

**OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.**

**CONVENIENCE TRANSLATION INTO ENGLISH OF  
FINANCIAL STATEMENTS AS OF 31 DECEMBER 2007  
AND FOR THE YEAR ENDED  
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT**

**(ORIGINALLY ISSUED IN TURKISH)**

**CONVENIENCE TRANSLATION INTO ENGLISH OF  
INDEPENDENT AUDITOR'S REPORT  
ORIGINALLY ISSUED IN TURKISH  
SEE NOTE 44**

**OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.**

**INDEPENDENT AUDITOR'S REPORT  
AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2007**

To the Board of Directors of Otokar Otobüs Karoseri Sanayi A.Ş.

1. We have audited the accompanying financial statements of Otokar Otobüs Karoseri Sanayi A.Ş. which comprise the balance sheet as of 31 December 2007 and the statement of income, the statement of changes in equity and the statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

*Management's Responsibility for the Financial Statements*

2. Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting standards issued by the Capital Markets Board. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Auditor's Responsibility*

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the standards issued by the Capital Markets Board. Those principles require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

4. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Otokar Otobüs Karoseri Sanayi A.Ş. as of 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with the financial reporting standards issued by the Capital Markets Board (See Note 2).

*Additional paragraph for convenience translation into English*

5. As of 31 December 2007, the financial reporting standards issued by the Capital Markets Board differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting and presentation of the basic financial statements and the notes to them, as described in detail in Note 2 to the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

Başaran Nas Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik A. Ş.  
a member of  
PricewaterhouseCoopers

Zeynep Uras, SMMM  
Partner

Istanbul, 6 March 2008

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44**

**OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.**

**FINANCIAL STATEMENTS AS OF 31 DECEMBER 2007 AND FOR THE YEAR  
THEN ENDED**

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**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44**

**OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.**

**BALANCE SHEETS AT 31 DECEMBER 2007 AND 2006**

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

	Notes	31 December 2007	31 December 2006
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	4	3.602.328	637.141
Marketable Securities (net)	5	-	-
Trade Receivables (net)	7	91.767.459	75.701.705
Leasing Receivables (net)	8	-	-
Due From Related Parties (net)	9	225.747	584.927
Other Receivables (net)	10	14.694	596.761
Biological Assets (net)	11	-	-
Inventories (net)	12	100.178.676	91.905.121
Construction Contract Receivables (net)	13	-	-
Deferred Tax Assets	14	-	-
Other Current Assets	15	15.374.318	11.679.078
<b>Total Current Assets</b>		<b>211.163.222</b>	<b>181.104.733</b>
<b>Non-current Assets</b>			
Trade Receivables (net)	7	32.543.656	34.603.642
Leasing Receivables (net)	8	-	-
Due From Related Parties (net)	9	-	-
Other Receivables (net)	10	-	-
Financial Assets (net)	16	1.542.712	1.542.712
Goodwill/Negative Goodwill (net)	17	-	-
Investment Property (net)	18	-	-
Property, Plant and Equipment (net)	19	41.373.329	40.129.471
Intangible Assets (net)	20	5.578.622	611.953
Deferred Tax Assets	14	-	-
Other Non-Current Assets	15	-	-
<b>Total Non-Currrent Assets</b>		<b>81.038.319</b>	<b>76.887.778</b>
<b>TOTAL ASSETS</b>		<b>292.201.541</b>	<b>257.992.511</b>

The accompanying notes form an integral part of these financial statements.

