

SSANGYONG MOTOR COMPANY

BALANCE SHEETS

AS OF JUNE 30, 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)	₩ 66,669,417	₩ 68,089,365	\$ 63,896	\$ 65,257
Short-term financial instruments (Note 3)	4,144,882	104,248,613	3,972	99,912
Available-for-sale securities (Note 5)	3,330	7,991	3	8
Trade receivables, net of allowance for doubtful accounts of ₩2,825,516 thousand in 2008 and ₩2,962,070 thousand in 2007, and present value discount of ₩45,686 thousand in 2008 and ₩54,569 thousand in 2007 (Notes 12, 15 and 20)	250,798,084	268,186,806	240,366	257,032
Short-term loans, net of allowance for doubtful accounts of ₩40,469 thousand in 2008 and ₩30,173 thousand in 2007 (Note 6)	3,269,103	2,987,153	3,133	2,863
Other receivables, net of allowance for doubtful accounts of ₩3,815,691 thousand in 2008 and ₩3,575,379 thousand in 2007 (Notes 15 and 20)	67,815,540	48,287,417	64,995	46,279
Advanced payments, net of allowance for doubtful accounts of ₩127,159 thousand in 2008 and ₩235,579 thousand in 2007	16,412,042	24,974,433	15,729	23,936
Prepaid expenses	8,573,827	2,272,612	8,217	2,178
Inventories, net of allowance for valuation of ₩11,563,962 thousand in 2008 and ₩10,427,270 thousand in 2007 (Notes 2, 4 and 7)	379,428,546	294,721,750	363,646	282,463
Derivative assets (Note 22)	26,262,542	17,485,886	25,170	16,759
Other current assets, net of allowance for doubtful accounts of ₩26 thousand in 2008 and ₩25,464 thousand in 2007	940,464	3,585,652	901	3,437
	<u>824,317,777</u>	<u>834,847,678</u>	<u>790,028</u>	<u>800,124</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	537	538
Equity securities using the equity method (Note 5)	2,915,202	2,215,777	2,794	2,123
Long-term loans, net of allowance for doubtful accounts of ₩282,380 thousand in 2008 and ₩286,014 thousand in 2007 (Note 6)	26,750,212	26,457,345	25,638	25,357
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 ₩13,439 thousand in 2008 and ₩26,756 thousand in 2007 (Note 12)	164,698	329,518	158	316
Guarantee deposits, net of allowance for doubtful accounts of ₩274,820 thousand in 2008 and ₩274,005 thousand in 2007	30,748,207	30,667,479	29,469	29,392
Advances for employee contribution	11,668,850	11,165,110	11,183	10,700
Other investments in properties (Note 9)	260,457	258,892	251	248
Property, plant and equipment, net (Notes 7, 8 and 9)	1,391,238,834	1,416,131,364	1,333,371	1,357,227
Intangible assets (Notes 9 and 10)	116,565,065	94,586,749	111,717	90,652
	<u>1,580,880,587</u>	<u>1,582,382,135</u>	<u>1,515,127</u>	<u>1,516,562</u>
Total Assets	<u>₩ 2,405,198,364</u>	<u>₩ 2,417,229,813</u>	<u>\$ 2,305,155</u>	<u>\$ 2,316,686</u>

(Continued)

SSANGYONG MOTOR COMPANY

BALANCE SHEETS (CONTINUED)

