

Hyundai Heavy Industries Co., Ltd.
Consolidated Statements of Cash Flows

For the years ended December 31, 2008 and 2007

(In thousands of Won)

	2008	2007
Cash flows from operating activities		
Net income	₩ 2,574,199,255	1,952,281,910
Adjustments for:		
Accrual for severance benefits	292,448,546	248,660,350
Accrual for allowance for doubtful accounts	19,660,689	20,885,641
Amortization of intangible assets	61,228,326	48,205,979
Depreciation	496,701,452	485,329,801
Amortization of discount on debentures	298,966	412,314
Loss on foreign currency translation	194,404,139	10,875,456
Loss on impairment of long-term investment securities	-	312,014
Loss on disposal of long-term investment securities	-	3,604,570
Loss on disposal of property, plant and equipment	62,229,508	34,276,327
Loss on valuation of investments accounted for using the equity method	58,944,423	2,093,282
Loss on valuation of foreign exchange forward contracts	2,000,406,250	93,083,416
Gain on disposal of property, plant and equipment	(15,862,574)	(8,253,245)
Gain on disposal of long-term investment securities	-	(24,221,320)
Gain on foreign currency translation	(150,702,627)	(11,693,157)
Gain on valuation of investments using the equity method	(183,463,941)	(80,661,725)
Gain on valuation of foreign exchange forward contracts	(2,459,049,689)	(235,126,459)
Gain on reversal of provisions	(10,715,346)	(68,071,684)
Others, net	188,570,818	37,746,386
	<u>555,098,940</u>	<u>557,457,946</u>
Changes in assets and liabilities:		
Change in trade accounts and notes receivable	(2,661,886,045)	(814,877,874)
Change in accounts receivable-other	(141,246,555)	33,271,156
Change in accrued income	(58,671,268)	(51,029,223)
Change in advanced payments	(703,618,887)	(136,581,358)
Change in deferred income tax assets	47,336,020	(75,419,454)
Change in inventories	(1,594,867,278)	(123,908,229)
Change in trade accounts and notes payable	2,020,709,219	877,972,646
Change in accounts payable-other	93,755,926	7,942,373
Change in advances from customers	3,301,721,265	3,660,624,831
Change in accrued expenses	(3,051,140)	104,539,900
Change in income tax payable	(26,740,135)	457,418,078
Change in deferred income tax liabilities	(166,078,857)	110,360,674
Change in long-term accrued expenses	(1,029,342)	(1,239,893)
Payments of retirement and severance benefits	(208,481,684)	(174,935,651)
Change in deposits for retirement and severance benefits	(27,988,642)	(177,726,263)
Change in foreign exchange forward contracts	472,912,327	340,676,154
Others, net	(72,507,064)	87,504,506
Net cash provided by operating activities	<u>₩ 3,399,566,055</u>	<u>6,634,332,229</u>

See accompanying notes to consolidated financial statements.

Hyundai Heavy Industries Co., Ltd.
Consolidated Statements of Cash Flows, Continued

For the years ended December 31, 2008 and 2007

(In thousands of Won)

	2008	2007
Cash flows from investing activities		
Withdrawal of short-term financial instruments	₩ 5,606,680,512	2,858,149,518
Disposition of short-term investment securities	2,975,404,695	1,684,992,148
Withdrawal of long-term financial instruments	2,006,299	551,393
Disposition of Investment securities accounted for using the equity method	70,937	6,585,516
Disposition of long-term investment securities	20,630,957	60,428,129
Disposition of property, plant and equipment	95,065,021	21,516,413
Disposition of intangible assets	134,049	-
Acquisition of long-term investment securities	(760,842,039)	(7,097,565)
Acquisition of short-term financial instruments	(4,476,862,525)	(5,692,345,199)
Acquisition of short-term investment securities	(2,381,462,774)	(1,998,956,295)
Acquisition of long-term financial instruments	(6,023,410)	(12,367,473)
Acquisition of long-term investment securities	(179,130,398)	(1,443,982,384)
Acquisition of investment securities accounted for using the equity method	(160,472,030)	(93,297,376)
Acquisition of property, plant and equipment	(2,743,880,418)	(1,230,744,264)
Acquisition of intangible assets	(6,022,164)	(2,389,744)
Expenditures for development costs	(72,967,513)	(56,329,512)
Disposition of other non-current assets	39,758,762	7,061,048
Acquisition of other non-current assets	(124,523,640)	(44,310,251)
Net cash used in investing activities	<u>(2,172,435,679)</u>	<u>(5,942,535,898)</u>
Cash flows from financing activities		
Increase in short-term borrowings	381,659,347	31,732,163
Increase in long-term borrowings	128,322,378	18,866,600
Disposition of the treasury stock	-	342,320,782
Repayment of short-term borrowings	(101,772,476)	(123,029,305)
Repayment of current maturities of debentures and long-term borrowings	(189,656,349)	(32,336,707)
Repayment of long-term borrowings	(16,538,850)	-
Acquisition of the treasury stock	(833,142,356)	(379,689,397)
Payment of cash dividends	(482,451,426)	(182,864,662)
Others, net	(205,375,820)	19,129,834
Net cash used in financing activities	<u>(1,318,955,552)</u>	<u>(305,870,692)</u>
Effect of change in consolidated subsidiaries	53,132,194	3,157,420
The Effects of Changes in Foreign Exchange Rates	120,472,648	-
Net increase in cash and cash equivalents	81,779,666	389,083,059
Cash and cash equivalents at beginning of year	1,591,004,816	1,201,921,757
Cash and cash equivalents at end of year	<u>₩ 1,672,784,482</u>	<u>1,591,004,816</u>

See accompanying notes to consolidated financial statements.