

HYUNDAI HEAVY INDUSTRIES CO., LTD.

NON-CONSOLIDATED STATEMENTS OF INCOME

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

(See Independent Accountants' Review Report)

|   | Korean won (in thousands, except per share amounts) |                     |                     |                      |
|---|---|---------------------|---------------------|----------------------|
|   | Three-month   |                     | Six-month           |                      |
|   | 2004  | 2003                | 2004                | 2003                 |
| Sales (Notes 18, 21 and 23)                                       | ₩2,192,807,325                                      | ₩1,909,820,575      | ₩ 4,357,215,258     | ₩ 3,842,443,660      |
| Cost of sales (Notes 18 and 21)                                   | 2,040,136,171                                       | 1,644,612,989       | 3,987,918,474       | 3,364,971,783        |
| Gross profit  | 152,671,154   | 265,207,586         | 369,296,784         | 477,471,877          |
| Selling and administrative expenses (Note 24)                     | 149,356,130   | 177,630,031         | 299,587,172         | 308,401,360          |
| Operating income (Note 23)  | 3,315,024   | 87,577,555          | 69,709,612          | 169,070,517          |
| Non-operating income:   |   |                     |                     |                      |
| Interest and dividend income                                      | 24,716,251  | 15,209,178          | 46,597,130          | 35,688,910           |
| Gain on foreign currency transactions                             | 30,061,256  | 36,584,027          | 58,013,681          | 68,878,957           |
| Gain on foreign currency translation                              | 14,900,631  | 10,219,472          | 9,960,706           | 3,611,178            |
| Gain on valuation of investments using the equity method (Note 6) | 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  | 13,577,470  | 12,964,949          | 18,619,987          | 14,722,829           |
|   | <u>232,560,037</u>                                  | <u>117,557,523</u>  | <u>338,959,889</u>  | <u>227,141,508</u>   |
| Non-operating expenses:   |   |                     |                     |                      |
| Interest expense  | 17,337,786  | 48,460,035          | 38,218,176          | 110,118,952          |
| Loss on foreign currency transactions                             | 39,868,882  | 47,603,886          | 97,729,685          | 77,540,122           |
| Loss on foreign currency translation                              | 3,618,750   | 48,854,387          | 38,525,066          | 6,101,172            |
| Loss on impairment of investments (Note 5)                        | 1,259,433   | -                   | 3,613,051           | 8,334,686            |
| Loss on disposal of property, plant and equipment                 | 1,503,065   | 3,252,692           | 2,511,280           | 4,105,271            |
| Loss on disposal of available-for-sales securities                | 80,266,542  | 186,183             | 80,266,542          | 186,183              |
| Loss on redemption of debentures                                  | 1,487,430   | 2,310,345           | 1,487,430           | 2,310,345            |
| Others  | 12,434,203  | 9,557,399           | 42,334,549          | 26,732,837           |
|   | <u>157,776,091</u>                                  | <u>160,224,927</u>  | <u>304,685,779</u>  | <u>235,429,568</u>   |
| Ordinary income   | 78,098,970  | 44,910,151          | 103,983,722         | 160,782,457          |
| Extraordinary items   | -   | -                   | -                   | -                    |
| Net income before income tax                                      | 78,098,970  | 44,910,151          | 103,983,722         | 160,782,457          |
| Income tax expense (Note 19)                                      | 24,610,168  | 15,626,044          | 30,336,083          | 50,107,508           |
| Net income  | <u>₩ 53,488,802</u>                                 | <u>₩ 29,284,107</u> | <u>₩ 73,647,639</u> | <u>₩ 110,674,949</u> |
| Ordinary income per share (Note 20)                               | <u>₩ 829</u>  | <u>₩ 554</u>        | <u>₩ 1,142</u>      | <u>₩ 2,094</u>       |
| Earnings per share (Note 20)                                      | <u>₩ 829</u>  | <u>₩ 554</u>        | <u>₩ 1,142</u>      | <u>₩ 2,094</u>       |

See accompanying notes to non-consolidated financial statements.