

SSANGYONG MOTOR COMPANY

FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
AND INDEPENDENT AUDITORS' REPORT

Independent Auditors' Report

English Translation of a Report Originally Issued in Korean

To the Shareholders and Board of Directors of
Ssangyong Motor Company:

We have audited the accompanying statements of financial position of Ssangyong Motor Company (the "Company") as of December 31, 2009 and 2008, and the related statements of operations, disposition of accumulated deficit, changes in shareholders' equity and cash flows for the years then ended December 31, 2009 and 2008, all expressed in Korean Won. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. These standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the 2009 financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2009, and the results of its operations, changes in its accumulated deficit and shareholders' equity, and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the Republic of Korea. However, a qualified opinion has been represented on the 2008 audit report dated March 27, 2009 because we were unable to obtain the information for the basis of estimating the total future cash flows from development costs and some provisions for liabilities.

Without qualifying our opinion, we draw attention to the following:

(1) Troubled debt restructuring

As explained in Note 30 to financial statements, as the result of troubled debt restructuring according to the corporate reorganization plan approved by creditors on December 17, 2009, capital stock of ₩61,971 million has decreased and gain on debt restructuring of ₩292,764 million has been recognized.

(2) Substantial doubt about the Company's ability to continue as a going concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As explained in Note 30(2) to financial statements, the Company incurred operating loss of ₩293,422 million and net loss of ₩346,270 million for the year ended December 31, 2009 because the Company has incurred sharp decrease of sales due to economic slump arising from global financial crisis and strike in 2009. These factors and the procedure of the corporate reorganization for business normalization raised substantial doubt about the Company's ability to continue as a going concern. To overcome above difficulties, the corporate reorganization plan for business normalization including the troubled debt restructuring, capital reduction of existing shareholders, a cost cutting plan and competitiveness strength of its products is now in progress. If the Company fails to successfully execute the approved plan, the Company cannot continue as a going concern and therefore, may not realize or redeem the Company's book value of assets and liabilities through the normal operation. The ultimate effect of these significant uncertainties on the financial position of the Company as of the financial reporting date cannot presently be determined. Accordingly, the financial statements do not include any adjustments that might result from the outcome of these uncertainties.

Accounting principles and auditing 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 audit 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 and auditing standards and their application in practice.

Deloitte Anjin LLC

February 19, 2010

Notice to Readers

This report is effective as of February 19, 2010, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modifications to the auditors' report.

SSANGYONG MOTOR COMPANY
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2009 AND 2008

ASSETS	Korean Won		Translation into U.S. Dollars (Note 2)	
	2009	2008	2009	2008
	(In thousands)		(In thousands)	
CURRENT ASSETS:				
Cash and cash equivalents (Notes 16 and 24)	₩ 13,185,375	₩ 77,500,410	\$ 11,293	\$ 66,376
Short-term financial instruments (Note 3)	1,715,618	5,428,999	1,469	4,650
Available-for-sale securities (Note 4)	-	956	-	1
Trade receivables, net of allowance for doubtful accounts of ₩2,112,369 thousand in 2009 and ₩1,382,624 thousand in 2008, and present value discount of ₩23,573 thousand in 2009 and ₩103,981 thousand in 2008 (Notes 11, 16 and 20)	88,717,233	112,742,539	75,983	96,559
Short-term loans, net of allowance for doubtful accounts of ₩23,462 thousand in 2009 and ₩40,254 thousand in 2008 (Note 5)	2,322,757	3,056,640	1,989	2,618
Other receivables, net of allowance for doubtful accounts of ₩3,528,838 thousand in 2009 and ₩3,583,099 thousand in 2008 (Notes 16 and 20)	21,663,166	33,055,686	18,554	28,311
Advanced payments, net of allowance for doubtful accounts of ₩576,799 thousand in 2009 and ₩103,598 thousand in 2008 (Note 20)	58,110,207	13,242,357	49,769	11,342
Prepaid expenses	2,745,365	1,904,529	2,351	1,631
Inventories, net of allowance for valuation of ₩52,706,686 thousand in 2009 and ₩49,718,302 thousand in 2008 (Notes 2 and 6)	214,175,873	366,531,785	183,433	313,919
Other current assets, net of allowance for doubtful accounts of ₩3 thousand in 2009 and ₩18 thousand in 2008	139,867	1,163,864	120	997
	<u>402,775,461</u>	<u>614,627,765</u>	<u>344,961</u>	<u>526,404</u>
NON-CURRENT ASSETS:				
Long-term financial instruments (Note 3)	6,000	9,000	5	8
Available-for-sale securities (Note 4)	560,000	560,000	480	480
Equity securities using the equity method (Note 4)	3,666,291	3,732,333	3,140	3,197
Long-term loans, net of allowance for doubtful accounts of ₩169,997 thousand in 2009 and ₩279,769 thousand in 2008 (Note 5)	16,829,745	26,682,971	14,414	22,853
Long-term trade receivables, net of allowance for doubtful accounts of ₩1,799 thousand and present value discount of ₩16,014 thousand in 2008	-	162,123	-	139
Guarantee deposits, net of allowance for doubtful accounts of ₩167,310 thousand in 2009 and ₩249,423 thousand in 2008	19,567,475	28,215,027	16,759	24,165
Advances for employee contribution	8,071,510	12,362,880	6,913	10,588
Other investments in properties (Notes 2 and 8)	30,413,244	16,085,618	26,048	13,777
Property, plant and equipment, net (Notes 6, 7 and 8)	803,766,275	867,756,226	688,390	743,193
Intangible assets (Notes 2 and 9)	102,818,219	135,094,532	88,059	115,703
	<u>985,698,759</u>	<u>1,090,660,710</u>	<u>844,208</u>	<u>934,103</u>
Total Assets	<u>₩ 1,388,474,220</u>	<u>₩ 1,705,288,475</u>	<u>\$ 1,189,169</u>	<u>\$ 1,460,507</u>

(Continued)

SSANGYONG MOTOR COMPANY
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
AS OF DECEMBER 31, 2009 AND 2008

<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>	Korean Won		Translation into U.S. Dollars (Note 2)	
	2009	2008	2009	2008
	(In thousands)		(In thousands)	
CURRENT LIABILITIES:				
Trade payables (Notes 16 and 20)	₩ 68,118,420	₩ 222,840,046	\$ 58,341	\$ 190,853
Short-term borrowings (Notes 7, 10 and 16)	80,030,473	165,616,787	68,541	141,843
Other payables (Notes 16, 20 and 23)	93,118,034	222,830,111	79,752	190,845
Advances from customers (Note 20)	3,802,609	6,474,264	3,257	5,545
Withholdings	20,427,875	7,553,765	17,496	6,469
Accrued expenses (Note 16)	29,180,629	29,671,248	24,992	25,412
Current portion of debentures, net of present value discount of ₩70,728 thousand in 2008 (Note 10)	-	149,929,272	-	128,408
Accrued warranties and product liabilities (Notes 11 and 12)	36,675,154	48,955,974	31,411	41,929
Other current liabilities	<u>2,851,834</u>	<u>5,818,767</u>	<u>2,442</u>	<u>4,984</u>
	<u>334,205,028</u>	<u>859,690,234</u>	<u>286,232</u>	<u>736,288</u>
LONG-TERM LIABILITIES:				
Long-term borrowings, net of present value discount of ₩89,032,255 thousand in 2009 and nil in 2008 (Notes 10,11 and 16)	403,847,557	118,000,000	345,878	101,062
Convertible bonds, net of conversion right adjustment of ₩66,739,957 thousand in 2008, and discount on bonds of ₩2,852,160 thousand in 2008, and premium on bond redemption of ₩61,106,185 thousand in 2008 (Note 10)	-	242,866,068	-	208,005
Accrued severance indemnities, net of National pension fund of ₩106,615 thousand in 2009 and ₩557,046 thousand in 2008, and severance insurance deposits of ₩3,174,969 thousand in 2009 and ₩4,384,745 thousand in 2008 (Note 2)	130,127,165	180,066,979	111,448	154,220
Accrued warranties and product liabilities (Notes 11 and 12)	31,593,046	39,912,925	27,058	34,183
Other long-term liabilities (Notes 11 and 16)	<u>188,079,950</u>	<u>6,882,276</u>	<u>161,083</u>	<u>5,894</u>
	<u>753,647,718</u>	<u>587,728,248</u>	<u>645,467</u>	<u>503,364</u>
Total Liabilities	<u>₩ 1,087,852,746</u>	<u>₩1,447,418,482</u>	<u>\$ 931,699</u>	<u>\$ 1,239,652</u>

(Continued)

SSANGYONG MOTOR COMPANY
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
AS OF DECEMBER 31, 2009 AND 2008

<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>	Korean Won		Translation into U.S. Dollars (Note 2)	
	2009	2008	2009	2008
	(In thousands)		(In thousands)	
SHAREHOLDERS' EQUITY:				
Capital stock (Notes 13, 15 and 22)	₩ 542,052,155	₩ 604,023,100	\$ 464,245	\$ 517,320
Capital surplus (Notes 13 and 14)	473,604,797	44,914,323	405,622	38,467
Capital adjustments (Notes 15 and 17)				
Debt to be converted into equity	7,146,185	-	6,120	-
Accumulated other comprehensive income:				
Gain on valuation of available-for-sale securities (Notes 17 and 19)	-	91	-	-
Capital changes due to investment securities using the equity method (Note 19)	633,447	917,717	543	787
Accumulated deficit (Net loss of ₩346,270,152 thousand in 2009 and ₩709,683,875 thousand in 2008)	<u>(722,815,110)</u>	<u>(391,985,238)</u>	<u>(619,060)</u>	<u>(335,719)</u>
Total Shareholders' Equity	<u>300,621,474</u>	<u>257,869,993</u>	<u>257,470</u>	<u>220,855</u>
Total Liabilities and Shareholders' Equity	<u>₩ 1,388,474,220</u>	<u>₩ 1,705,288,475</u>	<u>\$ 1,189,169</u>	<u>\$ 1,460,507</u>

See accompanying notes to the financial statements.

