

SSANGYONG MOTOR COMPANY

FINANCIAL STATEMENTS
FOR THE THREE MONTHS AND
NINE MONTHS ENDED
SEPTEMBER 30, 2007 AND 2006
AND INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Independent Accountants' Review Report

English Translation of a Report Originally Issued in Korean

To the Shareholders and Board of Directors of
Ssangyong Motor Company:

We have reviewed the accompanying balance sheet of Ssangyong Motor Company (the "Company") as of September 30, 2007, the related statements of operations for the three months and nine months ended September 30, 2007 and 2006, statements of cash flows for the nine months ended September 30, 2007 and 2006, and statement of changes in shareholders' equity for the nine months ended September 30, 2007, all expressed in Korean Won. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our reviews.

We conducted our reviews in accordance with the standards for review of interim financial statements in the Republic of Korea. Those standards require that we plan and perform the review to obtain moderate assurance about whether the financial statements are free of material misstatements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data, and this provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

Based on our reviews, nothing has come to our attention that cause us to believe that the financial statements referred to above are not presented fairly, in all material respects, in accordance with accounting principles generally accepted in the Republic of Korea (See Note 2).

We have previously audited, in accordance with auditing standards generally accepted in the Republic of Korea, the balance sheet of the Company as of December 31, 2006, which is presented in this report, and the related statements of operations, disposition of accumulated deficit and cash flows for the year then ended (not presented herein); and in our report dated January 26, 2007, we expressed an unqualified opinion on those financial statements. The accompanying balance sheet as of December 31, 2006, which is comparatively presented, does not differ in material respects from such audited balance sheet, except for what is explained in Note 2.

Our reviews also comprehended the translation of Korean Won amounts into U.S. dollar amounts and nothing has come to our attention that cause us to believe that such translation has not been made in conformity with the basis in Note 2. Such U.S. dollar amounts are presented solely for the convenience of the reader outside of Korea.

Accounting principles and review standards and their application in practice vary among countries. The accompanying financial statements are not intended to present the financial position, results of operations, cash flows and changes in shareholders' equity in accordance with accounting principles and practices generally accepted in countries other than the Republic of Korea. In addition, the procedures and practices utilized in the Republic of Korea to review such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying financial statements are for use by those knowledgeable about Korean accounting procedures and review standards and their application in practice.

October 16, 2007

Notice to Readers

This report is effective as of October 16, 2007, the accountants' review report date. Certain subsequent events or circumstances may have occurred between the accountants' review report date and the time the accountants' review report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modifications to the accountants' review report.

SSANGYONG MOTOR COMPANY
BALANCE SHEETS
AS OF SEPTEMBER 30, 2007 AND DECEMBER 31, 2006

<u>ASSETS</u>	Korean won		Translation into U.S. Dollars (Note 2)	
	2007	2006	2007	2006
	(In thousands)		(In thousands)	
CURRENT ASSETS:				
Cash and cash equivalents (Notes 15 and 24)	₩ 234,307,383	₩ 133,741,387	\$ 254,488	\$ 145,261
Short-term financial instruments (Notes 3 and 15)	104,698,031	4,577,074	113,716	4,971
Available-for-sale securities (Note 5)	12,233	1,048,505	13	1,139
Trade receivables, net of allowance for doubtful accounts of ₩ 2,569,963 thousand in 2007 and ₩ 2,569,481 thousand in 2006, and present value discount of ₩ 74,561 thousand in 2007 and ₩ 213,716 thousand in 2006 (Notes 12, 15 and 20)	177,615,522	176,181,101	192,914	191,356
Short-term loans, net of allowance for doubtful accounts of ₩ 30,655 thousand in 2007 and ₩ 22,983 thousand in 2006 (Note 6)	3,034,867	1,797,041	3,296	1,952
Other receivables, net of allowance for doubtful accounts of ₩ 2,561,528 thousand in 2007 and ₩ 3,173,866 thousand in 2006 (Notes 15 and 20)	13,586,875	25,298,111	14,757	27,477
Advanced payments, net of allowance for doubtful accounts of ₩ 217,545 thousand in 2007 and ₩ 22,526 thousand in 2006	22,975,498	9,003,444	24,954	9,779
Prepaid expenses	10,476,227	2,661,899	11,379	2,891
Inventories, net of allowance for valuation of ₩ 9,753,994 thousand in 2007 and ₩ 11,817,991 thousand in 2006 (Notes 2, 4 and 7)	281,649,217	334,715,482	305,908	363,545
Derivative assets (Note 22)	8,523,556	2,540,053	9,258	2,759
Other current assets, net of allowance for doubtful accounts of ₩ 26,778 thousand in 2007 and ₩ 81 thousand in 2006	3,200,149	3,486,934	3,476	3,787
	<u>860,079,558</u>	<u>695,051,031</u>	<u>934,159</u>	<u>754,917</u>
NON-CURRENT ASSETS:				
Long-term financial instruments (Note 3)	9,000	9,000	10	10
Available-for-sale securities (Note 5)	563,255	1,404,167	612	1,525
Equity securities using the equity method (Note 5)	2,096,732	2,241,605	2,277	2,435
Long-term loans, net of allowance for doubtful accounts of ₩ 282,928 thousand in 2007 and ₩ 292,784 thousand in 2006 (Note 6)	26,129,766	27,084,146	28,380	29,417
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 ₩ 30,451 thousand in 2007 and ₩ 96,423 thousand in 2006 (Note 12)	325,823	483,018	354	525
Guarantee deposits, net of allowance for doubtful accounts of ₩ 282,434 thousand in 2007 and ₩ 333,492 thousand in 2006	31,501,981	36,561,563	34,215	39,711
Advances for employee contribution	10,904,950	10,086,200	11,844	10,955
Other investments in properties (Note 9)	280,907	2,737,552	305	2,971
Property, plant and equipment, net (Notes 7, 8 and 9)	1,435,890,512	1,507,794,423	1,559,564	1,637,661
Intangible assets (Note 10)	78,161,633	67,842,110	84,894	73,685
	<u>1,585,864,559</u>	<u>1,656,243,784</u>	<u>1,722,455</u>	<u>1,798,895</u>
Total Assets	<u>₩ 2,445,944,117</u>	<u>₩ 2,351,294,815</u>	<u>\$ 2,656,614</u>	<u>\$ 2,553,812</u>

(Continued)

SSANGYONG MOTOR COMPANY
BALANCE SHEETS (CONTINUED)
AS OF SEPTEMBER 30, 2007 AND DECEMBER 31, 2006

<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>	<u>Korean won</u>		<u>Translation into</u> <u>U.S. Dollars (Note 2)</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	(In thousands)		(In thousands)	
CURRENT LIABILITIES:				
Trade payables (Notes 15 and 20)	₩ 391,169,273	₩ 523,523,282	\$ 424,861	\$ 568,614
Short-term borrowings (Notes 11 and 15)	56,641,691	70,924,116	61,520	77,033
Other payables (Notes 15, 20 and 23)	151,637,843	197,411,866	164,698	214,415
Advances from customers (Note 20)	9,987,681	7,800,240	10,848	8,472
Withholdings	10,372,780	18,328,153	11,266	19,907
Accrued expenses (Note 15)	27,221,524	25,188,676	29,566	27,358
Current portion of debentures, net of present value discount of ₩29,215 thousand in 2007 (Note 11)	149,970,785	-	162,888	-
Accrued warranties and product liabilities (Notes 12 and 13)	52,744,905	47,071,684	57,288	51,126
Derivative liabilities (Note 22)	9,269,865	6,250,007	10,068	6,788
Other current liabilities	<u>4,046,459</u>	<u>3,820,827</u>	<u>4,396</u>	<u>4,150</u>
	<u>863,062,806</u>	<u>900,318,851</u>	<u>937,399</u>	<u>977,863</u>
LONG-TERM LIABILITIES:				
Debentures, net of present value discount of ₩406,580 thousand in 2007 and ₩651,688 thousand in 2006 (Notes 8 and 11)	149,593,420	299,348,312	162,478	325,131
Convertible bonds, net of conversion right adjustment of ₩86,748,980 thousand in 2007, and discount on bonds of ₩3,707,254 thousand in 2007, and premium on bond redemption of ₩61,106,185 thousand in 2007 (Note 11)	222,001,951	-	241,123	-
Accrued severance indemnities, net of National Pension Fund of ₩1,232,331 thousand in 2007 and ₩1,790,672 thousand in 2006, and severance insurance deposits of ₩5,004,037 thousand in 2007 and ₩5,635,518 thousand in 2006	171,145,575	165,377,040	185,886	179,621
Accrued warranties and product liabilities (Notes 12 and 13)	65,208,684	55,495,518	70,825	60,275
Other long-term liabilities	<u>3,373,264</u>	<u>5,413,856</u>	<u>3,664</u>	<u>5,880</u>
	<u>611,322,894</u>	<u>525,634,726</u>	<u>663,976</u>	<u>570,908</u>
Total Liabilities	<u>1,474,385,700</u>	<u>1,425,953,577</u>	<u>1,601,375</u>	<u>1,548,771</u>

(Continued)

SSANGYONG MOTOR COMPANY
BALANCE SHEETS (CONTINUED)
AS OF SEPTEMBER 30, 2007 AND DECEMBER 31, 2006

<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>	Korean won		Translation into U.S. Dollars (Note 2)	
	2007	2006	2007	2006
	(In thousands)		(In thousands)	
SHAREHOLDERS' EQUITY:				
Capital stock (Note 14)	₩ 604,023,100	₩ 604,023,100	\$ 656,048	\$ 656,048
Capital surplus (Note 14)	44,914,324	15,440,281	48,783	16,770
Accumulated other comprehensive income (loss):				
Gain on valuation of available-for-sale securities (Notes 5, 17 and 19)	1,420	90,434	1	98
Capital changes due to investment securities using the equity method (Notes 5 and 19)	10,083	-	11	-
Negative capital changes due to investment securities using the equity method (Notes 5 and 19)	(239,433)	(339,884)	(260)	(369)
Retained earnings (Net income of ₩16,721,616 thousand for the nine months ended September 30, 2007 and net loss of ₩195,961,754 thousand for the year ended December 31, 2006) (Note 14)	<u>322,848,923</u>	<u>306,127,307</u>	<u>350,656</u>	<u>332,494</u>
Total Shareholders' Equity	<u>971,558,417</u>	<u>925,341,238</u>	<u>1,055,239</u>	<u>1,005,041</u>
Total Liabilities and Shareholders' Equity	<u>₩ 2,445,944,117</u>	<u>₩ 2,351,294,815</u>	<u>\$ 2,656,614</u>	<u>\$ 2,553,812</u>

See accompanying notes to the financial statements.

