

SSANGYONG MOTOR COMPANY

BALANCE SHEETS

AS OF DECEMBER 31, 2006 AND 2005

ASSETS	Korean Won		Translation into U.S. Dollars (Note 2)	
	2006	2005	2006	2005
	(In thousands)		(In thousands)	
CURRENT ASSETS:				
Cash and cash equivalents (Note 15)	₩ 133,741,387	₩ 260,546,428	\$143,870	\$280,278
Short-term financial instruments (Notes 3 and 15)	4,577,074	6,564,783	4,924	7,062
Available-for-sale securities (Note 5)	1,048,505	23,012	1,128	25
Trade receivables, net of allowance for doubtful accounts of ₩2,569,481 thousand in 2006 and ₩2,818,935 thousand in 2005, and present value discount of ₩ 213,715 thousand in 2006 and ₩ 338,795 thousand in 2005 (Notes 12, 15 and 21)	176,181,101	213,886,565	189,524	230,085
Short-term loans, net of allowance for doubtful accounts of ₩22,982 thousand in 2006 and ₩22,854 thousand in 2005 (Note 6)	1,797,041	1,551,744	1,933	1,669
Other receivables, net of allowance for doubtful accounts of ₩3,173,866 thousand in 2006 and ₩4,557,008 thousand in 2005 (Notes 15 and 21)	25,298,111	16,988,862	27,214	18,275
Advanced payments, net of allowance for doubtful accounts of ₩ 22,526 thousand in 2006 and ₩220,344 thousand in 2005	9,003,444	8,120,807	9,685	8,736
Prepaid expenses	2,661,899	3,263,420	2,863	3,511
Deferred tax assets (Note 19)	-	17,056,853	-	18,349
Inventories, net of allowance for valuation of ₩11,817,992 thousand in 2006 and ₩8,430,189 thousand in 2005 (Notes 2, 4 and 7)	334,715,482	336,247,561	360,064	361,712
Derivative assets (Note 23)	2,540,053	-	2,732	-
Other current assets, net of allowance for doubtful accounts of ₩81 thousand in 2006 and ₩2,407 thousand in 2005	3,486,934	1,126,510	3,751	1,211
	<u>695,051,031</u>	<u>865,376,545</u>	<u>747,688</u>	<u>930,913</u>
NON-CURRENT ASSETS:				
Long-term financial instruments (Note 3)	9,000	8,000	10	9
Available-for-sale securities (Note 5)	1,404,167	1,563,097	1,511	1,681
Equity securities using the equity method (Note 5)	2,241,605	2,130,709	2,411	2,292
Long-term loans, net of allowance for doubtful accounts of ₩292,784 thousand in 2006 and ₩359,446 thousand in 2005 (Note 6)	27,084,146	30,198,916	29,135	32,486
Long-term trade receivables, net of allowance for doubtful accounts of ₩5,853 thousand in 2006 and ₩1,015 thousand in 2005, and present value discount of ₩96,423 thousand in 2006 and ₩809 thousand in 2005 (Note 12)	483,018	78,191	520	84
Guarantee deposits, net of allowance for doubtful accounts of ₩333,492 thousand in 2006 and ₩410,560 thousand in 2005	36,561,563	44,451,593	39,330	47,818
Advances for employee contribution	10,086,200	9,037,390	10,850	9,722
Deferred tax assets (Note 19)	-	121,189,737	-	130,368
Other investments in properties (Note 9)	2,737,552	500,394	2,945	537
Property, plant and equipment, net (Notes 2, 7, 8 and 9)	1,507,794,423	1,557,891,190	1,621,982	1,675,873
Intangible assets (Notes 10 and 16)	67,842,110	76,415,512	72,980	82,203
	<u>1,656,243,784</u>	<u>1,843,464,729</u>	<u>1,781,674</u>	<u>1,983,073</u>
Total Assets	<u>₩ 2,351,294,815</u>	<u>₩2,708,841,274</u>	<u>\$2,529,362</u>	<u>\$2,913,986</u>

(Continued)

