foreign exchange forward contracts	(120,332,831)	-
Others	(45,162,140)	11,277,438
	430,574,941	542,244,008
Changes in operating assets and liabilities:		
Decrease in trade accounts and notes receivable	359,775,176	11,375,569
Decrease (Increase) in accounts receivable-other	131,769,250	(26,563,814)
Decrease (Increase) in accrued income	4,348,197	(9,285,373)
Decrease (Increase) in advanced payments	(1,548,910)	22,088,787
Decrease in foreign exchange forward contracts	85,268,233	-
Increase in inventories	(192,408,334)	(272,692,818)
Increase in long-term trade accounts and notes receivable	-	(388,683,325)
Increase in trade accounts payable	12,074,053	123,431,836
Increase (Decrease) in accounts payable-other	(19,230,559)	26,250,073
Increase in advances from customers	959,591,087	2,101,371,936
Increase (Decrease) in income tax payable	6,857,185	(37,676,569)
Increase in long-term accrued expenses	18,541,180	13,837,330
Payments of severance benefits	(124,481,685)	(88,956,286)
Decrease in deferred income tax assets	6,056,639	69,455,226
Others, net	110,091,440	(69,249,481)
	1,356,702,952	1,474,703,091
Net cash provided by operating activities	1,823,997,389	2,130,804,258

(Continued)

HYUNDAI HEAVY INDUSTRIES CO., LTD.

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	Korean won	
	2004	2003
	(in thousands)	
Cash flows from investing activities:		
Withdrawal of short-term financial instruments	₩ 471,060,661	₩ 2,708,606,388
Withdrawal of long-term financial instruments	-	135,987,043
Disposal of short-term investment securities	2,760,099	5,494,137
Disposal of long-term investment securities	169,001,680	116,502,638
Disposal of investment securities accounted for using the equity method	2,258,935	36,489,652
Disposal of other investment assets	3,492,091	1,042,581
Disposal of property, plant and equipment	37,679,282	12,464,812
Disposal of development costs	2,723,000	-
Decrease in severance insurance deposits	76,933,761	-
Acquisition of short-term financial instruments	(840,613,763)	(2,710,240,172)
Acquisition of short-term investment securities	(98,670,000)	(5,380,000)
Acquisition of long-term financial instruments	(2,000)	(93,016,649)
Acquisition of long-term investment securities	(43,564,729)	(5,469,870)
Acquisition of investment securities accounted for using the equity method	(46,914,540)	(18,524,860)
Acquisition of property, plant and equipment	(374,957,250)	(286,390,045)
Payment of severance insurance deposits	(180,770,705)	(44,140,917)
Acquisition of intangible assets	(57,006,275)	(46,258,889)
Acquisition of other investment assets	(1,476,566)	(2,196,327)
Net cash used in investing activities	(878,066,319)	(195,030,478)
Cash flows from financing activities:		
Proceeds from short-term borrowings	265,276,790	3,034,727,640
Issuance of debentures	-	40,805,041
Proceeds from long-term borrowings	186,981,514	129,333,867
Disposal of treasury stock	-	370,046,757
Repayment of short-term borrowings	(415,494,648)	(3,671,995,497)
Repayment of current maturities of long-term borrowings and other long-term liabilities	(516,862,072)	(1,131,895,514)
Repayment of debentures	(20,586,770)	(400,538,195)
Repayment of long-term borrowings	(223,687,745)	(90,698,970)
Payment of cash dividends	(96,740,184)	-
Net cash used in financing activities	(821,113,115)	(1,720,214,871)
Net increase in cash and cash equivalents	124,817,955	215,558,909
Cash and cash equivalents at the beginning of the year	233,395,481	17,836,572
Cash and cash equivalents at the end of the year (Note 27)	₩ 358,213,436	₩ 233,395,481

See accompanying notes to non-consolidated financial statements.