SSANGYONG MOTOR COMPANY
STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006

	Korean won				Translation into U.S. Dollars (Note 2)			
	2007		2006		2007		2006	
	Three months	Nine months	Three months	Nine months	Three months	Nine months	Three months	Nine months
	(In thousands, except per share amounts)				(In thousands, except per share amounts)			
SALES (Notes 2, 20 and 25)	₩ 745,450,960	₩ 2,378,610,298	₩ 604,385,551	₩ 2,107,347,038	\$ 809,657	\$ 2,583,480	\$ 656,441	\$ 2,288,853
COST OF SALES (Notes 2 and 20)	<u>598,367,636</u>	<u>1,914,931,979</u>	<u>471,663,308</u>	<u>1,706,546,943</u>	<u>649,905</u>	<u>2,079,865</u>	<u>512,288</u>	<u>1,853,532</u>
GROSS PROFIT	147,083,324	463,678,319	132,722,243	400,800,095	159,752	503,615	144,154	435,321
SELLING AND ADMINISTRATIVE EXPENSES (Note 16)	<u>130,582,329</u>	<u>406,265,886</u>	<u>115,741,727</u>	<u>393,796,505</u>	<u>141,830</u>	<u>441,258</u>	<u>125,710</u>	<u>427,714</u>
OPERATING INCOME	<u>16,500,995</u>	<u>57,412,433</u>	<u>16,980,516</u>	<u>7,003,590</u>	<u>17,922</u>	<u>62,357</u>	<u>18,443</u>	<u>7,607</u>
OTHER INCOME (EXPENSES):								
Interest income	4,306,506	6,813,471	1,258,837	5,118,834	4,677	7,400	1,367	5,560
Interest expense	(9,964,433)	(21,796,104)	(11,223,323)	(31,147,229)	(10,823)	(23,673)	(12,190)	(33,830)
Reversal of allowance for doubtful accounts (bad debt expense), net	960,219	596,464	(1,733,142)	(684,552)	1,043	648	(1,882)	(744)
Gain (loss) on disposal of available-for-sale securities, net	-	147,351	(97,995)	(95,985)	-	160	(106)	(104)
Gain (loss) on valuation of securities using the equity method, net (Note 5)	(16,820)	(666,195)	73,706	92,053	(18)	(724)	80	100
Gain (loss) on disposal of investments, net (Note 9)	(1,354)	7,921,948	177,378	(25,928)	(1)	8,604	193	(28)
Loss on disposal of property, plant and equipment, net	(429,523)	(943,347)	(124,454)	(1,782,305)	(467)	(1,025)	(135)	(1,936)

(Continued)

SSANGYONG MOTOR COMPANY
STATEMENTS OF OPERATIONS (CONTINUED)
FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006

	Korean won				Translation into U.S. Dollars (Note 2)			
	2007		2006		2007		2006	
	Three months	Nine months	Three months	Nine months	Three months	Nine months	Three months	Nine months
	(In thousands, except per share amounts)				(In thousands, except per share amounts)			
Reversal (loss) on impairment of property, plant and equipment, net (Note 9)	₩ (68,562)	₩ 1,328,392	₩ (4,565)	₩ (710,449)	\$ (74)	\$ 1,443	\$ (5)	\$ (772)
Gain (loss) on foreign currency transactions, net	(2,752,126)	(4,687,405)	(2,013,363)	1,395,152	(2,989)	(5,091)	(2,187)	1,515
Gain (loss) on foreign currency translation, net (Note 15)	(1,895,076)	(1,621,527)	2,641,978	1,629,700	(2,058)	(1,761)	2,870	1,770
Reparation for product warranty expenses	1,894,897	5,824,749	1,681,568	5,301,533	2,058	6,326	1,826	5,758
Depreciation expense on assets not in use	(48,018)	(149,944)	(51,069)	(154,569)	(52)	(163)	(55)	(168)
Fees earned	9,152,017	13,354,035	221,362	27,237,083	9,940	14,504	240	29,583
Donations	-	(117,297)	-	(604,095)	-	(127)	-	(656)
Gain (loss) on derivative valuation, net (Note 22)	(1,552,731)	(746,309)	2,822,812	(5,085,572)	(1,686)	(811)	3,066	(5,524)
Gain (loss) on derivative transactions, net (Note 22)	(1,938,374)	(3,152,377)	(43,067)	566,713	(2,105)	(3,424)	(47)	616
Loss on disposal of trade receivables (Note 2)	(12,838,688)	(37,204,362)	(1,634,920)	(9,690,769)	(13,944)	(40,409)	(1,776)	(10,525)
Others, net	(110,569)	(5,558,596)	(45,066,381)	(61,953,960)	(121)	(6,035)	(48,948)	(67,290)
	<u>(15,302,635)</u>	<u>(40,657,053)</u>	<u>(53,114,638)</u>	<u>(70,594,345)</u>	<u>(16,621)</u>	<u>(44,159)</u>	<u>(57,689)</u>	<u>(76,675)</u>
INCOME (LOSS) BEFORE INCOME TAX	1,198,360	16,755,380	(36,134,122)	(63,590,755)	1,302	18,199	(39,246)	(69,068)
INCOME TAX EXPENSE (BENEFITS) (Note 17)	(51)	33,764	11,613,677	1,748,065	-	37	12,614	1,898
NET INCOME (LOSS)	<u>₩ 1,198,411</u>	<u>₩ 16,721,616</u>	<u>₩ (47,747,799)</u>	<u>₩ (65,338,820)</u>	<u>\$ 1,302</u>	<u>\$ 18,162</u>	<u>\$ (51,860)</u>	<u>\$ (70,966)</u>
NET INCOME (LOSS) PER SHARE (Note 18)	<u>₩ 10</u>	<u>₩ 138</u>	<u>₩ (395)</u>	<u>₩ (541)</u>	<u>\$ 0.01</u>	<u>\$ 0.14</u>	<u>\$ (0.43)</u>	<u>\$ (0.59)</u>

See accompanying notes to the financial statements.

SSANGYONG MOTOR COMPANY
STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006

	Korean won		Translation into U.S. Dollars (Note 2)	
	2007	2006	2007	2006
	(In thousands)		(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income (loss)	₩ 16,721,616	₩ (65,338,820)	\$ 18,162	\$ (70,966)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Provision for severance indemnities	25,069,896	14,270,910	27,229	15,500
Depreciation	122,355,465	130,631,904	132,894	141,883
Warranty expense	526,707	451,676	572	491
Bad debt expense, net	335,843	684,552	365	744
Amortization of intangible assets	20,226,028	28,413,555	21,968	30,861
Amortization of present value discount	4,210,871	5,981,905	4,574	6,497
Loss (gain) on disposal of available-for-sale securities, net	(147,351)	95,985	(160)	104
Loss (gain) on valuation of securities using the equity method, net	666,195	(92,053)	724	(100)
Reversal of loss on valuation of inventories, net	(1,647,772)	(1,825,677)	(1,790)	(1,983)
Loss (gain) on foreign currency translation, net	1,621,527	(1,696,893)	1,761	(1,843)
Loss (gain) on disposal of investments, net	(7,921,948)	25,928	(8,604)	28
Loss on disposal of property, plant and equipment, net	943,347	1,782,305	1,025	1,936
Depreciation expense on assets not in use	149,944	154,569	163	168
Loss (reversal) on impairment of property, plant and equipment, net	(1,328,392)	710,449	(1,443)	772
Loss on derivative valuation, net	746,309	5,085,572	811	5,524
Loss (gain) on derivative transactions, net	3,152,377	(566,713)	3,424	(616)
Loss on disposal of trade receivables	37,204,362	9,690,769	40,409	10,525
Others, net	6,078,112	9,942,868	6,600	10,799
	<u>212,241,520</u>	<u>203,741,611</u>	<u>230,522</u>	<u>221,290</u>
Changes in assets and liabilities resulting from operations:				
Increase in trade receivables	(39,031,188)	(14,827,620)	(42,393)	(16,105)
Decrease in other receivables	12,321,594	10,982,988	13,383	11,929
Decrease (increase) in accrued income	(2,669,704)	238,796	(2,900)	259
Increase in advanced payments	(14,727,655)	(21,239,794)	(15,996)	(23,069)
Increase in prepaid expenses	(7,814,328)	(1,957,383)	(8,487)	(2,126)
Decrease (increase) in income tax refund receivables	2,929,793	(2,509,282)	3,182	(2,725)
Decrease in inventories	52,226,058	620,857	56,724	674
Decrease (increase) in long-term trade receivables	159,449	(27,078)	173	(29)
Decrease in deferred tax assets	-	1,748,065	-	1,899
Decrease in trade payables	(132,845,906)	(183,203,241)	(144,288)	(198,983)
Decrease in other payables	(46,038,222)	(54,870,368)	(50,003)	(59,596)
Increase in advances received	2,187,441	451,202	2,376	490

