

SSANGYONG MOTOR COMPANY

FINANCIAL STATEMENTS

FOR THREE MONTHS ENDED

MARCH 31, 2008 AND 2007

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 March 31, 2008 and the related statements of operations, statement of changes in shareholders' equity and cash flows for the three months ended March 31, 2008 and 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, 2007, which is presented in this report, and the related statements of operation, appropriations of retained earnings, changes in shareholders' equity and cash flows for the year then ended (not presented herein); and in our report dated February 13, 2008, we expressed an unqualified opinion on those financial statements. The accompanying balance sheet as of December 31, 2007, which is comparatively presented, does not differ in material respects from such audited balance sheet.

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, changes in shareholders' equity and cash flows 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, review standards and their application in practice.

April 18, 2008

Notice to Readers

This report is effective as of April 18, 2008, 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 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>

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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.

SSANGYONG MOTOR COMPANY

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007

	Korean Won (In thousands)				
	Capital stock	Capital surplus	Accumulated other comprehensive income (loss)	Retained earnings	Total
Balance at January 1, 2007	₩ 604,023,100	₩ 15,440,281	₩ (249,449)	₩ 306,127,307	₩ 925,341,239
Net income	-	-	-	9,252,751	9,252,751
Gain on valuation of available-for-sale securities (Notes 5 and 20)	-	-	5,601	-	5,601
Capital changes due to investment securities using the equity method (Notes 5 and 20)	-	-	33,662	-	33,662
Negative capital changes due to investment securities using the equity method (Notes 5 and 20)	-	-	90,300	-	90,300
Balance at March 31, 2007	<u>604,023,100</u>	<u>15,440,281</u>	<u>(119,886)</u>	<u>315,380,058</u>	<u>934,723,553</u>
Balance at January 1, 2008	604,023,100	44,914,323	(191,711)	317,698,637	966,444,349
Net loss	-	-	-	(34,209,330)	(34,209,330)
Gain on valuation of available-for-sale securities (Notes 5 and 20)	-	-	(237)	-	(237)
Capital changes due to investment securities using the equity method (Notes 5 and 20)	-	-	96,035	-	96,035
Negative capital changes due to investment securities using the equity method (Notes 5 and 20)	-	-	192,492	-	192,492
Balance at March 31, 2008	<u>₩ 604,023,100</u>	<u>₩ 44,914,323</u>	<u>₩ 96,579</u>	<u>₩ 283,489,307</u>	<u>₩ 932,523,309</u>

	Translations into U.S. Dollars (Note 2) (In thousands)				
	Capital stock	Capital surplus	Accumulated other comprehensive income (loss)	Retained earnings	Total
Balance at January 1, 2007	\$ 609,078	\$ 15,570	\$ (252)	\$ 308,690	\$ 933,086
Net income	-	-	-	9,330	9,330
Gain on valuation of available-for-sale securities (Notes 5 and 20)	-	-	6	-	6
Capital changes due to investment securities using the equity method (Notes 5 and 20)	-	-	34	-	34
Negative capital changes due to investment securities using the equity method (Notes 5 and 20)	-	-	91	-	91
Balance at March 31, 2007	<u>609,078</u>	<u>15,570</u>	<u>(121)</u>	<u>318,020</u>	<u>942,547</u>
Balance at January 1, 2008	609,078	45,290	(193)	320,358	974,533
Net income	-	-	-	(34,496)	(34,496)
Gain on valuation of available-for-sale securities (Notes 5 and 20)	-	-	-	-	-
Capital changes due to investment securities using the equity method (Notes 5 and 20)	-	-	97	-	97
Negative capital changes due to investment securities using the equity method (Notes 5 and 20)	-	-	194	-	194
Balance at March 31, 2008	<u>\$ 609,078</u>	<u>\$ 45,290</u>	<u>\$ 98</u>	<u>\$ 285,862</u>	<u>\$ 940,328</u>

See accompanying notes to the financial statements.

SSANGYONG MOTOR COMPANY

STATEMENTS OF CASH FLOWS

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)		(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income (loss)	₩ (34,209,330)	₩ 9,252,751	\$ (34,496)	\$ 9,330
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Provision for severance indemnities	10,839,642	8,236,807	10,930	8,306
Depreciation	40,587,032	42,182,663	40,927	42,536
Warranty expense	234,280	187,179	236	189
Bad debt expenses, net	399,144	289,346	402	292
Amortization of intangible assets	10,717,364	7,882,027	10,807	7,948
Amortization of present value discount	4,217,130	70,740	4,252	71
Gain on disposal of available-for-sale securities, net	(324)	(4,386)	-	(4)
Loss using the equity method, net	95,043	422,646	96	426
Loss (reversal of loss) on valuation of inventories, net	600,608	(426,389)	606	(430)
Loss on foreign currency translation, net	3,840,112	1,426,781	3,872	1,439
Gain on disposal of investments, net	-	(5,477,629)	-	(5,523)
Loss on disposal of property, plant and equipment, net	184,826	434,368	186	438
Depreciation expense on assets not in use	158,870	50,963	160	51
Loss (reversal of loss) on impairment of property, plant and equipment, net	1,688	(1,406,452)	2	(1,418)
Loss on derivative valuation, net	7,702,109	1,992,933	7,767	2,009
Loss on derivative transactions, net	1,520,790	267,699	1,534	270
Loss on disposal of trade receivables	8,269,834	13,721,584	8,339	13,836
Others, net	2,028,261	2,496,021	2,045	2,516
	<u>91,396,409</u>	<u>72,346,901</u>	<u>92,161</u>	<u>72,952</u>
Changes in assets and liabilities resulting from operations:				
Increase in trade receivables	(22,766,510)	(43,301,724)	(22,957)	(43,664)
Decrease (increase) in other receivables	(10,239,845)	12,338,570	(10,326)	12,442
Decrease (increase) in accrued income	2,526,445	(6,263)	2,548	(6)
Decrease (increase) in advanced payments	2,249,712	(3,022,387)	2,269	(3,048)
Increase in prepaid expenses	(10,623,327)	(8,579,520)	(10,712)	(8,651)
Decrease in income tax refund receivables	383,169	3,348,875	386	3,377
Decrease (increase) in inventories	(23,742,574)	31,093,342	(23,941)	31,354
Decrease in long-term trade receivables	169,195	177,041	171	178
Increase (decrease) in trade payables	43,896,864	(24,313,089)	44,264	(24,517)
Decrease in other payables	(7,186,570)	(34,829,908)	(7,247)	(35,121)
Increase in advances received	3,751,335	3,931,267	3,783	3,964

