

HYUNDAI HEAVY INDUSTRIES CO., LTD.

NON-CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2003

(“See Independent Accountants’ Review Report”)

	<u>Korean Won</u> (in millions)	Translation into U.S. dollars (Note 2) (in thousands)
Cash flows from operating activities:		
Net income	<u>₩ 110,676</u>	<u>\$ 92,763</u>
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	149,198	125,051
Provision for severance benefits	72,591	60,842
Amortization of discount on debentures	8,891	7,451
Loss on foreign currency translation	6,101	5,114
Loss on impairment of investments	8,335	6,986
Loss on disposal of investments	186	156
Loss on disposal of property, plant and equipment	4,105	3,441
Amortization of development costs	17,544	14,704
Gain on disposal of property, plant and equipment	(316)	(265)
Gain on foreign currency translation	(3,611)	(3,027)
Gain on valuation of investments using the equity method of accounting	(104,240)	(87,368)
Others	<u>1,494</u>	<u>1,254</u>
	<u>160,278</u>	<u>134,339</u>
Changes in operating assets and liabilities:		
Increase in trade accounts and notes receivable	(87,230)	(73,112)
Increase in accrued income and other receivables	(6,327)	(5,303)
Decrease in advanced payment and prepaid expenses	56,619	47,455
Increase in inventories	(146,402)	(122,708)
Decrease in trade accounts payable	(100,370)	(84,125)
Increase in advances from customers	1,621,995	1,359,480
Increase in accrued income tax and deferred income tax credits	13,546	11,354
Payments of severance benefits	(27,368)	(22,939)
Others	<u>(17,608)</u>	<u>(14,759)</u>
	<u>1,306,855</u>	<u>1,095,343</u>
Net cash provided by operating activities	<u>1,577,808</u>	<u>1,322,445</u>

(Continued)

HYUNDAI HEAVY INDUSTRIES CO., LTD.

NON-CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2003

("See Independent Accountants' Review Report")

	Korean Won (in millions)	Translation into U.S. dollars (Note 2) (in thousands)
Cash flows from investing activities:		
Withdrawal of financial instruments	₩ 1,473,210	\$ 1,234,775
Disposal of short-term investment securities	2,700	2,263
Disposal of investment securities	18,335	15,368
Disposal of property, plant and equipment	8,004	6,709
Disposal of other investments	15,684	13,146
Acquisition of financial instruments	(1,474,618)	(1,235,955)
Acquisition of short-term investment securities	(2,690)	(2,255)
Acquisition of investment securities	(5,782)	(4,846)
Acquisition of property, plant and equipment	(64,493)	(54,055)
Acquisition of other investments	(1,837)	(1,540)
Payments for construction in-progress	(65,057)	(54,528)
Expenditures for development costs	(21,540)	(18,055)
Net cash used in investing activities	(118,084)	(98,973)
Cash flows from financing activities:		
Proceeds from short-term borrowings	2,128,933	1,784,371
Issuance of debentures	40,805	34,201
Proceeds from long-term borrowings	85,791	71,906
Repayment of short-term borrowings	(2,407,612)	(2,017,946)
Repayment of current maturities of long-term borrowings and other long-term liabilities	(765,933)	(641,969)
Repayment of debentures	(190,464)	(159,638)
Repayment of long-term borrowings	(6,746)	(5,655)
Net cash used in financing activities	(1,115,226)	(934,730)
Net increase in cash and cash equivalents	344,498	288,742
Cash and cash equivalents at the beginning of the period	17,837	14,950
Cash and cash equivalents at the end of the period	₩ 362,335	\$ 303,692

See accompanying notes to non-consolidated financial statements