

SSANGYONG MOTOR COMPANY

BALANCE SHEETS

AS OF DECEMBER 31, 2005 AND 2004

ASSETS	Korean Won		Translation into U.S. Dollars	
	2005	2004	2005	2004
	(In thousands)		(In thousands)	
CURRENT ASSETS:				
Cash and cash equivalents	₩ 260,546,428	₩ 11,078,494	\$ 257,203	\$ 10,936
Short-term financial instruments	6,564,783	57,658,756	6,481	56,919
Available-for-sale securities	23,012	1,578	23	2
Trade receivables	213,886,565	212,678,355	211,142	209,949
Short-term loans	1,551,744	1,527,319	1,532	1,508
Other receivables	16,988,862	32,144,842	16,771	31,732
Advanced payments	28,843,171	56,697,686	28,473	55,970
Prepaid expenses	3,263,420	4,442,680	3,222	4,386
Deferred tax assets	17,056,853	-	16,838	-
Inventories	336,247,561	364,799,842	331,932	360,118
Other current assets	1,126,510	1,432,969	1,113	1,414
	<u>886,098,909</u>	<u>742,462,521</u>	<u>874,730</u>	<u>732,934</u>
NON-CURRENT ASSETS:				
Long-term financial instruments	8,000	16,000	8	16
Available-for-sale securities	1,563,097	1,574,499	1,543	1,554
Equity securities using the equity method	2,130,709	1,924,494	2,103	1,900
Long-term loans	30,198,916	33,514,335	29,811	33,084
Long-term trade receivables	78,191	6,200	77	6
Guarantee deposits	44,451,593	38,748,813	43,881	38,252
Advances for employee contribution	9,037,390	7,012,370	8,921	6,922
Deferred tax assets	121,189,737	184,047,415	119,634	181,686
Other investments in properties	500,394	623,206	494	615
Property, plant and equipment, net	1,537,168,826	1,513,529,133	1,517,442	1,494,106
Intangible assets	76,415,512	86,740,011	75,435	85,627
	<u>1,822,742,365</u>	<u>1,867,736,476</u>	<u>1,799,349</u>	<u>1,843,768</u>
Total Assets	<u>₩2,708,841,274</u>	<u>₩2,610,198,997</u>	<u>\$ 2,674,079</u>	<u>\$ 2,576,702</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:

Trade payables	₩ 511,288,964	₩ 465,203,428	\$ 504,728	\$ 459,233
Short-term borrowings	99,400,920	58,956,512	98,125	58,200
Other payables	215,835,146	202,957,883	213,065	200,353
Advances from customers	9,861,385	6,468,733	9,735	6,386
Withholdings	22,803,792	14,251,610	22,511	14,069
Accrued expenses	24,499,248	36,802,429	24,185	36,330
Current-portion of long-term debt	-	79,328,495	-	78,310
Accrued warranties and product liabilities	51,606,862	54,640,809	50,945	53,940
Other current liabilities	<u>1,997,598</u>	<u>1,550,674</u>	<u>1,972</u>	<u>1,532</u>
	<u>937,293,915</u>	<u>920,160,573</u>	<u>925,266</u>	<u>908,353</u>

LONG-TERM LIABILITIES:

Long-term debt	414,144,932	246,557,785	408,830	243,394
Accrued severance indemnities	169,973,155	158,548,702	167,792	156,514
Accrued warranties and product liabilities	57,121,558	50,934,508	56,389	50,281
Other long-term liabilities	<u>8,906,496</u>	<u>13,600,990</u>	<u>8,792</u>	<u>13,426</u>
	<u>650,146,141</u>	<u>469,641,985</u>	<u>641,803</u>	<u>463,615</u>
Total Liabilities	<u>1,587,440,056</u>	<u>1,389,802,558</u>	<u>1,567,069</u>	<u>1,371,968</u>

SHAREHOLDERS' EQUITY:

