

SSANGYONG MOTOR COMPANY

BALANCE SHEETS

AS OF MARCH 31, 2008 AND DECEMBER 31, 2007

ASSETS	Korean Won		Translation into U.S. Dollars (Note 2)	
	2008	2007	2008	2007
	(In thousands)		(In thousands)	
CURRENT ASSETS:				
Cash and cash equivalents (Note 15)	₩ 119,545,070	₩ 68,089,365	\$ 120,546	\$ 68,659
Short-term financial instruments (Note 3)	4,443,934	104,248,613	4,481	105,121
Available-for-sale securities (Note 5)	5,959	7,991	6	8
Trade receivables, net of allowance for doubtful accounts of ₩3,134,232 thousand in 2008 and ₩2,962,070 thousand in 2007, and present value discount of ₩41,895 thousand in 2008 and ₩54,569 thousand in 2007 (Notes 12, 15 and 21)	287,276,301	268,186,806	289,681	270,431
Short-term loans, net of allowance for doubtful accounts of ₩33,320 thousand in 2008 and ₩30,173 thousand in 2007 (Note 6)	3,298,685	2,987,153	3,326	3,012
Other receivables, net of allowance for doubtful accounts of ₩3,878,594 thousand in 2008 and ₩3,575,379 thousand in 2007 (Notes 15 and 21)	60,221,498	48,287,417	60,726	48,692
Advanced payments, net of allowance for doubtful accounts of ₩198,145 thousand in 2008 and ₩235,579 thousand in 2007	22,762,156	24,974,433	22,953	25,183
Prepaid expenses	12,895,939	2,272,612	13,004	2,292
Inventories, net of allowance for valuation of ₩10,612,489 thousand in 2008 and ₩10,427,270 thousand in 2007 (Notes 2, 4 and 7)	316,624,381	294,721,750	319,274	297,188
Derivative assets (Note 23)	33,718,622	17,485,886	34,001	17,632
Other current assets, net of allowance for doubtful accounts of ₩200 thousand in 2008 and ₩25,464 thousand in 2007	701,303	3,585,652	707	3,616
	<u>861,493,848</u>	<u>834,847,678</u>	<u>868,705</u>	<u>841,834</u>
NON-CURRENT ASSETS:				
Long-term financial instruments (Note 3)	9,000	9,000	9	9
Available-for-sale securities (Note 5)	560,062	560,901	565	566
Equity securities using the equity method (Note 5)	2,409,261	2,215,777	2,429	2,234
Long-term loans, net of allowance for doubtful accounts of ₩286,703 thousand in 2008 and ₩286,014 thousand in 2007 (Note 6)	26,537,780	26,457,345	26,760	26,679
Long-term trade receivables, net of allowance for doubtful accounts of ₩1,799 thousand in 2008 and ₩3,599 thousand in 2007, and present value discount of ₩16,014 thousand in 2008 and ₩26,756 thousand in 2007 (Note 12)	162,123	329,518	163	332
Guarantee deposits, net of allowance for doubtful accounts of ₩269,435 thousand in 2008 and ₩274,005 thousand in 2007	30,215,034	30,667,479	30,468	30,924
Advances for employee contribution	11,419,070	11,165,110	11,515	11,259
Other investments in properties (Note 9)	259,099	258,892	261	261
Property, plant and equipment, net (Notes 7, 8 and 9)	1,404,760,904	1,416,131,364	1,416,518	1,427,984
Intangible assets (Notes 10 and 16)	108,690,886	94,586,749	109,600	95,379
	<u>1,585,023,219</u>	<u>1,582,382,135</u>	<u>1,598,288</u>	<u>1,595,627</u>
Total Assets	<u>₩ 2,446,517,067</u>	<u>₩ 2,417,229,813</u>	<u>\$ 2,466,993</u>	<u>\$ 2,437,461</u>

(Continued)

SSANGYONG MOTOR COMPANY

BALANCE SHEETS (CONTINUED)

