

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

	Korean won	
	2006	2005
	(In thousands)	
Cash flows from operating activities:		
Net income	₩ 703,569,915	₩ 174,725,014
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for severance benefits	254,936,126	219,145,731
Provision for doubtful accounts	51,958,745	46,243,531
Amortization of intangible assets	41,952,473	44,240,607
Depreciation	453,596,943	435,169,952
Amortization of discount on debentures	412,701	3,249,996
Loss on foreign currency translation	43,204,439	17,597,775
Loss on impairment of long-term investment securities	2,944,852	33,826,249
Loss on disposal of investment securities	1,047,658	12,032,169
Loss on disposal of property, plant and equipment	15,134,644	12,002,789
Loss on valuation of investments accounted for using the equity method	23,108,906	5,325,927
Loss on valuation of derivatives	1,952,173	52,428,648
Gain on disposal of property, plant and equipment	(2,760,633)	(2,549,666)
Gain on disposal of investment securities	(8,005,895)	(7,382,331)
Gain on foreign currency translation	(43,113,844)	(18,310,478)
Gain on valuation of investments using the equity method	(19,733,517)	(53,494,339)
Gain on valuation of derivatives	(397,158,402)	(230,662,475)
Gain on reversal of provisions	(23,653,313)	(127,649,924)
Additional payment of income tax	122,760,704	-
Minority interests	157,437,778	87,431,850
Others, net	21,190,777	42,488,258
	697,213,315	571,134,269
Changes in operating assets and liabilities:		
Decrease (increase) in trade accounts and notes receivable	258,362,630	(124,908,159)
Decrease (increase) in accounts receivable-other	(40,205,264)	84,689,587
Increase in inventories	(48,360,769)	(31,867,742)
Increase in advanced payments	(133,299,125)	(307,186,456)
Decrease (increase) in accrued income	(946,520)	2,502,522
Decrease in deferred income tax assets	10,324,270	108,327,221
Decrease in long-term trade accounts and notes receivable	5,095,162	38,262,333
Increase (decrease) in trade accounts and notes payable	(247,611,604)	81,393,947
Decrease in accounts payable-other	(27,840,522)	(50,609,783)
Increase in advances from customers	1,413,737,591	1,132,770,163
Increase in income tax payable	201,029,143	41,937,938
Increase (decrease) in long-term accrued expenses	(50,221,310)	2,579,342
Payments of severance benefits	(114,389,676)	(178,981,837)
Payment of severance insurance deposits	(82,971,774)	(47,312,767)
Increase (decrease) in deferred income tax liabilities	184,876,115	(54,080,251)
Decrease in derivatives	283,379,115	217,014,953
Others, net	9,325,068	16,745,980
	1,620,282,530	931,276,991
Net cash provided by operating activities	₩ 3,021,065,760	₩ 1,677,136,274

(Continued)

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND ITS SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	Korean won	
	2006	2005
	(In thousands)	
Cash flows from investing activities:		
Withdrawal of short-term financial instruments	₩ 1,079,164,131	₩ 1,686,387,786
Withdrawal of long-term financial instruments	20,432,607	-
Disposal of short-term investment securities	2,741,208,696	1,474,947,441
Disposal of long-term investment securities	7,185,261	16,938,282
Disposal of Investment securities accounted for using the equity method	159,032,596	12,909,556
Disposal of property, plant and equipment	9,275,386	9,753,077
Acquisition of short-term financial instruments	(1,698,641,484)	(1,652,184,052)
Acquisition of short-term investment securities	(2,966,000,000)	(1,334,688,800)
Acquisition of long-term financial instruments	(23,215,160)	(20,360,407)
Acquisition of long-term investment securities	(154,814,216)	(612,780,980)
Acquisition of Investment securities accounted for using the equity method	(660,907,758)	(48,058,492)
Acquisition of property, plant and equipment	(607,327,214)	(444,662,649)
Expenditures for development costs	(61,383,137)	(62,871,325)
Others, net	(13,036,308)	(1,194,105)
Net cash used in investing activities	(2,169,026,600)	(975,864,668)
Cash flows from financing activities:		
Proceeds from short-term borrowings	823,522,392	894,188,105
Issuance of debentures	-	204,843,520
Proceeds from long-term borrowings	1,353,863	35,706,716
Repayment of short-term borrowings	(1,020,260,001)	(793,055,957)
Repayment of current maturities of debentures and long-term borrowings	(68,201,813)	(680,913,849)
Repayment of long-term borrowings	(10,547,185)	(55,445,033)
Acquisition of the treasury stock	(24,413,966)	(12,264,457)
Payment of cash dividends	(105,859,300)	(89,584,402)
Others, net	(3,710)	(2,086,507)
Net cash used in financing activities	(404,409,720)	(498,611,864)
Effect of change in consolidated subsidiaries	(5,216,070)	2,222,158
Net increase in cash and cash equivalents	442,413,370	204,881,900
Cash and cash equivalents at the beginning of the year	759,508,387	554,626,487
Cash and cash equivalents at the end of the year	₩ 1,201,921,757	₩ 759,508,387

See accompanying notes to consolidated financial statements.