(Continued)

SSANGYONG MOTOR COMPANY
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006

	Korean won		Translation into U.S. Dollars (Note 2)	
	2007	2006	2007	2006
	(In thousands)		(In thousands)	
Decrease in withholdings	₩ (7,955,373)	₩ (6,318,770)	\$ (8,641)	\$ (6,863)
Increase in accrued expenses	2,026,837	477,247	2,201	518
Increase (decrease) in warranties and product liabilities	15,386,388	(10,238,280)	6,162	(5,058)
Payments of severance indemnities	(24,347,902)	(32,820,610)	(26,445)	(35,647)
Decrease in severance insurance deposits	631,481	802,407	686	872
Decrease in National Pension Fund	558,340	777,106	606	844
Increase (decrease) in other long-term liabilities	(2,040,591)	727,358	(2,216)	790
In crease (decrease) in other current liabilities and others, net	<u>904,692</u>	<u>(2,225,699)</u>	<u>11,532</u>	<u>(3,646)</u>
	<u>(188,138,796)</u>	<u>(308,960,701)</u>	<u>(204,344)</u>	<u>(335,572)</u>
Net cash provided by (used in) operating activities	<u>40,824,340</u>	<u>(170,557,910)</u>	<u>44,340</u>	<u>(185,248)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Withdrawal (acquisition) of short-term financial instruments, net	(100,120,958)	2,848,047	(108,744)	3,093
Withdrawal of long - term financial instruments, net	-	(1,000)	-	(1)
Collection of short-term loans, net	4,417,750	1,782,615	4,798	1,936
Collection (extension) of long-term loans, net	(4,707,409)	1,368,576	(5,113)	1,486
Withdrawal of guarantee deposits, net	5,831,640	4,848,137	6,334	5,266
Disposal (acquisition) of available-for-sale securities, net	1,099,825	(89,345)	1,195	(97)
Acquisition of property, plant and equipment, net	(61,671,915)	(76,647,242)	(66,984)	(83,249)
Acquisition of intangible assets	(27,677,256)	(16,037,748)	(30,061)	(17,419)
Decrease (settlement) of derivative, net	(6,862,331)	566,713	(7,453)	616
Other investments in properties and others, net	<u>17,370,658</u>	<u>(1,652,091)</u>	<u>18,866</u>	<u>(1,794)</u>
Net cash used in investing activities	<u>(172,319,996)</u>	<u>(83,013,338)</u>	<u>(187,162)</u>	<u>(90,163)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from short-term borrowings	237,227,961	421,027,737	257,660	457,291
Repayment of short-term borrowings	(252,647,325)	(281,920,401)	(274,408)	(306,202)
Repayment of long-term debt	-	(420,000,000)	-	(456,175)
Proceeds from debentures	-	299,151,931	-	324,918
Proceeds from convertible bonds	<u>247,481,016</u>	<u>-</u>	<u>268,797</u>	<u>-</u>
Net cash provided by financing activities	<u>232,061,652</u>	<u>18,259,267</u>	<u>252,049</u>	<u>19,832</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	100,565,996	(235,311,981)	109,227	(255,579)
CASH AND CASH EQUIVALENTS, AT THE BEGINNIG OF THE PERIOD	<u>133,741,387</u>	<u>260,546,428</u>	<u>145,261</u>	<u>282,987</u>
CASH AND CASH EQUIVALENTS, AT THE END OF THE PERIOD	<u>₩ 234,307,383</u>	<u>₩ 25,234,447</u>	<u>\$ 254,488</u>	<u>\$ 27,408</u>

See accompanying notes to the financial statements.

SSANGYONG MOTOR COMPANY
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007

	Korean won (In thousands)				
	<u>Capital stock</u>	<u>Capital surplus</u>	<u>Accumulated other comprehensive loss</u>	<u>Retained earnings</u>	<u>Total</u>
Balance at January 1, 2007	₩ 604,023,100	₩ 15,440,281	₩ (249,449)	₩ 306,127,307	₩ 925,341,239
Net income	-	-	-	16,721,616	16,721,616
Consideration for conversion rights	-	29,474,043	-	-	29,474,043
Gain on valuation of available-for-sale securities (Notes 5 and 19)	-	-	(89,015)	-	(89,015)
Capital changes due to investment securities using the equity method (Notes 5 and 17)	-	-	10,083	-	10,083
Negative capital changes due to investment securities using the equity method (Notes 5 and 17)	-	-	<u>100,451</u>	<u>-</u>	<u>100,451</u>
Balance at September 30, 2007	<u>₩ 604,023,100</u>	<u>₩ 44,914,324</u>	<u>₩ (227,930)</u>	<u>₩ 322,848,923</u>	<u>₩ 971,558,417</u>

	Translations into US Dollars (Note 2) (In thousands)				
	<u>Capital stock</u>	<u>Capital surplus</u>	<u>Accumulated other comprehensive loss</u>	<u>Retained earnings</u>	<u>Total</u>
Balance at January 1, 2007	\$ 656,048	\$ 16,770	\$ (271)	\$ 332,494	\$ 1,005,041
Net income	-	-	-	18,162	18,162
Consideration for conversion rights	-	32,013	-	-	32,013
Gain on valuation of available-for-sale securities (Notes 5 and 19)	-	-	(97)	-	(97)
Capital changes due to investment securities using the equity method (Notes 5 and 17)	-	-	11	-	11
Negative capital changes due to investment securities using the equity method (Notes 5 and 17)	<u>-</u>	<u>-</u>	<u>109</u>	<u>-</u>	<u>109</u>
Balance at September 30, 2007	<u>\$ 656,048</u>	<u>\$ 48,783</u>	<u>\$ (248)</u>	<u>\$ 350,656</u>	<u>\$ 1,055,239</u>

See accompanying notes to the financial statements.

SSANGYONG MOTOR COMPANY
 NOTES TO FINANCIAL STATEMENTS
 FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006

1. THE COMPANY:

SSANGYONG MOTOR COMPANY (the "Company") was incorporated on December 6, 1962, under the Commercial Code of the Republic of Korea, to manufacture and distribute motor vehicles and parts. The main office of the Company is located in Pyungtaek and its factories are located in Pyungtaek and Changwon. The Company's stock was listed on the Korea Stock Exchange since May 1975.

As of September 30, 2007, the capital stock of the Company is ₩604,023 million and the major shareholders of the Company are as follows:

	Number of shares	Percentage of ownership (%)
SAIC Motor Corporation Limited	62,004,680	51.33
Other shareholders	58,799,940	48.67
	<u>120,804,620</u>	<u>100.00</u>

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The significant accounting policies followed by the Company in preparing its financial statements are summarized below.

Basis of Financial Statement Presentation

The Company maintains its official accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangul) in conformity with financial accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these financial statements are intended for use by those who are informed about Korean accounting principles and practices. The accompanying financial statements have been condensed, restructured and translated into English (with certain expanded descriptions) from the Korean language financial statements. Certain information included in the Korean language financial statements, but not required for a fair presentation of the Company's financial position, results of operations and cash flows, is not presented in the accompanying financial statements.

The accompanying financial statements are stated in Korean won, the currency of the country in which the Company is incorporated and operates. The translation of Korean won amounts into U.S. dollar amounts is included solely for the convenience of readers outside of the Republic of Korea and has been made at the rate of ₩920.70 to US\$1.00 at September 30, 2007, announced by Seoul Money Brokerage Services, Ltd. Such translations should not be construed as representations that the Korean won amounts could be converted into U.S. dollars at that or any other rate.

The Korean Accounting Standards Board ("KASB") has published a series of Statements of Korea Accounting Standards ("SKAS"), which replace the existing financial accounting standards, established by the Korean Financial and Supervisory Board. The Company prepared its financial statements for the nine months ended September 30, 2007 in accordance with the Korea Financial Accounting Standards and the "SKAS" No. 1 through No. 24, except for No. 11, No. 14. and No. 24. The significant accounting policies followed by the Company in the preparation of its financial statements for the nine months ended September 30, 2007 are identical to those for the year ended December 31, 2006, except for the adoption of additional SKAS No.21 through No.23, which were effective from January 1, 2007.

Adoption of Statements of Korea Accounting Standards (“SKAS”)

The Company newly adopted SKAS No. 21 –“Preparation and Presentation of Financial Statements I”, No. 22 – “Share-based Payment” and No. 23 – “Earning per Share” in 2007.

The balance sheet as of December 31, 2006 and the related statements of operations and cash flows for the three months ended and nine months ended September 30, 2006, which are presented for comparative purposes, are restated in accordance with SKAS No. 21 and No. 23. The newly adopted SKAS does not affect the Company’s net assets and net income of the current period. Also, the Company did not prepare the statements of cash flows for the three months ended September 30, 2007 and 2006 in accordance with the revised SKAS No. 2 and only prepared the statement of changes in shareholders’ equity for the nine months ended September 30, 2007 in accordance with the transitional provisions of SKAS No. 21.

Reclassification of Prior Interim Financial Statements

The interim financial statements for the nine months ended September 30, 2006, which are presented for comparative purposes, are reclassified to enhance the comparativeness of financial statements. The reclassification of interim financial statements for the nine months ended September 30, 2006 does not affect net assets and net income.

The reclassifications of its financial statements are as follows (Won in thousands):

Item	Before	After	Amounts
Sales commissions (*)	S&A Expense	Deduction of sales	₩ 17,284,683
Other expense	Others	Loss on disposal of trade receivables	9,690,769

(*) Sales incentives offered by manufacturers to vendors are presented as a reduction from revenue in accordance with the FSS guidance No 2006-4.

