

SSANGYONG MOTOR COMPANY

BALANCE SHEETS

AS OF MARCH 31, 2007 AND DECEMBER 31, 2006

ASSETS	Korean Won		Translation into U.S. Dollars (Note 2)	
	2007	2006	2007	2006
	(In thousands)		(In thousands)	
<b>CURRENT ASSETS:</b>				
Cash and cash equivalents (Note 15)	₩ 107,907,974	₩ 133,741,387	\$ 114,759	\$ 142,233
Short-term financial instruments (Notes 3 and 15)	3,743,959	4,577,074	3,982	4,868
Available-for-sale securities (Note 5)	1,037,576	1,048,505	1,103	1,115
Trade receivables, net of allowance for doubtful accounts of ₩2,836,847 thousand in 2007 and ₩2,569,481 thousand in 2006, and present value discount of ₩ 134,453 thousand in 2007 and ₩ 213,716 thousand in 2006 (Notes 12, 15 and 21)	205,910,940	176,181,101	218,984	187,367
Short-term loans, net of allowance for doubtful accounts of ₩39,352 thousand in 2007 and ₩22,983 thousand in 2006 (Note 6)	3,424,489	1,797,041	3,642	1,911
Other receivables, net of allowance for doubtful accounts of ₩3,425,039 thousand in 2007 and ₩3,173,866 thousand in 2006 (Notes 15 and 21)	13,126,023	25,298,111	13,959	26,904
Advanced payments, net of allowance for doubtful accounts of ₩ 82,773 thousand in 2007 and ₩22,526 thousand in 2006	11,965,584	9,003,444	12,725	9,575
Prepaid expenses	11,241,419	2,661,899	11,955	2,831
Inventories, net of allowance for valuation of ₩11,279,258 thousand in 2007 and ₩11,817,992 thousand in 2006 (Notes 2, 4 and 7)	303,143,067	334,715,482	322,390	355,967
Derivative assets (Note 23)	1,221,140	2,540,053	1,299	2,701
Other current assets, net of allowance for doubtful accounts of ₩144 thousand in 2007 and ₩81 thousand in 2006	144,261	3,486,934	153	3,707
	<u>662,866,432</u>	<u>695,051,031</u>	<u>704,951</u>	<u>739,179</u>
<b>NON-CURRENT ASSETS:</b>				
Long-term financial instruments (Note 3)	9,000	9,000	10	10
Available-for-sale securities (Note 5)	565,768	1,404,167	602	1,493
Equity securities using the equity method (Note 5)	2,353,709	2,241,605	2,503	2,384
Long-term loans, net of allowance for doubtful accounts of ₩281,466 thousand in 2007 and ₩292,784 thousand in 2006 (Note 6)	25,963,736	27,084,146	27,612	28,804
Long-term trade receivables, net of allowance for doubtful accounts of ₩3,599 thousand in 2007 and ₩5,853 thousand in 2006, and present value discount of ₩48,043 thousand in 2007 and ₩96,423 thousand in 2006 (Note 12)	308,231	483,018	328	514
Guarantee deposits, net of allowance for doubtful accounts of ₩ 298,741 thousand in 2007 and ₩333,492 thousand in 2006	33,121,188	36,561,563	35,224	38,883
Advances for employee contribution	10,372,630	10,086,200	11,031	10,727
Other investments in properties (Note 9)	8,089,761	2,737,552	8,603	2,911
Property, plant and equipment, net (Notes 2, 7, 8 and 9)	1,474,724,822	1,507,794,423	1,568,356	1,603,525
Intangible assets (Notes 10 and 16)	72,107,526	67,842,110	76,686	72,149
	<u>1,627,616,371</u>	<u>1,656,243,784</u>	<u>1,730,955</u>	<u>1,761,400</u>
<b>Total Assets</b>	<u>₩ 2,290,482,803</u>	<u>₩ 2,351,294,815</u>	<u>\$ 2,435,906</u>	<u>\$ 2,500,579</u>

(Continued)

SSANGYONG MOTOR COMPANY

BALANCE SHEETS (CONTINUED)