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SSANGYONG MOTOR COMPANY

STATEMENTS OF CASH FLOWS (CONTINUED)

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)		(In thousands)	
Increase (decrease) in withholdings	4,462,238	(3,594,819)	4,500	(3,625)
Decrease in accrued expenses	(8,223,903)	(8,778,950)	(8,293)	(8,852)
Increase in accrued warranties and product liabilities	3,814,129	6,305,744	3,846	6,358
Payments of severance indemnities	(7,973,103)	(8,715,175)	(8,040)	(8,788)
Decrease in severance insurance deposits	244,342	259,671	246	262
Decrease in National Pension Fund	161,993	220,785	163	223
Increase (decrease) in other long-term liabilities	420,940	(2,316,591)	424	(2,336)
Increase (decrease) in other current liabilities	387,253	7,482,780	391	7,545
	<u>(28,288,217)</u>	<u>(72,300,351)</u>	<u>(28,525)</u>	<u>(72,905)</u>
Net cash provided by operating activities	<u>28,898,862</u>	<u>9,299,301</u>	<u>29,140</u>	<u>9,377</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:				
Withdrawal of short-term financial instruments, net	99,804,678	833,115	100,640	840
Collection (extension) of short-term loans, net	1,235,580	(1,264,702)	1,246	(1,275)
Disposal of available-for-sale securities, net	2,959	25,982	3	26
Collection (extension) of long-term loans, net	(1,631,383)	752,611	(1,645)	759
Withdrawal of guarantee deposits, net	457,015	3,476,126	461	3,505
Acquisition of property, plant and equipment, net	(30,571,758)	(17,158,180)	(30,828)	(17,302)
Acquisition of intangible assets	(23,354,179)	(11,062,078)	(23,550)	(11,155)
Settlement of derivative, net	(3,820,415)	(1,318,380)	(3,852)	(1,329)
Other investments in properties and others, net	<u>(253,959)</u>	<u>7,605,009</u>	<u>(256)</u>	<u>7,669</u>
Net cash provided by (used in) investing activities	<u>41,868,538</u>	<u>(18,110,497)</u>	<u>42,219</u>	<u>(18,262)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from short-term borrowings	58,192,822	67,327,026	58,680	67,890
Repayment of short-term borrowings	<u>(77,504,517)</u>	<u>(84,349,243)</u>	<u>(78,153)</u>	<u>(85,055)</u>
Net cash used in financing activities	<u>(19,311,695)</u>	<u>(17,022,217)</u>	<u>(19,473)</u>	<u>(17,165)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	51,455,705	(25,833,413)	51,886	(26,050)
CASH AND CASH EQUIVALENTS, AT THE BEGINNING OF THE PERIOD (Note 25)	<u>₩ 68,089,365</u>	<u>₩ 133,741,387</u>	<u>\$ 68,659</u>	<u>\$ 134,861</u>
CASH AND CASH EQUIVALENTS, AT THE END OF THE PERIOD (Note 25)	<u>₩ 119,545,070</u>	<u>₩ 107,907,974</u>	<u>\$ 120,545</u>	<u>\$ 108,811</u>

See accompanying notes to the financial statements.

SSANGYONG MOTOR COMPANY

NOTES TO FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007

1. THE COMPANY:

SSANGYONG MOTOR COMPANY (the “Company”) was incorporated on March 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 March 31, 2008, the capital stock of the Company is ₩ 604,023 million and the major shareholders of the Company are as follows:

	<u>Number of shares</u>	<u>Percentage of ownership (%)</u>
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:

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, changes in shareholders’ equity 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 ₩991.7 to US\$1.00 at March 31, 2008, 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 three months ended March 31, 2008 in accordance with the Korea Financial Accounting Standards and SKAS No. 1 through No.25, except for No.11, No.14, No.24 and No.25. The significant accounting policies followed by the Company in the preparation of its financial statements for the three months ended March 31, 2008 are identical to those for the year ended December 31, 2007.

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

The Company newly adopted amendments to SKAS No.15 –“Investments in Associates” in 2008. The newly adopted SKAS does not affect the net assets and net income of the current and prior period of the Company.

Inventories

Inventories are stated at the lower of cost or net realizable value, cost being determined by the specific identification method of materials-in-transit and the weighted average method for finished goods, work-in-process and others. When applying the lower of cost or market method, the market value of merchandise and finished goods are referred to the net realizable values, whereas the raw materials and supplies held for use in production of inventories are referred to 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 ₩956,023 thousand and ₩422,998 thousand for the three months ended March 31, 2008 and 2007, respectively, which is included in cost of sales. The Company maintains perpetual inventory records, which are adjusted through physical count at the end of the year.

The Company reversed loss on valuation of inventories amounting ₩355,415 thousand and ₩849,387 thousand for the three months ended March 31, 2008 and 2007, which is deducted from cost of sales.

