

HYUNDAI HEAVY INDUSTRIES CO., LTD.

NON-CONSOLIDATED BALANCE SHEETS

AS OF JUNE 30, 2006 AND DECEMBER 31, 2005

<u>ASSETS</u>	<u>Korean won</u>	
	<u>2006</u>	<u>2005</u>
	(In thousands)	
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents (Notes 3 and 20)	₩ 663,088,873	₩ 444,514,550
Short-term financial instruments	24,126,014	184,126,014
Short-term investment securities (Note 5)	40,886,909	20,776,448
Trade accounts and notes receivable, net of allowance for doubtful accounts of ₩51,376,441 thousand as of June 30, 2006 and ₩52,362,787 thousand as of December 31, 2005 (Notes 16, 19 and 20)	2,242,349,059	2,276,108,071
Accounts receivable-other, net of allowance for doubtful accounts of ₩299,534,669 thousand as of June 30, 2006 and ₩182,055,776 thousand as of December 31, 2005 (Notes 19 and 20)	210,974,711	244,615,919
Inventories (Note 4)	1,111,177,416	1,148,317,437
Advanced payments, net of allowance for doubtful accounts of ₩13,846,356 thousand as of June 30, 2006 and ₩4,099,087 thousand as of December 31, 2005	425,220,520	287,752,506
Accrued income	21,394,142	6,539,835
Derivatives (Note 11)	380,823,128	246,768,569
Deferred income tax assets (Note 17)	-	5,474,278
Prepaid expenses and other current assets (Notes 19 and 20)	<u>391,999,959</u>	<u>303,508,856</u>
Total current assets	<u>5,512,040,731</u>	<u>5,168,502,483</u>
<b>NON-CURRENT ASSETS:</b>		
Property, plant and equipment, net (Notes 7, 11 and 21)	4,319,853,096	4,286,543,141
Long-term investment securities (Note 5)	489,558,889	553,169,451
Investment securities accounted for using the equity method (Note 6)	1,537,369,016	1,150,538,105
Long-term trade accounts and notes receivable, net of allowance for doubtful accounts of ₩1,517,830 thousand as of June 30, 2006 and ₩1,984,850 thousand as of December 31, 2005 (Notes 11 and 20)	150,265,143	196,500,217
Long-term financial instruments (Notes 3 and 20)	6,604,476	6,775,068
Intangible assets (Notes 8 and 21)	208,539,968	191,142,413
Other investment assets (Notes 19 and 20)	<u>39,925,592</u>	<u>39,937,237</u>
Total non-current assets	<u>6,752,116,180</u>	<u>6,424,605,632</u>
Total Assets	<u>₩ 12,264,156,911</u>	<u>₩ 11,593,108,115</u>

(Continued)

HYUNDAI HEAVY INDUSTRIES CO., LTD.

NON-CONSOLIDATED BALANCE SHEETS (CONTINUED)

AS OF JUNE 30, 2006 AND DECEMBER 31, 2005

<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>	<u>Korean won</u>	
	<u>2006</u>	<u>2005</u>
	(In thousands)	
<b>CURRENT LIABILITIES:</b>		
Current maturities of long-term borrowings and other long-term liabilities (Notes 9 and 20)	₩ 353,253	₩ 372,639
Trade accounts and notes payable (Notes 19 and 20)	1,085,208,288	1,108,899,843
Accounts payable-other (Notes 19 and 20)	214,694,287	88,868,629
Advances from customers (Note 16)	5,908,099,874	5,701,603,630
Accrued expenses	303,903,196	207,777,063
Income tax payable (Note 17)	70,528,942	13,946,921
Deferred income tax liabilities (Note 17)	10,364,616	-
Derivatives (Note 11)	40,076,601	25,862,517
Withholdings and other current liabilities (Note 20)	<u>145,307,565</u>	<u>233,168,366</u>
Total current liabilities	<u>7,778,536,622</u>	<u>7,380,499,608</u>
<b>LONG-TERM LIABILITIES:</b>		
Debentures and long-term borrowings, net of discounts of ₩918,335 thousand as of June 30, 2006 and ₩1,122,534 thousand as of December 31, 2005 (Notes 9 and 20)	191,141,665	201,850,105
Accrued severance benefits, net of severance insurance deposits and others of ₩836,706,453 thousand as of June 30, 2006 and ₩867,585,305 thousand as of December 31, 2005 (Note 10)	224,717,049	151,250,487
Long-term accrued expenses (Note 12)	2,699,379	47,064,964
Deferred income tax liabilities (Note 17)	84,191,790	10,047,955
Other long-term liabilities (Note 20)	<u>49,623,629</u>	<u>40,857,986</u>
Total long-term liabilities	<u>552,373,512</u>	<u>451,071,497</u>
Total Liabilities	<u>8,330,910,134</u>	<u>7,831,571,105</u>
<b>SHAREHOLDERS' EQUITY:</b>		
Capital stock - common stock (Note 1)	380,000,000	380,000,000
Capital surplus (Note 13)	2,771,383,687	2,771,383,687
Appropriated retained earnings (Note 14)	579,385,441	492,811,543
Retained earnings before appropriations (Net income of ₩215,266,596 thousand for the six months ended June 30, 2006 and ₩183,314,079 thousand for the year ended December 31, 2005)	215,266,598	183,314,085
Capital adjustments (Notes 5, 6, 11 and 15)	<u>(12,788,949)</u>	<u>(65,972,305)</u>
Total Shareholders' Equity	<u>3,933,246,777</u>	<u>3,761,537,010</u>
Total Liabilities and Shareholders' Equity	<u>₩ 12,264,156,911</u>	<u>₩ 11,593,108,115</u>

See accompanying notes to non-consolidated financial statements.