Inventories

Inventories are stated at the lower of cost or net realizable value, cost being determined by the specific identification method of materials-in-transits and the weighted average method for finished goods and work-in-process and others. The Company maintains perpetual inventory records, which are adjusted through physical count at year end. When applying the lower of cost or market method, the market value of merchandise and finished goods are referred to as the net realizable values, whereas for the raw materials and supplies held for use in production of inventories are referred to as the current replacement costs. Valuation loss incurred when the market value of an inventory falls below its carrying amount is presented as allowance for valuation account and added to the cost of goods sold.

The Company recognized loss on valuation of inventories amounting to ₩1,168,799 thousand and ₩1,727,094 thousand for the nine months ended September 30, 2007 and 2006, respectively, which is included in cost of sales.

The Company reversed loss on valuation of inventories amounting ₩2,816,571 thousand and ₩3,552,772 thousand for the nine months ended September 30, 2007 and 2006, which is deducted from cost of sales.

3. RESTRICTED DEPOSITS:

Deposits with withdrawal restrictions as of September 30, 2007 and December 31, 2006 are as follows (Won in thousands):

	2007	2006	Description
Short-term financial instruments	₩ 4,698,031	₩ 4,577,074	Government grants and others
Long-term financial instruments	9,000	9,000	Guarantee deposits for checking accounts
	₩ 4,707,031	₩ 4,586,074	

4. INVENTORIES:

Inventories as of September 30, 2007 and December 31, 2006 are as follows (Won in thousands):

	<u>2007</u>	<u>2006</u>
Merchandise	₩ 55,236,415	₩ 53,684,793
Finished goods	59,200,806	86,886,635
Work in process	25,866,171	35,653,702
Raw materials	74,388,673	78,038,978
Other materials	7,449,279	7,193,520
Supplies	4,548,582	4,353,710
Materials in transit	64,713,286	80,722,135
Allowance for valuation	(9,753,995)	(11,817,991)
	<u>₩ 281,649,217</u>	<u>₩ 334,715,482</u>

5. INVESTMENTS IN SECURITIES:

(1) Available-for-sale securities as of September 30, 2007 and December 31, 2006 are as follows (Won in thousands):

	<u>2007</u>	<u>2006</u>
Current assets:		
Government bonds	₩ 12,233	₩ 1,048,505
Non-current assets:		
Non-listed equity securities	560,000	1,395,695
Government bonds	<u>3,255</u>	<u>8,472</u>
	<u>₩ 575,488</u>	<u>₩ 2,452,672</u>

(2) Investments in non-listed equity securities as of September 30, 2007 and December 31, 2006 are as follows (Won in thousands):

<u>Company</u>	<u>Ownership percentage</u>	<u>2007</u>		<u>2006</u>	
		<u>Acquisition cost</u>	<u>Net asset value</u>	<u>Acquisition cost</u>	<u>Net asset value</u>
Kihyup Technology Banking Corporation	1.72 %	₩ 500,000	₩ 635,678	₩ 500,000	₩ 622,152
Korea Management Consultants Association	1.50 %	60,000	162,050	60,000	132,558
Ssangyong European Parts Center B.V. (*)	100.00%	-	-	<u>835,695</u>	<u>835,695</u>
		<u>₩ 560,000</u>	<u>₩ 797,728</u>	<u>₩1,395,695</u>	<u>₩ 1,590,405</u>

(*) Ssangyong European Parts Center B.V. was incorporated on November 15, 2006. Ssangyong European Parts Center B.V. was not accounted for using the equity method because the changes in investees' net asset value were not significant as of December 31, 2006. However, as the changes in investees' net asset value are significant in this period, Ssangyong European Parts Center B.V. is accounted for using the equity method.

(3) Investment in government bonds as of September 30, 2007 are as follows (Won in thousands):

<u>Maturities</u>	<u>Acquisition cost</u>	<u>Fair value</u>	<u>Gain on valuation</u>
Within 1 year	₩ 10,540	₩ 12,233	₩ 1,693
1 year ~ 5 years	<u>2,990</u>	<u>3,255</u>	<u>265</u>
	<u>₩ 13,530</u>	<u>₩ 15,488</u>	<u>₩ 1,958</u>

Government bonds are stated at fair value and the difference between acquisition cost and fair value is reflected in accumulated comprehensive other income. The Company recorded gain on valuation of available-for-sale securities in accumulated other comprehensive income account of ₩1,420 thousand (deducting tax effect of ₩538 thousand) as of September 30, 2007.

- (4) Equity securities accounted for using the equity method as of September 30, 2007 are as follows (Won in thousands):

<u>Affiliated company</u>	<u>Ownership percentage (%)</u>	<u>Acquisition cost</u>	<u>Net assets value</u>	<u>Book value</u>
Ssangyong (Yizheng) Auto Parts Manufacturing Co., Ltd.	100.0	₩ 1,618,804	₩ 1,737,589	₩ 1,701,900
Ssangyong Motor (Shanghai) Co., Ltd.	100.0	235,700	361,573	394,832
Ssangyong European Parts Center B.V.	100.0	835,695	(778,483)	-
		<u>₩ 2,690,199</u>	<u>₩ 1,320,679</u>	<u>₩ 2,096,732</u>

- (5) The gain or loss on valuation using the equity method for the nine months ended September 30, 2007 is as follows (Won in thousands):

<u>Affiliated company</u>	<u>Beginning balance</u>	<u>Gain (loss) from valuation with equity method</u>	<u>Others (*1)</u>	<u>Ending balance</u>
Ssangyong (Yizheng) Auto Parts Manufacturing Co., Ltd.	₩ 1,597,495	₩ 95,822	₩ 8,583	₩ 1,701,900
Ssangyong Motor (Shanghai) Co., Ltd.	644,110	83,761	(333,039)	394,832
Ssangyong European Parts Center B.V. (*2)	-	(845,778)	845,778	-
	<u>₩ 2,241,605</u>	<u>₩ (666,195)</u>	<u>₩ 521,322</u>	<u>₩ 2,096,732</u>

(*1) The others were composed of exchange differences on translation of financial statements of operations outside Korea, receipt of dividend and transfer from available-for-sale securities to equity securities accounted for using the equity method.

(*2) Use of equity method was discontinued since the value of investments is less than zero due to accumulated deficit. In addition, unrecognized loss due to suspension of use of the equity method amounts to ₩778,483 thousand as of September 30, 2007.

Equity securities accounted for using the equity method as of September 30, 2007 are valued based on the financial statements of investees as of the same balance sheet date, which were neither audited nor reviewed by an external auditor. In order to verify the reliability of such unaudited and unreviewed financial statements, the Company has performed the following procedures and found no significant errors:

- i) obtained the signature from the chief executive officer of the equity method investee asserting that the unaudited and unreviewed financial statements are accurate,
- ii) checked whether the major transactions identified by the Company, including public disclosures, were appropriately reflected in the unaudited and unreviewed financial statements, and
- iii) performed an analytical review on the unaudited and unreviewed financial statements.

- (6) The summary of financial information of affiliated companies as of September 30, 2007 is as follows (Won in thousands):

<u>Affiliated company</u>	<u>Total assets</u>	<u>Total liabilities</u>	<u>Sales</u>	<u>Net income (loss)</u>
Ssangyong (Yizheng) Auto Parts Manufacturing Co., Ltd.	₩ 3,393,500	₩ 1,655,911	₩ 2,156,354	₩ 92,407
Ssangyong Motor (Shanghai) Co., Ltd.	3,781,725	3,420,151	12,814,847	83,566
Ssangyong European Parts Center B.V.	9,213,426	9,991,909	6,238,601	(1,624,261)

6. LOANS TO EMPLOYEES:

Loans to employees as of September 30, 2007 and December 31, 2006 are as follows (Won in thousands):

<u>Account</u>	<u>Description</u>	<u>2007</u>	<u>2006</u>
Short-term loans	Housing loans	₩ 1,657,399	₩ 76,068
Long-term loans	Housing loans	17,426,091	15,307,262
"	Debt-to-equity swap loans and other	7,391,883	8,760,697
		<u>₩ 26,475,373</u>	<u>₩ 24,144,027</u>

For the nine months ended September 30, 2007, the Company loaned ₩6,075,000 thousand and redeemed ₩2,374,840 thousand for housing loans and ₩1,368,814 thousand for debt-to-equity swap loans and other.

7. INSURED ASSETS:

The Company carries insurance coverage for property, plant and equipment, and inventories as of September 30, 2007 as follows (Won in thousands):

<u>Insured assets</u>	<u>Company</u>	<u>Coverage</u>
Products	Daehan Fire & Marine Insurance	₩ 2,827,633,275 (US\$3,071,177,664)
PP&E and inventories	LIG Fire & Marin Insurance	<u>2,085,512,102</u> <u>₩ 4,913,145,377</u>

In addition, the Company has purchased insurance for its vehicles, comprehensive general liability insurance, industrial accident insurance and medical insurance for employees. Also, the Company has purchased executive compensation insurance covering losses up to ₩10,000 million, gas compensation insurance and cargo insurance.

8. ASSETS PLEDGED AS COLLATERAL:

The assets pledged as collateral for the Company's borrowings of ₩150,000 million (guarantees: The Korea Development Bank, collateralized amount of ₩351,000 million) as of September 30, 2007 are as follows (Won in thousands):

<u>Pledged assets</u>	<u>Net book value</u>
Land	₩ 141,727,647
Buildings	177,997,621
Structures	43,304,352
Machinery	<u>79,294,202</u>
	<u>₩ 442,323,822</u>

9. PROPERTY, PLANT AND EQUIPMENT:

- (1) Depreciation is computed using the straight-line method based on the estimated useful lives of the assets as follows:

	<u>Years</u>
Buildings	24~50
Structures	13~30
Machinery	10
Vehicles	6~10
Tools & equipment	6~10
Office equipment	6~10

- (2) As of September 30, 2007, the published price of the Company's land which is announced by the Office of National Tax Administration is ₩498,237,601 thousand.