3. RESTRICTED DEPOSITS:

Deposits with withdrawal restrictions as of March 31, 2008 and December 31, 2007 are as follows (Won in thousands):

	<u>2008</u>	<u>2007</u>	<u>Description</u>
Short-term financial instruments	₩ 4,443,934	₩ 4,248,613	Government subsidies and others
Long-term financial instruments	9,000	9,000	Guarantee deposits for checking accounts
	<u>₩ 4,452,934</u>	<u>₩ 4,257,613</u>	

4. INVENTORIES:

Inventories as of March 31, 2008 and December 31, 2007 are as follows (Won in thousands):

	<u>2008</u>	<u>2007</u>
Merchandise	₩ 64,253,034	₩ 54,038,858
Finished goods	69,520,455	50,155,859
Work in process	28,090,605	29,752,215
Raw materials	83,848,489	82,712,009
Supplies	4,549,493	4,526,240
Materials-in-transit	76,974,794	83,963,839
Allowance for valuation	(10,612,489)	(10,427,270)
	<u>₩ 316,624,381</u>	<u>₩ 294,721,750</u>

5. INVESTMENTS IN SECURITIES:

(1) Available-for-sale securities as of March 31, 2008 and December 31, 2007 are as follows (Won in thousands):

	<u>2008</u>	<u>2007</u>
Current assets:		
Government bonds	₩ 5,959	₩ 7,991
Non-current assets:		
Non-listed equity securities	560,000	560,000
Government bonds	<u>62</u>	<u>901</u>
	<u>560,062</u>	<u>560,901</u>
	<u>₩ 566,021</u>	<u>₩ 568,892</u>

(2) Investments in non-listed equity securities as of March 31, 2008 and December 31, 2007 are as follows (Won in thousands):

<u>Company</u>	<u>Ownership percentage</u>	<u>2008</u>		<u>2007</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	₩ 651,253	₩ 500,000	₩ 635,678
Korea Management Consultants Association	1.50 %	<u>60,000</u>	<u>194,623</u>	<u>60,000</u>	<u>162,050</u>
		<u>₩ 560,000</u>	<u>₩ 845,876</u>	<u>₩ 560,000</u>	<u>₩ 797,728</u>

(3) Investment in government bonds as of March 31, 2008 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	₩ 5,210	₩ 5,959	₩ 749
1 year ~ 5 years	<u>60</u>	<u>62</u>	<u>2</u>
	<u>₩ 5,270</u>	<u>₩ 6,021</u>	<u>₩ 751</u>

The Company recorded gain on valuation of available-for-sale securities in accumulated other comprehensive income of ₩544 thousand (deducting tax effect of ₩207 thousand) as of March 31, 2008.

(4) Equity securities accounted for using the equity method as of March 31, 2008 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	₩ 1,985,980	₩ 1,960,071
Ssangyong Motor (Shanghai) Co., Ltd.	100.0 %	235,700	452,681	449,190
Ssangyong European Parts Center B.V.	100.0 %	<u>835,695</u>	<u>(1,705,589)</u>	<u>-</u>
		<u>₩ 2,690,199</u>	<u>₩ 733,072</u>	<u>₩ 2,409,261</u>

Equity securities accounted for using the equity method as of December 31, 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	₩ 1,830,249	₩ 1,803,319
Ssangyong Motor (Shanghai) Co., Ltd.	100.0 %	235,700	416,513	412,458
Ssangyong European Parts Center B.V.	100.0 %	<u>835,695</u>	<u>(1,510,250)</u>	<u>-</u>
		<u>₩ 2,690,199</u>	<u>₩ 736,512</u>	<u>₩ 2,215,777</u>

- (5) The changes in equity securities accounted for using the equity method for three months ended March 31, 2008 are as follows (Won in thousands):

Affiliated company	Beginning balance	Loss from valuation with equity method	Others	Ending balance
Ssangyong (Yizheng) Auto Parts Manufacturing Co., Ltd.	₩ 1,803,319	₩ (26,552)	₩ 183,304	₩1,960,071
Ssangyong Motor (Shanghai) Co., Ltd.	412,458	(5,024)	41,756	449,190
Ssangyong European Parts Center B.V.(*)	-	(63,467)	63,467	-
	₩ 2,215,777	₩ (95,043)	₩ 288,527	₩2,409,261

(*) Use of equity method was discontinued since the value of investments less than zero due to accumulated deficit. In addition, unrecognized loss due to suspension of use of the equity method amounts to ₩3,155,062 thousand and negative capital changes due to investment securities using the equity method amount to ₩263,915 thousand as of March 31, 2008.

Equity securities accounted for using the equity method as of March 31, 2008 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.

The changes in equity securities accounted for using the equity method for the year ended December 31, 2007 are as follows (Won in thousands):

Affiliated company	Beginning balance	Gain (loss) from valuation with equity method	Others	Ending balance
Ssangyong (Yizheng) Auto Parts Manufacturing Co., Ltd.	₩ 1,597,495	₩ 108,880	₩ 96,944	₩1,803,319
Ssangyong Motor (Shanghai) Co., Ltd.	644,110	79,340	(310,992)	412,458
Ssangyong European Parts Center B.V	-	(772,228)	772,228	-
	₩ 2,241,605	₩ (584,008)	₩ 558,180	₩2,215,777

- (6) The summary of financial information of affiliated companies as of March 31, 2008 is as follows (Won in thousands):

Affiliated company	Total assets	Total liabilities	Sales	Net income (loss)
Ssangyong (Yizheng) Auto Parts Manufacturing Co., Ltd.	₩ 1,983,086	₩ (2,894)	₩ -	₩ (27,574)
Ssangyong Motor (Shanghai) Co., Ltd.	2,794,087	2,341,406	2,047,488	(5,588)
Ssangyong European Parts Center B.V.	11,204,206	12,909,795	5,770,673	5,197

6. LOANS TO EMPLOYEES:

Loans to employees as of March 31, 2008 and December 31, 2007 are as follows (Won in thousands):

<u>Account</u>	<u>Description</u>	<u>2008</u>	<u>2007</u>
Short-term loans	Housing loans	₩ 1,964,253	₩ 1,622,383
Long-term loans	Housing loans	19,446,917	18,648,297
"	Debt-to-equity swap loans and other	6,442,743	6,836,360
		<u>₩ 27,853,913</u>	<u>₩ 27,107,040</u>

For the three months ended March 31, 2008, the Company loaned ₩2,025,000 thousand, and redeemed ₩884,509 thousand for housing loans and ₩393,617 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 March 31, 2008 as follows (Won in thousands):

<u>Insured assets</u>	<u>Company</u>	<u>Coverage</u>
Products	Daehan Fire & Marine Insurance	₩ 3,045,686,889 (US\$3,071,177,664)
PP&E and inventories	Dongbu Fire Insurance Co., Ltd.	2,379,859,698
		<u>₩ 5,425,546,587</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 March 31, 2008 are as follows (Won in thousands):

<u>Pledged assets</u>	<u>Net book value</u>
Land	₩ 141,735,294
Buildings	177,112,906
Structures	41,847,435
Machinery	59,909,292
	<u>₩ 420,604,927</u>

9. PROPERTY, PLANT AND EQUIPMENT:

- (1) As of March 31, 2008, the published price of the Company's land which is announced by the Office of National Tax Administration is ₩541,373,720 thousand.