SSANGYONG MOTOR COMPANY
STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	Korean Won		Translation into U.S. Dollars (Note 2)	
	2009	2008	2009	2008
	(In thousands, except per share amounts)		(In thousands, except per share amounts)	
SALES (Notes 20 and 29)	₩ 1,066,816,481	₩ 2,495,216,766	\$ 913,682	\$ 2,137,048
COST OF SALES (Notes 2 and 20)	<u>1,003,079,442</u>	<u>2,186,790,732</u>	<u>859,095</u>	<u>1,872,894</u>
GROSS PROFIT	63,737,039	308,426,034	54,587	264,154
SELLING AND ADMINISTRATIVE EXPENSES	<u>357,158,677</u>	<u>535,814,756</u>	<u>305,891</u>	<u>458,903</u>
OPERATING LOSS	<u>(293,421,638)</u>	<u>(227,388,722)</u>	<u>(251,304)</u>	<u>(194,749)</u>
OTHER INCOME (EXPENSES):				
Interest income	1,684,811	6,596,711	1,443	5,650
Interest expense	(106,989,871)	(42,584,147)	(91,632)	(36,472)
Provision (reversal of allowance) for doubtful accounts, net	(3,947,852)	1,907,700	(3,381)	1,634
Gain (loss) on disposal of available-for-sale securities, net	(121,270)	1,124	(104)	1
Gain on using the equity method, net (Note 4)	218,229	406,346	187	348
Gain (loss) on disposal of investments, net (Note 8)	12,648,127	(8,105)	10,833	(7)
Gain on disposal of property, plant and equipment, net	15,959,225	15,518,561	13,668	13,291
Loss on impairment of property, plant and equipment, net (Notes 2 and 8)	(9,939,835)	(517,687,494)	(8,513)	(443,377)
Loss on impairment of intangible assets, net (Note 9)	(36,338,656)	(458,875)	(31,123)	(393)
Gain (loss) on foreign currency transactions, net	(469,695)	8,483,913	(402)	7,266
Gain (loss) on foreign currency translation, net (Note 16)	(86,788,791)	1,327,488	(74,331)	1,137
Loss on redemption of debentures	(38,293,976)	-	(32,797)	-
Reparation for product warranty expenses	7,776,850	7,491,938	6,661	6,417
Depreciation expense on assets not in use	(19,706)	(349,344)	(17)	(299)
Fees earned	1,643,383	72,977,357	1,407	62,502
Donations	(6,000)	(111,300)	(5)	(95)
Loss on derivative transaction, net	-	(37,988,215)	-	(32,535)
Loss on disposal of trade receivables (Note 21)	(9,834,951)	(27,308,289)	(8,423)	(23,388)
Gain on debt restructuring (Notes 10 and 22)	292,764,020	-	250,740	-
Others, net	<u>(92,792,521)</u>	<u>29,489,740</u>	<u>(79,473)</u>	<u>25,255</u>
	<u>(52,848,479)</u>	<u>(482,294,891)</u>	<u>(45,262)</u>	<u>(413,065)</u>
LOSS BEFORE INCOME TAX	(346,270,117)	(709,683,613)	(296,566)	(607,814)
INCOME TAX EXPENSE (Note 17)	<u>(35)</u>	<u>262</u>	<u>-</u>	<u>-</u>
NET LOSS	<u>₩ (346,270,152)</u>	<u>₩ (709,683,875)</u>	<u>\$ (296,566)</u>	<u>\$ (607,814)</u>
NET LOSS PER SHARE (Note 18)	<u>₩ (2.875)</u>	<u>₩ (5.875)</u>	<u>\$ (2)</u>	<u>\$ (5)</u>

See accompanying notes to the financial statements.

SSANGYONG MOTOR COMPANY
STATEMENTS OF DISPOSITION OF ACCUMULATED DEFICIT
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	Korean Won		Translation into U.S. Dollars (Note 2)	
	2009	2008	2009	2008
	(In thousands)		(In thousands)	
ACCUMULATED DEFICIT BEFORE DISPOSITION:				
Undisposed accumulated deficit carried over from prior years	₩ (376,544,958)	₩ -	\$ (322,494)	\$ -
Net loss	<u>(346,270,152)</u>	<u>(709,683,875)</u>	<u>(296,566)</u>	<u>(607,814)</u>
	<u>(722,815,110)</u>	<u>(709,683,875)</u>	<u>(619,060)</u>	<u>(607,814)</u>
TRANSFER FROM VOLUNTARY RESERVES AND OTHERS:				
Transfer from voluntary reserves	-	317,698,637	-	272,095
Transfer from other capital surplus	<u>-</u>	<u>15,440,281</u>	<u>-</u>	<u>13,223</u>
	<u>-</u>	<u>333,138,918</u>	<u>-</u>	<u>285,318</u>
UNDISPOSED ACCUMULATED DEFICIT TO BE CARRIED FORWARD TO SUBSEQUENT YEARS	<u>₩ (722,815,110)</u>	<u>₩ (376,544,957)</u>	<u>\$ (619,060)</u>	<u>\$ (322,496)</u>

See accompanying notes to the financial statements.

SSANGYONG MOTOR COMPANY
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	Korean Won (In thousands)					
	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income (loss)	Retained earnings (accumulated deficit)	Total
Balance at January 1, 2008	₩ 604,023,100	₩ 44,914,323	-	₩ (191,711)	₩ 317,698,637	₩ 966,444,349
Net loss	-	-	-	-	(709,683,875)	(709,683,875)
Gain on valuation of available-for-sale securities	-	-	-	(690)	-	(690)
Capital changes due to investment securities using the equity method	-	-	-	917,717	-	917,717
Negative capital changes due to investment securities using the equity method	-	-	-	192,492	-	192,492
Balance at December 31, 2008	<u>₩ 604,023,100</u>	<u>₩ 44,914,323</u>	<u>-</u>	<u>₩ 917,808</u>	<u>₩ (391,985,238)</u>	<u>₩ 257,869,993</u>
Balance at January 1, 2009	604,023,100	44,914,323	-	917,808	(391,985,238)	257,869,993
Net loss	-	-	-	-	(346,270,152)	(346,270,152)
Transfer of other capital surplus to deficit	-	(15,440,280)	-	-	15,440,280	-
Reduction of capital without any consideration (Note 13)	(444,128,160)	444,128,160	-	-	-	-
Debt -to-equity conversion (Note 13)	382,157,215	2,594	-	-	-	382,159,809
Debt to be converted into equity (Note15)	-	-	7,146,185	-	-	7,146,185
Loss on valuation of available-for-sale securities	-	-	-	(91)	-	(91)
Capital changes due to investment securities using the equity method	-	-	-	(284,270)	-	(284,270)
Balance at December 31, 2009	<u>₩ 542,052,155</u>	<u>₩ 473,604,797</u>	<u>₩ 7,146,185</u>	<u>₩ 633,447</u>	<u>₩ (722,815,110)</u>	<u>₩ 300,621,474</u>

	Translations into U.S. Dollars (Note 2) (In thousands)					
	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income (loss)	Retained earnings (accumulated deficit)	Total
Balance at January 1, 2008	\$ 517,320	\$ 38,467	-	\$ (164)	\$ 272,095	\$ 827,718
Net loss	-	-	-	-	(607,814)	(607,814)
Gain on valuation of available-for-sale securities	-	-	-	(1)	-	(1)
Capital changes due to investment securities using the equity method	-	-	-	786	-	-
Negative capital changes due to investment securities using the equity method	-	-	-	165	-	165
Balance at December 31, 2008	<u>517,320</u>	<u>38,467</u>	<u>-</u>	<u>787</u>	<u>(335,719)</u>	<u>220,855</u>
Balance at January 1, 2009	517,320	38,467	-	787	(335,719)	220,855
Net loss	-	-	-	-	(296,566)	(296,566)
Transfer of other capital surplus to deficit	-	(13,225)	-	-	13,225	-
Reduction of capital without any consideration (Note 13)	(380,376)	380,376	-	-	-	-
Debt-to-equity conversion (Note 13)	327,301	3	-	-	-	327,304
Debt to be converted into equity (Note15)	-	-	6,120	-	-	6,120
Loss on valuation of available-for-sale securities	-	-	-	-	-	-
Capital changes due to investment securities using the equity method	-	-	-	(244)	-	(244)
Balance at December 31, 2009	<u>\$ 464,245</u>	<u>\$ 405,622</u>	<u>\$ 6,120</u>	<u>\$ 543</u>	<u>\$ (619,060)</u>	<u>\$ 257,469</u>

See accompanying notes to the financial statements.

SSANGYONG MOTOR COMPANY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	Korean Won		Translation into U.S. Dollars (Note 2)	
	2009	2008	2009	2008
	(In thousands)		(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net loss	₩ (346,270,152)	₩ (709,683,875)	\$ (296,566)	\$ (607,814)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:				
Provision for severance indemnities	11,090,882	32,904,688	9,499	28,181
Depreciation	71,441,917	148,518,882	61,187	127,200
Warranty expense	156,829	707,071	134	606
Provision (reversal of allowance) for doubtful accounts, net	4,909,625	(1,907,700)	4,205	(1,634)
Amortization of intangible assets	30,484,768	39,314,553	26,109	33,671
Amortization of present value discount	9,768,127	17,159,751	8,366	14,697
Loss (gain) on disposal of available-for-sale securities, net	121,270	(1,124)	104	(1)
Gain on using the equity method, net	(218,229)	(406,346)	(187)	(348)
Loss (gain) on valuation of inventories	(2,910,892)	30,975,868	(2,493)	26,530
Loss (gain) on foreign currency translation, net	86,788,791	(1,327,488)	74,331	(1,137)
Loss (gain) on disposal of investments, net	(12,648,127)	8,105	(10,833)	7
Gain on disposal of property, plant and equipment, net	(15,959,225)	(15,518,561)	(13,688)	(13,291)
Depreciation expense on assets not in use	19,706	349,344	17	299
Loss on impairment of property, plant and equipment, net	9,939,835	517,687,494	8,513	443,377
Loss on impairment of intangible assets, net	36,338,656	458,875	31,123	393
Loss on derivative transaction, net	-	37,988,215	-	32,535
Loss on disposal of trade receivables	9,834,951	27,308,289	8,423	23,388
Loss on redemption of debentures	38,300,893	-	32,803	-
Gain on of debt restructuring	(292,764,020)	-	(250,740)	-
Others, net	24,154,362	6,897,969	20,687	5,909
	<u>8,850,119</u>	<u>841,117,885</u>	<u>7,580</u>	<u>720,382</u>
Changes in assets and liabilities resulting from operations:				
Decrease in trade receivables	12,625,597	129,407,324	10,813	110,832
Decrease in other receivables	11,354,525	16,743,977	9,725	14,341
Decrease in accrued income	1,505	2,544,610	1	2,179
Decrease (increase) in advanced payments	(41,656,619)	11,864,058	(35,677)	10,161
Decrease (increase) in prepaid expenses	(840,836)	368,083	(720)	315
Decrease (increase) in income tax refundable	1,022,541	(97,376)	876	(83)
Decrease (increase) in inventories	153,724,461	(106,869,251)	131,658	(91,529)
Decrease in long-term trade receivables	-	169,195	-	145
Increase (decrease) in trade payables	98,119,088	(74,151,906)	84,035	(63,508)
Increase (decrease) in other payables	(2,080,554)	37,969,771	(1,782)	32,520
Decrease in advances received	(2,671,655)	(3,419,446)	(2,288)	(2,929)