Capital stock	604,023,100	604,023,100	596,272	596,272
Capital surplus	15,440,281	15,440,281	15,242	15,242
Retained earnings	502,089,061	601,078,990	495,646	593,365
Capital adjustments:				
Gain on valuation of available-for-sale securities	56,973	67,327	56	66
Exchange differences on translation of financial statements of operations outside Korea	<u>(208,197)</u>	<u>(213,259)</u>	<u>(206)</u>	<u>(211)</u>
Total Shareholders' Equity	<u>1,121,401,218</u>	<u>1,220,396,439</u>	<u>1,107,010</u>	<u>1,204,734</u>
Total Liabilities and Shareholders' Equity	<u>₩2,708,841,274</u>	<u>₩2,610,198,997</u>	<u>\$ 2,674,079</u>	<u>\$ 2,576,702</u>

SSANGYONG MOTOR COMPANY
STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	Korean Won		Translation into U.S. Dollars	
	2005	2004	2005	2004
	(In thousands, except per share amounts)		(In thousands, except per share amounts)	
SALES	₩3,435,466,470	₩3,297,855,323	\$ 3,391,379	\$ 3,255,533
COST OF SALES	<u>2,804,183,849</u>	<u>2,665,962,860</u>	<u>2,768,197</u>	<u>2,631,750</u>
GROSS PROFIT	631,282,621	631,892,463	623,182	623,783
SELLING AND ADMINISTRATIVE EXPENSES	<u>633,395,959</u>	<u>600,849,611</u>	<u>625,267</u>	<u>593,139</u>
OPERATING INCOME (LOSS)	<u>(2,113,338)</u>	<u>31,042,852</u>	<u>(2,085)</u>	<u>30,644</u>
OTHER INCOME (EXPENSES):				
Interest income	6,369,584	7,892,292	6,288	7,791
Interest expense	(31,803,487)	(37,367,700)	(31,395)	(36,888)
Reversal of allowance for doubtful accounts	5,816,194	31,503,989	5,742	31,100
Loss on disposal of available-for-sale securities	(71,635)	(2,578,332)	(71)	(2,545)
Gain using the equity method	201,154	283,249	199	280
Loss on disposal of investments	(191,648)	(41,019)	(189)	(40)
Loss on disposal of property, plant and equipment	(3,966,339)	(12,342,038)	(3,915)	(12,184)
Impairment loss of property, plant and equipment	(49,902,536)	(3,021,785)	(49,263)	(2,983)
Recovery of impairment loss of property, plant and equipment	6,033,648	17,767,566	5,956	17,540
Gain on foreign currency transactions	15,169,072	2,208,550	14,974	2,180
Gain (loss) on foreign currency translation	3,505,109	(1,137,571)	3,460	(1,123)
Reparation for product warranty expenses	11,847,362	16,620,007	11,695	16,407
Depreciation expense on assets not in use	(222,562)	(174,022)	(220)	(172)
Fees earned	1,512,480	6,535,495	1,493	6,452
Donations	(191,178)	(1,013,460)	(189)	(1,000)
Others	<u>(21,230,535)</u>	<u>2,116</u>	<u>(20,959)</u>	<u>1</u>
	<u>(57,125,317)</u>	<u>25,137,337</u>	<u>(56,394)</u>	<u>24,816</u>

ORDINARY INCOME (LOSS)	(59,238,655)	56,180,188	(58,479)	55,460
EXTRAORDINARY ITEM	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
INCOME (LOSS) BEFORE INCOME TAX	(59,238,655)	56,180,188	(58,479)	55,460
INCOME TAX EXPENSE	<u>(44,121,531)</u>	<u>(44,791,451)</u>	<u>(43,555)</u>	<u>(44,217)</u>
NET INCOME (LOSS)	<u>₩ (103,360,186)</u>	<u>₩ 11,388,737</u>	<u>\$ (102,034)</u>	<u>\$ 11,243</u>
ORDINARY INCOME (LOSS) PER SHARE	<u>₩ (856)</u>	<u>₩ 94</u>	<u>\$ (0.85)</u>	<u>\$ 0.09</u>
NET INCOME (LOSS) PER SHARE	<u>₩ (856)</u>	<u>₩ 94</u>	<u>\$ (0.85)</u>	<u>\$ 0.09</u>