(2) Property, plant and equipment as of March 31, 2008 and December 31, 2007 are as follows (Won in thousands):

	2008	2007
Land	₩ 310,777,171	₩ 278,763,002
Buildings	581,440,648	578,885,537
Structures	118,538,877	117,640,247
Machinery	1,199,977,611	1,189,377,830
Vehicles	13,965,598	13,755,014
Tools and equipment	578,621,368	484,652,999
Office equipment	57,553,291	57,150,382
Construction in progress	6,426,397	132,844,719
Machinery in transit	4,103,361	1,063,638
Government subsidies	<u>(2,645,115)</u>	<u>(2,568,782)</u>
	2,868,759,207	2,851,564,586
Less: Accumulated impairment losses	(8,698,467)	(9,890,288)
Accumulated depreciation	<u>(1,455,299,836)</u>	<u>(1,425,542,934)</u>
	<u>₩ 1,404,760,904</u>	<u>₩ 1,416,131,364</u>

(3) The changes in acquisition costs of property, plant and equipment for the three months ended March 31, 2008 are as follows (Won in thousands):

Account	Beginning of period	Increase		Decrease		End of period
		Acquisition	Other	Disposal	Other	
Land	₩ 278,763,002	₩ 338,973	₩ 31,675,196	₩ -	₩ -	₩ 310,777,171
Buildings	578,885,537	293,795	2,261,315	-	-	581,440,648
Government subsidies	(770,575)	-	-	-	(5,252)	(765,323)
Structures	117,640,247	115,050	783,580	-	-	118,538,877
Government subsidies	(189,705)	-	-	-	(3,249)	(186,456)
Machinery	1,189,377,830	2,318,667	21,760,580	13,479,466	-	1,199,977,611
Government subsidies	(675,232)	(174,506)	-	-	(23,344)	(826,395)
Vehicles	13,755,014	595,876	100,200	485,491	-	13,965,598
Government subsidies	(46,138)	-	-	-	(3,954)	(42,184)
Tools & equipment	484,652,999	12,926,413	82,148,631	1,106,676	-	578,621,368
Government subsidies	(44,497)	(2,290)	-	-	(2,148)	(44,639)
Office equipment	57,150,382	619,687	12,000	222,255	6,523	57,553,291
Government subsidies	(842,635)	-	-	-	(62,517)	(780,118)
Construction in progress	132,844,719	10,368,049	801,060	-	137,587,431	6,426,397
Machinery in transit	1,063,638	4,229,194	-	-	1,189,471	4,103,361
	<u>₩ 2,851,564,586</u>	<u>₩ 31,628,908</u>	<u>₩ 139,542,562</u>	<u>₩ 15,293,888</u>	<u>₩ 138,682,961</u>	<u>₩ 2,868,759,207</u>

(4) The changes in accumulated depreciation of property, plant and equipment for the three months ended March 31, 2008 are as follows (Won in thousands):

Account	Beginning of period	Depreciation	Disposal	Other	End of period
Buildings	₩ 151,804,337	₩ 3,829,472	₩ -	₩ -	₩ 155,633,809
Structures	54,318,405	1,290,374	-	-	55,608,779
Machinery	942,006,313	18,293,807	(11,441,778)	-	948,858,343
Vehicles	8,473,001	463,394	(383,579)	-	8,552,815
Tools & equipment	229,227,704	16,670,662	(677,311)	-	245,221,055
Office equipment	39,713,174	1,897,115	(180,627)	(4,627)	41,425,035
	<u>₩ 1,425,542,934</u>	<u>₩ 42,444,824</u>	<u>₩ (12,683,295)</u>	<u>₩ (4,627)</u>	<u>₩ 1,455,299,836</u>

- (5) The changes in accumulated impairment losses of property, plant and equipment for the three months ended March 31, 2008 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	1,793,569	-	809,157	984,412
Vehicles	83,132	-	-	83,132
Tools & equipment	5,560,409	-	369,304	5,191,105
Office equipment	13,992	1,688	15,048	632
	<u>₩ 9,890,288</u>	<u>₩ 1,688</u>	<u>₩ 1,193,509</u>	<u>₩ 8,698,467</u>

- (6) In 2008, 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 and equipment of which expected disposal amounts are less than carrying amounts as a result of disposal.

The impairment loss, which the Company recognized for the three months ended March 31, 2008, is as follows (Won in thousands):

Account	Acquisition cost	Accumulated depreciation	Accumulated impairment	Book value	Recoverable amounts	Impairment loss
Office equipment	₩ 6,523	₩ 4,627	₩ -	₩ 1,896	₩ 208	₩ 1,688

- (7) In 2005, the Company recognized impairment loss of ₩42,528 million on plant related to discontinuing manufacturing 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
Vehicles	166	12	30	18
Tools and equipment	36,681,785	2,132,931	5,543,926	3,410,995
	<u>₩ 44,934,974</u>	<u>₩ 2,406,877</u>	<u>₩ 6,254,325</u>	<u>₩ 3,847,448</u>

As a result of disposal of other investment assets for the three months ended March 31, 2007, the Company incurred gain on disposal of investments, net of ₩5,477,629 thousand.

