

HYUNDAI HEAVY INDUSTRIES CO., LTD.

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	<u>Korean won</u>	
	<u>2005</u>	<u>2004</u>
	(In thousands)	
Cash flows from operating activities:		
Net income	<u>₩183,314,079</u>	<u>₩36,719,496</u>
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for severance benefits	167,567,742	158,257,363
Provision for doubtful accounts	37,176,985	86,434,640
Amortization of development costs	30,352,742	32,959,055
Depreciation	335,093,283	322,769,432
Amortization of discount on debentures	1,094,667	5,311,807
Loss on foreign currency translation	16,579,704	93,083,009
Loss on impairment of long-term investment securities	29,476,212	3,235,189
Loss on disposal of available-for-sales securities	6,959,082	80,297,342
Loss on valuation of investment securities accounted for using the equity method	9,628,196	-
Loss on disposal of property, plant and equipment	11,033,613	9,895,073
Loss on redemption of debentures	-	1,487,429
Loss on valuation of foreign exchange forward contracts	27,819,348	
Gain on disposal of property, plant and equipment	-2,012,422	-8,897,554
Gain on foreign currency translation	-12,826,998	-25,928,646
Gain on valuation of investment securities accounted for using the equity method	-132,215,981	-162,834,227
Gain on valuation of foreign exchange forward contracts	-230,280,380	-120,332,831
Gain on reversal of provision	-127,649,924	-
Others	<u>43,468,696</u>	<u>-45,162,140</u>
	<u>211,264,565</u>	<u>430,574,941</u>
Changes in operating assets and liabilities:		
receivable	-160,527,870	359,775,176
Decrease in accounts receivable-other	16,276,083	131,769,250
Decrease (Increase) in accrued income	-182,475	4,348,197
Increase in advanced payments	-233,265,235	-1,548,910
Decrease in foreign exchange forward contracts	202,756,200	85,268,233
Increase in inventories	-10,599,022	-192,408,334

Increase in trade accounts payable	218,084,692	12,074,053
Decrease in accounts payable-other	-47,814,202	-19,230,559
Increase in advances from customers	655,922,174	959,591,087
Increase in accrued expenses	49,935,591	19,439,819
Increase in income tax payable	6,281,856	6,857,185
Increase in long-term accrued expenses	2,579,342	18,541,180
Payments of severance benefits	-154,672,246	-124,481,685
Decrease in deferred income tax assets	107,304,745	6,056,639
Decrease in deferred income tax liabilities	-54,557,581	-
Others, net	<u>-30,489,257</u>	<u>90,651,621</u>
	<u>567,032,795</u>	<u>1,356,702,952</u>
Net cash provided by operating activities	<u>961,611,439</u>	<u>1,823,997,389</u>

HYUNDAI HEAVY INDUSTRIES CO., LTD.

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
	<u>Korean won</u>	
	(In thousands)	
Cash flows from investing activities:		
Withdrawal of short-term financial instruments	₩812,607,600	₩471,060,661
Disposal of short-term investment securities	302,061,894	2,760,099
Disposal of long-term investment securities	3,132,444	169,001,680
Disposal of investment securities accounted for using the equity method	17,326,141	2,258,935
Disposal of other investment assets	11,176,150	3,492,091
Disposal of property, plant and equipment	7,877,771	37,679,282
Disposal of development costs	-	2,723,000
Decrease in severance insurance deposits	102,018,476	76,933,761
Acquisition of short-term financial instruments	-602,607,600	-840,613,763
Acquisition of short-term investment securities	-172,690,000	-98,670,000
Acquisition of long-term financial instruments	-20,360,407	-2,000
Acquisition of long-term investment securities	-275,564,589	-43,564,729
Acquisition of investment securities accounted for using the equity method	-3,197,656	-46,914,540
Acquisition of property, plant and equipment	-312,485,083	-374,957,250
Payment of severance insurance deposits	-137,838,121	-180,770,705
Acquisition of intangible assets	-62,550,858	-57,006,275
Acquisition of other investment assets	<u>-6,489,218</u>	<u>-1,476,566</u>

Net cash used in investing activities	<u>-337,583,056</u>	<u>-878,066,319</u>
Cash flows from financing activities:		
Proceeds from short-term borrowings	-	265,276,790
Issuance of debentures	204,843,520	-
Proceeds from long-term borrowings	-	186,981,514
Repayment of short-term borrowings	-	-415,494,648
borrowings		
and other long-term liabilities	-661,953,969	-516,862,072
Repayment of debentures	-	-20,586,770
Repayment of long-term borrowings	-	-223,687,745
Payment of cash dividends	<u>-80,616,820</u>	<u>-96,740,184</u>
Net cash used in financing activities	<u>-537,727,269</u>	<u>-821,113,115</u>
Net increase in cash and cash equivalents	86,301,114	124,817,955
Cash and cash equivalents at the beginning of the year	<u>358,213,436</u>	<u>233,395,481</u>
Cash and cash equivalents at the end of the year	<u>₩444,514,550</u>	<u>₩358,213,436</u>

See accompanying notes to non-consolidated financial statements.