AS OF MARCH 31, 2007 AND DECEMBER 31, 2006

	Korean Won		Translation into U.S. Dollars (Note 2)	
	2007	2006	2007	2006
	(In thousands)		(In thousands)	
<b><u>LIABILITIES AND SHAREHOLDERS' EQUITY</u></b>				
<b>CURRENT LIABILITIES:</b>				
Trade payables (Notes 15 and 21)	₩ 499,771,752	₩ 523,523,282	\$ 531,502	\$ 556,762
Short-term borrowings (Notes 11 and 15)	54,635,507	70,924,116	58,104	75,427
Other payables (Notes 15, 21 and 24)	162,740,890	197,411,866	173,073	209,946
Advances from customers (Note 21)	11,731,507	7,800,240	12,476	8,295
Withholdings	14,733,334	18,328,153	15,669	19,492
Accrued expenses (Note 15)	16,406,777	25,188,676	17,448	26,788
Accrued warranties and product liabilities (Notes 12 and 13)	48,847,624	47,071,684	51,949	50,060
Derivative liabilities (Note 23)	5,873,347	6,250,007	6,246	6,647
Other current liabilities	11,291,962	3,820,827	12,011	4,063
	<u>826,032,700</u>	<u>900,318,851</u>	<u>878,478</u>	<u>957,480</u>
<b>LONG-TERM LIABILITIES:</b>				
Bond, net of present value discount of ₩ 580,948 thousand in 2007 and ₩ 651,688 thousand in 2006 (Notes 11 and 12)	299,419,052	299,348,312	318,429	318,354
Accrued severance indemnities, net of National Pension Fund of ₩1,569,887 thousand in 2007 and ₩1,790,672 thousand in 2006, and severance insurance deposits of ₩ 5,375,846 thousand in 2007 and ₩5,635,518 thousand in 2006 (Note 2)	167,184,912	165,377,040	177,800	175,877
Accrued warranties and product liabilities (Notes 12 and 13)	60,025,322	55,495,518	63,836	59,019
Other long-term liabilities	3,097,264	5,413,856	3,294	5,758
	<u>529,726,550</u>	<u>525,634,726</u>	<u>563,359</u>	<u>559,008</u>
<b>Total Liabilities</b>	<u>1,355,759,250</u>	<u>1,425,953,577</u>	<u>1,441,837</u>	<u>1,516,488</u>
<b>SHAREHOLDERS' EQUITY:</b>				
Capital stock (Note 14)	604,023,100	604,023,100	642,373	642,373
Capital surplus (Note 14)	15,440,281	15,440,281	16,421	16,421
<b>Accumulated other comprehensive income:</b>				
Gain on valuation of available-for-sale securities (Notes 5, 18 and 20)	96,036	90,434	102	96
Exchange differences on translation (credit) of financial statements of operations outside Korea (Notes 5 and 20)	33,662	-	36	-
Exchange differences on translation (debit) of financial statements of operations outside Korea (Notes 5 and 20)	(249,584)	(339,884)	(267)	(362)
Retained earnings (Note 14) (Net income of ₩9,252,751 thousand for the three months ended March 31, 2007 and net loss of ₩195,961,754 thousand for the year ended December 31, 2006)	315,380,058	306,127,307	335,404	325,563
<b>Total Shareholders' Equity</b>	<u>934,723,553</u>	<u>925,341,238</u>	<u>994,069</u>	<u>984,091</u>
<b>Total Liabilities and Shareholders' Equity</b>	<u>₩ 2,290,482,803</u>	<u>₩ 2,351,294,815</u>	<u>\$ 2,435,906</u>	<u>\$ 2,500,579</u>

See accompanying notes to the financial statements.

SSANGYONG MOTOR COMPANY

STATEMENTS OF OPERATIONS

FOR THE THREE MONTHS ENDED MARCH 31, 2007 AND 2006

	Korean Won		Translation into U.S. Dollars (Note 2)	
	2007	2006	2007	2006
	(In thousands, except per share amounts)		(In thousands, except per share amounts)	
SALES (Notes 2, 21 and 28)	₩ 833,865,462	₩ 725,653,242	\$ 886,808	\$ 771,725
COST OF SALES (Notes 2 and 21)	<u>665,147,026</u>	<u>615,332,053</u>	<u>707,378</u>	<u>654,399</u>
GROSS PROFIT	168,718,436	110,321,189	179,430	117,326
SELLING AND ADMINISTRATIVE EXPENSES (Notes 2, 16 and 17)	<u>140,771,577</u>	<u>135,578,631</u>	<u>149,709</u>	<u>144,187</u>
OPERATING INCOME (LOSS)	<u>27,946,859</u>	<u>(25,257,442)</u>	<u>29,721</u>	<u>(26,861)</u>
OTHER INCOME (EXPENSES):				
Interest income	1,037,079	2,276,676	1,103	2,421
Interest expense	(5,647,677)	(9,248,298)	(6,006)	(9,835)
Reversal (provision) of allowance for doubtful accounts, net	(289,346)	709,538	(308)	755
Gain on disposal of available-for-sale securities, net	4,386	315	5	0.34
Loss on using the equity method, net (Note 5)	(422,646)	(43,575)	(449)	(46)
Gain (loss) on disposal of investments, net (Note 9)	5,477,629	(197,572)	5,825	(210)
Loss on disposal of property, plant and equipment, net	(434,368)	(1,467,484)	(462)	(1,561)
Reversal of loss on impairment (impairment loss) of property, plant and equipment, net (Notes 2 and 9)	1,406,452	(38,126)	1,496	(41)
Gain on foreign currency transactions, net	704,823	4,338,425	750	4,614
Loss on foreign currency translation, net (Note 15)	(1,426,781)	(762,009)	(1,517)	(810)
Reparation for product warranty expenses	1,812,027	2,032,156	1,927	2,161
Depreciation expense on assets not in use	(50,963)	(52,001)	(54)	(55)
Fees earned	33,930	166,733	36	177
Donations	(26,297)	(512,095)	(28)	(545)
Loss on derivative valuation, net (Note 23)	(1,992,933)	(1,206,287)	(2,119)	(1,283)
Loss on derivative transaction, net (Note 23 )	(267,699)	-	(285)	-
Loss on disposal of trade receivables (Note 2)	(13,721,584)	(3,998,144)	(14,593)	(4,252)
Others, net	<u>(4,892,264)</u>	<u>3,042,786</u>	<u>(5,204)</u>	<u>3,236</u>
	<u>(18,696,232)</u>	<u>(4,958,962)</u>	<u>(19,883)</u>	<u>(5,274)</u>
INCOME (LOSS) BEFORE INCOME TAX	9,250,627	(30,216,404)	9,838	(32,135)
INCOME TAX BENEFITS (Note 18)	<u>(2,124)</u>	<u>(6,876,532)</u>	<u>(2)</u>	<u>(7,313)</u>
NET INCOME (LOSS)	<u>₩ 9,252,751</u>	<u>₩ (23,339,872)</u>	<u>\$ 9,840</u>	<u>\$ (24,822)</u>
NET INCOME (LOSS) PER SHARE (Note 19)	<u>₩ 77</u>	<u>₩ (193)</u>	<u>\$ 0.08</u>	<u>\$ (0.21)</u>

See accompanying notes to the financial statements.