10. INTANGIBLE ASSETS:

Intangible assets as of March 31, 2008 are as follows (Won in thousands):

	Acquisition cost	Amortization	Accumulated impairment	Book value
Industrial right	₩ 2,119,286	₩ 1,032,952	₩ -	₩ 1,086,334
Electricity and gas available right	80,380	75,655	-	4,725
Development costs	168,310,409	64,634,250	-	103,676,159
Other intangible assets	8,695,553	4,353,477	-	4,342,076
Government subsidies	(824,274)	(405,866)	-	(418,408)
	<u>₩ 178,381,354</u>	<u>₩ 69,690,470</u>	<u>₩ -</u>	<u>₩ 108,690,886</u>

Intangible assets as of December 31, 2007 are as follows (Won in thousands):

	<u>Acquisition cost</u>	<u>Amortization</u>	<u>Accumulated impairment</u>	<u>Book value</u>
Industrial right	₩ 2,308,632	₩ 1,185,722	₩ -	₩ 1,122,910
Electricity and gas available right	550,375	543,749	-	6,626
Development costs	173,517,089	83,156,659	-	90,360,430
Government grants	(85,000)	(85,000)	-	-
Other intangible assets	9,365,801	5,782,920	-	3,582,881
Government subsidies	(824,274)	(338,176)	-	(486,098)
	<u>₩ 184,832,623</u>	<u>₩ 90,245,874</u>	<u>₩ -</u>	<u>₩ 94,586,749</u>

The changes in book value of intangible assets for the three months ended March 31, 2008 are as follows (Won in thousands):

	<u>Beginning of period</u>	<u>Increase</u>	<u>Others (*)</u>	<u>Amortization</u>	<u>End of period</u>
Industrial right	₩ 1,122,910	₩ 57,479	₩ -	₩ (94,055)	₩ 1,086,334
Electricity and gas available right	6,626	-	-	(1,901)	4,725
Development costs	90,360,430	21,839,909	1,467,322	(9,991,502)	103,676,159
Other intangible assets	3,582,881	1,456,790	-	(697,595)	4,342,076
Government subsidies	(486,098)	-	-	67,690	(418,408)
	<u>₩ 94,586,749</u>	<u>₩ 23,354,178</u>	<u>₩ 1,467,322</u>	<u>₩ (10,717,363)</u>	<u>₩ 108,690,886</u>

(*) The Company transfer to intangible asset from depreciation amounting to ₩525,335 thousand, retirement allowance amounting to ₩503,713 thousand and inventories amounting to ₩438,274 thousand for the three months ended March 31, 2008.

The changes in book value of intangible assets for the year ended December 31, 2007 are as follows (Won in thousands):

	<u>Beginning of year</u>	<u>Increase</u>	<u>Others (*)</u>	<u>Amortization</u>	<u>End of year</u>
Industrial right	₩ 1,044,062	₩ 452,347	₩ -	₩ (373,499)	₩ 1,122,910
Electricity and gas available right	70,313	-	-	(63,687)	6,626
Development costs	63,545,546	46,078,912	4,556,777	(23,820,805)	90,360,430
Government grants	(14,167)	-	-	14,167	-
Other intangible assets	3,604,994	2,338,123	-	(2,360,236)	3,582,881
Government subsidies	(408,638)	(286,695)	-	209,235	(486,098)
	<u>₩ 67,842,110</u>	<u>₩ 48,582,687</u>	<u>₩ 4,556,777</u>	<u>₩ (26,394,825)</u>	<u>₩ 94,586,749</u>

11. SHORT-TERM BORROWINGS AND BONDS:

(1) Short-term borrowings as of March 31, 2008 and December 31, 2007 are as follows (Won in thousands):

<u>Financial institution</u>	<u>Annual interest rate</u>	<u>2008</u>	<u>2007</u>
Shinhan Bank and others	3.2~4.5 %	₩ 69,359,309	₩ 81,866,665

(2) Debentures as of March 31, 2008 and December 31, 2007 are as follows (Won in thousands):

Description	Issue date	Maturity date	Annual interest rate	2008		2007	
				₩		₩	
115 th debentures	2006.4.25	2009.4.25	6.75 %	₩	150,000,000	₩	150,000,000
116 th debentures	2006.7.26	2008.7.26	6.16 %		150,000,000		150,000,000
Discount on debentures					(285,604)		(361,340)
					299,714,396		299,638,660
Transfer to current portion of debentures					(149,990,111)		(149,980,374)
Current portion of debentures					150,000,000		150,000,000
Current portion of discount on debentures					(9,889)		(19,626)
Book value of debentures				₩	149,724,285	₩	149,658,286

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

(3) The annual maturities of debentures as of March 31, 2008 are as follows (Won in thousands):

Period	Debentures
2008.4.1~2009.3.31	150,000,000
2009.4.1~2010.3.31	150,000,000
	₩ 300,000,000

(4) Convertible bonds as of March 31, 2008 and December 31, 2007 are as follows (Won in thousands):

Description	Issue date	Maturity date	Annual interest rate	2008		2007	
				₩		₩	
Convertible bonds	2007.7.3	2012.7.3	-	₩	251,352,000	₩	251,352,000
Conversion right adjustment					(78,946,069)		(82,917,732)
Discount on bonds					(3,373,793)		(3,543,524)
Premium on bond redemption					61,106,185		61,106,185
Book value of convertible bonds				₩	230,138,323	₩	225,996,929

Terms and conditions of the convertible bonds are as follows:

Description	Summary
Issue date	July 3, 2007
Issue amounts	EUR 200,000,000,000
Coupon rate	0% (Zero-coupon rate)
Redemption method	Redemption in a lump sum at maturity including redemption premium of 124.311% 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
Conversion price	₩9,035 per share (The exercise currency exchange rate is ₩1,245.358 to € 1.00 and exercise price is fixed as ₩9,035. However, the exercise price could be adjusted with increase of capital stock without consideration, capital dividend and consideration of stock or others.)
Put Option	All or some of the bonds may be redeemed the relevant holder's by exercising the put option on 3 January, 2010 at 111.495% of the face value
Call Option	The bonds may be redeemed by the Company's exercising the call option and at any time after 3 January, 2010 but not less than seven business days

12. VALUATION OF ASSETS AND LIABILITIES AT PRESENT VALUE:

Valuation of assets and liabilities at present value as of March 31, 2008 are as follows (Won in thousands):

