

SSANGYONG MOTOR COMPANY

BALANCE SHEETS

AS OF DECEMBER 31, 2008 AND DECEMBER 31, 2007

ASSETS	Korean Won		Translation into U.S. Dollars (Note 2)	
	2008	2007	2008	2007
	(In thousands)		(In thousands)	
<b>CURRENT ASSETS:</b>				
Cash and cash equivalents (Notes 14 and 22)	₩ 77,500,410	₩ 68,089,365	\$ 61,631	\$ 54,147
Short-term financial instruments (Note 3)	5,428,999	104,248,613	4,317	82,901
Available-for-sale securities (Note 4)	956	7,991	1	6
Trade receivables, net of allowance for doubtful accounts of ₩1,382,624 thousand in 2008 and ₩2,962,070 thousand in 2007, and present value discount of ₩103,981 thousand in 2008 and ₩54,569 thousand in 2007 (Notes 11, 14 and 18)	112,742,539	,186,806	89,656	213,270
Short-term loans, net of allowance for doubtful accounts of ₩40,254 thousand in 2008 and ₩30,173 thousand in 2007 (Note 5)	3,056,640	2,987,153	2,431	2,375
Other receivables, net of allowance for doubtful accounts of ₩3,583,099 thousand in 2008 and ₩3,575,379 thousand in 2007 (Notes 14 and 18)	33,055,686	48,287,417	26,287	38,400
Advanced payments, net of allowance for doubtful accounts of ₩103,598 thousand in 2008 and ₩235,579 thousand in 2007	13,242,357	24,974,433	10,531	19,860
Prepaid expenses	1,904,529	2,272,612	1,515	1,807
Inventories, net of allowance for valuation of ₩49,718,302 thousand in 2008 and ₩10,427,270 thousand in 2007 (Notes 2 and 6)	366,531,785	294,721,750	291,477	234,371
Derivative assets (Note 20)	-	17,485,886	-	13,905
Other current assets, net of allowance for doubtful accounts of ₩18 thousand in 2008 and ₩25,464 thousand in 2007	<u>1,163,864</u>	<u>3,585,652</u>	<u>926</u>	<u>2,851</u>
	<u>614,627,765</u>	<u>834,847,678</u>	<u>488,772</u>	<u>663,893</u>
<b>NON-CURRENT ASSETS:</b>				
Long-term financial instruments (Note 3)	9,000	9,000	7	7
Available-for-sale securities (Note 4)	560,000	560,901	445	446
Equity securities using the equity method (Note 4)	3,732,333	2,215,777	2,968	1,762
Long-term loans, net of allowance for doubtful accounts of ₩279,769 thousand in 2008 and ₩286,014 thousand in 2007 (Note 6)	26,682,971	26,457,345	21,219	21,040
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 11)	162,123	329,518	129	262
Guarantee deposits, net of allowance for doubtful accounts of ₩249,423 thousand in 2008 and ₩274,005 thousand in 2007	28,215,027	30,667,479	22,437	24,388
Advances for employee contribution	12,362,880	11,165,110	9,831	8,879
Other investments in properties (Note 8)	16,085,618	258,892	12,790	207
Property, plant and equipment, net (Notes 6, 7 and 8)	867,756,226	1,416,131,364	690,065	1,126,148
Intangible assets (Note 9)	<u>135,094,532</u>	<u>94,586,749</u>	<u>107,431</u>	<u>75,218</u>
	<u>1,090,660,710</u>	<u>1,582,382,135</u>	<u>867,322</u>	<u>1,258,357</u>
Total Assets	<u>₩ 1,705,288,475</u>	<u>₩ 2,417,229,813</u>	<u>\$ 1,356,094</u>	<u>\$ 1,922,250</u>

(Continued)

SSANGYONG MOTOR COMPANY

BALANCE SHEETS (CONTINUED)

AS OF DECEMBER 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)	
<b>CURRENT LIABILITIES:</b>				
Trade payables (Notes 14 and 18)	₩ 222,840,046	₩ 297,658,123	\$ 177,209	\$ 236,706
Short-term borrowings (Notes 10 and 14)	165,616,787	81,866,665	131,703	65,103
Other payables (Notes 14, 18 and 21)	222,830,111	183,792,133	177,201	146,157
Advances from customers (Note 18)	6,474,264	9,893,709	5,149	7,868
Withholdings	7,553,765	10,580,192	6,007	8,414
Accrued expenses (Note 14)	29,671,248	24,834,592	23,595	19,749
Current portion of debentures, net of present value discount of ₩70,728 thousand in 2008 and ₩19,626 thousand in 2007 (Note 10)	149,929,272	149,980,374	119,228	119,269
Accrued warranties and product liabilities (Notes 11 and 12)	48,955,974	51,556,414	38,931	40,999
Derivative liabilities (Note 20)	-	22,133,924	-	17,602
Other current liabilities	5,818,767	3,200,007	4,627	2,543
	<u>859,690,234</u>	<u>835,496,133</u>	<u>683,650</u>	<u>664,410</u>
<b>LONG-TERM LIABILITIES:</b>				
Long-term borrowings (Note 10)	118,000,000	-	93,837	-
Debentures, net of present value discount of ₩0 thousand in 2008 and ₩341,714 thousand in 2007 (Note 10)	-	149,658,286	-	119,013
Convertible bonds, net of conversion right adjustment of ₩66,739,957 thousand in 2008, ₩82,917,732 thousand in 2007 and discount on bonds of ₩2,852,160 thousand in 2008 ₩3,543,524 thousand in 2007, and premium on bond redemption of ₩61,106,185 thousand in 2008 and 2007 (Note 10)	242,866,068	225,996,929	193,134	179,719
Accrued severance indemnities, net of National Pension Fund of ₩557,046 thousand in 2008 and ₩1,057,662 thousand in 2007, and severance insurance deposits of ₩ 4,384,745 thousand in 2008 and ₩4,959,174 thousand in 2007 (Note 2)	180,066,979	169,571,053	143,194	134,848
Accrued warranties and product liabilities (Notes 11 and 12)	39,912,925	66,718,330	31,740	53,056
Other long-term liabilities	6,882,275	3,344,733	5,474	2,660
	<u>587,728,247</u>	<u>615,289,331</u>	<u>467,379</u>	<u>489,296</u>
Total Liabilities	₩ <u>1,447,418,481</u>	₩ <u>1,450,785,464</u>	\$ <u>1,151,029</u>	\$ <u>1,153,706</u>