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SSANGYONG MOTOR COMPANY
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	Korean Won		Translation into U.S. Dollars (Note 2)	
	2009	2008	2009	2008
	(In thousands)		(In thousands)	
Increase (decrease) in withholdings	₩ 12,874,109	₩ (3,026,427)	\$ 11,026	\$ (2,592)
Increase in accrued expenses	53,616,926	4,855,545	45,921	4,159
Decrease in warranties and product liabilities	(12,280,820)	(2,600,440)	(10,518)	(2,227)
Payments of severance indemnities	(64,726,329)	(28,461,736)	(55,435)	(24,376)
Decrease in severance insurance deposit	1,209,776	574,428	1,036	492
Decrease in National Pension Fund	450,431	500,616	386	429
Increase (decrease) in long-term non-trade payables	(8,994,702)	3,537,544	(7,704)	3,030
Increase long - term accrued expense	23,668,781	-	20,271	-
Others, net	<u>(11,046,846)</u>	<u>(21,780,779)</u>	<u>(9,462)</u>	<u>(18,655)</u>
	<u>224,369,379</u>	<u>(31,872,210)</u>	<u>192,162</u>	<u>(27,296)</u>
Net cash provided by (used in) operating activities	<u>(113,050,654)</u>	<u>99,561,800</u>	<u>(96,854)</u>	<u>85,272</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Withdrawal of short-term financial instruments, net	3,713,381	98,819,614	3,180	84,635
Withdrawal of long-term financial instruments, net	3,000	-	3	-
Collection of short-term loans, net	9,042,417	5,108,888	7,744	4,376
Disposal (acquisition) of available-for-sale securities, net	(120,440)	8,371	(103)	7
Collection (extension) of long-term loans	1,631,610	(5,407,836)	1,397	(4,632)
Disposal of other investments	-	37,895	-	32
Collection of guarantee deposits	8,673,211	2,477,034	7,428	2,121
Disposal (acquisition) of property, plant and equipment	3,924,920	(123,458,928)	3,362	(105,737)
Acquisition of intangible assets	(24,225,364)	(76,466,023)	(20,748)	(65,490)
Acquisition) of derivative, net	-	(42,636,253)	-	(36,516)
Others, net	<u>4,291,371</u>	<u>(1,197,769)</u>	<u>3,677</u>	<u>(1,026)</u>
Net cash provided by (used in) investing activities	<u>6,934,106</u>	<u>(142,715,007)</u>	<u>5,940</u>	<u>(122,230)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from short-term borrowings	377,839,650	636,163,208	323,604	544,847
Repayment of short-term borrowings	(326,333,335)	(551,598,956)	(279,491)	(472,421)
Proceeds from long-term debt	22,630,714	118,000,000	19,382	101,062
Repayment of long-term debt	(32,335,516)	-	(27,694)	-
Repayment of current portion of long-term debt	<u>-</u>	<u>(150,000,000)</u>	<u>-</u>	<u>(128,469)</u>
Net cash provided by financing activities	<u>41,801,513</u>	<u>52,564,252</u>	<u>35,801</u>	<u>45,019</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(64,315,035)	9,411,045	(55,083)	8,061
CASH AND CASH EQUIVALENTS, AT THE BEGINNING OF THE YEAR	<u>77,500,410</u>	<u>68,089,365</u>	<u>66,376</u>	<u>58,315</u>
CASH AND CASH EQUIVALENTS, AT THE END OF THE YEAR	<u>₩ 13,185,375</u>	<u>₩ 77,500,410</u>	<u>\$ 11,293</u>	<u>\$ 66,376</u>

See accompanying notes to the financial statements.

SSANGYONG MOTOR COMPANY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

1. THE COMPANY:

SSANGYONG MOTOR COMPANY (the “Company”) was incorporated on December 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 December 31, 2009, the capital stock of the Company is ₩542,052 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	12,400,936	11.44
Peter Beck & Partner	8,078,609	7.45
Other shareholders	87,930,886	81.11
	<u>108,410,431</u>	<u>100.00</u>

Seoul Central District Court approved the start of the procedure of a corporate reorganization for business normalization on February 6, 2009. The creditors have approved the corporate reorganization plan including the troubled debt restructuring, capital reduction of existing shareholders, a cost cutting plan and competitiveness strength of its product on December 17, 2009. According to the corporate reorganization plan approved by creditor, capital reduction and debt-to-equity conversion occurred and paid-in capital decreased by ₩61,971 million

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 ₩1,167.60 to US\$1.00 at December 31, 2009, 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 Korea 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 2009 financial statements in accordance with the Korea Financial Accounting Standards and the “SKAS”.

The Company renamed the balance sheets to statements of financial position based on the revised article 1-2 of the Act on External Audit for Stock Companies.

The significant accounting policies followed by the Company in the preparation of its financial statements are summarized below.

Cash and Cash Equivalents

Cash and cash equivalents include cash, substitute securities including checks issued by others, and checking accounts, ordinary deposits and financial instruments, which can be easily converted into cash and whose risk of value fluctuation arising from changes of interest rates are not material, with maturities (or date of redemption) of three months or less from acquisition.

Revenue Recognition

Revenue from sale of goods is recognized when all of the following conditions have been satisfied:

- (1) The Company has transferred significant risks and rewards of ownership of the goods to the buyer.
- (2) The Company retains neither continuing managerial involvement, to the degree usually associated with ownership, nor effective control over the goods sold.
- (3) It is probable that the economic benefits associated with the transaction will flow into the Company.
- (4) Costs incurred or to be incurred with respect to the transaction can be measured reliably.

Allowance for Doubtful Accounts

The Company provides an allowance for doubtful accounts based on management's estimate of the collectibility of individual accounts and prior year collection experience.

Inventories

Inventories are stated at the lower of cost or net realizable value, cost being determined by the specific identification method of materials-in-transits and the weighted average method for finished goods and work-in-process and others. The Company maintains perpetual inventory records, which are adjusted through physical count at the end of the year. 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.

Inventories as of December 31, 2009 and 2008 are as follows (Won in thousands):

	<u>2009</u>	<u>2008</u>
Merchandise	₩ 70,377,410	₩ 88,571,927
Finished goods	25,419,123	44,630,278
Work-in-process	34,026,958	44,702,848
Raw materials	109,855,519	114,854,959
Supplies	4,833,549	4,684,200
Materials-in-transits	22,370,000	118,805,875
Allowance for valuation	<u>(52,706,686)</u>	<u>(49,718,302)</u>
	<u>₩ 214,175,873</u>	<u>₩ 366,531,785</u>

The Company recognized loss on valuation of inventories amounting to ₩19,284,378 thousand and ₩32,783,359 thousand for the years ended December 31, 2009 and 2008, respectively, which is included in cost of sales

The Company reversed loss on valuation of inventories amounting ₩22,195,270 thousand and ₩1,807,492 thousand for the years ended December 31, 2009 and 2008, respectively, which is deducted from cost of sales.

Investments in Securities Other Than Those Accounted for Using the Equity Method

Classification of Securities

At acquisition, the Company classifies securities into one of the three categories; trading, held-to-maturity or available-for-sale. Trading securities are those that were acquired principally to generate profits from short-term fluctuations in prices. Held-to-maturity securities are those with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity. Available-for-sale securities are those not classified as either held-to-maturity or trading securities. Trading securities are classified as current assets, whereas available-for-sale and held-to-maturity securities are classified as non-current assets, except for those whose maturity dates or whose likelihood of being disposed of are within one year from the date of the statements of financial position, which are classified as current assets.

Valuation of Securities

Securities are recognized initially at cost, which includes the market price of the consideration given to acquire them and incidental expenses. If the market price of the consideration is not reliably determinable, the market prices of the securities purchased are used as the basis for measurement. If neither the market prices of the consideration given nor those of the acquired securities are available, the acquisition cost is measured at the best estimates of its fair value.

After initial recognition, held-to-maturity securities are stated at amortized cost. The difference between their acquisition costs and face values of held-to-maturity securities is amortized over the remaining term of the securities by applying the effective interest method and added to or subtracted from the acquisition costs and interest income of the remaining period. Trading securities are valued at fair value, with unrealized gains or losses included in current operations. Available-for-sale securities are also valued at fair value, with unrealized gains or losses included in capital adjustments, until the securities are sold or if the securities are determined to be impaired and the lump-sum cumulative amount of capital adjustments are included in current operations.

However, available-for-sale securities that are not traded in an active market and whose fair values cannot be reliably estimated are accounted for at their acquisition costs. For those securities that are traded in an active market, fair values refer to those quoted market prices, which are measured as the closing price at the balance sheet date. The fair value of non-marketable securities are measured at the discounted future cash flows by using the discount rate that appropriately reflects the credit rating of issuing entity assessed by a publicly reliable independent credit rating agency. If application of such measurement method is not feasible, estimates of the fair values may be made using a reasonable valuation model or quoted market prices of similar debt securities issued by entities conducting similar business in similar industries.

Securities are evaluated at each balance sheet date to determine whether there is any objective evidence of impairment loss. When any such evidence exists, unless there is a clear counter-evidence that recognition of impairment is unnecessary, the Company estimates the recoverable amount of the impaired security and recognizes any impairment loss in current operations. The amount of impairment loss of the held-to-maturity security or non-marketable equity security is measured as the difference between the recoverable amount and the carrying amount. The recoverable amount of held-to-maturity security is the present value of expected future cash flows discounted at the securities' original effective interest rate. For available-for-sale debt or equity security, the amount of impairment loss to be recognized in the current period is determined by subtracting the amount of impairment loss of debt or equity security already recognized in prior period from the amount of amortized cost in excess of the recoverable amount for debt security or the amount of the acquisition cost in excess of the fair value for equity security.

If the realizable value subsequently recovers, in case of a security stated at fair value, the increase in value is recorded in current operations, up to the amount of the previously recognized impairment loss, while for the security stated at amortized cost or acquisition cost, the increase in value is recorded in current operation, so that its recovered value does not exceed what its amortized cost would be as of the recovery date if there had been no impairment loss.

When transfers of securities between categories are needed because of changes in an entity's intention and ability to hold those securities, such transfer is accounted for as follows: trading securities cannot be reclassified into available-for-sale and held-to-maturity securities, and vice versa, except when certain trading securities lose their marketability. Available-for-sale securities and held-to-maturity securities can be reclassified into each other after fair value recognition. When held-to-maturity security is reclassified into available-for-sale security, the difference between the book value and fair value is reported in capital adjustments. Whereas, in case available-for-sale security is reclassified into held-to-maturity securities, the difference is reported in capital adjustments and amortized over the remaining term of the securities using the effective interest method.

Equity Securities Accounted for Using the Equity Method

Investments in equity securities in companies in which the Company is able to exercise significant influence over the operating and financial policies of the investees are accounted for using the equity method. The change in the Company's portion of an investee's net equity resulting from a change in an investee's net equity is reflected in the Company's net income (loss), retained earnings and capital adjustments, in accordance with the causes of the change, which consist of the investee's net income (loss), changes in retained earnings and changes in capital surplus and capital adjustments. Unrealized gain (loss) arising from the transactions of assets between the Company and equity method investees is eliminated according to the ownership percentage.

Property, Plant and Equipment and Related Depreciation

Property, plant and equipment are recorded at cost, except for assets revalued upward in accordance with the Asset Revaluation Law of Korea or the revaluation model of the amended "SKAS" No.5. Routine maintenance and repairs are expensed as incurred. Expenditures that result in the enhancement of the value or extension of the useful lives of the facilities involved are capitalized as additions to property, plant and equipment.

When the book value of an asset exceeds the recoverable value of the asset due to obsolescence, physical damage or a sharp decline in market value, and the amount is material, the impairment of assets is recognized and the asset is recognized at reduced value and the resulting impairment loss is charged to current operations.

The Company recognized impairment loss on property, plant and equipment amounting to ₩9,939,835 thousand and ₩517,687,494 thousand for the years ended December 31, 2009 and 2008, respectively.

Depreciation is computed using the straight-line method based on the estimated useful lives of the assets as follows:

	<u>Years</u>
Buildings	24~50
Structures	13~30
Machinery	10
Vehicles	6~10
Tools and equipment	6~10
Office equipment	6~10

An asset whose use is discontinued and held for disposal or retirement is no longer depreciated. The carrying amount of the asset upon discontinuance of its use is reclassified to an investment asset and tested for impairment at each fiscal year-end. The property, plant and equipment were reclassified to other investments in properties amounting to ₩39,326,371 thousand and ₩38,049,400 thousand for the years ended December 31, 2009 and 2008, respectively.