AS OF MARCH 31, 2008 AND DECEMBER 31, 2007

LIABILITIES AND SHAREHOLDERS' EQUITY	Korean Won		Translation into U.S. Dollars (Note 2)	
	2008	2007	2008	2007
	(In thousands)		(In thousands)	
CURRENT LIABILITIES:				
Trade payables (Notes 15 and 21)	₩ 343,558,138	₩ 297,658,123	\$ 346,434	\$ 300,149
Short-term borrowings (Notes 11 and 15)	69,359,309	81,866,665	69,940	82,552
Other payables (Notes 15, 21 and 24)	178,301,209	183,792,133	179,793	185,330
Advances from customers (Note 21)	13,645,045	9,893,709	13,759	9,977
Withholdings	15,042,431	10,580,192	15,168	10,669
Accrued expenses (Note 15)	16,630,299	24,834,592	16,770	25,042
Current portion of debentures, net of present value discount of ₩9,889 thousand in 2008 and ₩19,626 thousand in 2007 (Notes 8 and 11)	149,990,111	149,980,374	151,245	151,236
Accrued warranties and product liabilities (Notes 12 and 13)	49,346,640	51,556,414	49,760	51,988
Derivative liabilities (Note 23)	43,769,145	22,133,924	44,135	22,319
Other current liabilities	<u>3,410,462</u>	<u>3,200,007</u>	<u>3,439</u>	<u>3,227</u>
	<u>883,052,789</u>	<u>835,496,133</u>	<u>890,443</u>	<u>842,489</u>
LONG-TERM LIABILITIES:				
Debentures, net of present value discount of ₩275,715 thousand in 2008 and ₩341,714 thousand in 2007 (Note 11)	149,724,285	149,658,286	150,977	150,911
Convertible bonds, net of conversion right adjustment of ₩78,946,069 thousand in 2008 and ₩82,917,732 thousand in 2007, and discount on bonds of ₩3,373,793 thousand in 2008 and ₩3,543,524 thousand in 2007, and premium on bond redemption of ₩61,106,185 thousand in 2008 and 2007 (Notes 11 and 19)	230,138,322	225,996,929	232,065	227,888
Accrued severance indemnities, net of National Pension Fund of ₩895,670 thousand in 2008 and ₩1,057,662 thousand in 2007, and severance insurance deposits of ₩4,714,832 thousand in 2008 and ₩4,959,174 thousand in 2007	174,570,456	169,571,053	176,032	170,990
Accrued warranties and product liabilities (Notes 12 and 13)	72,742,233	66,718,330	73,351	67,277
Other long-term liabilities	<u>3,765,673</u>	<u>3,344,733</u>	<u>3,797</u>	<u>3,373</u>
	<u>630,940,969</u>	<u>615,289,331</u>	<u>636,222</u>	<u>620,439</u>
Total Liabilities	₩ <u>1,513,993,758</u>	₩ <u>1,450,785,464</u>	\$ <u>1,526,665</u>	\$ <u>1,462,928</u>

(Continued)

SSANGYONG MOTOR COMPANY
BALANCE SHEETS (CONTINUED)

AS OF MARCH 31, 2008 AND DECEMBER 31, 2007

<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>	Korean Won		Translation into U.S. Dollars (Note 2)	
	2008	2007	2008	2007
	(In thousands)		(In thousands)	
SHAREHOLDERS' EQUITY:				
Capital stock (Note 14)	₩ 604,023,100	₩ 604,023,100	\$ 609,078	\$ 609,078
Capital surplus (Note 14)	44,914,323	44,914,323	45,290	45,290
Accumulated other comprehensive income:				
Gain on valuation of available-for-sale securities (Notes 5, 18 and 20)	544	781	1	1
Negative capital changes due to investment securities using the equity method (Notes 5 and 20)	-	(192,492)	-	(194)
Capital changes due to investment securities using the equity method (Notes 5 and 20)	96,035	-	97	-
Retained earnings (net loss of ₩34,209,330 thousand for the three months ended March 31, 2008 and net income of ₩11,571,330 thousand for the year ended December 31, 2007) (Note 14)	<u>283,489,307</u>	<u>317,698,637</u>	<u>285,862</u>	<u>320,358</u>
Total Shareholders' Equity	<u>932,523,309</u>	<u>966,444,349</u>	<u>940,328</u>	<u>974,533</u>
Total Liabilities and Shareholders' Equity	<u>₩ 2,446,517,067</u>	<u>₩ 2,417,229,813</u>	<u>\$ 2,466,993</u>	<u>\$ 2,437,461</u>

See accompanying notes to the financial statements.

