

HYUNDAI HEAVY INDUSTRIES CO., LTD.  
NON-CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	Korean won	
	2007	2006
	(In thousands)	
Cash flows from operating activities:		
Net income	₩ 1,736,060,331	₩ 712,847,558
Adjustments to reconcile net income to net cash provided(used) by operating activities:		
Provision for severance benefits	198,841,279	206,770,353
Provision for doubtful accounts	12,877,187	39,652,997
Amortization of development costs	38,181,230	28,864,045
Depreciation	351,718,296	347,859,034
Loss on foreign currency translation	8,329,771	42,767,981
Provision for construction warranties	17,066,169	14,571,086
Provision for production warranties	9,326,710	5,680,365
Loss on disposal of available-for-sales securities	3,638,864	550
Loss on valuation of investment securities accounted for using the equity method	6,643,654	20,835,361
Loss on disposal of property, plant and equipment	33,263,439	11,634,104
Income tax expense	-	118,420,797
Loss on valuation of foreign exchange forward contracts	59,199,240	1,194,237
Gain on disposal of property, plant and equipment	(6,709,012)	(1,562,414)
Gain on foreign currency translation	(11,252,407)	(33,082,074)
Gain on valuation of investment securities accounted for using the equity method	(489,179,298)	(200,004,281)
Gain on valuation of foreign exchange forward contracts	(234,959,971)	(394,359,769)
Gain on reversal of provision foreseeable losses from construction contracts	(58,590,795)	-
Reversal of provision for construction warranties	(6,680,152)	(793,705)
Others	(13,089,475)	21,148,738
	(81,375,271)	229,597,405
Changes in operating assets and liabilities:		
Increase in trade accounts and notes receivable	(256,285,468)	(184,214,078)
Decrease (Increase) in accounts receivable-other	66,031,312	(94,614,578)
Decrease in inventories	9,557,776	19,541,597
Decrease (Increase) in advanced payments	61,724,429	(126,660,118)
Decrease (Increase) in accrued income	(24,969,810)	2,471,338
Decrease in foreign exchange forward contracts	303,208,956	328,891,317
Decrease in long-term notes receivable in foreign currency	-	19,754,696
Increase in trade accounts payable	312,601,393	72,281,897
Increase (Decrease) in accounts payable-other	(3,826,357)	38,767,196
Increase in advances from customers	1,768,443,574	543,253,806
Increase (Decrease) in accrued expenses	60,504,616	(8,673,244)
Increase in income tax payable	287,846,165	153,771,120
Decrease in long-term accrued expenses	(1,239,893)	(50,221,310)
Payments of severance benefits	(143,195,698)	(90,417,659)
Increase in deposits for severance benefits	(142,655,720)	(77,407,366)
Decrease (Increase) in deferred income tax assets	(70,990,353)	34,411,835
Increase in deferred income tax liabilities	161,765,351	104,335,727
Others, net	72,803,493	11,375,992
	2,461,323,766	696,648,168
Net cash provided by operating activities	4,116,008,826	1,639,093,131

(Continued)

HYUNDAI HEAVY INDUSTRIES CO., LTD.

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	Korean won	
	2007	2006
	(In thousands)	
Cash flows from investing activities:		
Withdrawal of short-term financial instruments	₩ 1,030,621,000	₩ 160,610,000
Disposal of short-term investment securities	1,178,453,619	874,572,333
Disposal of long-term investment securities	17,193,951	427,511
Disposal of investment securities accounted for using the equity method	6,585,516	157,146,679
Disposal of long-term investment securities	539,893	20,310,107
Disposal of other investment assets	1,721,898	1,229,579
Disposal of property, plant and equipment	18,924,381	5,751,625
Acquisition of short-term financial instruments	(2,950,621,000)	(210,621,000)
Acquisition of short-term investment securities	(1,424,000,000)	(1,070,000,000)
Acquisition of long-term financial instruments	(367,473)	(23,215,160)
Acquisition of long-term investment securities	(246,507,801)	(2,759,958)
Acquisition of investment securities accounted for using the equity method	(133,347,454)	(485,161,788)
Acquisition of property, plant and equipment	(910,854,533)	(529,275,356)
Acquisition of intangible assets	(54,750,934)	(61,278,856)
Acquisition of other investment assets	(9,563,269)	(5,663,504)
Net cash used in investing activities	<u>(3,475,972,206)</u>	<u>(1,167,927,788)</u>
Cash flows from financing activities:		
Proceeds from long-term borrowings	282,600	1,353,863
Repayment of current maturities of long-term borrowings and other long-term liabilities	(341,960)	(372,639)
Payment of cash dividends	(161,233,640)	(96,740,184)
Acquisition of treasury stock	(344,907,695)	-
Net cash used in financing activities	<u>(506,200,695)</u>	<u>(95,758,960)</u>
Net increase in cash and cash equivalents	133,835,925	375,406,383
Cash and cash equivalents at the beginning of the year	<u>819,920,933</u>	<u>444,514,550</u>
Cash and cash equivalents at the end of the year	<u>₩ 953,756,858</u>	<u>₩ 819,920,933</u>