

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND ITS SUBSIDIARIES  
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	₩ 1,952,284,910	₩ 861,007,693
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for severance benefits	248,660,350	254,936,126
Provision for doubtful accounts	20,885,641	51,958,745
Amortization of intangible assets	48,205,979	41,952,473
Depreciation	485,329,801	453,596,943
Amortization of discount on debentures	412,314	412,701
Loss on foreign currency translation	10,875,456	43,204,439
Loss on impairment of long-term investment securities	312,014	2,944,852
Loss on disposal of long-term investment securities	3,604,570	-
Loss on disposal of property, plant and equipment	34,276,327	15,134,644
Loss on valuation of investments accounted for using the equity method	2,093,282	23,108,906
Loss on valuation of derivatives	93,083,416	1,952,173
Gain on disposal of property, plant and equipment	(8,253,245)	(2,760,633)
Gain on disposal of long-term investment securities	(24,221,320)	(1,432,584)
Gain on foreign currency translation	(11,693,157)	(43,113,844)
Gain on valuation of investments using the equity method	(80,661,725)	(19,733,517)
Gain on valuation of derivatives	(235,126,459)	(397,158,402)
Gain on reversal of provisions	(68,071,684)	(27,967,614)
Income tax expense	-	122,760,704
Others, net	37,746,386	19,979,425
	557,457,946	539,775,537
Changes in operating assets and liabilities:		
Decrease (increase) in trade accounts and notes receivable	(814,877,874)	258,362,630
Decrease (increase) in accounts receivable-other	33,271,156	(40,205,264)
Increase in accrued income	(51,029,223)	(1,007,925)
Increase in advanced payments	(136,581,358)	(133,299,125)
Decrease (increase) in deferred income tax assets	(75,419,454)	10,324,270
Increase in inventories	(123,908,229)	(48,360,769)
Increase (decrease) in trade accounts and notes payable	877,972,646	(247,611,604)
Increase (decrease) in accounts payable-other	7,942,373	(27,840,522)
Increase in advances from customers	3,660,624,831	1,413,737,591
Increase in accrued expenses	104,539,900	44,190,056
Increase in income tax payable	457,418,078	201,029,143
Increase in deferred income tax liabilities	110,360,674	184,876,115
Decrease in long-term accrued expenses	(1,239,893)	(50,221,310)
Payments of severance benefits	(174,935,651)	(114,389,676)
Payment of severance insurance deposits	(177,726,263)	(82,971,774)
Decrease in derivatives	340,676,154	283,379,115
Others, net	87,504,506	(29,708,421)
	4,124,592,373	1,620,282,530
Net cash provided by operating activities	6,634,332,229	3,021,065,760

(Continued)

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND ITS SUBSIDIARIES  
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	₩ 2,858,149,518	₩ 1,079,164,131
Disposal of short-term investment securities	1,684,992,148	2,741,208,696
Withdrawal of long-term financial instruments	551,393	20,432,607
Disposal of Investment securities accounted for using the equity method	6,585,516	159,032,596
Disposal of long-term investment securities	60,428,129	7,185,261
Disposal of property, plant and equipment	21,516,413	9,275,386
Acquisition of long-term investment securities	(7,097,565)	-
Acquisition of short-term financial instruments	(5,692,345,199)	(1,698,641,484)
Acquisition of short-term investment securities	(1,998,956,295)	(2,966,000,000)
Acquisition of long-term financial instruments	(12,367,473)	(23,215,160)
Acquisition of long-term investment securities	(1,443,982,384)	(154,814,216)
Acquisition of investment securities accounted for using the equity method	(93,297,376)	(660,907,758)
Acquisition of property, plant and equipment	(1,230,744,264)	(607,327,214)
Expenditures for development costs	(56,329,512)	(61,383,137)
Others, net	(39,638,947)	(13,036,308)
Net cash used in investing activities	(5,942,535,898)	(2,169,026,600)
Cash flows from financing activities:		
Proceeds from short-term borrowings	31,732,163	823,522,392
Proceeds from long-term borrowings	18,866,600	1,353,863
Disposal of the treasury stock	342,320,782	-
Repayment of short-term borrowings	(123,029,305)	(1,020,260,001)
Repayment of current maturities of debentures and long-term borrowings	(32,336,707)	(68,201,813)
Repayment of long-term borrowings	-	(10,547,185)
Acquisition of the treasury stock	(379,689,397)	(24,413,966)
Payment of cash dividends	(182,864,662)	(105,859,300)
Others, net	19,129,834	(3,710)
Net cash used in financing activities	(305,870,692)	(404,409,720)
Effect of change in consolidated subsidiaries	3,157,420	(5,216,070)
Net increase in cash and cash equivalents	389,083,059	442,413,370
Cash and cash equivalents at the beginning of the year	1,201,921,757	759,508,387
Cash and cash equivalents at the end of the year	₩ 1,591,004,816	₩ 1,201,921,757

See accompanying notes to consolidated financial statements.