- (3) Property, plant and equipment as of September 30, 2007 and December 31, 2006 are as follows (Won in thousands):

	<u>2007</u>	<u>2006</u>
Land	₩ 282,704,263	₩ 285,777,252
Buildings	570,659,299	572,054,932
Structures	114,714,250	114,673,851
Machinery	1,188,208,354	1,240,297,385
Vehicles	13,601,765	14,322,429
Tools & equipment	480,721,676	638,332,180
Office equipment	57,190,066	59,750,205
Construction in progress	124,293,382	76,896,750
Machinery in transit	353,736	-
Government grants	<u>(2,340,520)</u>	<u>(2,441,098)</u>
	2,830,106,272	2,999,663,886
Less: Accumulated impairment losses	(6,110,722)	(46,547,832)
Accumulated depreciation	<u>(1,388,105,038)</u>	<u>(1,445,321,631)</u>
	<u>₩ 1,435,890,512</u>	<u>₩ 1,507,794,423</u>

- (4) The changes in acquisition costs of property, plant and equipment for the nine months ended September 30, 2007 are as follows (Won in thousands):

Account	Beginning of period	Increase		Decrease		End of period
		Acquisition	Other	Disposal	Other	
Land	₩ 285,777,252	₩ 770,589	₩ 1,167,151	₩ 5,010,729	₩ -	₩ 282,704,263
Buildings	572,054,932	1,011,679	143,400	1,855,070	695,642	570,659,299
Government grants	(685,848)	-	-	(10,475)	-	(675,373)
Structures	114,673,851	356,550	2,050	318,201	-	114,714,250
Government grants	(63,944)	-	-	(2,270)	-	(61,674)
Machinery	1,240,297,385	3,263,410	4,972,312	3,174,836	57,149,917	1,188,208,354
Government grants	(607,082)	(135,531)	-	(57,903)	-	(684,710)
Vehicles	14,322,429	376,096	-	1,047,743	49,017	13,601,765
Government grants	(61,954)	-	-	(11,862)	-	(50,092)
Tools & equipment	638,332,180	4,571,485	5,840,679	1,432,205	166,590,463	480,721,676
Government grants	(10,195)	(17,936)	-	(1,824)	-	(26,307)
Office equipment	59,750,205	1,099,461	-	745,754	2,913,846	57,190,066
Government grants	(1,012,075)	(9,992)	-	(179,704)	-	(842,363)
Construction in progress	76,896,750	53,994,728	2,575,660	-	9,173,756	124,293,382
Machinery in transit	-	3,305,570	-	-	2,951,384	353,736
	<u>₩ 2,999,663,886</u>	<u>₩ 68,586,109</u>	<u>₩ 14,701,252</u>	<u>₩ 13,320,500</u>	<u>₩ 239,524,475</u>	<u>₩ 2,830,106,272</u>

- (5) The changes in accumulated depreciation of property, plant and equipment for the nine months ended September 30, 2007 are as follows (Won in thousands):

Account	Beginning of period	Increase		Decrease		End of period
		Depreciation	Other	Disposal	Other	
Buildings	₩ 137,871,974	₩ 11,163,247	₩ -	₩ 384,550	₩ 270,739	₩ 148,379,932
Structures	49,470,696	3,812,170	-	242,319	-	53,040,547
Machinery	914,844,787	61,226,073	-	2,503,956	48,893,759	924,673,145
Vehicles	7,125,836	1,531,760	-	587,896	18,082	8,051,618
Tools & equipment	301,268,105	43,442,890	-	984,421	128,270,981	215,455,593
Office equipment	34,740,233	7,220,740	-	601,948	2,854,822	38,504,203
	<u>₩ 1,445,321,631</u>	<u>₩ 128,396,880</u>	<u>₩ -</u>	<u>₩ 5,305,090</u>	<u>₩ 180,308,383</u>	<u>₩ 1,388,105,038</u>

- (6) The changes in accumulated impairment losses of property, plant and equipment for the nine months ended September 30, 2007 are as follows (Won in thousands):

Account	Beginning of period	Increase	Decrease	End of period
Buildings	₩ -	₩ 2,352,689	₩ -	₩ 2,352,689
Structures	-	86,497	-	86,497
Machinery	8,956,196	1,341	7,981,849	975,688
Vehicles	83,287	27,691	27,845	83,133
Tools & equipment	37,508,349	-	34,895,634	2,612,715
Office equipment	-	50,837	50,837	-
	<u>₩ 46,547,832</u>	<u>₩ 2,519,055</u>	<u>₩ 42,956,165</u>	<u>₩ 6,110,722</u>

- (7) In 2007 and 2006, the Company recognized impairment loss on obsolete machinery and equipment of which recoverable amounts were less than carrying amount as a result of discontinuance on the development project for new product. The impaired assets, adjusted carrying amount by recoverable amount, were reclassified from tangible assets to other investments in properties.

The impairment loss, which the Company recognized for the nine months ended September 30, 2007, is as follows (Won in thousands):

Account	Acquisition cost	Accumulated depreciation	Accumulated impairment	Book value	Recoverable amounts	Impairment loss
Buildings	₩ 4,520,926	₩ 2,061,861	₩ -	₩ 2,459,065	₩ 106,376	₩ 2,352,689
Structures	718,028	631,503	-	86,525	28	86,497
Machinery	324,721	323,194	-	1,527	185	1,342
Vehicles	48,285	17,518	-	30,767	3,077	27,690
Tools & equipment	2,650	2,649	-	1	1	-
Office equipment	618,838	561,940	-	56,898	6,061	50,837
	<u>₩ 6,233,448</u>	<u>₩ 3,598,665</u>	<u>₩ -</u>	<u>₩ 2,634,783</u>	<u>₩ 115,728</u>	<u>₩ 2,519,055</u>

The impairment loss, which the Company recognized for the nine months ended September 30, 2006, is as follows (Won in thousands):

Account	Acquisition cost	Accumulated depreciation	Accumulated impairment	Book value	Recoverable amounts	Impairment loss
Machinery	₩ 425,908	₩ 412,390	₩ 55	₩ 13,463	₩ 1,623	₩ 11,840
Vehicles	52,082	44,466	5,050	2,566	281	2,285
Tools & equipment	104,918	38,777	39,168	26,973	2,880	24,093
Office equipment	64,436	58,996	-	5,440	727	4,713
	<u>₩ 647,344</u>	<u>₩ 554,629</u>	<u>₩ 44,273</u>	<u>₩ 48,442</u>	<u>₩ 5,511</u>	<u>₩ 42,931</u>

In addition, in 2006, the Company is planning to discontinue production of certain motor vehicle and the disposal process is under way on the vehicle's manufacturing equipment and parts. The Company recognized impairment loss on the machinery and tools & equipment of which expected disposal amounts are less than carrying amounts as a result of disposal. In addition, the impairment loss, which the Company recognized for the nine months ended September 30, 2006, is as follows (Won in thousands):

Account	Acquisition cost	Accumulated depreciation	Accumulated impairment	Book value	Recoverable amounts	Impairment loss
Office equipment	1,846,898	1,092,380	-	754,518	87,000	667,518

(8) In 2005, the Company recognized impairment loss of ₩42,528 million on plant related to discontinued manufacturing of Musso and Korando vehicles. However, in 2007, since the Company disposed of the plant, the Company reversed the previously recognized impairment loss on machinery, vehicles and equipments, which were within the limit of what the carrying amount would be as of the recovery date if there had been no impairment loss (Won in thousands):

Account	Carrying amount after depreciation without impairment	Book value after impairment	Recoverable amounts	Reversal of impairment loss
Machinery	₩ 8,253,023	₩ 273,934	₩ 710,369	₩ 436,435
Tools & equipment	166	12	30	18
Office equipment	36,681,785	2,132,931	5,543,926	3,410,995
	₩ 44,934,974	₩ 2,406,877	₩ 6,254,325	₩ 3,847,448

As a result of disposal of other investment assets for the nine months ended September 30, 2007 and 2006, the Company incurred loss on disposal of investments of ₩2,234 thousand and ₩204,336 thousand, respectively. The Company also incurred gain on disposal of investments of ₩7,924,182 thousand and ₩ 9,935 thousand for the nine months ended September 30, 2007 and 2006.

