

HYUNDAI HEAVY INDUSTRIES CO., LTD.
NON-CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	<u>Korean won</u>	
	<u>2006</u>	<u>2005</u>
		(In thousands)
Cash flows from operating activities:		
Net income	<u>₩712,847,558</u>	<u>₩183,314,079</u>
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for severance benefits	206,770,353	167,567,742
Bad debt expense	39,652,997	37,176,985
Amortization of development costs	28,864,045	30,352,742
Depreciation	347,859,034	335,093,283
Amortization of discount on debentures	411,784	1,094,667
Loss on foreign currency translation	42,767,981	16,579,704
Loss on impairment of long-term investment securities	2,383,171	29,476,212
Loss on disposal of investment securities	550	6,959,082
Loss on valuation of investment securities accounted for using the equity method	20,835,361	9,628,196
Loss on disposal of property, plant and equipment	11,634,104	11,033,613
Additional payment of income tax	118,420,797	-
Loss on valuation of derivatives	1,194,237	27,819,348
Gain on foreign currency translation	-33,082,074	-12,826,998
Gain on valuation of investment securities accounted for using the equity method	-200,004,281	-132,215,981
Gain on valuation of derivatives	-394,359,769	-230,280,380
Gain on reversal of provision	-	-127,649,924
Reversal of provision for construction warranties	-793,705	-
Others	<u>37,042,820</u>	<u>41,456,274</u>
	<u>229,597,405</u>	<u>211,264,565</u>
Changes in operating assets and liabilities:		
Increase in trade accounts and notes receivable	-184,214,078	-160,527,870
Decrease (Increase) in accounts receivable-other	-94,614,578	16,276,083
Decrease (Increase) in accrued income	2,471,338	-182,475
Decrease (Increase) in inventories	19,541,597	-10,599,022
Increase in advanced payments	-126,660,118	-233,265,235
Decrease in derivatives	328,891,317	202,756,200
Decrease in deferred income tax assets	5,474,278	107,304,745
Decrease in long-term notes receivable in foreign currency	19,754,696	-

Increase in trade accounts payable	72,281,897	218,084,692
Increase (Decrease) in accounts payable-other	38,767,196	-47,814,202
Increase in advances from customers	543,253,806	655,922,174
Increase (Decrease) in accrued expenses	-8,673,244	49,935,591
Increase in income tax payable	153,771,120	6,281,856
Increase (Decrease) in long-term accrued expenses	-50,221,310	2,579,342
Payments of severance benefits	-90,417,659	-154,672,246
Increase in deposits for severance benefits	-77,407,366	-35,819,645
Increase (Decrease) in deferred income tax liabilities		133,273,284 -54,557,581
Others, net	<u>11,375,992</u>	<u>-30,489,257</u>
	<u>696,648,168</u>	<u>531,213,150</u>
Net cash provided by operating activities	<u>1,639,093,131</u>	<u>925,791,794</u>

Korean won

2006

2005

(In thousands)

Cash flows from investing activities:

Withdrawal of short-term financial instruments	\160,610,000	₩812,607,600
Disposal of short-term investment securities	874,572,333	302,061,894
Disposal of long-term investment securities	427,511	3,132,444
Disposal of investment securities accounted for using the equity method	157,146,679	17,326,141
Disposal of long-term financial instruments	20,310,107	-
Disposal of other investment assets	1,229,579	11,176,150
Disposal of property, plant and equipment	5,751,625	7,877,771
Acquisition of short-term financial instruments	-210,621,000	-602,607,600
Acquisition of short-term investment securities	-1,070,000,000	-172,690,000
Acquisition of long-term financial instruments	-23,215,160	-20,360,407
Acquisition of long-term investment securities	-2,759,958	-275,564,589
Acquisition of investment securities accounted for using the equity method	-485,161,788	-3,197,656
Acquisition of property, plant and equipment	-529,275,356	-312,485,083
Acquisition of intangible assets	-61,278,856	-62,550,858
Acquisition of other investment assets	<u>-5,663,504</u>	<u>-6,489,218</u>
Net cash used in investing activities	<u>-1,167,927,788</u>	<u>-301,763,411</u>

Cash flows from financing activities:

Issuance of debentures	-	204,843,520
Proceeds from long-term borrowings	1,353,863	-
Repayment of current maturities of long-term borrowings and other long-term liabilities	-372,639	-661,953,969
Payment of cash dividends	<u>-96,740,184</u>	<u>-80,616,820</u>
Net cash used in financing activities	<u>-95,758,960</u>	<u>-537,727,269</u>

Net increase in cash and cash equivalents	375,406,383	86,301,114
Cash and cash equivalents at the beginning of the year	<u>444,514,550</u>	<u>358,213,436</u>
Cash and cash equivalents at the end of the year	<u>\819,920,933</u>	<u>₩444,514,550</u>

See accompanying notes to non-consolidated financial statements.