AS OF JUNE 30, 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 20)	₩ 334,139,370	₩ 297,658,123	\$ 320,241	\$ 285,277
Short-term borrowings (Notes 11 and 15)	93,221,958	81,866,665	89,344	78,461
Other payables (Notes 15, 20 and 23)	159,725,597	183,792,133	153,082	176,147
Advances from customers (Note 20)	8,253,415	9,893,709	7,910	9,482
Withholdings	10,999,683	10,580,192	10,542	10,140
Accrued expenses (Note 15)	37,109,061	24,834,592	35,566	23,802
Current portion of debentures, net of present value discount of ₩208,565 thousand in 2008 and ₩19,626 thousand in 2007 (Notes 8 and 11)	299,791,435	149,980,374	287,322	143,742
Accrued warranties and product liabilities (Notes 12 and 13)	48,426,955	51,556,414	46,413	49,412
Derivative liabilities (Note 22)	37,697,095	22,133,924	36,129	21,213
Other current liabilities	2,710,747	3,200,007	2,598	3,068
	<u>1,032,075,316</u>	<u>835,496,133</u>	<u>989,147</u>	<u>800,744</u>
LONG-TERM LIABILITIES:				
Debentures, net of present value discount of ₩341,714 thousand in 2007 (Note 11)	-	149,658,286	-	143,433
Convertible bonds, net of conversion right adjustment of ₩74,974,406 thousand in 2008 and ₩82,917,732 thousand in 2007, and discount on bonds of ₩3,204,063 thousand in 2008 and ₩3,543,524 thousand in 2007, and premium on bond redemption of ₩61,106,185 thousand in 2008 and 2007 (Note 11)	234,279,716	225,996,929	224,535	216,596
Accrued severance indemnities, net of National Pension Fund of ₩753,587 thousand in 2008 and ₩1,057,662 thousand in 2007, and severance insurance deposits of ₩4,550,220 thousand in 2008 and ₩4,959,174 thousand in 2007	179,670,957	169,571,053	172,197	162,518
Accrued warranties and product liabilities (Notes 12 and 13)	58,128,455	66,718,330	55,711	63,943
Other long-term liabilities	3,980,073	3,344,733	3,814	3,206
	<u>476,059,201</u>	<u>615,289,331</u>	<u>456,257</u>	<u>589,696</u>
Total Liabilities	<u>1,508,134,517</u>	<u>1,450,785,464</u>	<u>1,445,404</u>	<u>1,390,440</u>

(Continued)

SSANGYONG MOTOR COMPANY

BALANCE SHEETS (CONTINUED)

AS OF JUNE 30, 2008 AND DECEMBER 31, 2007

<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>	<u>Korean Won</u>		<u>Translation into</u> <u>U.S. Dollars (Note 2)</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	(In thousands)		(In thousands)	
SHAREHOLDERS' EQUITY:				
Capital stock (Note 14)	₩ 604,023,100	₩ 604,023,100	\$ 578,899	\$ 578,899
Capital surplus (Note 14)	44,914,324	44,914,324	43,046	43,046
Accumulated other comprehensive income (loss):				
Gain on valuation of available-for-sale securities (Notes 5, 17 and 19)	292	781	-	1
Negative capital changes due to investment securities using the equity method (Notes 5 and 19)	-	(192,492)	-	(184)
Capital changes due to investment securities using the equity method (Notes 5 and 19)	307,037	-	295	-
Retained earnings (net loss of ₩69,879,543 thousand for the six months ended June 30,2008 and net income of ₩11,571,330 thousand for the year ended December 31, 2007) (Note 14)	<u>247,819,094</u>	<u>317,698,636</u>	<u>237,511</u>	<u>304,484</u>
Total Shareholders' Equity	<u>897,063,847</u>	<u>966,444,349</u>	<u>859,751</u>	<u>926,246</u>
Total Liabilities and Shareholders' Equity	<u>₩ 2,405,198,364</u>	<u>₩ 2,417,229,813</u>	<u>\$ 2,305,155</u>	<u>\$ 2,316,686</u>

See accompanying notes to the financial statements.

SSANGYONG MOTOR COMPANY

STATEMENTS OF OPERATIONS

FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2008 AND 2007

	Korean Won				Translation into U.S. Dollars (Note 2)			
	2008		2007		2008		2007	
	Three months	Six months	Three months	Six months	Three months	Six months	Three months	Six months
	(In thousands, except per share amounts)				(In thousands, except per share amounts)			
SALES (Notes 20 and 25)	₩ 651,143,891	₩ 1,328,788,799	₩ 799,293,875	₩ 1,633,159,338	\$ 624,060	\$ 1,273,518	\$ 766,047	\$ 1,565,228
COST OF SALES (Note 20)	<u>548,522,824</u>	<u>1,115,303,339</u>	<u>651,417,316</u>	<u>1,316,564,343</u>	<u>525,707</u>	<u>1,068,913</u>	<u>624,322</u>	<u>1,261,802</u>
GROSS PROFIT	102,621,067	213,485,460	147,876,559	316,594,995	98,353	204,605	141,725	303,426
SELLING AND ADMINISTRATIVE EXPENSES (Note 16)	<u>135,003,502</u>	<u>273,433,268</u>	<u>135,200,664</u>	<u>275,972,241</u>	<u>129,388</u>	<u>262,059</u>	<u>129,577</u>	<u>264,493</u>
OPERATING INCOME (LOSS)	<u>(32,382,435)</u>	<u>(59,947,808)</u>	<u>12,675,895</u>	<u>40,622,754</u>	<u>(31,035)</u>	<u>(57,454)</u>	<u>12,148</u>	<u>38,933</u>
OTHER INCOME (EXPENSES):								
Interest income	2,004,534	4,523,756	1,469,886	2,506,965	1,921	4,336	1,409	2,403
Interest expense	(10,159,982)	(20,196,877)	(6,183,994)	(11,831,671)	(9,737)	(19,357)	(5,927)	(11,340)
Reversal of allowance for doubtful accounts (bad debt expenses), net	579,567	341,585	214,275	(75,071)	555	327	205	(72)
Gain on disposal of available-for-sale securities, net	455	779	142,964	147,351	-	1	137	141
Gain (loss) using the equity method, net (Note 5)	294,938	199,896	(226,730)	(649,376)	283	192	(217)	(622)
Gain (loss) on disposal of investments, net (Note 9)	(438)	(438)	2,445,673	7,923,302	-	-	2,344	7,594
Gain (loss) on disposal of property, plant and equipment, net	7,598	(177,228)	(79,456)	(513,824)	7	(170)	(76)	(492)