10. INTANGIBLE ASSETS:

Intangible assets as of September 30, 2007 are as follows (Won in thousands):

	Beginning of period	Increase	Amortization	Accumulated impairment	End of period
Industrial right	₩ 1,044,062	₩ 355,887	₩ 277,464	₩ -	₩ 1,122,485
Electricity and gas available right	70,313	-	61,786	-	8,527
Development costs	63,545,546	28,879,063	18,272,809	-	74,151,800
Government grants	(14,167)	-	(14,167)	-	-
Other intangible assets	3,604,994	1,401,297	1,769,683	-	3,236,608
Government grants	(408,638)	(90,695)	(141,546)	-	(357,787)
	₩ 67,842,110	₩ 30,545,552	₩ 20,226,029	₩ -	₩ 78,161,633

Intangible assets as of December 31, 2006 are as follows (Won in thousands):

	<u>Beginning of year</u>	<u>Increase</u>	<u>Amortization</u>	<u>Accumulated Impairment</u>	<u>End of year</u>
Industrial right	₩ 1,048,502	₩ 377,334	₩ 381,774	₩ -	₩ 1,044,062
Electricity and gas available right	112,043	-	41,730	-	70,313
Prepaid royalty expenses	1,989,688	-	1,989,688	-	-
Development costs	69,998,768	28,271,941	34,725,163	-	63,545,546
Government grants	(42,500)	-	(28,333)	-	(14,167)
Other intangible assets	3,548,307	2,369,107	2,312,420	-	3,604,994
Government grants	(239,296)	(280,714)	(111,372)	-	(408,638)
	<u>₩ 76,415,512</u>	<u>₩ 30,737,668</u>	<u>₩ 39,311,070</u>	<u>₩ -</u>	<u>₩ 67,842,110</u>

11. SHORT-TERM BORROWINGS AND BONDS:

(1) Short-term borrowings as of September 30, 2007 and December 31, 2006 are as follows (Won in thousands):

<u>Financial institution</u>	<u>Annual interest rate (%)</u>	<u>2007</u>	<u>2006</u>
Shinhan Bank and others	3.2~4.5	₩ 56,641,691	₩ 42,394,116
Industrial & Commercial Bank of China	-	-	28,530,000
		<u>₩ 56,641,691</u>	<u>₩ 70,924,116</u>

(2) Debentures as of September 30, 2007 and December 31, 2006 are as follows (Won in thousands):

<u>Description</u>	<u>Issue date</u>	<u>Maturity date</u>	<u>Annual interest rate (%)</u>	<u>2007</u>	<u>2006</u>
115 th debentures	2006-04-25	2009-04-25	6.75	₩ 150,000,000	₩ 150,000,000
116 th debentures	2006-07-26	2008-07-26	6.16	150,000,000	150,000,000
Discount on debentures				(435,795)	(651,688)
				299,564,205	299,348,312
Transfer to current portion of debentures				(149,970,785)	-
Current portion of debentures				150,000,000	-
Current portion of discount on debentures				(29,215)	-
Book value of debentures				<u>₩ 149,593,420</u>	<u>₩ 299,348,312</u>

The debentures are to be redeemed in lump sum at the maturity date, and interests are paid for three months in arrear.

(3) Convertible bonds as of September 30, 2007 are as follows (Won in thousands):

<u>Description</u>	<u>Issue date</u>	<u>Maturity date</u>	<u>Annual interest rate (%)</u>	<u>2007</u>
Overseas convertible bonds	2007-07-03	2012-07-03	-	₩ 251,352,000
Conversion right adjustment				(86,748,980)
Discount on bonds				(3,707,254)
Premium on bond redemption				61,106,185
Book value of convertible bonds				<u>₩ 222,001,951</u>

Terms and conditions of the convertible bonds are as follows:

Description	Summary
Issue date	July 3, 2007
Coupon rate	0% (Zero-coupon rate)
Redemption method	Redemption in a lump sum at maturity including redemption premium of 124.31% of the face value
Maturity date	July 3, 2012
Conversion Period	July 4, 2008 ~ June 26, 2012
The number of shares to be issued on conversion	27,567,415 shares of common stock with a par value of ₩5,000
Exercise price	₩9,035 per share (The exercise currency exchange rate is ₩1,245.36 to € 1.00 and exercise price is fixed as ₩9,035. However, the exercise price could be adjusted with the increase of capital stock without consideration, capital dividend, consolidation of stocks or others.
Put Option	All or some of the bonds may be redeemed by the relevant holder's put option exercising on 3 January, 2010 at 111.495% of the face value
Call Option	The bonds may be redeemed by the Company's call option exercising at any time after 3 January, 2010 but earlier than seven business days before maturity date.

(4) The annual maturities of debentures as of September 30, 2007 are as follows (Won in thousands):

	Amount of repayment	
	2007.10.1~2008.9.30	2008.10.1~2009.9.30
Debentures	₩ 150,000,000	₩ 150,000,000

12. VALUATION OF ASSETS AND LIABILITIES AT PRESENT VALUE:

Valuation of assets and liabilities at present value as of September 30, 2007 are as follows (Won in thousands):

	Nominal value	Present value	Present value discounts	Effective interest rate	Maturity
Assets:					
Trade receivables	₩ 1,384,543	₩ 1,309,982	₩ 74,561	8.90	2008.9.30
Long-term trade receivables	359,873	329,422	30,451	8.90	2010.10.30
	<u>₩ 1,744,416</u>	<u>₩ 1,639,404</u>	<u>₩ 105,012</u>		
Liabilities:					
Accrued warranties and product liabilities	54,489,678	52,744,905	1,744,773	6.60	2008.9.30
Long-term accrued warranties and product liabilities	75,505,547	65,208,684	10,296,863	6.60	2018.9.30
	<u>₩ 129,995,225</u>	<u>₩ 117,953,589</u>	<u>₩ 12,041,636</u>		

Discounts on present value are amortized using the effective interest rate method and amortization of discount is recognized as interest expense.

13. ACCRUED WARRANTIES AND PRODUCT LIABILITIES:

The Company provides warranties for products up to 100,000 kilometers of operation within two to three years and environmental liabilities to be occurred related with scrapping vehicles exported to the European Union (EU) per End of Life Vehicles (ELV) regulations.

The changes of accrued warranties and product liabilities for the nine months ended September 30, 2007 are as follows (Won in thousands):

<u>Accounts</u>	<u>Beginning of period</u>	<u>Increase</u>	<u>Decrease</u>	<u>End of period</u>
Accrued warranties and product liabilities	₩ 102,567,202	₩ 69,073,341	₩53,686,954	₩ 117,953,589

14. SHAREHOLDERS' EQUITY:

- (1) The Company has 1,600,000,000 authorized shares of ₩5,000 par value common stock, of which 120,804,620 shares have been issued as of September 30, 2007.
- (2) The Company reduced its capital at a ratio of 10 to 1 on September 4, 2002 and recorded the gain on capital reduction of ₩5,149,844,305 thousand. On March 27, 2003, the Company used ₩5,134,404,024 thousand for deficit recovery and the residual amount of ₩15,440,281 thousand was recorded as other capital surplus. In addition, conversion rights amounting to ₩29,474,043 of the convertible bonds issued on July 3, 2007 were recognized as other capital surplus.
- (3) The articles of incorporation of the Company states that non-cumulative participating preferred stock can be issued as registered non-voting stock up to 50,000,000 shares, and convertible bonds and bonds with subscription warranty, which can be converted into common or preferred stocks, can be issued to non-shareholders up to par value of ₩1,500,000 million and ₩100,000 million, respectively. Accordingly, convertible bonds can be converted to ₩1,400,000 million of common stock and ₩100,000 million of preferred stock and bonds with subscription warranty can be converted to ₩50,000 million of common stock and ₩50,000 million of preferred stock.
- (4) According to the special resolution at the shareholders' meeting, the Company is allowed to grant stock options to executives and employees who significantly contribute to managerial and technological innovation within 15 percent of the total number of stock issued. Minimum exercise price is average closing price during the preceding three months when stock option was granted through special resolution at the shareholders' meeting. Executives and employees, who are provided with stock options and have worked for the Company for two years after grant date, may exercise stock options within two years after three years' grace period. As of September 30, 2007, no stock option has been granted.
- (5) The Company transferred technological development reserve of ₩195,961,754 thousand to deficit recovery based on the resolution at the shareholders' meeting on March 23, 2007.

15. FOREIGN CURRENCY DENOMINATED ASSETS AND LIABILITIES:

The Company maintains its accounts in Korea won. Transactions in foreign currencies are recorded in Korean won based on the prevailing rates of exchange on the transaction date. Accounts with balances denominated in foreign currencies are recorded and reported in the accompanying financial statements at the exchange rates prevailing at the balance sheet date. The balances have been translated using the Basic Rate announced by Seoul Money Brokerage Services, Ltd., which was ₩920.70 and ₩929.60 to US\$1.00 at September 30, 2007 and December 31, 2006, respectively. Foreign currency assets and liabilities of overseas business branches or offices are translated at the exchange rate at the balance sheet date and income and expenses at the weighted average rate of the reporting period. Translation gains and losses arising from the translation procedures are offset against each other and the net amounts are recognized as an overseas operations translation debit and credit in capital adjustments. Overseas operations translation debit and credit are treated as extraordinary gain and loss upon closing the foreign branch or offices.

Foreign currency denominated assets and liabilities as of September 30, 2007 and December 31, 2006 are as follows (Won in thousands):

Account	2007		2006		
	Foreign currencies	Won equivalent	Foreign currencies	Won equivalent	
Assets:					
Cash and cash equivalents	EUR	6,898,707	₩ 8,988,187	11,680,391	₩ 14,276,241
"	JPY	210,129	1,674	404,377,021	3,161,541
"	USD	14,229,664	13,101,252	207,083	192,505
Short-term financial instruments	USD	-	-	160,000	148,736
Trade receivables	EUR	19,730,934	25,707,039	41,387,305	50,585,220
"	AUD	3,105,519	2,515,719	-	-
"	USD	32,014,298	29,475,564	10,345,496	9,617,173
"	JPY	8,839,710	70,429	2,678,700	20,943
Other receivables	EUR	112,015	145,942	3,308	4,043
"	JPY	19,813,537	157,860	30,487	238
"	USD	551,773	508,018	600,409	558,140
			₩ 80,671,684		₩ 78,564,780
Liabilities:					
Trade payables	EUR	17,113,423	₩ 22,296,736	20,899,976	₩ 25,544,787
"	AUD	4,850,434	3,929,239	3,665,836	2,692,483
"	JPY	345,136,494	2,749,806	318,266,140	2,488,300
"	USD	5,831,341	5,368,916	5,040,971	4,686,087
Other payables	AUD	111,652	90,447	36,652	26,920
"	CHF	-	-	7,000	5,327
"	DEM	2,016,174	1,343,094	1,760,496	1,100,169
"	EUR	5,010,299	6,527,819	9,267,969	11,327,682
"	FRF	5,693	1,131	5,693	1,061
"	GBP	243,049	453,391	205,497	374,849
"	JPY	3,049,300	24,295	107,165,578	837,853
"	SEK	724	102	724	97
"	USD	7,174,177	6,605,265	8,301,908	7,717,453
Accrued expenses	AUD	4,296	3,480	-	-
"	EUR	267,040	347,921	177,702	217,195
"	JPY	1,210,897	9,648	1,442,874	11,281
"	USD	2,516	2,316	-	-
Short-term borrowings	AUD	350,267	283,745	-	-
"	EUR	39,241,383	51,126,813	27,618,312	33,756,205
"	JPY	629,159,645	5,012,704	1,104,832,417	8,637,911
"	USD	237,243	218,429	-	-
			₩ 106,395,297		₩ 99,425,660

For the nine months ended September 30, 2007 and 2006, gain on foreign currency translation of ₩ 641,107 thousand and ₩ 1,945,216 thousand, respectively, and loss on foreign currency translation of ₩ 2,262,634 thousand and ₩ 315,516 thousand, respectively, were recognized.