	<u>Nominal value</u>	<u>Present value</u>	<u>Present value discounts</u>	<u>Effective Interest rate</u>	<u>Maturity</u>
Assets:					
Trade receivables	₩ 652,777	₩ 610,882	₩ 41,895	8.90%	2009.3.31
Long-term trade receivables	<u>179,936</u>	<u>163,922</u>	<u>16,014</u>	8.90%	2010.3.31
	<u>₩ 832,713</u>	<u>₩ 774,804</u>	<u>₩ 57,909</u>		
Liabilities:					
Accrued warranties and product liabilities	₩ 50,780,877	₩ 49,346,640	₩ 1,434,237	6.91%	2009.3.31
Long-term accrued warranties and product liabilities	<u>84,150,794</u>	<u>72,742,233</u>	<u>11,408,561</u>	6.91%	2019.3.31
	<u>₩ 134,931,671</u>	<u>₩ 122,088,873</u>	<u>₩ 12,842,798</u>		

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

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 three months ended March 31, 2008 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	₩ 118,274,744	₩ 21,287,766	₩ 17,473,637	₩ 122,088,873

The changes of accrued warranties and product liabilities for the year ended December 31, 2007 are as follows (Won in thousands):

<u>Accounts</u>	<u>Beginning of year</u>	<u>Increase</u>	<u>Decrease</u>	<u>End of year</u>
Accrued warranties and product liabilities	₩ 102,567,202	₩ 87,860,088	₩ 72,152,546	₩ 118,274,744

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 March 31, 2008.
- (2) The Company reduced its capital at a ratio of 10 to 1 on June 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, consideration for conversion rights amounting to ₩29,474,043 thousand of the convertible bonds, which issued on July 3, 2007 was 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 March 31, 2008, no stock option has been granted.
- (5) As of March 31, 2008 and December 31, 2007, appropriated retained earnings consist of the following (Won in thousands):

Description	Korean Won	
	2008	2007
Reserve for financial structure improvement	₩ 60,108,456	₩ 60,108,456
Reserve for technology development	<u>257,590,181</u>	<u>246,018,851</u>
	<u>₩ 317,698,637</u>	<u>₩ 306,127,307</u>

15. FOREIGN CURRENCY DENOMINATED ASSETS AND LIABILITIES:

Foreign currency denominated assets and liabilities as of March 31, 2008 and December 31, 2007 are as follows (Won in thousands):

Account	2008		2007				
	Foreign currencies	Won equivalent	Foreign currencies	Won equivalent			
Assets:							
Cash and cash equivalents	AUD	4,563,948	₩	4,142,924	-	₩	-
"	GBP	1,732,311		3,425,299	-		-
"	EUR	-		-	2,050,775		2,832,653
"	JPY	-		-	6,200,000		51,667
"	USD	35,685,867		35,389,675	4,006,595		3,758,988
Trade receivables	EUR	18,568,072		29,059,033	39,532,140		54,604,163
"	AUD	5,639,713		5,119,449	486,664		400,451
"	USD	100,959,971		100,122,003	95,851,063		89,927,467
"	GBP	1,515,180		2,995,965	4,033,369		7,558,937
"	JPY	16,072,200		160,754	18,750,900		156,257
Other receivables	EUR	798,849		1,250,199	4,752		6,315
"	USD	34,028,923		33,746,483	18,452,171		17,311,827
"	AUD	2,750,000		2,496,313	2,500,000		2,057,125
			₩	217,908,097		₩	178,665,850
Liabilities:							
Trade payables	EUR	14,427,705	₩	22,579,359	8,974,559	₩	12,595,469
"	AUD	3,721,883		3,378,540	5,015,239		4,129,418
"	JPY	236,572,222		2,366,195	257,323,193		2,130,543
"	USD	4,477,398		4,440,236	4,888,116		4,586,477
Other payables	AUD	997,652		905,618	116,652		95,987
"	CNY	-		-	13,800		1,773
"	DEM	1,723,847		1,379,370	1,529,802		1,080,392
"	EUR	7,651,592		11,974,742	6,560,727		9,062,069
"	FRF	5,693		1,358	5,693		1,199
"	GBP	218,742		432,519	256,351		480,428
"	JPY	2,944,820		29,454	71,579,240		596,491
"	SEK	724		121	724		106
"	USD	9,289,771		9,212,665	8,435,883		7,914,545
Accrued expenses	EUR	288,493		451,492	94,184		374,527
"	JPY	1,870,182		18,706	876,198		15,391
"	USD	10,772		10,682	2,073		2,080
"	AUD	2,025		1,838	1,132		2,845
Short-term borrowings	AUD	207,568		188,420	490,479		400,962
"	EUR	35,196,612		55,082,698	52,800,989		72,732,625
"	JPY	1,030,548,897		10,307,550	1,032,275,114		8,616,066
"	USD	3,812,283		3,780,641	125,196		117,012
			₩	126,542,204		₩	124,936,405

For the three months ended March 31, 2008 and 2007, gain on foreign currency translation of ₩ 7,079,690 thousand and ₩146,243 thousand, respectively, and loss on foreign currency translation of ₩10,919,802 thousand and ₩1,573,024 thousand, respectively, were recognized.

16. RESEARCH AND DEVELOPMENT:

Research and development costs occurred for the three months ended March 31, 2008 and 2007 are as follows (Won in thousands):

<u>Description</u>	<u>2008</u>	<u>2007</u>
Development expenses	₩ 19,036,948	₩ 24,425,237
Development costs	<u>23,307,231</u>	<u>11,120,607</u>
	<u>₩ 42,344,179</u>	<u>₩ 35,545,844</u>

17. SELLING AND ADMINISTRATIVE EXPENSES:

Selling and administrative expenses for the three months ended March 31, 2008 and 2007 are as follows (Won in thousands):