Intangible Assets

Intangible assets are stated at cost, net of amortization computed using the straight-line method over the estimated economic useful lives of related assets. Development costs are amortized over the estimated economic useful life from the usable date of the related productions. Ordinary development and research expenses are charged to current operations. If the recoverable amount of an intangible asset becomes less than its carrying amount as a result of obsolescence, sharp decline in market value or other causes of impairment, the carrying amount of an intangible asset is adjusted to its recoverable amount and the reduced amount is recognized as impairment loss.

If the recoverable amount of a previously impaired intangible asset exceeds its carrying amount in subsequent periods, an amount equal to the excess is recorded as reversal of impairment loss; however, it cannot exceed the carrying amount that would have been determined had no impairment loss been recognized in prior years.

Accordingly, loss on impairment of intangible assets amounted to ₩36,338,656 thousand and ₩458,875 thousand for the years ended December 31, 2009 and 2008 respectively.

Amortization is computed using the straight-line method based on the estimated useful lives of the assets as follows:

	<u>Years</u>
Industrial rights	5~10
Utility facility usage rights	10~15
Prepaid royalty expenses	For the duration of agreements
Development costs	3
Others	3

Government Subsidies

Government subsidies granted for the purpose of acquisition of certain assets are recorded as a deduction from the assets granted or other assets acquired for the temporary use of the assets granted. When the related assets are acquired, they are recorded as a deduction from the acquired assets and are offset against the depreciation of the acquired assets over their useful lives. In addition, government subsidies without any repayment obligation is offset against the related expenses which they are intended to be disbursed, however, if there is no matching expense, they are recorded as operating revenue or non-operating revenue depending on whether they are directly related to the Company's principal operating activities. Government subsidies with a repayment obligation are recorded as a liability.

Valuation of Receivables and Payables at Present Value

Receivables and payables arising from long-term installment transactions, long-term cash loans (borrowings) and other similar loans (borrowings) transactions are stated at present value, if the difference between nominal value and present value is material. The difference between nominal value and present value is presented as present value discount. The present value discount is amortized using the effective interest method, and the amortization is included in interest expense or interest income.

Troubled Debt Restructuring

The Company, in accordance with the corporate reorganization plan in which case may reflect the reduction of the debtor's burden, and if there exists a material difference in the book value of the debt and present value of the restructured debt, may value it as present value. The difference between book value and present value is recorded as gain on debt restructuring in statements of operations and as a direct deduction from the nominal value of the related debt in statements of financial position.

Foreign Currency Transactions and Translation

The Company maintains its accounts in Korean won. Transactions in foreign currencies are recorded in Korean won based on the prevailing rates of exchange on the transaction date. Accounts with balances denominated in foreign currencies are recorded and reported in the accompanying financial statements at the exchange rates prevailing at the date of statement of financial position. The balances have been translated using the Basic Rate announced by Seoul Money Brokerage Services, Ltd., which was ₩1,167.60 and ₩1,257.50 to US\$1.00 at December 31, 2009 and 2008, respectively. Foreign currency assets and liabilities of overseas business branches or offices are translated at the exchange rate at the date of the statements of financial position and income and expenses at the weighted average rate of the reporting period. Translation gains and losses arising from the translation procedures are offset against each other and the net amounts are recognized as an overseas operations translation debit and credit in capital adjustments.

Accrued Severance Indemnities

Under Korean labor regulations, all employees with more than one year service are entitled to receive severance indemnities, based on the length of service and the rate of pay, upon termination of their employment. The accrued severance liabilities that would be payable assuming all eligible employees were to resign are ₩133,408,750 thousand and ₩185,008,771 thousand as of December 31, 2009 and 2008, respectively. Actual severance payments were ₩64,726,329 thousand and ₩28,461,736 thousand for the years ended December 31, 2009 and 2008, respectively.

Before April 1999, the Company and its employees paid 3 percent and 6 percent, respectively, of monthly pay (as defined) to the National Pension Fund in accordance with the National Pension Law of Korea. The Company paid half of the employees' 6 percent portion and is paid back at the termination of service by netting the receivables against the payment of the retirement and severance benefits. Such receivables with a balance of ₩106,515 thousand and ₩557,046 thousand as of December 31, 2009 and 2008, respectively, are presented as a deduction from accrued severance indemnities. Since April 1999, according to a revision in the National Pension Law, the Company and its employees each pay 4.5 percent of monthly pay to the Fund.

The Company entered into a severance insurance plan in accordance with the Labor Standard Law, which restricts severance payment directly to the eligible employees and directors, and meets the funding requirement for additional tax deduction purposes. The amount funded under this severance insurance plan of ₩3,174,969 thousand and ₩4,384,745 thousand as of December 31, 2009 and 2008, respectively, is presented as a deduction from accrued severance indemnities.

Accrued Warranties and Product Liabilities

The Company generally provides a warranty to the ultimate consumer with each product and accrues warranty expense and potential expenses, which may occur due to product liabilities suits and voluntary recall campaigns at the time of sale based on actual claims history. Actual costs incurred are charged against the accrual when paid. In accordance with the End of Life Vehicle (ELV) provision of the European Union (EU), the Company also accrues liabilities for the defrayment portion of scrap expense on the vehicles exported to Europe. The Company recognized the accrued warranties at present value, where the difference between nominal value and present value of accrued warranties and product liabilities is material.

Income Tax Expense

The Company recognizes income tax expenses determined by adding or deducting changes in deferred income tax assets (liabilities) to or from total income tax and surtaxes to be paid by tax law for the current period. The deferred income tax assets or liabilities will be charged or credited to income tax expense in the period each temporary difference reverses in the future. The Company recognizes deferred tax liabilities basically for all taxable temporary differences, but recognizes deferred tax assets for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. Also, the Company recognizes deferred tax assets for all deductible temporary differences arising from investments in subsidiaries and associates to the extent that it is probable that the temporary difference will be reversed in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized. In addition, current tax and deferred tax is charged or credited directly to equity if the tax relates to items that are credited or charged directly to equity in the same or different period. Deferred tax assets and liabilities are classified as current or non-current based on the classification of the related assets or liabilities for financial reporting.

The Plan of Adopting K-IFRS

In accordance with the roadmap for IFRS Adoption announced in March, 2007, the Company is required to present financial statements prepared with K-IFRS starting from 2011. The Company has analyzed the effect on difference between "SKAS" and IFRS in 2007 for preparation of consolidated financial statements of SAIC Motor Corporation Limited organized taskforce group based on above experience for detailed analysis and accounting system maintenance and trained the related persons. The Company will also report the plans and procedures of adopting K-IFRS to management.

The expected significant differences between "SKAS" and the current valid K-IFRS as of December 31, 2009 are items such as post-employment benefits, changes of consolidation scope and others.

3. RESTRICTED DEPOSITS:

Deposits with withdrawal restrictions as of December 31, 2009 and 2008 are as follows (Won in thousands):

	<u>2009</u>	<u>2008</u>	<u>Description</u>
Short-term financial instruments	₩ 1,715,618	₩ 5,428,999	Government subsidies and others
Long-term financial instruments	6,000	9,000	Guarantee deposits for checking accounts
	<u>₩ 1,721,618</u>	<u>₩ 5,437,999</u>	

4. INVESTMENTS IN SECURITIES:

(1) Available-for-sale securities as of December 31, 2009 and 2008 are as follows (Won in thousands):

	<u>2009</u>	<u>2008</u>
Current assets:		
Government bonds	₩ -	₩ 956
Non-current assets:		
Non-listed equity securities	560,000	560,000
	<u>₩ 560,000</u>	<u>₩ 560,956</u>

(2) Investments in non-listed equity securities as of December 31, 2009 and 2008 are as follows (Won in thousands):

<u>Company</u>	<u>Ownership percentage</u>	<u>2009</u>		<u>2008</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	₩ 645,224	₩ 500,000	₩ 651,253
Korea Management Consultants Association	1.50 %	60,000	221,969	60,000	194,623
		<u>₩ 560,000</u>	<u>₩ 867,193</u>	<u>₩ 560,000</u>	<u>₩ 845,876</u>

(3) Equity securities accounted for using the equity method as of December 31, 2009 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 %	₩ 1,618,803	₩ 2,958,381	₩ 2,939,632
Ssangyong Motor (Shanghai) Co., Ltd.	100.0 %	235,700	732,032	726,659
Ssangyong European Parts Center B.V.	100.0 %	835,695	(5,327,589)	-
		<u>₩ 2,690,198</u>	<u>₩(1,637,176)</u>	<u>₩ 3,666,291</u>

Equity securities accounted for using the equity method as of December 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	₩ 3,098,616	₩ 3,075,776
Ssangyong Motor (Shanghai) Co., Ltd.	100.0 %	235,700	661,903	656,557
Ssangyong European Parts Center B.V.	100.0 %	835,695	(2,075,458)	-
		<u>₩ 2,690,199</u>	<u>₩ 1,685,061</u>	<u>₩ 3,732,333</u>

- (4) The gain or loss on valuation using the equity method for the year ended December 31, 2009 is as follows (Won in thousands):

Affiliated company	Beginning balance	Gain from valuation with equity method	Others	Ending balance
Ssangyong (Yizheng) Auto Parts Manufacturing Co., Ltd.	₩ 3,075,776	₩ 90,478	₩ (226,622)	₩ 2,939,632
Ssangyong Motor (Shanghai) Co., Ltd.	656,556	127,751	(57,648)	726,659
Ssangyong European Parts Center B.V.(*)	-	-	-	-
	₩ 3,732,332	₩ 218,229	₩ 223,764	₩ 3,666,291

(*) Use of equity method was discontinued since the value of investments less than zero due to accumulated deficit. In addition, unrecognized capital changes due to investment securities using the equity method amount to ₩6,890,115 thousand for the year ended December 31, 2009.

Equity securities accounted for using the equity method as of December 31, 2009 are valued based on the financial statements of investees as of the same date of statement of financial position, 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 gain or loss on valuation using the equity method for the year ended December 31, 2008 is 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.	₩ 1,803,319	₩ 414,971	₩ 857,486	₩ 3,075,776
Ssangyong Motor (Shanghai) Co., Ltd.	412,458	54,842	189,256	656,556
Ssangyong European Parts Center B.V.	-	(63,467)	63,467	-
	₩ 2,215,777	₩ 406,346	₩ 1,110,209	₩ 3,732,332

- (5) Details of unrealized gains (losses) arising from inter-company transactions, which are eliminated, as of December 31, 2009 are as follows:

Affiliated company	Inventories	Property, plant and equipment or intangible assets	Total
Ssangyong (Yizheng) Auto Parts Manufacturing Co., Ltd.	₩ -	₩ 4,091	₩ 4,091
Ssangyong Motor (Shanghai) Co., Ltd.	(26)	-	(26)
Ssangyong European Parts Center B.V.	2,055,843	-	2,055,843
	₩ 2,055,817	₩ 4,091	₩ 2,059,908

- (6) The summary of financial information of affiliated companies as of December 31, 2009 are as follows (Won in thousands):

Affiliated company	Total assets	Total liabilities	Sales	Net income (loss)
Ssangyong (Yizheng) Auto Parts Manufacturing Co., Ltd.	₩ 4,415,729	₩ 1,457,348	₩ 3,767,348	₩ 86,387
Ssangyong Motor (Shanghai) Co., Ltd.	6,371,876	5,639,844	12,328,428	127,777
Ssangyong European Parts Center B.V.	5,781,582	11,109,171	17,810,447	(3,572,741)

5. LOANS TO EMPLOYEES:

Loans to employees as of December 31, 2009 and 2008 are as follows (Won in thousands):

<u>Account</u>	<u>Description</u>	<u>2009</u>	<u>2008</u>
Short-term loans	Housing loans	₩ 2,043,611	₩ 2,317,215
Long-term loans	Housing loans	13,137,157	21,165,936
"	Debt-to-equity swap loans and other	<u>3,862,585</u>	<u>5,494,196</u>
		<u>₩ 19,043,353</u>	<u>₩ 28,977,347</u>

For the year ended December 31, 2009, the Company redeemed ₩8,302,383 thousand for housing loans and ₩1,631,610 thousand for debt-to-equity swap loans and other.