16. SELLING AND ADMINISTRATIVE EXPENSES:

Selling and administrative expenses for the nine months ended September 30, 2007 and 2006 are as follows (Won in thousands):

	<u>2007</u>	<u>2006</u>
Salaries	₩ 41,881,616	₩ 40,472,101
Provision for severance indemnities	4,489,645	3,922,461
Other employee benefits	5,537,245	5,926,733
Travel	660,242	656,616
Communications	611,659	628,225
Taxes and dues	3,371,516	4,375,913
Rent expenses	6,146,887	6,230,533
Depreciation	11,048,654	15,788,610
Repairs	595,530	714,416
Advertisement	22,331,859	19,883,163
Sales warranties	69,073,341	40,536,715
Sales commissions	73,265,512	71,673,532
Sales promotion	10,730,743	12,315,208
Freight	4,915,494	4,613,230
Packing expenses	977,009	905,650
Export related expenses	53,679,376	41,151,659
Commissions	5,891,933	7,290,347
Electronic data processing expenses	3,828,829	3,291,073
Development expenses	57,442,913	75,538,376
Amortization	20,226,028	28,413,555
Others	9,559,855	9,468,389
	<u>₩ 406,265,886</u>	<u>₩ 393,796,505</u>

17. INCOME TAX EXPENSE AND DEFERRED ASSETS:

(1) Income tax expense for the nine months ended September 30, 2007 and 2006 consist of the following (Won in thousands):

	<u>2007</u>	<u>2006</u>
Income tax currently payable	₩ -	₩ -
Changes in deferred income taxes due to temporary differences	-	18,335,460
Changes in deferred income taxes due to tax loss to be carried forward	-	(16,577,146)
Changes in deferred income taxes assets, net	-	1,758,314
Tax expense allocated to capital adjustments	33,764	(10,249)
Income tax expense	33,764	1,748,065
Income (loss) before income tax	<u>₩ 16,755,380</u>	<u>₩ (63,590,755)</u>
Effective income tax rate	<u>0.2%</u>	<u>-</u>

- (2) For the nine months ended September 30, 2007 and 2006, the differences between income before tax in financial accounting and taxable income pursuant to Corporate Income Tax Law of Korea are as follows (Won in thousands):

	<u>2007</u>	<u>2006</u>
Income (loss) before income tax	₩ 16,755,380	₩ (63,590,755)
Adjustments:		
Permanent differences	3,046,071	6,230,171
Temporary differences	<u>17,592,379</u>	<u>(21,891,555)</u>
Taxable income (loss)	<u>37,393,830</u>	<u>(79,252,139)</u>
Tax loss to be carried forward (*)	<u>₩ (168,647,854)</u>	<u>₩ (425,594,743)</u>

(*) The amount of tax loss to be carried forward is adjusted based on the result of tax authorities (National Tax Service of Korea) investigation in 2006 and the amount and expiration date of available net losses carried-over from prior years as of September 30, 2007 are as follows (Won in thousands):

<u>Year of occurrence</u>	<u>Amount</u>	<u>Year of expiration</u>
2005	80,267,582	2010
2006	<u>88,380,272</u>	2011
	<u>₩ 168,647,854</u>	

- (3) The changes in accumulated temporary differences for the nine months ended September 30, 2007 and for the year ended December 31, 2006 are as follows (Won in thousands):

<u>Description</u>	<u>2007</u>	<u>2006</u>
Beginning of the period, net (*)	₩ 391,237,258	₩ 458,630,413
Decrease in the current period	(198,122,008)	(235,084,833)
Increase in the current period	<u>208,170,615</u>	<u>167,691,678</u>
End of the period, net	401,285,865	391,237,258
Tax loss to be carried forward	168,647,854	215,150,729
Exclusion from temporary differences due to uncertainty of realization	<u>(569,933,719)</u>	<u>(606,387,987)</u>
Statutory tax rate	<u>27.5%</u>	<u>27.5%</u>
Deferred income tax assets	<u>₩ -</u>	<u>₩ -</u>

(*) Temporary differences above reflected adjustments from revised tax return and reassessment, which the Company filed with the tax authorities in 2007.

- (4) Temporary differences, which were excluded due to uncertainty of its realization as of September 30, 2007 and December 31, 2006, are as follows (Won in thousands):

<u>Descriptions</u>	<u>2007</u>	<u>2006</u>	<u>Maturity</u>
(Deductible temporary differences):	₩ 401,285,865	₩ 391,237,258	
(Tax loss to be carried forward):			
Occurrence in 2004	-	37,509,314	2009
Occurrence in 2005	80,267,582	111,246,200	2010
Occurrence in 2006	<u>88,380,272</u>	<u>66,395,215</u>	2011
	<u>168,647,854</u>	<u>215,150,729</u>	
	<u>₩ 569,933,719</u>	<u>₩ 606,387,987</u>	

The Company does not recognize deferred income tax assets of September 30, 2007 and December 31, 2006 because of uncertainty of its realization which was a change in circumstances that causes a change in judgment on the realization of the related deferred tax asset in future years.

- (5) Details of deferred tax assets deducted from accumulated other comprehensive income as of September 30, 2007 and December 31, 2006 are as follows (Won in thousands):

Descriptions	2007			2006		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Gain on valuation of available-for-sale securities	1,958	538	1,420	124,737	34,303	90,434

18. EARNINGS (LOSS) PER SHARE:

Net income (loss) per share for the nine months ended September 30, 2007 and 2006 are computed by dividing net income (loss) with the weighted average number of common shares outstanding during the period (Won in thousands except for per share amounts):

	2007		2006	
	Three months	Nine months	Three months	Nine months
Net Income (loss)	₩ 1,198,411	₩ 16,721,616	₩ (47,747,799)	₩ (65,338,820)
Weighted average number of common shares outstanding	120,804,620	120,804,620	120,804,620	120,804,620
Net income (loss) per share	₩ 10	₩ 138	₩ (395)	₩ (541)

Details of the calculation of diluted income per share for the three months and nine months ended September 30, 2007 are as follows (Won in thousands except for per share amounts):

	2007	
	Three months	Nine months
Net income	₩ 1,198,411	₩ 16,721,616
Adjustments to reconcile net income:		
Interest expense on convertible bonds	3,994,978	3,994,978
Tax effect	(1,098,619)	(1,098,619)
Adjusted net income	4,094,770	19,617,975
Weighted average number of common shares outstanding	120,804,620	120,804,620
Incremental shares by dilutive effect	26,968,123	9,088,159
Adjusted weighted average number of common shares outstanding	147,772,743	129,892,779
Diluted net income per share	₩ 28	₩ 151
Dilutive effect	No dilutive effect	No dilutive effect

19. OTHER COMPREHENSIVE INCOME (LOSS):

Other comprehensive income (loss), which is excluded from net income as of September 30, 2007 and 2006, is as follows (Won in thousands):

	2007		2006	
	Three months	Nine months	Three months	Nine months
Net income (loss)	₩ 1,198,411	₩ 16,721,616	₩ (47,747,799)	₩ (65,338,820)
Other comprehensive income (loss):				
Unrealized gain on valuation of available for sale securities	187	(122,779)	13,787	37,270
Tax effect	(51)	33,764	(3,791)	(10,249)
Capital changes due to investment securities using the equity method	(22,009)	10,083	-	-
Negative capital changes due to investment securities using the equity method	8,871	100,451	(7,025)	(118,658)
Comprehensive income (loss)	<u>₩ 1,185,409</u>	<u>₩ 16,743,135</u>	<u>₩ (47,744,828)</u>	<u>₩ (65,430,457)</u>

20. RELATED PARTY TRANSACTIONS:

(1) The name of related parties as of September 30, 2007 is as follows:

- a. The name of group: SAIC Motor Corporation Limited (total 140 companies)
- b. The name of holding company: SAIC Motor Corporation Limited
- c. The name of ultimate parent company: Shanghai Automotive Industry Corporation (Group)

(2) Related party transactions of the Company for the nine months ended September 30, 2007 and 2006 are as follows (Won in thousands):

