

SSANGYONG MOTOR COMPANY

BALANCE SHEETS

AS OF DECEMBER 31, 2007 AND 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 (Notes 15 and 25)	₩ 68,089,365	₩ 133,741,387	\$ 72,574	\$ 142,551
Short-term financial instruments (Notes 3 and 15)	104,248,613	4,577,074	111,116	4,879
Available-for-sale securities (Note 5)	7,991	1,048,505	9	1,118
Trade receivables, net of allowance for doubtful accounts of ₩2,962,070 thousand in 2007 and ₩2,569,481 thousand in 2006, and present value discount of ₩54,569 thousand in 2007 and ₩213,716 thousand in 2006 (Notes 12, 15 and 21)	268,186,806	176,181,101	285,852	187,786
Short-term loans, net of allowance for doubtful accounts of ₩30,173 thousand in 2007 and ₩22,983 thousand in 2006 (Note 6)	2,987,153	1,797,041	3,184	1,915
Other receivables, net of allowance for doubtful accounts of ₩3,575,379 thousand in 2007 and ₩3,173,866 thousand in 2006 (Notes 15 and 21)	48,287,417	25,298,111	51,468	26,965
Advanced payments, net of allowance for doubtful accounts of ₩235,579 thousand in 2007 and ₩22,526 thousand in 2006	24,974,433	9,003,444	26,620	9,597
Prepaid expenses	2,272,612	2,661,899	2,422	2,837
Inventories, net of allowance for valuation of ₩10,427,270 thousand in 2007 and ₩11,817,992 thousand in 2006 (Notes 2, 4 and 7)	294,721,750	334,715,482	314,135	356,763
Derivative assets (Note 23)	17,485,886	2,540,053	18,638	2,707
Other current assets, net of allowance for doubtful accounts of ₩25,464 thousand in 2007 and ₩81 thousand in 2006	<u>3,585,652</u>	<u>3,486,935</u>	<u>3,822</u>	<u>3,717</u>
	<u>834,847,678</u>	<u>695,051,032</u>	<u>889,840</u>	<u>740,835</u>
<b>NON-CURRENT ASSETS:</b>				
Long-term financial instruments (Note 3)	9,000	9,000	10	10
Available-for-sale securities (Note 5)	560,901	1,404,167	598	1,497
Equity securities using the equity method (Note 5)	2,215,777	2,241,605	2,362	2,389
Long-term loans, net of allowance for doubtful accounts of ₩286,014 thousand in 2007 and ₩292,784 thousand in 2006 (Note 6)	26,457,345	27,084,146	28,200	28,868
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 ₩26,756 thousand in 2007 and ₩96,423 thousand in 2006 (Note 12)	329,518	483,018	351	515
Guarantee deposits, net of allowance for doubtful accounts of ₩274,005 thousand in 2007 and ₩333,492 thousand in 2006	30,667,479	36,561,563	32,688	38,970
Advances for employee contribution	11,165,110	10,086,200	11,901	10,751
Other investments in properties (Note 9)	258,892	2,737,551	275	2,917
Property, plant and equipment, net (Notes 7, 8 and 9)	1,416,131,364	1,507,794,423	1,509,413	1,607,114
Intangible assets (Notes 10 and 16)	<u>94,586,749</u>	<u>67,842,110</u>	<u>100,817</u>	<u>72,311</u>
	<u>1,582,382,135</u>	<u>1,656,243,783</u>	<u>1,686,615</u>	<u>1,765,342</u>
Total Assets	<u>₩ 2,417,229,813</u>	<u>₩ 2,351,294,815</u>	<u>\$ 2,576,455</u>	<u>\$ 2,506,177</u>

(Continued)

SSANGYONG MOTOR COMPANY

BALANCE SHEETS (CONTINUED)

AS OF DECEMBER 31, 2007 AND 2006

LIABILITIES AND SHAREHOLDERS' EQUITY	Korean Won		Translation into U.S. Dollars (Note 2)	
	2007	2006	2007	2006
	(In thousands)		(In thousands)	
<b>CURRENT LIABILITIES:</b>				
Trade payables (Notes 15 and 21)	₩ 297,658,123	₩ 523,523,282	\$ 317,265	\$ 558,008
Short-term borrowings (Notes 11, 15 and 23)	81,866,665	70,924,116	87,259	75,596
Other payables (Notes 15, 21 and 24)	183,792,133	197,411,866	195,899	210,416
Advances from customers (Note 21)	9,893,709	7,800,240	10,545	8,314
Withholdings	10,580,192	18,328,153	11,277	19,535
Accrued expenses (Note 15)	24,834,592	25,188,676	26,470	26,848
Current portion of debentures, net of present value discount of ₩19,626 thousand in 2007 (Notes 8 and 11)	149,980,374	-	159,860	-
Accrued warranties and product liabilities (Notes 12 and 13)	51,556,414	47,071,684	54,952	50,172
Derivative liabilities (Note 23)	22,133,924	6,250,007	23,592	6,662
Other current liabilities	<u>3,200,007</u>	<u>3,820,827</u>	<u>3,412</u>	<u>4,073</u>
	<u>835,496,133</u>	<u>900,318,851</u>	<u>890,531</u>	<u>959,624</u>
<b>LONG-TERM LIABILITIES:</b>				
Debentures, net of present value discount of ₩341,714 thousand in 2007 and ₩651,688 thousand in 2006 (Note 11)	149,658,286	299,348,312	159,516	319,067
Convertible bonds, net of conversion right adjustment of ₩82,917,732 thousand in 2007, and discount on bonds of ₩3,543,524 thousand in 2007, and premium on bond redemption of ₩61,106,185 thousand in 2007 (Notes 2 and 11)	225,996,929	-	240,884	-
Accrued severance indemnities, net of National Pension Fund of ₩1,057,662 thousand in 2007 and ₩1,790,672 thousand in 2006, and severance insurance deposits of ₩4,959,174 thousand in 2007 and ₩5,635,518 thousand in 2006 (Note 2)	169,571,053	165,377,040	180,741	176,271
Accrued warranties and product liabilities (Notes 12 and 13)	66,718,330	55,495,518	71,113	59,151
Other long-term liabilities	<u>3,344,733</u>	<u>5,413,856</u>	<u>3,565</u>	<u>5,770</u>
	<u>615,289,331</u>	<u>525,634,726</u>	<u>655,819</u>	<u>560,259</u>
Total Liabilities	<u>₩ 1,450,785,464</u>	<u>₩ 1,425,953,577</u>	<u>\$ 1,546,350</u>	<u>\$ 1,519,883</u>