6. INSURED ASSETS:

The Company carries insurance coverage for property, plant and equipment, and inventories as of December 31, 2009 as follows (Won in thousands):

<u>Insured assets</u>	<u>Company</u>	<u>Coverage</u>
Products	Meritz Fire & Marine Insurance Co., Ltd	₩ 2,148,429,000 (US\$1,484,995,921)
PP&E and inventories	Meritz Fire & Marine Insurance Co., Ltd	<u>2,939,309,833</u>
		<u>₩ 5,087,738,833</u>

In addition, the Company has purchased insurance for its vehicles, industrial accident insurance, medical insurance and unemployment insurance for employees. Also, the Company has purchased executive compensation insurance covering losses up to ₩10,000 million, gas compensation insurance and cargo insurance.

7. ASSETS PLEDGED AS COLLATERAL:

The assets pledged as collateral for the Company's borrowings of ₩322,809 million (guarantees: The Korea Development Bank, collateralized amount: ₩546,000 million) as of December 31, 2009 are as follows (Won in thousands):

<u>Pledged assets</u>	<u>Net book value (*)</u>
Land	₩ 258,172,623
Buildings	200,799,542
Structures	19,747,174
Machinery	<u>100,125,252</u>
	<u>₩ 578,844,591</u>

The assets pledged as collateral for the Company's extending mature of bill to purchase iron and steel as of December 31, 2009 are as follows (Won in thousands):

<u>Pledged assets</u>	<u>Net book value (*)</u>
Land	₩ 18,304,394
Buildings	<u>2,859,874</u>
	<u>₩ 21,164,268</u>

(*) Net book value pledged as collateral is the amount in which accumulated impairment loss is not allocated.

8. PROPERTY, PLANT AND EQUIPMENT:

- (1) As of December 31, 2009, the book value and the published price of the Company's land which is announced by the Office of National Tax Administration are as follows (Won in thousands):

	<u>Area(m²)</u>	<u>Book value</u>	<u>Published price</u>
Land (Pyungtaek)	1,290,785	₩ 238,956,817	₩ 483,247,723
" (Changwon)	120,154	19,671,241	44,410,871
Other investments in properties	<u>229,671</u>	<u>26,041,567</u>	<u>44,833,186</u>
	<u>1,640,610</u>	<u>₩ 284,669,625</u>	<u>₩ 572,491,780</u>

- (2) Property, plant and equipment as of December 31, 2009 and 2008 are as follows (Won in thousands):

	<u>2009</u>	<u>2008</u>
Land	₩ 258,628,058	₩ 290,701,166
Buildings	567,605,885	579,016,976
Structures	112,211,112	117,002,865
Machinery	1,153,490,985	1,162,912,557
Vehicles	11,956,773	14,160,178
Tools and equipment	584,743,235	584,783,070
Office equipment	52,505,278	58,702,877
Construction in progress	111,973,335	77,683,793
Machinery-in-transits	193	2,163,343
Government subsidies	<u>(3,982,596)</u>	<u>(4,243,311)</u>
	2,849,132,258	2,882,883,514
Less: Accumulated impairment losses	(497,732,487)	(513,241,499)
Accumulated depreciation	<u>(1,547,633,496)</u>	<u>(1,501,885,789)</u>
	<u>₩ 803,766,275</u>	<u>₩ 867,756,226</u>

(3) The changes in acquisition costs of property, plant and equipment for the year ended December 31, 2009 are as follows (Won in thousands):

Account	Beginning of year	Increase		Decrease		End of year
		Acquisition	Other	Disposal	Other	
Land	₩ 290,701,166	₩ -	₩ 364,266	₩ 13,115,630	₩ 19,321,744	₩ 258,628,058
Buildings	579,016,976	907,552	2,511,588	5,632,342	9,197,889	567,605,885
Government subsidies	(2,058,488)	(6,900)	-	-	(171,939)	(1,893,449)
Structures	117,002,865	149,826	406,373	2,645,655	2,702,297	112,211,112
Government subsidies	(173,218)	-	(101,083)	-	(19,135)	(255,166)
Machinery	1,162,912,557	2,500,722	3,370,914	9,614,748	5,678,460	1,153,490,985
Government subsidies	(1,279,185)	(216,837)	(8,686)	-	(174,816)	(1,329,892)
Vehicles	14,160,178	163,614	770	2,364,189	3,600	11,956,773
Government subsidies	(30,321)	-	-	-	(14,830)	(15,491)
Tools & equipment	584,783,070	901,458	630,640	1,423,700	148,233	584,743,235
Government subsidies	(102,930)	-	(765)	-	(19,825)	(83,870)
Office equipment	58,702,877	2,741,412	138,059	5,741,074	3,335,996	52,505,278
Government subsidies	(599,169)	(16,228)	(19,192)	-	(229,861)	(404,728)
Construction- in - progress	77,683,793	47,120,274	3,752,631	-	16,583,363	111,973,335
Machinery-in-transits	2,163,343	595,862	2,606,086	-	5,365,098	193
	<u>₩ 2,882,883,514</u>	<u>₩ 54,840,755</u>	<u>₩ 13,651,601</u>	<u>₩ 40,537,338</u>	<u>₩ 61,706,274</u>	<u>₩ 2,849,132,258</u>

The changes in acquisition costs of property, plant and equipment for the year ended December 31, 2008 are as follows

(Won in thousands):

Account	Beginning of year	Increase		Decrease		End of year
		Acquisition	Other	Disposal	Other	
Land	₩ 278,763,002	₩ 896,693	₩ 32,446,208	₩ 6,833,796	₩ 14,570,941	₩ 290,701,166
Buildings	578,885,537	4,563,425	4,543,116	-	8,975,102	579,016,976
Government subsidies	(770,575)	(1,322,716)	-	-	(34,803)	(2,058,488)
Structures	117,640,247	1,223,838	1,047,580	23,400	2,885,400	117,002,865
Government subsidies	(189,705)	-	-	-	(16,487)	(173,218)
Machinery	1,189,377,830	6,347,354	36,079,893	68,845,010	47,510	1,162,912,557
Government subsidies	(675,232)	(732,347)	-	-	(128,394)	(1,279,185)
Vehicles	13,755,014	1,255,735	100,199	950,770	-	14,160,178
Government subsidies	(46,138)	-	-	-	(15,817)	(30,321)
Tools & equipment	484,652,999	25,680,968	88,210,220	2,208,317	11,552,800	584,783,070
Government subsidies	(44,497)	(70,237)	-	-	(11,804)	(102,930)
Office equipment	57,150,382	2,603,811	25,105	1,058,775	17,646	58,702,877
Government subsidies	(842,635)	(6,790)	-	-	(250,256)	(599,169)
Construction- in - progress	132,844,719	87,469,925	5,771,703	-	148,402,554	77,683,793
Machinery-in-transits	1,063,638	17,484,498	-	-	16,384,793	2,163,343
	<u>₩ 2,851,564,586</u>	<u>₩ 145,394,157</u>	<u>₩ 168,224,024</u>	<u>₩ 79,920,068</u>	<u>₩ 202,379,185</u>	<u>₩ 2,882,883,514</u>

- (4) The changes in accumulated depreciation of property, plant and equipment for the year ended December 31, 2009 are as follows (Won in thousands):

Account	Beginning of year	Increase		Decrease		End of year
		Depreciation	Other	Disposal	Other	
Buildings	₩ 166,180,693	₩ 8,563,319	₩ -	₩ 2,604,170	₩ 225,484	₩ 171,914,358
Structures	59,162,366	1,881,585	-	1,698,416	198,633	59,146,872
Machinery	930,741,388	28,811,103	-	9,155,111	3,796,008	946,601,372
Vehicles	9,494,427	725,464	-	1,630,372	2,929	8,586,590
Tools & equipment	290,674,087	31,754,682	-	1,097,631	66,234	321,264,904
Office equipment	45,632,828	2,218,544	-	4,433,141	3,298,831	40,119,400
	<u>₩ 1,501,885,789</u>	<u>₩ 73,954,697</u>	<u>₩ -</u>	<u>₩ 20,168,841</u>	<u>₩ 7,588,149</u>	<u>₩ 1,547,633,496</u>

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

Account	Beginning of year	Increase		Decrease		End of year
		Depreciation	Other	Disposal	Other	
Buildings	₩ 151,804,337	₩ 15,094,864	₩ -	₩ -	₩ 718,508	₩ 166,180,693
Structures	54,318,405	5,212,979	-	5,303	363,715	59,162,366
Machinery	942,006,313	55,187,647	-	66,418,129	34,443	930,741,388
Vehicles	8,473,001	1,799,672	-	778,246	-	9,494,427
Tools & equipment	229,227,704	71,397,197	-	1,730,139	8,220,675	290,674,087
Office equipment	39,713,174	6,870,335	-	938,059	12,622	45,632,828
	<u>₩ 1,425,542,934</u>	<u>₩ 155,562,694</u>	<u>₩ -</u>	<u>₩ 69,869,876</u>	<u>₩ 9,349,963</u>	<u>₩ 1,501,885,789</u>

- (5) The changes in accumulated impairment losses of property, plant and equipment for the year ended December 31, 2009 are as follows (Won in thousands):

Account	Beginning of year	Increase	Decrease	End of year
Buildings	₩ 197,748,494	₩ -	₩ 9,109,334	₩ 188,639,160
Structures	35,360,776	-	2,573,360	32,787,416
Machinery	105,420,200	-	2,247,813	103,172,387
Vehicles	2,439,548	-	507,811	1,931,737
Tools & equipment	164,968,168	-	409,538	164,558,630
Office equipment	7,304,313	-	661,156	6,643,157
	<u>₩ 513,241,499</u>	<u>₩ -</u>	<u>₩ 15,509,012</u>	<u>₩ 497,732,487</u>

The changes in accumulated impairment losses of property, plant and equipment for the year ended December 31, 2008 are as follows (Won in thousands):

Account	Beginning of year	Increase	Decrease	End of year
Buildings	₩ 2,352,689	₩ 202,826,739	₩ 7,430,934	₩ 197,748,494
Structures	86,497	37,543,795	2,269,516	35,360,776
Machinery	1,793,569	104,679,995	1,053,364	105,420,200
Vehicles	83,132	2,356,869	453	2,439,548
Tools & equipment	5,560,409	161,968,219	2,560,460	164,968,168
Office equipment	13,992	7,303,772	13,451	7,304,313
	<u>₩ 9,890,288</u>	<u>₩ 516,679,389</u>	<u>₩ 13,328,178</u>	<u>₩ 513,241,499</u>

- (6) The Company recognized impairment loss on property, plant and equipment of which recoverable amounts were less than carrying value.