SSANGYONG MOTOR COMPANY

STATEMENTS OF OPERATIONS

FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007

	Korean Won		Translation into U.S. Dollars (Note 2)	
	2008	2007	2008	2007
	(In thousands, except per share amounts)		(In thousands, except per share amounts)	
SALES (Notes 21 and 26)	₩ 677,644,908	₩ 833,865,462	\$ 683,316	\$ 840,844
COST OF SALES (Notes 2 and 21)	<u>566,780,515</u>	<u>665,147,026</u>	<u>571,524</u>	<u>670,714</u>
GROSS PROFIT	110,864,393	168,718,436	111,792	170,130
SELLING AND ADMINISTRATIVE EXPENSES (Notes 9, 10, 13, 16, 17 and 21)	<u>138,429,765</u>	<u>140,771,577</u>	<u>139,588</u>	<u>141,949</u>
OPERATING INCOME (LOSS)	<u>(27,565,372)</u>	<u>27,946,859</u>	<u>(27,796)</u>	<u>28,181</u>
OTHER INCOME (EXPENSES):				
Interest income	2,519,222	1,037,079	2,540	1,046
Interest expense	(10,036,895)	(5,647,677)	(10,121)	(5,695)
Bad debt expenses, net	(237,982)	(289,346)	(240)	(292)
Gain on disposal of available-for-sale securities, net	324	4,386	-	4
Loss using the equity method, net (Note 5)	(95,043)	(422,646)	(96)	(426)
Gain on disposal of investments, net (Note 9)	-	5,477,629	-	5,523
Loss on disposal of property, plant and equipment, net	(184,826)	(434,368)	(186)	(438)
Reversal of loss on impairment (impairment loss) of property, plant and equipment, net (Note 9)	(1,688)	1,406,452	(2)	1,418
Gain (loss) on foreign currency transactions, net	(4,012,105)	704,823	(4,046)	711
Loss on foreign currency translation, net (Note 15)	(3,840,112)	(1,426,781)	(3,872)	(1,439)
Reparation for product warranty expenses	1,754,473	1,812,027	1,769	1,827
Depreciation expense on assets not in use	(158,870)	(50,963)	(160)	(51)
Fees earned	18,571,134	33,930	18,727	34
Donations	-	(26,297)	-	(27)
Loss on derivative valuation, net (Note 23)	(7,702,109)	(1,992,933)	(7,767)	(2,010)
Loss on derivative transaction, net (Note 23)	(1,520,790)	(267,699)	(1,534)	(270)
Loss on disposal of trade receivables (Note 22)	(8,269,834)	(13,721,584)	(8,339)	(13,836)
Others, net	<u>6,571,233</u>	<u>(4,892,264)</u>	<u>6,627</u>	<u>(4,932)</u>
	<u>(6,643,868)</u>	<u>(18,696,232)</u>	<u>(6,700)</u>	<u>(18,853)</u>
INCOME (LOSS) BEFORE INCOME TAX	(34,209,240)	9,250,627	(34,496)	9,328
INCOME TAX EXPENSE (BENEFITS) (Note 18)	<u>90</u>	<u>(2,124)</u>	<u>-</u>	<u>(2)</u>
NET INCOME (LOSS)	<u>₩ (34,209,330)</u>	<u>₩ 9,252,751</u>	<u>\$ (34,496)</u>	<u>\$ 9,330</u>
NET INCOME (LOSS) PER SHARE (Note 19)	<u>₩ (283)</u>	<u>₩ 77</u>	<u>\$ (0.29)</u>	<u>\$ (0.08)</u>

See accompanying notes to the financial statements.