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SSANGYONG MOTOR COMPANY

STATEMENTS OF OPERATIONS (CONTINUED)

FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2008 AND 2007

	Korean Won				Translation into U.S. Dollars (Note 2)			
	2008		2007		2008		2007	
	Three months	Six months	Three months	Six months	Three months	Six months	Three months	Six months
	(In thousands, except per share amounts)				(In thousands, except per share amounts)			
Reversal of loss on impairment (impairment loss) of property, plant and equipment, net (Note 9)	₩ (12,842)	₩ (14,529)	₩ (9,499)	₩ 1,396,954	\$ (12)	\$ (14)	\$ (9)	\$ 1,339
Loss on foreign currency transactions, net	(6,473,795)	(10,485,900)	(2,640,102)	(1,935,279)	(6,205)	(10,050)	(2,530)	(1,855)
Gain on foreign currency translation, net (Note 15)	8,600,347	4,760,235	1,700,329	273,549	8,243	4,562	1,630	262
Reparation for product warranty expenses	1,973,362	3,727,836	2,117,825	3,929,852	1,891	3,573	2,030	3,766
Depreciation expense on assets not in use (Note 9)	(141,481)	(300,351)	(50,963)	(101,926)	(136)	(288)	(49)	(98)
Fees earned	2,631,574	21,202,708	4,168,087	4,202,017	2,522	20,321	3,995	4,027
Donations	(103,000)	(103,000)	(91,000)	(117,297)	(99)	(99)	(87)	(112)
Gain (loss) on derivative valuation, net (Note 22)	(1,992,787)	(9,694,896)	2,799,355	806,423	(1,910)	(9,292)	2,683	(5,524)
Loss on derivative transactions, net (Note 22)	(5,818,269)	(7,339,059)	(946,304)	(1,214,003)	(5,576)	(7,034)	(907)	616
Loss on disposal of trade receivables	(5,733,960)	(14,003,794)	(10,644,090)	(24,365,673)	(5,495)	(13,421)	(10,201)	(10,525)
Others, net	11,056,496	17,627,727	(555,757)	(5,448,026)	10,597	16,894	(534)	(5,221)
	<u>(3,287,683)</u>	<u>(9,931,550)</u>	<u>(6,369,501)</u>	<u>(25,065,733)</u>	<u>(3,151)</u>	<u>(9,519)</u>	<u>(6,105)</u>	<u>(24,023)</u>
INCOME (LOSS) BEFORE INCOME TAX	(35,670,118)	(69,879,358)	6,306,394	15,557,021	(34,186)	(66,973)	6,043	14,910
INCOME TAX EXPENSE (Note 17)	95	185	35,940	33,816	-	-	34	32
NET INCOME (LOSS)	<u>₩ (35,670,213)</u>	<u>₩ (69,879,543)</u>	<u>₩ 6,270,454</u>	<u>₩ 15,523,205</u>	<u>\$ (34,186)</u>	<u>\$ (66,973)</u>	<u>\$ 6,009</u>	<u>\$ 14,878</u>
NET INCOME (LOSS) PER SHARE (Note 18)	<u>₩ (295)</u>	<u>₩ (578)</u>	<u>₩ 52</u>	<u>₩ 128</u>	<u>\$ (0.28)</u>	<u>\$ (0.55)</u>	<u>\$ 0.05</u>	<u>\$ 0.12</u>

See accompanying notes to the financial statements.