The impairment losses, which the Company recognized for the year ended December 31, 2009, are as follows (Won in thousands):

Account	Acquisition cost	Accumulated depreciation	Accumulated impairment	Book value	Recoverable amounts	Impairment losses
Buildings	₩ 567,605,885	₩ 171,914,358	₩ 188,639,160	₩ 207,052,367	₩ 207,052,367	₩ -
Structures	112,211,112	59,146,872	32,787,416	20,276,824	20,276,824	-
Machinery	1,157,655,690	948,963,227	105,045,032	103,647,431	103,644,971	2,460
Vehicles	11,960,373	8,589,519	1,932,335	1,438,519	1,438,453	66
Tools & equipment	584,846,968	321,327,579	164,596,548	98,922,841	98,920,069	2,772
Office equipment	55,815,313	43,392,334	6,671,089	5,751,890	5,743,948	7,942
Construction- in-progress	11,029,550	-	-	11,029,550	1,102,955	9,926,595
	<u>₩ 2,501,124,891</u>	<u>₩ 1,553,333,889</u>	<u>₩ 499,671,580</u>	<u>₩ 448,119,422</u>	<u>₩ 438,179,587</u>	<u>₩ 9,939,835</u>

The impairment losses, which the Company recognized for the year ended December 31, 2008, are as follows (Won in thousands):

Account	Acquisition cost	Accumulated depreciation	Accumulated impairment	Book value	Recoverable amounts	Impairment losses
Buildings	₩ 423,501,869	₩ 126,254,909	₩ 387,880	₩ 296,859,080	₩ 94,032,340	₩202,826,740
Structures	103,124,760	51,204,165	-	51,920,595	14,376,800	37,543,795
Machinery	864,406,493	705,558,368	736,938	158,111,187	53,419,313	104,691,874
Vehicles	11,323,595	7,438,688	82,679	3,802,228	1,445,359	2,356,869
Tools & equipment	542,737,295	260,344,554	5,0129,514	277,363,227	114,447,354	162,915,873
Office equipment	49,653,256	38,625,583	493	11,027,180	3,719,017	7,308,163
Construction- in-progress	44,180	-	-	44,180	-	44,180
	<u>₩1,994,791,448</u>	<u>₩1,189,426,267</u>	<u>₩ 6,237,504</u>	<u>₩ 799,127,677</u>	<u>₩281,440,183</u>	<u>₩517,687,494</u>

As a result of disposal of other investments in properties assets for the years ended December 31, 2009 and 2008, the Company incurred loss on disposal of investments of ₩69,119 thousand and ₩8,262 thousand, respectively. The Company also incurred gain on disposal of investments of ₩12,717,245 thousand and ₩157 thousand, respectively, for the years ended December 31, 2009 and 2008.

9. INTANGIBLE ASSETS:

- (1) Intangible assets as of December 31, 2009 are as follows (Won in thousands):

	Acquisition cost	Accumulated amortization	Accumulated impairment	Book value
Industrial right	₩ 2,069,552	₩ 1,331,901	₩ -	₩ 737,651
Electricity and gas available right	80,380	80,830	-	-
Development costs	189,015,770	53,080,686	36,277,406	99,657,678
Other intangible assets	8,966,339	6,257,509	64,279	2,644,551
Government subsidies	(1,086,049)	(864,388)	-	(221,661)
	<u>₩ 199,045,992</u>	<u>₩ 59,886,088</u>	<u>₩ 36,341,685</u>	<u>₩ 102,818,219</u>

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

	<u>Acquisition cost</u>	<u>Accumulated amortization</u>	<u>Accumulated impairment</u>	<u>Book value</u>
Industrial right	₩ 2,290,420	₩ 1,313,322	₩ -	₩ 977,098
Electricity and gas available right	80,380	80,236	-	144
Development costs	221,288,563	90,952,405	458,875	129,877,283
Other intangible assets	11,279,753	6,563,441	-	4,716,312
Government subsidies	<u>(1,086,050)</u>	<u>(609,745)</u>	<u>-</u>	<u>(476,305)</u>
	<u>₩ 233,853,066</u>	<u>₩ 98,299,659</u>	<u>₩ 458,875</u>	<u>₩ 135,094,532</u>

(2) The changes in book value of intangible assets for the year ended December 31, 2009 are as follows (Won in thousands):

	<u>Beginning of year</u>	<u>Increase</u>	<u>Transfer (*)</u>	<u>Amortization</u>	<u>Accumulated impairment</u>	<u>End of year</u>
Industrial right	₩ 977,098	₩ 96,062	₩ -	₩ 335,509	₩ -	₩ 737,651
Electricity and gas available right	144	-	-	144	-	-
Development costs	129,877,283	23,371,682	10,324,776	27,638,657	36,277,406	99,657,678
Other intangible assets	4,716,312	757,620	-	2,768,131	61,250	2,644,551
Government subsidies	<u>(476,305)</u>	<u>-</u>	<u>-</u>	<u>(254,644)</u>	<u>-</u>	<u>(221,661)</u>
	<u>₩ 135,094,532</u>	<u>₩ 24,225,364</u>	<u>₩ 10,324,776</u>	<u>₩ 30,487,797</u>	<u>₩ 36,338,656</u>	<u>₩ 102,818,219</u>

(*) The Company transferred to development costs from depreciation amounting to ₩599,771 thousand, retirement allowance amounting to ₩523,983 thousand, inventories amounting to ₩105,597 thousand and other payables amounting to ₩9,095,425 for the year ended December 31, 2009.

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

	<u>Beginning of year</u>	<u>Increase</u>	<u>Transfer</u>	<u>Amortization</u>	<u>Accumulated impairment</u>	<u>End of year</u>
Industrial right	₩ 1,122,910	₩ 228,613	₩ -	₩ 374,425	₩ -	₩ 977,098
Electricity and gas available right	6,626	-	-	6,482	-	144
Development costs	90,360,430	72,196,420	4,008,964	36,309,656	458,875	129,877,283
Other intangible assets	3,582,881	4,040,990	-	2,907,559	-	4,716,312
Government subsidies	<u>(486,098)</u>	<u>(273,776)</u>	<u>-</u>	<u>(283,569)</u>	<u>-</u>	<u>(476,305)</u>
	<u>₩94,586,749</u>	<u>₩ 76,192,247</u>	<u>₩ 4,008,964</u>	<u>₩ 39,314,553</u>	<u>₩ 458,875</u>	<u>₩ 135,094,532</u>

(3) Research and development costs occurred for the years ended December 31, 2009 and 2008 are as follows (Won in thousands):

<u>Description</u>	<u>2009</u>	<u>2008</u>
Development expenses	₩ 33,091,621	₩ 76,285,384
Development costs	<u>55,410,713</u>	<u>90,152,169</u>
	<u>₩ 88,502,334</u>	<u>₩ 166,437,553</u>

10. BORROWINGS AND BONDS:

(1) Borrowings as of December 31, 2009 and 2008 are as follows (Won in thousands):

Description	Bank	Type	Annual interest rate (%)	2009		2008	
				₩	₩	₩	₩
Short-term borrowings	Shinhan Bank and others	Usance	-	-	-	₩	45,616,787
	Korea Development Bank	Bank overdrafts	-	-	-	₩	120,000,000
	Korea Development Bank	Short-term credit	Rate (*1)+3.62	80,030,473	-	-	-
Long-term borrowings	Korea Development Bank and others	(*2)	3.5~7.0	403,847,557	-	-	-
	Korea Development Bank	Long-term credit	-	-	-	₩	118,000,000
				₩	483,878,030	₩	283,616,787

(*1) The standard rate of bank overdrafts

(*2) In accordance with the corporate reorganization approved by creditors plan on December 17, 2009, long-term borrowings related to the Company's restructured collateral debt and restructured unsecured debt as of December 31, 2009 are as follows (Won in thousands):

Description	Bank	Type	Annual interest rate (%)	2009
Long-term borrowings	Saemaetul Finance firm and others	Liabilities from financial institutions	3.5	₩ 76,193,485
	Individuals	Borrowings from customers	3.5	4,434,874
	Korea Development Bank and others	Collateral loans	7.0	242,745,140
	Citibank N.A London and others	Borrowings from foreign financial institutions	3.5	169,332,742
	Korea Development Bank	Collateral foreign currency loans	7.0	173,571
Present value discount				(89,032,255)
				₩403,847,557

(*3) The maturities of restructured debt are as follows (Won in thousands):

2010	2011	2012	2013	2014 and afterward	Total
-	-	-	24,357,871	468,521,941	492,879,812

(2) Debentures as of December 31, 2009 and 2008 are as follows (Won in thousands):

Description	Issue date	Maturity date	Annual interest rate (%)	2009	2008
115 th debentures	2006-04-25	2009-04-25	-	₩ -	₩ 150,000,000
Discount on debentures				-	(70,728)
				-	149,929,272
Transfer to current portion of debentures				-	(149,929,272)
Book value of debentures				₩ -	₩ -

The 115th debentures has been reclassified as long-term borrowings amounting to ₩72,516,652 thousand with accordance with troubled debt restructuring which was included in the corporate reorganization plan and the interests for delayed repayments of ₩25,558,476 thousand has been recognized as gain on debt restructuring.

(3) Convertible bonds as of December 31, 2009 and 2008 are as follows (Won in thousands):

Description	Issue date	Maturity date	Annual interest rate (%)	2009	2008
Convertible bonds	2007-07-03	2012-07-03	-	₩ -	₩ 251,352,000
Conversion right adjustment				-	(66,739,957)
Discount on bonds				-	(2,852,160)
Premium on bond redemption				-	61,106,185
Book value of convertible bonds				₩ -	₩ 242,866,068

Terms and conditions of the convertible bonds are as follows:

Description	Summary
Issue date	July 3, 2007
Issue amounts	EUR 200,000,000
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, consolidation of stocks and others)
Put option	All or some of the bonds may be redeemed by the relevant holder s' exercising the put option on January 3, 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 January 3, 2010 but not less than seven business days before maturity

The above convertible bonds' put option was exercised by bondholders because of the Company's reorganization procedure. However, convertible bonds have been reclassified as long-term borrowings of ₩168,758,870 thousand and the interests for delayed repayments of ₩21,816,514 thousand have been recognized as gain on debt restructuring according to the corporate reorganization plan.

11. VALUATION OF ASSETS AND LIABILITIES AT PRESENT VALUE:

Valuation of assets and liabilities at present value as of December 31, 2009 is as follows (Won in thousands):

	Nominal value	Present value	Present value discounts	Effective interest rate	Maturity
Assets:					
Trade receivables	₩ 669,796	₩ 646,223	₩ 23,573	8.90%	2010.3.31
Liabilities:					
Accrued warranties and product liabilities	₩ 37,784,516	₩ 36,675,154	₩ 1,109,362	7.36%	2010.12.31
Long-term accrued warranties and product liabilities	34,702,336	31,593,046	3,109,320	7.36%	2020.12.31
Long-term borrowings	492,879,812	403,847,557	89,032,255	(*1)	(*2)
Other long-term liabilities	226,050,905	164,411,168	61,639,737	(*1)	(*2)

(*1) The majority of long-term borrowings and other long-term liabilities has occurred due to troubled debt restructuring. Meanwhile, the effective interest rate of liabilities from financial institutions is the historical effective interest rate and that of trade payables or other payables is the weighted average interest rate of borrowings.