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44**

**OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.**

**BALANCE SHEETS AT 31 DECEMBER 2007 AND 2006**

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

	Notes	31 December 2007	31 December 2006
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Financial Liabilities (net)	6	33.969.368	46.310.292
Short-Term Portion of Long-Term Financial Liabilities	6	-	-
Leasing Liabilities (net)	8	-	-
Other Financial Liabilities (net)	10	-	-
Trade Payables (net)	7	43.135.517	55.597.235
Due to Related Parties (net)	9	5.731.766	2.056.662
Advances Received	21	38.961.421	3.627.854
Construction Contracts Progress Payments (net)	13	-	-
Provisions	23	14.713.926	1.532.458
Deferred Tax Liability	14	-	-
Other Liabilities (net)	15	6.997.599	7.125.794
<b>Total Current Liabilities</b>		<b>143.509.597</b>	<b>116.250.295</b>
<b>Non-Current Liabilities</b>			
Financial Liabilities (net)	6	-	-
Leasing Liabilities (net)	8	-	-
Other Financial Liabilities (net)	10	-	-
Trade Payables (net)	7	-	-
Due to Related Parties (net)	9	-	-
Advances Received	21	-	-
Provisions	23	5.333.767	5.802.558
Deferred Tax Liability	14	852.060	1.006.475
Other Liabilities (net)	15	-	-
<b>Total Non-Current Liabilities</b>		<b>6.185.827</b>	<b>6.809.033</b>
<b>Minority Interest</b>	24	-	-
<b>Equity</b>			
Share Capital	25	24.000.000	24.000.000
Treasury Shares	25	-	-
Capital Reserves	26	64.591.476	64.591.476
Share Premiums		-	-
Share Cancellation Profit		-	-
Revaluation Fund		-	-
Financial Assets Fair Value Reserve		898.363	898.363
Inflation Adjustment to Shareholders Equity		63.693.113	63.693.113
Profit Reserves	27	16.341.707	5.993.716
Legal Reserves		8.504.570	4.544.498
Statutory Reserves		-	-
Extraordinary Reserves		7.837.137	1.449.218
Special Reserves		-	-
Investment and Property Sales Gains to be Added To Capital		-	-
Translation Reserve		-	-
Net Income for the Year		37.572.934	41.412.509
Accumulated Deficit (-)	28	-	(1.064.518)
<b>Total Equity</b>		<b>142.506.117</b>	<b>134.933.183</b>
<b>Total Equity and Liabilities</b>		<b>292.201.541</b>	<b>257.992.511</b>
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Financial statements as at and for the year ended 31 December 2007 were approved by the Board of Directors on 6 March 2008.

The accompanying notes form an integral part of these financial statements.

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44**

**OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.**

**STATEMENTS OF INCOME FOR THE YEARS ENDED 31 DECEMBER 2007 AND  
2006**

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

	<b>Notes</b>	<b>31 December 2007</b>	<b>31December 2006</b>
<b>Revenue from Primary Operations</b>			
Sales (net)	36	427.610.628	337.615.450
Cost of Sales (net)	36	(312.672.616)	
	(231.392.616)		
Service Sales (net)		-	-
Other Income (Interest, Dividend, Rent) from Primary Operations (net)		-	-
<b>Gross Profit from Primary Operations</b>		<b>114.938.012</b>	<b>106.222.834</b>
Operating Expense (net)	37	(70.821.648)	(64.384.362)
<b>Income from Primary Operations</b>		<b>44.116.364</b>	<b>41.838.472</b>
Other Operating Income	38	20.134.132	39.522.687
Other Operating Expense (-)	38	(17.357.334)	(24.757.113)
Financial Expense (-)	39	(647.320)	(5.319.932)
<b>Operating Income</b>		<b>46.245.842</b>	<b>51.284.114</b>
<b>Minority Interest</b>	<b>24</b>	<b>-</b>	<b>-</b>
<b>Income Before Tax</b>		<b>46.245.842</b>	<b>51.284.114</b>
Taxation on income	41	(8.672.908)	(9.871.605)
<b>Net Income for the Year</b>		<b>37.572.934</b>	<b>41.412.509</b>
<b>Profit per Share (YKr)</b>		<b>0,157</b>	<b>0,173</b>

The accompanying notes form an integral part of these financial statements.

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44**

**OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.**

**STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006**

(Amounts expressed in New Turkish lira (“YTL”) unless otherwise indicated)

	Share Capital	Inflation Adjustment to Shareholders Equity	Legal Reserves	Extraordinary Reserves	Financial Assets Fair Value Reserve	Accumulated Deficit	Net income for the year	Total Shareholders' Equity
<b>Balances at 1 January 2006</b>	<b>24.000.000</b>	<b>63.693.113</b>	<b>3.208.566</b>	<b>4.379.445</b>	<b>1.370.840</b>	<b>(2.414.297)</b>	<b>9.355.484</b>	<b>103.593.151</b>
Transfer	-	-	1.335.932	-	-	8.019.552	(9.355.484)	-
Dividends paid	-	-	-	(2.930.227)	-	(6.669.773)	-	(9.600.000)
Fair value decrease on available-for-sale investments	-	-	-	-	(472.477)	-	-	(472.477)
Net income for the year	-	-	-	-	-	-	41.412.509	41.412.509
<b>Balances at 31 December 2006</b>	<b>24.000.000</b>	<b>63.693.113</b>	<b>4.544.498</b>	<b>1.449.218</b>	<b>898.363</b>	<b>(1.064.518)</b>	<b>41.412.509</b>	<b>134.933.183</b>
<b>Balances at 1 January 2007</b>	<b>24.000.000</b>	<b>63.693.113</b>	<b>4.544.498</b>	<b>1.449.218</b>	<b>898.363</b>	<b>(1.064.518)</b>	<b>41.412.509</b>	<b>134.933.183</b>
Transfer	-	-	3.960.072	6.387.919	-	31.064.518	(41.412.509)	-
Dividends paid	-	-	-	-	-	(30.000.000)	-	(30.000.000)
Net income for the year	-	-	-	-	-	-	37.572.934	37.572.934
<b>Balances at 31 December 2007</b>	<b>24.000.000</b>	<b>63.693.113</b>	<b>8.504.570</b>	<b>7.837.137</b>	<b>898.363</b>	<b>-</b>	<b>37.572.934</b>	<b>142.506.117</b>

