

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2006 AND 2005

<u>ASSETS</u>	Korean won	
	2006	2005
	(In thousands)	
CURRENT ASSETS:		
Cash and cash equivalents (Notes 3, 22 and 24)	₩ 1,201,921,757	₩ 759,508,387
Short-term financial instruments (Notes 3 and 13)	1,568,969,791	1,091,765,218
Short-term investment securities (Note 4)	792,817,689	395,773,375
Trade accounts and notes receivable, net of allowance for doubtful accounts of ₩99,208 million in 2006 and ₩66,972 million in 2005 (Notes 13, 21 and 22)	3,019,782,700	3,084,461,111
Accounts receivable-other, net of allowance for doubtful accounts of ₩241,908 million in 2006 and ₩123,594 million in 2005 (Notes 14, 21 and 22)	193,466,146	198,280,651
Inventories (Note 2)	1,592,432,649	1,539,036,642
Advanced payments, net of allowance for doubtful accounts of ₩14,885 million in 2006 and ₩5,017 million in 2005	603,244,721	484,343,576
Accrued income, net of allowance for doubtful accounts of ₩6 million in 2006 and ₩5 million in 2005	28,821,656	25,315,697
Financial assets, net of allowance for doubtful accounts of ₩1,934 million in 2006 and ₩1,840 million in 2005	17,691,700	40,560,000
Derivatives (Note 13)	644,643,504	292,555,109
Deferred income tax assets (Note 19)	550,152	14,184,909
Other current assets, net of allowance for doubtful accounts of ₩3 million in 2005	570,021,139	576,223,093
Total current assets	<u>10,234,363,604</u>	<u>8,502,007,768</u>
NON-CURRENT ASSETS:		
Long-term investment securities (Note 6 and 22)	819,938,952	827,199,621
Investment securities accounted for using the equity method (Note 7)	939,065,525	441,909,530
Long-term trade accounts and notes receivable, net of allowance for doubtful accounts of ₩1,298 million in 2006 and ₩1,985 million in 2005 (Notes 13 and 22)	128,547,184	196,500,217
Long-term financial instruments (Notes 3 and 22)	9,173,075	6,957,772
Derivatives (Note 13)	38,331,112	-
Deferred income tax assets (Note 19)	37,056,789	4,016,730
Venture investments (Notes 5 and 13)	17,876,421	32,623,296
Other investment assets, net of allowance for doubtful accounts of ₩2 million in 2006 and ₩2 million in 2005	71,604,304	122,739,465
Property, plant and equipment, net (Notes 8, 10, 11 and 13)	6,003,977,727	5,801,628,475
Intangible assets (Notes 9 and 23)	273,011,476	259,881,113
Total non-current assets	<u>8,338,582,565</u>	<u>7,693,456,219</u>
Total Assets	<u>₩ 18,572,946,169</u>	<u>₩ 16,195,463,987</u>

(Continued)

HYUNDAI HEAVY INDUSTRIES CO., LTD. AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (CONTINUED)
AS OF DECEMBER 31, 2006 AND 2005

<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>	Korean won	
	2006	2005
	(In thousands)	
CURRENT LIABILITIES:		
Short-term borrowings (Notes 10 and 22)	₩ 261,944,066	₩ 469,949,841
Current maturities of debentures and long-term borrowings, net of discount of ₩1 million in 2006 (Notes 11 and 22)	32,349,132	50,587,696
Trade accounts and notes payable (Notes 21 and 22)	1,537,101,094	1,459,129,795
Accounts payable-other (Notes 14, 21 and 22)	183,825,677	232,298,250
Advances from customers	10,055,824,610	8,623,455,003
Income tax payable (Note 19)	257,590,055	56,623,028
Deferred income tax liabilities (Note 19)	90,488,438	7,125,665
Derivatives (Note 13)	2,656,246	41,968,176
Other current liabilities	667,267,955	713,243,697
Total current liabilities	13,089,047,273	11,654,381,151
LONG-TERM LIABILITIES:		
Debentures and long-term borrowings, net of discount of ₩711 million in 2006 and ₩1,124 million in 2005 (Notes 11 and 22)	304,665,362	353,775,168
Accrued severance benefits, net of severance insurance deposits and national pension of ₩1,101,928 million in 2006 and ₩1,022,739 million in 2005 (Note 12)	284,307,181	246,022,760
Long-term accrued expenses	2,269,234	47,064,964
Deferred income tax liabilities (Note 19)	169,673,170	46,792,218
Other long-term liabilities	83,739,202	67,772,171
Total long-term liabilities	844,654,149	761,427,281
Total Liabilities	13,933,701,422	12,415,808,432
COMMITMENTS AND CONTINGENCIES (Note 13)		
SHAREHOLDERS' EQUITY:		
Capital stock - common stock (Note 1)	380,000,000	380,000,000
Capital surplus (Note 15)	2,766,579,800	2,749,023,698
Retained earnings (Notes 16 and 27)		
(Net income of ₩703,570 million in 2006 and ₩174,725 million in 2005, and loss in excess of minority interests of ₩56,899 million in 2006 and ₩56,185 million in 2005)	1,276,282,456	651,888,733
Capital adjustments (Notes 4, 5, 6, 7, 13 and 17)	(394,815,347)	(460,031,609)
Minority interests	611,197,838	458,774,733
Total Shareholders' Equity	4,639,244,747	3,779,655,555
Total Liabilities and Shareholders' Equity	₩ 18,572,946,169	₩ 16,195,463,987

See accompanying notes to consolidated financial statements.