

HYUNDAI HEAVY INDUSTRIES CO., LTD.

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2004 AND 2003

(See Independent Accountants' Review Report)

	Korean won (in thousands)			
	Three-month		Six-month	
	2004	2003	2004	2003
Cash flows from operating activities:				
Net income	₩ 53,488,802	₩ 29,284,107	₩ 73,647,639	₩ 110,674,949
Adjustments to reconcile net income to net cash provided by operating activities:				
Provision for severance benefits	40,911,894	34,310,607	81,169,838	72,590,913
Provision for doubtful account	17,543,897	-	22,735,980	-
Amortization of development costs	7,999,410	9,239,530	15,780,177	17,543,685
Depreciation	79,959,188	75,090,535	158,520,610	149,197,976
Amortization of discount on debentures	1,398,047	4,359,264	3,371,515	8,890,940
Loss on foreign currency translation	3,618,750	48,853,779	38,524,915	6,101,130
Loss on impairment of investments	1,259,433	-	3,613,051	8,334,686
Loss on disposal of available-for-sales Securities	80,266,542	186,183	80,266,542	186,183
Loss on disposal of property, plant and equipment	1,503,065	3,252,692	2,511,280	4,105,271
Gain on foreign currency translation	(14,900,635)	(10,219,514)	(9,960,706)	(3,611,178)
Gain on disposal of property, plant and equipment	(643,775)	(134,691)	(766,913)	(315,729)
Gain on valuation of investments using the equity method	(60,634,298)	(42,579,897)	(116,449,314)	(104,239,634)
Gain on disposal of available-for-sales securities	(80,588,476)	-	(80,588,476)	-
Gain on valuation of derivatives	(8,081,655)	-	(8,730,595)	-
Others	3,218,891	(2,546,126)	18,212,042	1,495,414
	<u>72,830,278</u>	<u>119,812,362</u>	<u>208,209,946</u>	<u>160,279,657</u>
Changes in operating assets and liabilities:				
Decrease (Increase) in trade accounts and notes receivable	365,938,410	33,495,165	600,397,860	(13,836,720)
Decrease (Increase) in accounts receivable-other	(7,925,316)	22,781,077	665,987	10,274,010
Increase in inventories	(79,248,720)	(28,355,091)	(216,191,692)	(146,402,430)
Decrease (Increase) in advanced payments	(9,340,113)	4,972,235	(18,857,305)	(12,090,386)
Increase in accrued income	(5,693,670)	(8,261,166)	(9,827,693)	(16,601,436)
Increase in accrued gain on valuation of derivatives	(3,946,849)	-	(8,313,134)	-
Decrease (Increase) in other current assets	7,405,357	(29,218,155)	101,078,811	66,923,380
Decrease (Increase) in long-term trade accounts and notes receivable	16,545,423	55,082,882	(25,351,086)	(73,392,896)
Increase (Decrease) in trade accounts and notes payable	50,457,186	15,212,770	(6,143,331)	(100,370,055)
Decrease in accounts payable-other	(8,994,796)	(30,516,038)	(34,269,971)	(29,931,635)
Increase in advances from customers	314,522,166	1,044,731,365	926,230,760	1,621,995,462

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HYUNDAI HEAVY INDUSTRIES CO., LTD.

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2004 AND 2003

(See Independent Accountants' Review Report)

	Korean won (in thousands)			
	Three-month		Six-month	
	2004	2003	2004	2003
Increase (Decrease) in income tax payable	₩ 749,365	₩ (32,748,595)	₩ 513,613	₩ (34,207,778)
Decrease in deferred income tax assets	21,302,901	33,638,798	27,028,816	50,107,508
Increase (Decrease) in other current liabilities	32,626,871	17,812,714	(27,483,173)	5,923,458
Increase in long-term accrued expenses	2,530,642	-	5,549,300	-
Increase (Decrease) in other long-term liabilities	245,635	(5,371,355)	413,538	4,150,431
Payments of severance benefits	(22,339,625)	(13,857,730)	(40,841,694)	(27,368,017)
Others	<u>10,626,093</u>	<u>896,690</u>	<u>11,608,653</u>	<u>1,681,431</u>
	<u>685,460,960</u>	<u>1,080,295,566</u>	<u>1,286,208,259</u>	<u>1,306,854,327</u>
Net cash provided by operating activities	<u>811,780,040</u>	<u>1,229,392,035</u>	<u>1,568,065,844</u>	<u>1,577,808,933</u>
Cash flows from investing activities:				
Withdrawal of short-term financial instruments	140,458,716	3	160,958,716	1,380,222,619
Withdrawal of short-term investment securities	2,760,099	2	2,760,099	2,700,234
Withdrawal of long-term financial instruments	-	4	-	92,987,043
Disposal of long-term investment securities	169,001,680	9	169,001,680	13,947,311
Disposal of investment securities accounted for using the equity method	-	4	-	4,387,941
Disposal of property, plant and equipment	5,996,946	6	9,764,999	8,004,100
Disposal of other investments	1,389,664	4	1,587,099	791,361
Disposal of development costs	-		2,723,000	-
Decrease in severance insurance deposits	16,635,236	9	26,289,733	14,892,589
Acquisition of short-term financial instruments	(230,000,000)	(	(450,501,819)	(1,381,783,416)
Acquisition of short-term investment securities	(98,670,000)	(	(98,670,000)	(2,690,000)
Acquisition of long-term financial instruments	-	(	-	(92,834,700)
Acquisition of long-term investment securities	(39,715)	(	(166,485)	(575,110)
Acquisition of investment securities accounted for using the equity method	(9,213,570)	(	(37,522,621)	(5,207,160)
Acquisition of property, plant and equipment	(77,588,668)	(	(138,687,802)	(129,550,180)
Acquisition of other investments	(660,768)	(	(1,092,694)	(1,837,051)
Expenditures for development costs	(13,697,423)	(	(25,561,795)	(21,539,700)
Increase in severance insurance deposits	<u>(2,263,306)</u>		<u>(2,263,306)</u>	<u>-</u>
Net cash used in investing activities	<u>(95,891,109)</u>	<u>(</u>	<u>(381,381,196)</u>	<u>(118,084,119)</u>

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HYUNDAI HEAVY INDUSTRIES CO., LTD.

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2004 AND 2003

(See Independent Accountants' Review Report)

	Korean won (in thousands)			
	Three-month		Six-month	
	2004	2003	2004	2003
Cash flows from financing activities:				
Proceeds from short-term borrowings	₩ -	₩ 517,641,455	₩ 479,285,561	₩ 2,128,932,558
Issuance of debentures	-		-	40,805,041
Proceeds from long-term borrowings	-	4	172,202,768	85,791,351
Repayment of short-term borrowings	(134,906,841)		(584,952,228)	(2,407,611,817)
Repayment of current maturities of long-term borrowings and other long-term liabilities	(80,828,864)		(285,963,722)	(765,933,076)
Repayment of debentures	(20,586,770)		(20,586,770)	(190,464,414)
Repayment of long-term borrowings	(24,508,572)		(61,214,803)	(6,745,846)
Payments of cash dividends	(96,740,184)		(96,740,184)	-
Net cash used in financing activities	(357,571,231)	(3)	(397,969,378)	(1,115,226,203)
Net increase in cash and cash equivalents	358,317,700	3	788,715,270	344,498,611
Cash and cash equivalents at the beginning of the period	663,793,051	1	233,395,481	17,836,572
Cash and cash equivalents at the end of the period (Note 25)	₩1,022,110,751	₩3	₩ 1,022,110,751	₩ 362,335,183

See accompanying notes to non-consolidated financial statements.