The accompanying notes form an integral part of these financial statements.



**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44**

**OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.**

**STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2007  
AND 2006**

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

	Notes	31 December 2007	31 December 2006
Net income for the year		37.572.934	41.412.509
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>			
Depreciation and amortisation	19, 20	4.088.017	4.973.602
Provision for employment termination benefits	23	451.903	1.134.518
(Decrease) / increase in deferred tax liabilities	14	(154.415)	602.281
Provision for guarantee expense	23	12.622.323	4.372.066
Gain from tangible assets sales	38	(34.945)	(107.202)
Provision for income taxes	41	8.827.323	9.269.324
Provision for doubtful receivables	7	656.410	109.995
Provision for cost of materials committed to be delivered	23	2.883.592	-
Interest expense - net	38,39	4.251.371	2.616.224
Deferred financial expense/(income) - net		811.545	(1.073.132)
Foreign currency (gain)/loss on borrowings	39	(3.883.100)	2.276.200
<b>Net cash provided by operating activities before changes in operating assets and liabilities:</b>		<b>68.092.958</b>	<b>65.586.385</b>
Increase in trade receivables		(16.217.175)	(5.300.970)
Increase in balances with related parties		4.060.544	2.869.316
Increase in inventories		(8.273.555)	(50.555.012)
Increase in other current assets		(3.113.173)	(6.336.576)
Increase / (decrease) in trade payables		(12.686.425)	21.822.374
Increase in warranty expense paid	23	(8.407.890)	(4.256.570)
Increase/(decrease) in other current liabilities		36.104.886	(24.311.505)
Increase in the provision of unused vacation rights		21.791	668.383
Taxes paid		(2.702.121)	(8.806.286)
Employment termination benefit payments	23	(942.485)	(932.735)
Recovered doubtful receivables	7	626	661
<b>Net cash provided by/(used in) operating activities</b>		<b>55.937.981</b>	<b>(9.552.535)</b>
<b>Investing activities:</b>			
Purchase of property, plant and equipment	19	(5.107.899)	(3.415.862)
Purchase of intangible assets	20	(5.264.228)	(203.962)
Proceeds from sale of tangible asset		108.527	157.863
Interest received		279.049	434.922
<b>Net cash used in investing activities</b>		<b>(9.984.551)</b>	<b>(3.027.039)</b>
<b>Financing activities:</b>			
(Decrease) / increase in revolving credits		(24.763.449)	27.774.096
Increase in term borrowings		32.962.300	18.200.600
Repayment of borrowings		(17.155.100)	(29.124.650)
Interest paid		(4.031.994)	(2.904.492)
Dividends paid		(30.000.000)	(9.600.000)
<b>Net cash (used in)/provided by financing activities</b>		<b>(42.988.243)</b>	<b>4.345.554</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>2.965.187</b>	<b>(8.234.020)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>637.141</b>	<b>8.871.161</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>3.602.328</b>	<b>637.141</b>

The accompanying notes form an integral part of these financial statements.

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44**

**OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.**

**NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2007**

(Amounts expressed in New Turkish lira (“YTL”) unless otherwise indicated)

**NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS**

Otokar Otobüs Karoseri Sanayi A.Ş. (“Otokar” or the “Company”) was established in 1963 and is registered in Istanbul, Turkey under the Turkish Commercial Code. The Company operates in the automotive industry. Land Rover 4x4 land vehicles, armoured vehicles, minibuses and midibuses, trailers, semi-trailers and cross-country the majority of its production. The number of the personnel in the Company is 1.224 (31. December 2006: 958).