	<u>2008</u>	<u>2007</u>
Salaries	₩ 13,466,160	₩ 13,080,534
Provision for severance indemnities	2,266,959	1,652,329
Other employee benefits	2,767,187	1,852,893
Travel	251,809	229,867
Communications	191,009	198,385
Taxes and dues	702,919	631,792
Rent	2,224,580	2,059,831
Depreciation	2,949,247	4,084,156
Repairs	110,494	161,679
Advertisement	10,271,019	5,571,101
Sales warranties	21,287,766	23,060,825
Sales commissions	21,132,998	24,195,132
Sales promotion	6,522,006	3,681,927
Freight	1,415,685	1,544,998
Packing expenses	645,016	366,473
Export related expenses	16,838,069	19,377,541
Commissions	1,559,159	2,118,970
Electronic data processing expenses	1,252,035	1,279,810
Development expenses	19,036,948	24,425,237
Amortization	10,717,364	7,882,027
Others	2,821,336	3,316,070
	<u>₩ 138,429,765</u>	<u>₩ 140,771,577</u>

18. INCOME TAX EXPENSE AND DEFERRED TAX ASSETS AND LIABILITIES:

(1) Income tax expense for the three months ended March 31, 2008 and 2007 consist of the following (Won in thousands):

	<u>2008</u>	<u>2007</u>
Income tax currently payable	₩ -	₩ -
Tax expense allocated to capital adjustments	<u>90</u>	<u>(2,125)</u>
Income tax expense (benefits)	<u>₩ 90</u>	<u>₩ (2,125)</u>

- (2) The changes in accumulated temporary differences for the three months ended March 31, 2008 and for the year ended December 31, 2007 are as follows (Won in thousands):

Description	2008	2007
Beginning of the period, net	₩ 385,088,693	₩ 391,237,258
Decrease in the current period	(149,038,724)	(208,231,307)
Increase in the current period	<u>143,885,063</u>	<u>202,082,742</u>
End of the period, net	379,935,032	385,088,693
Tax loss to be carried forward	169,685,469	158,579,982
Exclusion from temporary differences due to uncertainty of realization	<u>(549,620,501)</u>	<u>(543,668,675)</u>
Statutory tax rate	<u>27.5%</u>	<u>27.5%</u>
Deferred income tax assets from temporary differences and tax loss	<u>-</u>	<u>-</u>
Tax credit to be carried forward	31,385,433	36,037,622
Exclusion due to uncertainty of realization	<u>31,385,433</u>	<u>36,037,622</u>
Deferred income tax assets from tax credit	<u>₩ -</u>	<u>₩ -</u>

- (3) Temporary differences, which were excluded due to uncertainty of its realization as of March 31, 2008 and December 31, 2007, are as follows (Won in thousands):

Descriptions	2008	2007
Deductible temporary differences:	₩ 379,935,032	₩ 385,088,693
Tax loss to be carried forward:	169,685,469	158,579,982
Tax credit to be carried forward:	31,385,433	36,037,622

The Company does not recognize deferred income tax assets as of March 31, 2008 and December 31, 2007 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.

- (4) Details of deferred tax assets deducted from capital adjustments as of March 31, 2008 and December 31, 2007 are as follows (Won in thousands):

Descriptions	2008			2007		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Gain on valuation of available-for-sale securities	₩ 751	₩ 207	₩ 544	₩ 1,077	₩ 296	₩ 781

- (5) The expiration year of tax loss to be carried forward as of March 31, 2008 are as follows (Won in thousands):

Year of occurrence	Amount	Year of expiration
2005	₩ 53,654,059	2010
2006	88,380,271	2011
2008	<u>27,651,139</u>	2013
	<u>₩ 169,685,469</u>	

The Company does not recognize deferred income tax assets as of March 31, 2008 because of uncertainty of its realization.

19. NET INCOME (LOSS) PER SHARE:

(1) Basic net income (loss) per share

Net income (loss) per share for the three months ended March 31, 2008 and 2007 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):

	<u>2008</u>	<u>2007</u>
Net income (loss)	₩ (34,209,330)	₩ 9,252,751
Income (loss) after deducting the income tax effect	(34,209,330)	9,252,751
Weighted average number of common shares outstanding	<u>120,804,620</u>	<u>120,804,620</u>
Net income (loss) per share	<u>₩ (283.2)</u>	<u>₩ 76.6</u>

(2) Diluted net income (loss) per share

The Company has instruments due to issuing convertible bonds that could potentially dilute basic net income per share in the future, but were not included in the calculation of diluted net income per share because convertible bonds' effect is anti-dilutive for the three months ended March 31, 2008.

20. OTHER COMPREHENSIVE INCOME (LOSS):

Other comprehensive income (loss), which is excluded from net income as of March 31, 2008 and 2007, are as follows (Won in thousands):

	<u>2008</u>	<u>2007</u>
Net income (loss)	₩ (34,209,330)	₩ 9,252,751
Other comprehensive income:		
Unrealized loss on valuation of available for sale securities	(326)	(26,577)
Tax effect	89	32,178
Capital changes due to investment securities using the equity method	96,035	33,662
Negative capital changes due to investment securities using the equity method	<u>192,492</u>	<u>90,300</u>
Comprehensive income (loss)	<u>₩ (33,921,040)</u>	<u>₩ 9,382,314</u>

21. RELATED PARTY TRANSACTIONS:

(1) The related parties as of March 31, 2008 are as follows:

- a. The name of group: SAIC Motor Corporation Limited (total 141 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 three months ended March 31, 2008 and 2007 are as follows (Won in thousands):

Company	Sales		Purchases		Others	
	2008	2007	2008	2007	2008	2007
Ssangyong Motor (Shanghai) Co., Ltd.	₩ -	₩ -	₩ 369,084	₩ 184,764	₩ -	₩ -
Shanghai Huizhong Automobile Manufacturing Co., Ltd.	1,513,394	-	-	-	-	-
Shanghai Automotive Industry Sales Co.	21,035,784	366,672	-	-	(233,316)	77,814
SAIC Motor Manufacturing Co., Ltd.	3,549,102	21,995	-	-	1,473,197	5,665,200
Shanghai Automotive Import & Export Co.	-	39,466,208	-	-	-	-
Ssangyong European Parts Center B.V.	2,536,742	3,465,530	-	-	-	-
SAIC Motor Corporation Limited(*)	9,263	-	-	-	16,744,140	-
	<u>₩ 28,644,285</u>	<u>₩ 43,320,405</u>	<u>₩ 369,084</u>	<u>₩ 184,764</u>	<u>₩ 17,984,021</u>	<u>₩ 5,743,014</u>

(*) The company name of 'Shanghai Automotive Corporation' was changed into 'SAIC Motor Corporation Limited' as of July 27, 2007.