(*2) The maturity date of each liability is different according to each classification of liabilities.

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

12. ACCRUED WARRANTIES AND PRODUCT LIABILITIES:

The Company provides warranties for products and recognizes 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 years ended December 31, 2009 and 2008 are as follows (Won in thousands):

Accounts	2009. 1. 1	Increase	Decrease	2009.12.31
Accrued warranties and product liabilities	₩ 88,868,899	₩118,332,289	₩138,932,988	₩ 68,268,200
Accounts	2008. 1. 1	Increase	Decrease	2008.12.31
Accrued warranties and product liabilities	₩ 118,274,744	₩ 48,603,053	₩ 78,008,898	₩ 88,868,899

13. SHAREHOLDERS' EQUITY:

(1) Capital stock as of December 31, 2009 and 2008 are as follows :

	Issued shares	Par value	Capital stock
December 31.2009	108,410,431	₩ 5,000	₩ 542,052 million
December 31.2008	120,804,620	₩ 5,000	₩ 604,023 million

(2) The Company has 3,000 million authorized shares.

(3) The changes in capital stock for the year ended December 31, 2009 are as follows (Won in millions)

Date	Description	Issued shares	Capital stock
2009.1.1	Beginning of year	120,804,620	₩ 604,023
2009.12.28 (*)	Reduction of capital stock without consideration	(88,825,632)	(444,128)
2009.12.29 (*)	Debt-to-equity conversion	76,431,443	382,157
2009.12.31	End of year	108,410,431	₩ 542,052

(*) As a result of the reduction of capital stock without consideration and debt-to-equity conversion in accordance with the corporate reorganization plan, the capital stock of ₩61,971 million has decreased, and gain on capital reduction of ₩444,128 million has been recorded as capital surplus.

14. CAPITAL SURPLUS:

The changes in capital surplus for the year ended December 31, 2009 are as follows (Won in millions):

<u>Date</u>	<u>Description</u>	<u>Amount</u>
2002.6.4	Reduction of capital stock without consideration (10:1)	5,149,844
2003.3.27	Transfer to deficit	(5,134,404)
2007.7.3	Consideration for conversion rights	29,474
2009.3.31	Transfer to deficit	(15,440)
2009.12.28 (*)	Reduction of capital stock without consideration	444,128
2009.12.29	Paid-in capital in excess of par value	3
		<u>47 3,605</u>

(*) There is the difference between major shareholders (5:1) and minority shareholders (3:1) in the ratio of reduction of capital.

15. CAPITAL ADJUSTMENTS AND OTHERS:

- (1) ₩7,146 million, of which debt-to-equity conversion was deferred, was recorded as debt to be converted into equity in capital adjustments.
- (2) 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.
- (3) 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 three months after grant date, may exercise stock options within two three months after three months' grace period. As of December 31, 2009, no stock option has been granted.

16. FOREIGN CURRENCY DENOMINATED ASSETS AND LIABILITIES:

Foreign currency denominated assets and liabilities as of December 31, 2009 and 2008 are as follows (Won in thousands):

Account	2009		2008				
	Foreign currencies	Won equivalent	Foreign currencies	Won equivalent			
Assets:							
Cash and cash equivalents	AUD	146,865	₩	153,482	3,116,954	₩	2,711,750
"	EUR	3,543,326		5,932,520	272,702		484,379
"	JPY	-		-	58,072,850		809,472
"	USD	1,671,029		1,951,093	42,109,928		52,953,234
Trade receivables	EUR	8,403,850		14,070,397	9,359,702		16,624,890
"	AUD	214,254		223,908	-		-
"	USD	11,717,790		13,681,692	21,578,857		27,135,413
"	JPY	24,108,300		304,444	20,090,250		280,036
Other receivables	EUR	129,527		216,864	158,442		281,428
"	JPY	-		-	455,362		6,347
"	USD	9,572,209		11,176,511	8,783,414		11,045,143
			₩	47,710,913		₩	112,332,092
Liabilities:							
Short-term							
borrowings	AUD	-	₩	-	185,936	₩	161,764
"	EUR	-		-	15,469,611		27,477,433
"	JPY	-		-	319,061,164		4,447,362
"	USD	-		-	10,196,267		12,821,806
Trade payables	EUR	3,142,337		5,261,151	7,119,615		12,646,003
"	AUD	24,682		25,794	3,045,645		2,649,711
"	JPY	48,834,923		616,697	200,649,083		2,796,828
"	USD	637,247		744,049	3,051,511		3,837,275
Other payables	AUD	-		-	2,334,994		2,031,444
"	DEM	-		-	822,038		746,550
"	EUR	4,985,723		8,347,496	10,037,384		17,828,602
"	FRF	-		-	5,693		1,541
"	GBP	-		-	210,572		382,746
"	JPY	11,080,000		139,920	47,213,750		658,108
"	SEK	-		-	724		118
"	USD	5,160,209		6,025,059	7,502,029		9,433,802
Accrued expenses	EUR	-		-	184,235		327,242
"	JPY	-		-	1,176,921		16,405
"	USD	-		-	119,145		149,825
"	AUD	-		-	3,525		3,067
Long-term							
borrowings	EUR	70,275,611		117,661,050	-		-
"	JPY	11,309,219		142,815	-		-
"	USD	42,072		49,123	-		-
Other long-term liabilities							
	AUD	36,652		38,303	-		-
	CNY	2,203,279		376,893	-		-
	DEM	704,972		603,484	-		-
	EUR	9,796,547		16,402,162	-		-
	FRF	5,693		1,453	-		-
	GBP	198,280		372,316	-		-
	JPY	12,199,893		154,063	-		-
	SEK	724		118	-		-
	SGD	475		395	-		-
	USD	2,493,473		2,911,380	-		-
			₩	159,873,721		₩	98,417,632

For the years ended December 31, 2009 and 2008, gain on foreign currency translation of ₩58,503,515 thousand and ₩6,195,069 thousand, respectively, and loss on foreign currency translation of ₩145,292,306 thousand and ₩4,867,580 thousand, respectively, were recognized.

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

(1) Income tax expense for the years ended December 31, 2009 and 2008 consist of the following (Won in thousands):

	<u>2009</u>	<u>2008</u>
Income tax currently payable	₩ -	₩ -
Tax expense allocated to capital adjustments	<u>35</u>	<u>262</u>
Income tax expense	<u>₩ 35</u>	<u>₩ 262</u>

(2) The changes in accumulated temporary differences for the years ended December 31, 2009 and 2008 are as follows (Won in thousands):

<u>Description</u>	<u>2009</u>	<u>2008</u>
Beginning of the year, net (*1)	₩ 790,409,112	₩ 385,088,693
Decrease in the current year (*1)	(302,821,243)	(291,792,931)
Increase in the current year (*1)	<u>259,764,253</u>	<u>697,113,350</u>
End of the year, net	747,352,122	790,409,112
Tax loss to be carried forward	1,060,036,614	395,868,266
Exclusion from temporary differences due to uncertainty of realization	<u>(1,807,388,736)</u>	<u>(1,186,277,378)</u>
Statutory tax rate (*2)	<u>24.2%, 22.0%</u>	<u>24.2%, 22.0%</u>
Deferred income tax assets from temporary differences and tax loss	<u>-</u>	<u>-</u>
Tax credit to be carried forward	29,794,378	28,192,907
Exclusion due to uncertainty of realization	<u>(29,794,378)</u>	<u>(28,192,907)</u>
Deferred income tax assets from tax credit	<u>₩ -</u>	<u>₩ -</u>

(*1) These changes include adjustments for prior year tax return.

(*2) Tax rate is the enacted marginal tax rate which is expected to be applied to taxable income in the periods in which the deferred tax liability or asset is expected to be settled or realized.

- (3) Temporary differences, which were excluded due to uncertainty of its realization as of December 31, 2009 and 2008, are as follows (Won in thousands):

Descriptions	2009	2008
Deductible temporary differences:	₩ 747,352,122	₩ 790,409,112
Tax loss to be carried forward:	1,060,036,614	395,868,266
Tax credit to be carried forward:	29,794,378	28,192,907

The Company does not recognize deferred income tax assets as of December 31, 2009 and 2008 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 December 31, 2009 and 2008 are as follows (Won in thousands):

Descriptions	2009			2008		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Gain on valuation of available-for-sale securities	₩ -	₩ -	₩ -	₩ 126	₩ 35	₩ 91

- (5) The statutory income tax rate applicable to the Company, including resident tax surcharges, is approximately 24.2 percent and 27.5 percent in 2009 and 2008, respectively. However, the effective tax rate of the Company wasn't computed because of net loss.

18. LOSS PER SHARE:

- (1) Basic loss per share

Net loss per share for the years ended December 31, 2009 and 2008 are computed by dividing net loss with the weighted average number of common shares outstanding during the period (Won in thousands except for per share amounts):

	2009	2008
Net loss	₩ (346,270,152)	₩ (709,683,875)
Loss after deducting the income tax effect	(346,270,152)	(709,683,875)
Weighted average number of common shares outstanding (*)	120,459,392	120,804,620
Net loss per share	₩ (2,875)	₩ (5,875)

(*) Weighted average number of common shares outstanding in 2009 is calculated as follows:

	Date	Issued shares	Days	Outstanding common shares
Beginning of year	2009. 1. 1	120,804,620	361 days	119,480,734
1 th capital reduction	2009.12.28	31,978,988	1 days	87,613
Debt-to-equity conversion	2009.12.29	108,410,431	3 days	891,045
				120,459,392

19. OTHER COMPREHENSIVE LOSS:

Other comprehensive loss for the years ended December 31, 2009 and 2008 is as follows (Won in thousands):

	<u>2009</u>	<u>2008</u>
Net loss	₩ (346,270,152)	₩ (709,683,875)
Other comprehensive income:		
Unrealized gain on valuation of available-for-sale securities	(126)	(952)
Tax effect	35	262
Capital changes due to investment securities using the equity method	(280,270)	917,717
Negative capital changes due to investment securities using the equity method	<u>-</u>	<u>192,492</u>
Comprehensive loss	<u>₩ (346,554,513)</u>	<u>₩(708,574,356)</u>

20. RELATED PARTY TRANSACTIONS:

- (1) In accordance with the approval of the corporate reorganization plan on December 17, 2009, the controlling of Shanghai Automotive Industry Corporation and SAIC Motor Corporation Limited is terminated as of December 31, 2009, because of the capital reduction without consideration and debt-to-equity conversion.
- (2) Related party transactions of the Company for the years ended December 31, 2009 and 2008 are as follows (Won in thousands):

<u>Company</u>	<u>Sales</u>		<u>Purchases</u>		<u>Others</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Ssangyong Motor (Shanghai) Co., Ltd.	₩ -	₩ -	₩ 362,140	₩ 1,030,708	₩ -	₩ -
Shanghai Huizhong Automobile Manufacturing Co., Ltd.	11,103,236	11,254,757	-	-	-	-
Shanghai Automotive Industry Sales Co.	16,779,280	94,452,625	-	-	(1,170,035)	(1,326,762)
SAIC Motor Passenger Vehicles Technology Center	-	3,742,570	-	-	996,053	19,889,360
Ssangyoung European Parts Center B.V	7,593,728	17,151,017	-	-	-	-
SAIC Motor Corporation Limited.	2,287,977	1,965,171	-	-	-	52,434,413
SAIC Motor Korea	<u>7,435</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>₩ 37,771,656</u>	<u>₩128,566,140</u>	<u>₩ 362,140</u>	<u>₩ 1,030,708</u>	<u>₩ (174,252)</u>	<u>₩ 70,997,011</u>