(Continued)

SSANGYONG MOTOR COMPANY

BALANCE SHEETS (CONTINUED)

AS OF DECEMBER 31, 2008 AND DECEMBER 31, 2007

<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>	Korean Won		Translation into U.S. Dollars (Note 2)	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	(In thousands)		(In thousands)	
SHAREHOLDERS' EQUITY:				
Capital stock (Note 13)	₩ 604,023,100	₩ 604,023,100	\$ 480,336	\$ 480,336
Capital surplus (Note 13)	44,914,324	44,914,324	35,717	35,717
Accumulated other comprehensive income:				
Gain on valuation of available-for-sale securities (Notes 4 and 17)	90	781	1	1
Negative capital changes due to investment securities using the equity method (Notes 5 and 20)	-	(192,492)	-	(153)
Capital changes due to investment securities using the equity method (Notes 5 and 20)	917,717	-	730	-
Retained earnings (net loss of ₩709,683,613 thousand for the year ended December, 31 and net income of ₩11,571,330 thousand for the year ended December 31, 2007) (Note 13)	<u>(391,985,237)</u>	<u>317,698,636</u>	<u>(311,719)</u>	<u>252,643</u>
Total Shareholders' Equity	<u>257,869,994</u>	<u>966,444,349</u>	<u>205,065</u>	<u>768,544</u>
Total Liabilities and Shareholders' Equity	<u>₩ 1,705,288,475</u>	<u>₩ 2,417,229,813</u>	<u>\$ 1,356,094</u>	<u>\$ 1,922,250</u>

See accompanying notes to the financial statements.

SSANGYONG MOTOR COMPANY

STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 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 18 and 27)	₩ 2,495,216,766	₩ 3,119,335,284	\$ 1,984,268	\$ 2,480,585
COST OF SALES (Notes 2 and 19)	2,186,790,732	2,532,148,199	1,738,999	2,013,637
GROSS PROFIT	308,426,034	587,187,085	245,269	466,948
SELLING AND ADMINISTRATIVE EXPENSES	535,814,756	543,100,919	426,095	431,889
OPERATING INCOME (LOSS)	(227,388,722)	44,086,166	(180,826)	35,059
OTHER INCOME (EXPENSES):				
Interest income	6,596,711	10,632,622	5,246	8,455
Interest expense	(42,584,147)	(31,700,792)	(33,864)	(25,209)
Reversal of allowance for doubtful accounts, net	1,907,700	(405,315)	1,517	(322)
Gain (loss) on disposal of available-for-sale securities, net	1,124	148,401	1	118
Gain (loss) on using the equity method, net (Note 4)	406,346	(584,007)	323	(464)
Gain(loss) on disposal of investments, net (Note 8)	(8,105)	7,900,400	(6)	6,283
Gain (loss) on disposal of property, plant and equipment, net	15,518,561	13,719,399	12,341	10,910
Gain(loss) on impairment of property, plant and equipment, net (Notes 2 and 8)	(517,687,494)	(3,125,859)	(411,680)	(2,486)
Gain on foreign currency transactions, net	8,483,913	(10,292,598)	6,747	(8,185)
Gain (loss) on foreign currency translation, net (Note 14)	1,327,488	(2,067,790)	1,056	(1,644)
Reparation for product warranty expenses	7,491,938	7,759,789	5,958	6,171
Depreciation expense on assets not in use	(349,344)	(196,490)	(278)	(156)
Fees earned	72,977,357	32,600,791	58,034	25,925
Donations	(111,300)	(218,787)	(89)	(174)
Loss on derivative valuation, net (Note 21)	-	(4,648,038)	-	(3,696)
Loss on derivative transaction, net (Note )	(37,988,215)	(5,763,378)	(30,209)	(4,583)
Loss on disposal of Trade receivables	(27,308,289)	(46,308,461)	(21,716)	(36,826)
Others, net	29,030,865	69,283	23,084	53
	<u>(482,294,891)</u>	<u>(32,480,830)</u>	<u>(383,535)</u>	<u>(25,830)</u>
INCOME(LOSS) BEFORE INCOME TAXES EXPENSES	(709,683,613)	11,605,336	(564,361)	9,229
INCOME TAXES EXPENCENCES (Note 16)	262	34,006	-	27
NET INCOME(LOSS)	(709,683,875)	11,571,330	(564,361)	9,202
ORDINARY INCOME(LOSS) PER SHARE (Note 17)				
	(5,875)	96	(4.67)	0.08
NET INCOME(LOSS) PER SHARE (Note 17)				

See accompanying notes to the financial statements.