(3) Inter-company accounts receivable and payable as of March 31, 2008 and December 31, 2007 are as follows (Won in thousands):

	Trade receivables		Other receivables		Trade payables		Advances from customers		Other payables	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Ssangyong Motor (Shanghai) Co., Ltd.	₩ -	₩ -	₩ -	₩ -	₩ 51,932	₩ 37,648	₩ -	₩ -	₩ -	₩ -
Shanghai Huizhong Automobile Manufacturing Co., Ltd.	604,995	-	371,632	368,226	-	-	-	-	-	-
Shanghai Automotive Industry Sales Co.	384	696,189	10,320,200	-	-	-	-	10,185	512,169	631,867
Ssangyong European Parts Center B.V.	10,354,258	12,035,722	-	-	-	-	-	870,206	-	-
SAIC Motor Manufacturing Co., Ltd.	-	-	4,212,465	-	-	-	-	-	-	-
SAIC Motor Corporation Limited	-	-	16,742,707	13,789,967	-	-	-	-	-	-
	<u>₩10,959,637</u>	<u>₩12,731,911</u>	<u>₩31,647,004</u>	<u>₩14,158,193</u>	<u>₩ 51,932</u>	<u>₩ 37,648</u>	<u>₩ -</u>	<u>₩ 880,391</u>	<u>₩ 512,169</u>	<u>₩ 631,867</u>

(4) For the three months ended March 31, 2008, the compensation to the Company's key management mainly consists of salaries of ₩289,346 thousand and provision for severance indemnities of ₩248,129 thousand.

22. COMMITMENTS AND CONTINGENCIES:

(1) Long-term supply contract

On October 4, 2007, 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):

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

- (2) Technology transfer agreement
As of March 31, 2008, the Company has a technology transfer agreements with Daimler Chrysler AG and incurred royalties of ₩155,269 thousand and ₩321,239 thousand for the three months ended March 31, 2008 and 2007, 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 March 31, 2008, the Company has import usance agreements with 7 banks (including Shinhan Bank) with the credit limit of ₩205,281,900 thousand (US\$207,000,000).
- (5) As of March 31, 2008, the Company has been provided a maximum credit limit amounting to ₩219,170 million and US\$100,000 thousand by KDB and other banks.
- (6) As of March 31, 2008, the Company has been provided with guarantees amounting to ₩18,360,362 thousand related to subcontract transaction from Seoul Guarantee Insurance.
- (7) The Company recognized loss on disposal of trade receivables amounting to ₩8,269,834 thousand and ₩13,721,584 thousand for the three months ended March 31, 2008 and 2007.

23. DERIVATIVES:

The Company has entered into derivatives contracts regarding the foreign exchange forward and currency option with Merrill lynch and others for the purpose of trading.

Outstanding foreign exchange forward and currency option contracts as of March 31, 2008 are as follows (Won in thousands):

<u>Description</u>	<u>Contract Amount</u>	<u>Gain on derivative valuation</u>	<u>Loss on derivative valuation</u>	<u>Derivative assets</u>	<u>Derivative liabilities</u>
Forward (Call)	EUR 111,988,357	₩ 20,648,606	₩ -	₩33,718,622	₩ -
Forward (Put)	EUR 111,988,357	-	20,648,606	-	32,964,907
Forward (Put)	USD 16,664,678	-	360,199	-	360,199
Option (Put)	USD 90,000,000	-	7,341,910	-	10,444,039
		<u>₩ 20,648,606</u>	<u>₩ 28,350,715</u>	<u>₩33,718,622</u>	<u>₩ 43,769,145</u>

For the three months ended March 31, 2008, the gain on derivatives transaction is ₩1,162,651 thousand and the loss on derivatives transaction is ₩2,683,440 thousand.

24. PENDING LITIGATIONS:

As of March 31, 2008, the Company is a plaintiff in 5 domestic litigations involving claims of ₩2,491,138 thousand and is a defendant in 12 domestic litigations involving claims of ₩2,406,967 thousand. Also, the Company is involved in 2 overseas litigations.

The main pending litigations as of March 31, 2008 are as follows (Won in thousands):

Description	Plaintiff	Defendant	Claimed amount	Probable outcome
(1) Domestic litigations:				
Claim for damages	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	National Tax Services	1,036,000	Unpredictable
"	The Company	Korea Worker's Compensation & Welfare Service	289,500	Unpredictable
"	The Company	FTC	985,000	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 ₩788,805 thousand.

25. STATEMENTS OF CASH FLOWS:

Non-cash transactions for the three months ended March 31, 2008 and 2007 are as follows (Won in thousands):

Name of account	2008	2007
Transfer to property, plant and equipment from inventories	801,060	898,086
Transfer to development costs from inventories	438,274	7,376
Transfer to current portion of long-term loans	1,550,259	-
Transfer to other investments from machinery	-	56,541,882
Transfer to other investments from vehicles	-	731
Transfer to other investments from tools and equipment	-	166,574,519
Transfer to other investments from office equipment	6,523	376,852
Transfer to property, plant and equipment from machinery in transit	1,189,471	2
Transfer to real accounts from construction in progress	137,587,431	2,182,320
Transfer to equity securities using the equity method from AFS securities	-	835,695

26. SEGMENT INFORMATION:

Sales by region for the three months ended March 31, 2008 and 2007 are as follows (Won in thousands):

	2008	2007
Domestic sales	₩ 391,828,472	₩ 439,631,409
Export sales:		
Europe	88,797,663	269,353,097
Asia	55,241,654	52,732,994
Others	78,877,563	35,637,744
Sub total	222,916,880	357,723,835
Other export sales:	62,899,556	36,510,218
Total sales	₩ 677,644,908	₩ 833,865,462