SSANGYONG MOTOR COMPANY
BALANCE SHEETS (CONTINUED)
AS OF DECEMBER 31, 2006 AND 2005

	Korean Won		Translation into U.S. Dollars (Note 2)	
	2006	2005	2006	2005
	(In thousands)		(In thousands)	
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES:				
Trade payables (Notes 15 and 21)	₩ 523,523,282	₩ 511,288,964	\$ 563,170	\$ 550,010
Short-term borrowings (Notes 11, 15 and 23)	70,924,116	99,400,920	76,295	106,929
Other payables (Notes 15, 21 and 24)	197,411,866	215,835,146	212,363	232,180
Advances from customers	7,800,240	9,861,385	8,391	10,608
Withholdings	18,328,153	22,803,792	19,716	24,531
Accrued expenses (Note 15)	25,188,676	24,499,248	27,096	26,355
Accrued warranties and product liabilities (Notes 12 and 13)	47,071,684	51,606,862	50,636	55,515
Derivative liabilities (Note 23)	6,250,007	-	6,723	-
Other current liabilities	3,820,827	1,997,598	4,111	2,148
	<u>900,318,851</u>	<u>937,293,915</u>	<u>968,501</u>	<u>1,008,276</u>
LONG-TERM LIABILITIES:				
Debentures, net of present value discount of ₩651,688 thousand in 2006 (Notes 8, 11 and 12)	299,348,312	-	322,018	-
Long-term debt, net of present value discount of ₩ 5,855,068 thousand in 2005 (Notes 8, 11 and 15)	-	414,144,932	-	445,509
Accrued severance indemnities, net of National Pension Fund of ₩1,790,672 thousand in 2006 and ₩2,788,827 thousand in 2005, and severance insurance deposits of ₩5,635,518 thousand in 2006 and ₩6,688,657 thousand in 2005 (Note 2)	165,377,040	169,973,155	177,901	182,845
Accrued warranties and product liabilities (Notes 12 and 13)	55,495,518	57,121,558	59,698	61,447
Other long-term liabilities	5,413,856	8,906,496	5,825	9,582
	<u>525,634,726</u>	<u>650,146,141</u>	<u>565,442</u>	<u>699,383</u>
Total Liabilities	<u>1,425,953,577</u>	<u>1,587,440,056</u>	<u>1,533,943</u>	<u>1,707,659</u>
SHAREHOLDERS' EQUITY:				
Capital stock (Note 14)	604,023,100	604,023,100	649,767	649,767
Capital surplus (Note 14)	15,440,281	15,440,281	16,610	16,610
Retained earnings (Net loss of ₩195,961,755 thousand for the year ended December 31 , 2006 and ₩103,360,186 thousand for the year ended December 31, 2005) (Note 14)	306,127,307	502,089,061	329,311	540,113
Capital adjustments:				
Gain on valuation of available-for-sale securities (Notes 5 and 19)	90,434	56,973	97	61
Exchange differences on translation of financial statements of operations outside Korea (Note 5)	(339,884)	(208,197)	(366)	(224)
Total Shareholders' Equity	<u>925,341,238</u>	<u>1,121,401,218</u>	<u>995,419</u>	<u>1,206,327</u>
Total Liabilities and Shareholders' Equity	<u>₩ 2,351,294,815</u>	<u>₩2,708,841,274</u>	<u>\$2,529,362</u>	<u>\$2,913,986</u>

See accompanying notes to the financial statements.

SSANGYONG MOTOR COMPANY

STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	Korean Won		Translation into U.S. Dollars (Note 2)	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	(In thousands, except per share amounts)		(In thousands, except per share amounts)	
SALES (Notes 21,26 and 30)	₩ 2,951,836,878	₩ 3,403,697,398	\$ 3,175,384	\$ 3,661,464
COST OF SALES (Note 21)	<u>2,386,681,403</u>	<u>2,804,183,849</u>	<u>2,567,428</u>	<u>3,016,549</u>
GROSS PROFIT	565,155,475	599,513,549	607,956	644,915
SELLING AND ADMINISTRATIVE EXPENSES (Note 18)	<u>537,885,775</u>	<u>601,626,887</u>	<u>578,621</u>	<u>647,189</u>
OPERATING INCOME (LOSS)	<u>27,269,700</u>	<u>(2,113,338)</u>	<u>29,335</u>	<u>(2,274)</u>
OTHER INCOME (EXPENSES):				
Interest income	5,799,461	6,369,584	6,239	6,852
Interest expense	(38,592,680)	(31,803,487)	(41,515)	(34,212)
Reversal of allowance for doubtful accounts, net	(842,969)	5,816,194	(907)	6,257
Loss on disposal of available-for-sale securities, net	(93,891)	(71,635)	(101)	(77)
Gain using the equity method, net (Note 5)	211,676	201,154	228	216
Loss on disposal of investments, net (Note 9)	(26,371)	(191,648)	(28)	(206)
Loss on disposal of property, plant and equipment, net	(1,804,474)	(3,966,339)	(1,941)	(4,267)
Loss on impairment of property, plant and equipment (Notes 2 and 9), net	(6,994,532)	(43,868,888)	(7,524)	(47,191)
Gain on foreign currency transactions, net	3,042,740	15,169,072	3,273	16,318
Gain on foreign currency translation, net (Note 15)	246,071	3,505,109	265	3,771
Reparation for product warranty expenses	8,292,753	11,847,362	8,921	12,745
Depreciation expense on assets not in use	(205,637)	(222,562)	(221)	(239)
Fees earned	27,374,051	1,512,480	29,447	1,627
Donations	(661,185)	(191,178)	(711)	(206)
Others, net (Notes 17 and 23)	<u>(80,742,570)</u>	<u>(21,230,535)</u>	<u>(86,860)</u>	<u>(22,840)</u>
	<u>(84,997,557)</u>	<u>(57,125,317)</u>	<u>(91,435)</u>	<u>(61,452)</u>
ORDINARY LOSS	(57,727,857)	(59,238,655)	(62,100)	(63,726)
EXTRAORDINARY ITEM	-	-	-	-
LOSS BEFORE INCOME TAX	(57,727,857)	(59,238,655)	(62,100)	(63,726)
INCOME TAX EXPENSE (Note 19)	<u>(138,233,898)</u>	<u>(44,121,531)</u>	<u>(148,702)</u>	<u>(47,462)</u>
NET LOSS (Note 26)	<u>₩ (195,961,755)</u>	<u>₩ (103,360,186)</u>	<u>\$ (210,802)</u>	<u>\$ (111,188)</u>
ORDINARY LOSS PER SHARE (Note 20)	<u>₩ (1,622)</u>	<u>₩ (856)</u>	<u>\$ (2)</u>	<u>\$ (1)</u>
NET LOSS PER SHARE (Note 20)	<u>₩ (1,622)</u>	<u>₩ (856)</u>	<u>\$ (2)</u>	<u>\$ (1)</u>

See accompanying notes to the financial statements.