(Continued)

SSANGYONG MOTOR COMPANY  
BALANCE SHEETS (CONTINUED)  
AS OF DECEMBER 31, 2007 AND 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	\$ 643,811	\$ 643,811
Capital surplus (Note 14)	44,914,324	15,440,281	47,873	16,457
Accumulated other comprehensive income (loss):				
Gain on valuation of available-for-sale securities (Notes 5, 18 and 20)	780	90,434	1	96
Negative capital changes due to investment securities using the equity method (Notes 5 and 20)	(192,492)	(339,884)	(206)	(362)
Retained earnings (net income of ₩11,571,330 thousand for the year ended December 31, 2007 and net loss of ₩195,961,754 thousand for the year ended December 31, 2006) (Note 14)	317,698,637	306,127,307	338,626	326,292
Total Shareholders' Equity	966,444,349	925,341,238	1,030,105	986,294
Total Liabilities and Shareholders' Equity	₩ 2,417,229,813	₩ 2,351,294,815	\$ 2,576,455	\$ 2,506,177

See accompanying notes to the financial statements.

SSANGYONG MOTOR COMPANY

STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 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 30)	₩ 3,119,335,284	₩ 2,951,836,878	\$ 3,324,808	\$ 3,146,277
COST OF SALES (Notes 2 and 21)	<u>2,532,148,199</u>	<u>2,386,681,403</u>	<u>2,698,943</u>	<u>2,543,894</u>
GROSS PROFIT	587,187,085	565,155,475	625,866	602,383
SELLING AND ADMINISTRATIVE EXPENSES (Notes 9, 10, 13, 16, 17 and 28)	<u>543,100,919</u>	<u>537,885,774</u>	<u>578,875</u>	<u>573,317</u>
OPERATING INCOME	<u>44,086,166</u>	<u>27,269,701</u>	<u>46,990</u>	<u>29,066</u>
OTHER INCOME (EXPENSES):				
Interest income	10,632,622	5,799,461	11,333	6,181
Interest expense	(31,700,792)	(38,592,680)	(33,789)	(41,135)
Bad debt expenses, net	(405,315)	(842,969)	(432)	(898)
Gain (loss) on disposal of available-for-sale securities, net	148,401	(93,891)	158	(100)
Gain (loss) using the equity method, net (Note 5)	(584,007)	211,676	(622)	226
Gain (loss) on disposal of investments, net (Note 9)	7,900,400	(26,371)	8,421	(28)
Gain (loss) on disposal of property, plant and equipment, net	13,719,399	(1,804,474)	14,623	(1,923)
Loss on impairment of property, plant and equipment, net (Notes 2 and 9)	(3,125,859)	(6,994,532)	(3,332)	(7,455)
Gain (loss) on foreign currency transactions, net	(10,292,598)	3,042,740	(10,971)	3,243
Gain (loss) on foreign currency translation, net (Note 15)	(2,067,790)	246,071	(2,204)	262
Reparation for product warranty expenses	7,759,789	8,292,753	8,271	8,839
Depreciation expense on assets not in use	(196,490)	(205,637)	(209)	(219)
Fees earned	32,600,791	27,374,051	34,748	29,177
Donations	(218,787)	(661,185)	(233)	(705)
Loss on derivative valuation, net (Notes 2 and 23)	(4,648,038)	(4,011,385)	(4,954)	(4,276)
Loss on derivative transactions, net (Notes 2 and 23)	(5,763,378)	(6,699,988)	(6,143)	(7,141)
Loss on disposal of trade receivables (Notes 2 and 22)	(46,308,461)	(14,785,092)	(49,359)	(15,759)
Others, net	<u>69,283</u>	<u>(55,246,106)</u>	<u>74</u>	<u>(58,885)</u>
INCOME (LOSS) BEFORE INCOME TAX	11,605,336	(57,727,857)	12,370	(61,530)
INCOME TAX EXPENSE (Note 18)	<u>34,006</u>	<u>138,233,897</u>	<u>36</u>	<u>147,340</u>
NET INCOME (LOSS)	<u>₩ 11,571,330</u>	<u>₩ (195,961,754)</u>	<u>\$ 12,334</u>	<u>\$ (208,870)</u>
NET INCOME (LOSS) PER SHARE (Note 19)	<u>₩ 96</u>	<u>₩ (1,622)</u>	<u>\$ 0.10</u>	<u>\$ (1.73)</u>

See accompanying notes to the financial statements.