The registered addresses of the Company are as follows:

Head Quarter:

Aydınevler Mahallesi, Dumlupınar Cd. No:24 A Bl.  
81580 Küçükyalı/Istanbul

Factory:

Atatürk Cad. No 9  
54580 Arifiye/Sakarya

The Company has significant business transactions with the Koç Group companies. The Company has both customer and supplier relationships with several related parties from the Koç Group. The Company is registered with the Capital Markets Board (“CMB”) and its shares are quoted on the Istanbul Stock Exchange (“ISE”) since 1996. At 31 December 2007, the shares quoted on the ISE are 29,91% of the total shares. At 31 December 2007, the principal shareholders and their respective shareholdings in the Company are as follows (Note 25):

	%
Koç Holding A.Ş.	44,68
Ünver Holding A.Ş.	24,81
Other	30,51
	<b>100,00</b>

**NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS**

**2.1 Accounting standards**

The financial statements of the Company have been prepared in accordance with the financial reporting standards issued by the Capital Markets Board (“CMB”), namely “CMB Financial Reporting Standards”. The CMB published a comprehensive set of accounting principles in Communiqué No: XI-25 “The Accounting Standards in the Capital Markets” (the “Communiqué”). In the aforementioned Communiqué, it has been stated that applying the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) is accepted as an alternative to conform to the CMB Financial Reporting Standards.

## **CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44**

### **OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.**

#### **NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2007**

(Amounts expressed in New Turkish lira (“YTL”) unless otherwise indicated)

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#### **NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

With the decision taken on 17 March 2005, the CMB has announced that, effective from 1 January 2005, the application of inflation accounting is not necessary for companies operating in Turkey and preparing their financial statements in accordance with CMB Financial Reporting Standards. Accordingly, the Company did not apply International Accounting Standards (“IAS”) 29 “Financial Reporting in Hyperinflationary Economies” issued by the IASB in its financial statements for the accounting periods starting on 1 January 2005.

These financial statements and the related notes have been prepared under the alternative application defined by the CMB as explained above and presented in accordance with the reporting format required by the CMB with the announcement dated 10 December 2004.

The Company maintains its books of account and prepares its statutory financial statements (“Statutory Financial Statements”) in New Turkish Lira in accordance with the requirements of the Turkish Commercial Code (the “TCC”), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance. The financial statements are prepared in New Turkish Lira (“YTL”) based on the historical cost convention except for the financial assets and liabilities which are expressed with their fair values. These financial statements are based on the statutory records, with adjustments and reclassifications for the purpose of fair presentation in accordance with CMB Financial Reporting Standards.

#### **2.2 Financial reporting in hyperinflationary periods**

On 17 March 2005, CMB announced that companies operating in Turkey and preparing financial statements in accordance with generally accepted accounting principles issued by the CMB should not apply inflation accounting for the periods beginning after 1 January 2005.

IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date, and that corresponding figures for previous periods be restated in the same terms. The restatement of the comparative amounts was calculated by means of conversion factors derived from the Turkish nationwide wholesale price index (“WPI”) published by the Turkish Statistical Institute (“TSI”). The Company has ended to apply inflation accounting in its financial statements based on the announcement stated above.

#### **2.3 Consolidation**

The Company has no financial assets to consolidate.

#### **2.4 Comparative and restatement of prior periods’ financial statements**

When necessary, comparative financial statements have been reclassified in order to ensure consistency with current year financial statements.

The financial statements of the Company include comparative financial information to enable the readers to review the financial position and performance of the Company. The balance sheet of the Company at 31 December 2007 has been presented with the comparative financial information at 31 December 2006 and the statement of income, the statement of changes in equity and the statement of cash flows for the year ended 31 December 2007 have been presented with the comparative financial information as of 31 December 2006.

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44**

**OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.**

**NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2007**

(Amounts expressed in New Turkish lira (“YTL”) unless otherwise indicated)

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**NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

**2.5 Offsetting**

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies followed in the preparation of these financial statements are summarized below:

**3.1 Cash and cash equivalents**

The cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents consist of cash on hand, deposits at banks, highly liquid investments with maturity periods of less than three months and customer cheques with maturities less than three days (Note 4).

**3.2 Trade receivables and provision for doubtful receivables**

Trade receivables that have been entitled by the Company by providing goods or services directly to a debtor are carried at amortised cost. Short-term receivables with no stated interest rate are measured at the original invoice amount unless the effect of imputing interest is significant.