- (3) Inter-company accounts receivable and payable as of December 31, 2009 and 2008 are as follows (Won in thousands):

	Trade receivables		Other receivables		Trade payables		Advances from customers		Other payables	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Ssangyong Motor (Shanghai) Co., Ltd.	₩ -	₩ -	₩ -	₩ -	₩ 9,458	₩ 106,271	₩ -	₩ -	₩ -	₩ -
Shanghai Huizhong Automobile Manufacturing Co., Ltd.	507,365	-	462,500	498,111	-	-	-	-	-	-
Shanghai Automotive Industry Sales Co.	902	254	-	-	-	-	-	4,078	566,307	529,920
Ssangyong European Parts Center B.V.	11,775,498	14,470,223	-	-	-	-	753,892	-	-	-
SAIC Motor Corporation Limited	-	756,974	5,696,720	6,259,635	-	-	575	17,845	-	-
SAIC Motor Passenger Vehicles Technology Center	-	193,469	4,452,876	3,889,666	-	-	2,029,882	2,029,882	-	-
	<u>₩ 12,283,765</u>	<u>₩ 15,420,920</u>	<u>₩ 10,612,096</u>	<u>₩ 10,647,412</u>	<u>₩ 9,458</u>	<u>₩ 106,271</u>	<u>₩ 2,784,349</u>	<u>₩ 2,051,805</u>	<u>₩ 566,307</u>	<u>₩ 529,920</u>

- (4) For the year ended December 31, 2009, the compensation to the Company's key management mainly consists of salaries of ₩845,543 thousand and provision for severance indemnities of ₩913,906 thousand.

21. COMMITMENTS AND CONTINGENCIES:

- (1) Long-term supply contract

On October 4, 2006, 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):

Company	Period	Contracted quantities	Amounts
Sollers	2006.10 ~ 2011.12	Maximum: 79,000 Minimum: 63,200	₩ 1,320,667 1,056,533

- (2) Technology transfer agreement

As of December 31, 2009, the Company has a technology transfer agreements with Daimler Chrysler AG and incurred royalties of ₩524,962 thousand and ₩506,956 thousand for the years ended December 31, 2009 and 2008, 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) The Company's credit line with financial institutes as of December 31, 2009 is as follows (Won in thousands):

Financial institutes	Description	Credit line	Amounts of borrowings
Korea Development Bank	Short-term credit	130,000,000	80,030,473

- (5) As of December 31, 2009, the Company has acceptances and guarantees of ₩1,383,249 thousand related to subcontract transaction under guarantee of Seoul Guarantee Insurance.

- (6) The Company recognized loss on disposal of trade receivables amounting to ₩9,834,951 thousand and ₩27,308,289 thousand for the years ended December 31, 2009 and 2008.

(7) Restructuring

The Company announced restructuring plan for work force adjustment as core issue on April 8, 2009, so the Company has finished voluntary retirement and layoff process. As of December 31, 2009, the Company recorded retirement allowance amounting to ₩59,021 million as selling and administrative expenses.

22. TROUBLED DEBT RESTRUCTURING:

The Company has restructured the troubled debt according to the corporate reorganization plan approved by creditors on December 17, 2009. As the result of troubled debt restructuring, capital stock of ₩61,970,945 thousand has decreased and gain on debt restructuring of ₩292,764,020 thousand has been recognized.

The troubled debt restructuring as of December 31, 2009 is as follows (Won in thousands):

	<u>Amount</u>	<u>Exemption</u>	<u>Changes in contractual terms</u>	<u>Debt-to-equity conversion</u>
The restructured collateral debt	259,430,988	-	259,430,988	-
The restructured unsecured debt	<u>934,280,527</u>	<u>52,167,755</u>	<u>481,011,492</u>	<u>389,305,994</u>
	<u>1,193,711,515</u>	<u>52,167,755</u>	<u>740,442,480</u>	<u>389,305,994</u>

The Company's creditors have alleviated the Company's debt by modifying the terms such as the face amount, interest rate or maturity of debt and converting some debt into equity.

23. PENDING LITIGATIONS:

As of December 31, 2009, the Company is a plaintiff in 5 domestic litigations involving claims of ₩16,573,000 thousand and is a defendant in 26 domestic litigations involving claims of ₩5,095,227 thousand.

The main pending litigations as of December 31, 2009 are as follows (Won in thousands):

Description	Plaintiff	Defendant	Claimed amount	Probable outcome
Domestic litigations:				
Claim for damages	Daewoo-Suwon Service Inc.	The Company	200,000	Winning a lawsuit partially at the 1st trial, unpredictable at the 2nd trial
Air pollution emission prohibition claim	Individuals	The Company	710,000	Unpredictable at the first trial
Claim for damage	Daewoo-Pundang Service Inc. and others	The Company	2,792,258	Unpredictable at the first trial
Imposition punishment rescission	The Company	Fair Trade commission	985,000	Winning a lawsuit at the first trial, unpredictable at the second trial
Service charge return	The Company	Inner-Cube Inc	588,000	Unpredictable at the first trial
Claim for damage	The Company	Labor union and others	5,000,000	Unpredictable at the first trial
Claim for damage	The Company	Individuals	5,000,000	Unpredictable at the first trial
Claim for damage	The Company	Individuals	5,000,000	Unpredictable at the first trial

(*) 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 ₩261,956 thousand.

24. STATEMENTS OF CASH FLOWS:

Non-cash transactions for the years ended December 31, 2009 and 2008 are as follows (Won in thousands):

Name of account	2009	2008
Transfer to property, plant and equipment from inventories	1,368,793	3,544,241
Transfer to development costs from inventories	105,597	539,108
Transfer to current portion of long-term loans	8,331,387	5,188,455
Transfer to other investments from lands	18,304,394	14,570,941
Transfer to other investments from buildings	9,197,889	8,975,102
Transfer to other investments from structures	2,702,297	2,885,400
Transfer to other investments from machinery	5,678,460	47,510
Transfer to other investments from vehicles	3,600	-
Transfer to other investments from tools and equipment	148,233	11,552,800
Transfer to other investments from office equipment	3,335,996	17,646
Transfer to property, plant and equipment from machinery-in-transit	2,584,014	16,356,808
Transfer to real accounts from construction in progress	4,624,346	148,322,975
Transfer to current portion of long-term debt	-	149,658,286
Transfer to long-term borrowings from short-term borrowings	8,093,315	-
Transfer to other long-term liabilities from trade payables	223,007,607	-
Transfer to other long-term liabilities from account payables	6,447,163	-
Transfer to long-term borrowings from other payables	421,974,647	-
Transfer to long-term borrowings from current portion of long-term debt	72,516,652	-

25. CONDENSED FINANCIAL INFORMATION FOR THE FOURTH QUARTER:

Condensed financial information for the fourth quarters of 2009 and 2008 (unaudited) is as follows (Won in thousands except for the net income per share):

	2009	2008
Sales	₩ 83,712,208	₩ 482,100,918
Gross profit	42,454,472	5,800,218
Operating loss	(98,553,764)	(119,135,889)
Net income (loss)	186,285,483	(611,616,422)
Net income (loss) per share	₩ 1,560	₩ (5,063)

26. TRAINING:

Training expenses incurred for the years ended December 31, 2009 and 2008 are as follows (Won in thousands):

	2009	2008
Training outsourced	₩ 7,497	₩ 292,634
Other	522,240	2,038,346
	₩ 529,737	₩ 2,330,980

27. EMPLOYEE WELFARE:

The Company operates and provides cafeteria, medical room, medical insurance, paid vacation and other benefits for the welfare of its employees. The Company incurred ₩3,831,450 thousand and ₩47,610,223 thousand for employee welfare for the years ended December 31, 2009 and 2008, respectively.

28. SUPPLEMENTARY INFORMATIONS FOR COMPUTATION OF VALUE ADDED:

The accounts and amounts needed for the calculation of value added for the years ended December 31, 2009 and 2008 are as follows (Won in thousands):

	<u>2009</u>	<u>2008</u>
Labor cost and salaries	₩ 244,122,804	₩ 363,365,145
Provision for severance indemnities	4,079,224	37,882,617
Employee welfare	29,955,195	56,059,107
Rent	9,661,442	8,848,317
Depreciation	61,843,957	153,486,350
Taxes and dues	<u>15,903,511</u>	<u>21,812,266</u>
	<u>₩ 365,566,113</u>	<u>₩ 641,453,802</u>

29. SEGMENT INFORMATION:

Sales by region for the years ended December 31, 2009 and 2008 are as follows (Won in thousands):

	<u>2009</u>	<u>2008</u>
Domestic sales:	₩ 784,046,577	₩ 1,353,499,079
Export sales:		
Europe	70,975,960	354,436,046
Asia	46,093,736	189,100,403
Others	<u>109,177,568</u>	<u>277,855,439</u>
Sub total	<u>226,247,264</u>	<u>821,391,888</u>
Other export sales:	<u>56,522,640</u>	<u>320,325,799</u>
Total sales	<u>₩ 1,066,816,481</u>	<u>₩ 2,495,216,766</u>

30. UNCERTAINTY OF BUSINESS ENVIRONMENT:

(1) The procedure of the corporate reorganization for business normalization:

The Company applied for the start of the procedure of the corporate reorganization for business normalization to Seoul Central District Court, according to article No. 34 of the obligator's reorganization and bankruptcy law on January 9, 2009. The Court approved the above application and the Company started the procedure of the corporate reorganization for business normalization on February 6, 2009. According to above decision, 1st assembly for interested party was held on May 22, 2009 and arrived at the decision that the Company would submit the corporate reorganization plan for business normalization by September 15, 2009. Meanwhile, the Company's creditors approved the corporate reorganization plan for business normalization on December 17, 2009.

(2) Substantial doubt about the Company's ability to continue as a going concern:

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company incurred operating loss of ₩293,422 million and net loss of ₩346,270 million for the year ended December 31, 2009 because the Company has incurred sharp decrease of sales due to economic slump arising from global financial crisis and strike in 2009. These factors and the procedure of the corporate reorganization for business normalization raised substantial doubt about the Company's ability to continue as a going concern. To overcome above difficulties, the corporate reorganization plan for business normalization including the troubled debt restructuring, capital reduction of existing shareholders, cost cutting plan and competitiveness strength of its products is now in progress. If the Company fails to successfully execute the approved plans, the Company cannot continue as a going concern and therefore, may not realize or redeem the Company's book value of assets and liabilities through the normal operation. The ultimate effect of these significant uncertainties on the financial position of the Company as of the financial reporting date cannot presently be determined. Accordingly, the financial statements do not include any adjustments that might result from the outcome of these uncertainties.

31. SUBSEQUENT EVENTS:

(1) M&A plan

The Company has filed for the approval of M&A plan to the court to improve the financial structure, redeem the restructured debt early and accomplish the early graduation of the corporate reorganization procedure. The Company was allowed to carry forward M&A plan and select the M&A agent as of the reporting date.

(2) 2nd reduction of capital

The Company reduced capital without consideration for the purpose of improving the financial structure on January 17, 2010 and the ratio of capital reduction was at 3:1. According to the above capital reduction, gain on capital reduction of ₩361,449 million occurred in 2010.