Company	Sales		Purchases		Others	
	2007	2006	2007	2006	2007	2006
Ssangyong Motor (Shanghai) Co., Ltd.	₩ -	₩ -	₩ 663,526	₩ 305,115	₩ -	₩ -
Shanghai Huizhong Automobile Manufacturing Co., Ltd.	-	-	-	-	-	206,701
SAIC Motor Co., Ltd.	-	20,640	-	-	-	-
Shanghai Automotive Industry Sales Co.	89,767,105	14,573,551	-	-	(1,232,271)	-
SAIC Motor Manufacturing Co., Ltd.	21,995	-	-	-	15,030,830	26,691,667
Shanghai Automotive Import & Export Co	10,879,364	14,663,352	24,128	-	-	-
Ssangyong European Parts Center B.V	11,517,450	-	-	-	-	-
	<u>₩ 112,185,914</u>	<u>₩ 29,257,543</u>	<u>₩ 687,654</u>	<u>₩ 305,115</u>	<u>₩ 13,798,559</u>	<u>₩ 26,898,368</u>

(3) Inter-company accounts receivable and payable as of September 30, 2007 and December 31, 2006 are as follows
(Won in thousands):

	Trade receivables		Other receivables		Trade payables		Advances from customers		Other payables							
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006						
Ssangyong Motor (Shanghai) Co., Ltd.	₩	-	₩	-	₩	-	₩ 38,953	₩	-	₩	-	₩	-	₩	-	
Shanghai Huizhong Automobile Manufacturing Co., Ltd.		-		-		368,345		-		-		-		-	-	
Shanghai Automotive Industry Sales Co.		5,316,754		5,633		-		-		3,468		-		576,805	257,404	
SAIC Motor Manufacturing Co., Ltd.		-		-		-		-		3,268,471		-		-	-	
Shanghai Automobile Import & Export Co.		-		-		-		-		-		-		-	-	
Ssangyong European Parts Center B.V.		9,479,425		-		-		-		-		-		-	-	
	₩	14,796,179	₩	5,633	₩	368,345	₩	38,953	₩	3,271,939	₩	-	₩	576,805	₩	257,404

(4) For the nine months ended September 30, 2007, the compensation to the Company's key management mainly consists of salaries of ₩ 620,900 thousand and provision for severance indemnities of ₩ 114,450 thousand.

21. COMMITMENTS AND CONTINGENCIES:

(1) Long-term supply contract

On October 4, 2006, the Company concluded a long-term supply contract with Public Joint Stock Company Severstal-auto ("SSA") for the supply of Kyron and Actyon vehicles assembly kit. The details of long-term supply contract are as follows (Won in millions):

Company	Period	Contracted quantities	Amounts
Public Joint Stock Company Severstal-auto	2006.10 ~ 2011.12	Maximum: 79,000 Minimum: 63,200	₩ 1,320,667 1,056,533

(2) Technology transfer agreement

As of September 30, 2007, the Company has a technology transfer agreements with Daimler Chrysler AG and incurred royalties of ₩ 890,027 thousand and ₩ 1,092,189 thousand for the nine months ended September 30, 2007 and 2006, respectively. According to the agreements, the Company must cease to manufacture all products related to the technology transfer agreements upon entering into a manufacturing related partnership with a third party.

(3) The Company is insured on domestic sales of all products against indemnity liabilities.

(4) As of September 30, 2007, the Company has import usance agreements with 7 banks (including Shinhan Bank) with the credit limit of ₩190,584,900 thousand (US\$207,000,000).

(5) As of September 30, 2007, the Company has been provided a maximum credit limit amounting to ₩216,000 million and US\$100,000 thousand by KDB and 2 other banks.

(6) As of September 30, 2007, the Company has ₩ 5,701,322 thousand acceptances and guarantees related to subcontract transaction under guarantee of Seoul Guarantee Insurance.

22. DERIVATIVES:

The Company has entered into derivatives contracts regarding the foreign exchange forward and currency option with Woori Bank and 4 others banks for the purpose of trading. For the nine months ended September, 30 2007, the gain on valuation of derivatives is ₩8,523,556 thousand and the loss on valuation of derivatives is ₩9,269,865 thousand. In addition, the gain on transaction of derivatives is ₩2,565,301 thousand and the loss on transaction of derivatives is ₩3,644,357 thousand. The Company had settled the CMS Spread interest rate swap contract for the purpose of trading with KDB in 2006 and incurred loss on transaction of ₩2,073,322 thousand in 2007.

Outstanding foreign exchange forward and currency option contracts as of September 30, 2007 are as follows (Won in thousands):

<Foreign exchange forward>

<u>Bank</u>	<u>Description</u>	<u>Contract date</u>	<u>Maturity date</u>	<u>Purchase currency</u>	<u>Purchase amount</u>	<u>Contract rate</u>	<u>Sold currency</u>	<u>Sold amount</u>
Woori								
Bank	Forward	2007.03.05	2007.12.03	KRW	5,667,540	944.59	USD	6,000,000
"	"	2007.02.26	2007.12.31	KRW	3,718,050	1,239.35	EUR	3,000,000
"	"	2007.03.22	2007.12.14	KRW	7,533,480	1,255.58	EUR	6,000,000
"	"	2007.04.16	2008.03.17	KRW	15,146,160	1,262.18	EUR	12,000,000
"	"	2007.07.05	2008.09.02	KRW	55,331,222	1,253.26	EUR	44,150,000
Barclays								
Bank	Forward	2007.03.05	2007.12.03	KRW	2,842,500	947.60	USD	3,000,000
"	"	2007.03.08	2007.12.17	KRW	2,830,650	943.55	USD	3,000,000
"	"	2007.02.28	2007.12.31	KRW	7,491,240	1,248.54	EUR	6,000,000
"	"	2007.03.08	2007.12.17	KRW	3,754,050	1,251.35	EUR	3,000,000
"	"	2007.07.05	2008.09.02	EUR	176,988,357	1,252.84	KRW	221,738,193
KDB	Forward	2007.01.12	2007.12.28	KRW	2,806,500	935.5	USD	3,000,000
"	"	2007.03.16	2007.12.17	KRW	7,537,320	1,256.22	EUR	6,000,000
"	"	2007.04.30	2008.03.03	KRW	15,231,240	1,269.27	EUR	12,000,000
"	"	2007.07.11	2008.09.02	KRW	56,201,171	1,261.86	EUR	44,538,357
SC First								
Bank	Forward	2007.03.05	2007.12.03	KRW	3,764,160	1254.72	EUR	3,000,000
Shinhan								
Bank	Forward	2007.07.11	2008.09.02	KRW	55,458,630	1260.42	EUR	44,000,000
"	"	2007.07.18	2008.09.02	KRW	56,093,795	1266.23	EUR	44,300,000

<Currency option contracts>

<u>Bank</u>	<u>Description</u>	<u>Contract date</u>	<u>Maturity date</u>	<u>Contract currency</u>	<u>Contract amount</u>	<u>Contract rate</u>
Merrill lynch	Option	2007.01.23	2007.12.31	USD	USD 3,000,000	943.20
"	"	2007.02.16	2007.12.31	EUR	EUR 3,000,000	1,239.60

23. PENDING LITIGATIONS:

As of September 30, 2007, the Company is a plaintiff in 4 domestic litigations involving claims of ₩2,255,570 thousand and is a defendant in 18 domestic litigations involving claims of ₩3,472,270 thousand. Also, the Company is involved in 2 overseas litigations.

The main pending litigations as of September 30, 2007 are as follows (Won in thousands):

Description	Plaintiff	Defendant	Claimed amount	Probable outcome
(1) Domestic litigations:				
Claim for damages	Individuals	The Company	₩ 692,650	Unpredictable
"	Director (retired)	The Company	1,015,700	Unpredictable
"	Daewoo-Suwon Service Inc.	The Company	398,116	Unpredictable
"	Individuals	The Company	710,000	Unpredictable
"	The Company	Individuals	579,680	Unpredictable
"	The Company	DND Inc. and others	836,000	Unpredictable
"	The Company	KIBO technology fund	539,541	Unpredictable
(2) Overseas litigations:				
Claim for damages	Scaldia Volga and other	The Company	US\$ 6,000,000	Unpredictable (*)
Provisional seizure of vehicle	The Company	Yasar Bank and others	US\$ 550,000	Decision in favor of the plaintiff

(*) Since a decrease of net asset is certain and loss can be reasonably estimated in connection with the above litigations, the Company recorded other payables of ₩871,050 thousand.

24. STATEMENTS OF CASH FLOWS:

Non-cash transactions for the nine months ended September 30, 2007 and 2006 are as follows (Won in thousands):

Name of account	2007	2006
Transfer to property, plant and equipment from inventories	₩ 2,150,758	₩ 2,323,123
Transfer to development costs from inventories	337,221	340,563
Transfer to other investments from machinery	57,149,917	13,463
Transfer to other investments from vehicles	49,017	-
Transfer to other investments from tools & equipment	166,590,463	26,987
Transfer to other investments from office equipment	2,913,846	-
Transfer to property, plant and equipment from machinery in transit	2,951,834	5,892,883
Transfer to property, plant and equipment from construction in progress	9,173,756	12,088,312
Transfer to development costs from depreciation	1,644,770	1,601,762
Transfer to development costs from severance indemnities	976,999	657,380
Transfer to equity securities using the equity method from AFS securities	835,695	-
Transfer to current portion of deferred tax assets	-	3,385,901

25. SEGMENT INFORMATION:

Sales by region for the nine months ended September 30, 2007 and 2006 are as follows (Won in thousands):

	2007	2006
Domestic sales	₩ 1,318,542,608	₩ 1,288,985,775
Export sales:		
Europe	646,338,781	549,193,583
Asia	163,324,452	110,367,427
Others	127,445,049	94,018,767
	<u>937,108,282</u>	<u>753,579,777</u>
Other export sales	<u>122,959,408</u>	<u>64,781,486</u>
	<u>₩ 2,378,610,298</u>	<u>₩ 2,107,347,038</u>