A credit risk provision for trade receivables is established if there is objective evidence that the Company will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to other income (Note 7).

**3.3 Related parties**

For the purpose of these financial statements, shareholders, key management personnel, members of Board of Directors, their families and the companies affiliated with them are considered and referred to as related parties. A number of transactions are entered into with related parties in the normal course of business. These transactions have been performed with prices adequate to market values (Note 9).

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**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3.4 Inventories**

Inventories are valued at their lower of cost, or net realizable value. Cost elements included in inventories are materials, labor and an appropriate amount for factory overheads. The cost of inventories is determined on the moving monthly average basis. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses (Note 12).

**3.5 Available-for-sale investments**

Investments intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates are classified as available-for-sale. These are included in non-current assets unless management has the expressed intention of holding the investments for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets. Management reviews the classification of these financial assets on a regular basis.

Financial assets whose fair value can be reliably estimated are carried at fair value. All other financial assets classified as available-for-sale are carried at cost after the deduction of any impairment. When the Company is not able to make an estimate of the fair values that are sufficiently reliable for certain unlisted financial assets for which the Company has less than 20% ownership, due to the high variability in the range of reasonable estimates and various outcome probabilities to assess the usefulness of a single estimate, these securities are recorded at cost after deduction for any impairment. The unrealized gains and losses arising from changes in the fair value of available-for-sale securities are recognised in shareholders’ equity. When there is objective evidence that an available-for-sale security is impaired, the cumulative loss measured as the difference between the acquisition and the current fair value is removed from equity and recognised in the statement of income.

**3.6 Property, plant and equipment and related accumulated depreciation**

Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is provided using the straight-line method based on the estimated useful lives of the assets (Note 19).

The depreciation periods for property and equipment, which approximate the economic useful lives of related assets, are as follows:

Land improvements	30 years
Buildings	40 years
Machinery and equipment	4-15 years
Vehicles	4-10 years
Furniture and Fixtures	5-15 years
Special costs	4-5 years

Land is not depreciated as it is deemed to have an indefinite life.

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**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Recoverable amount is the higher of net selling price or value in use. Net selling price is determined by deducting any expenses to be incurred for the sale of an asset from the fair value of the asset. Value in use is calculated as the discounted value of the estimated future cash flows the entity expects to receive from the asset. Gains or losses on disposals of property, plant and equipment are included in other income and expense accounts, as appropriate (Note 19).

**3.7 Intangible assets**

Intangible assets comprise acquired intellectual property and computer software (Note 20). They are recorded at acquisition cost and amortized on a straight-line basis over their estimated economic lives for a period not exceeding 5 years from the date of acquisition. Where an indication of impairment exists, the carrying amount of any intangible asset is assessed and written down immediately to its recoverable amount.

**3.8 Research and Development Expenses**

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects relating to the design and testing of new or improved products are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility, and only if the cost can be measured reliably. Other development expenditures are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalized development expenses are amortized in 5 years in straight-line amortisation method effective from the start of the production.

**3.9 Investment, Research and Development Incentives**

Investment and research and development incentives are recognised when incentive application of the Company are approved by fiscal authorities.

**3.10 Borrowings**

Borrowings are recognised initially at proceeds received, net of transaction costs incurred. Fair value of borrowings approximates their carrying values due to their short-term maturities. Borrowings are subsequently stated at amortized cost using the effective yield method; any difference between the proceeds and redemption value is recognised in the income statement over the period of the borrowings. Borrowing costs are charged to the income statement when they are incurred (Note 6).

**3.11 Deferred taxes**

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax base of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income taxes.

Deferred tax liabilities are recognised for all taxable temporary differences, whereas deferred tax assets resulting from deductible temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized.

Deferred tax assets and deferred tax liabilities related to income taxes levied by the same taxation authority are offset accordingly. Deferred tax assets and liabilities have been classified as non-current in the balance sheet (Note 14).

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**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3.12 Reserve for employment termination benefits**

Reserve for employment termination benefits represents the present value of the estimated total provision of the future probable obligation of the Company arising from the retirement of the employees calculated in accordance with the Turkish Labor Law (Note 23).

**3.13 Foreign currency transactions and translation**

Transactions in foreign currencies during the period are translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to New Turkish Lira at the exchange rates prevailing at period-end. Exchange gains or losses arising on the settlement and translation of foreign currency items are included in the statement of income.

**3.14 Revenue recognition**

Revenue recognition involves the invoiced value of the goods and service sales. Revenues are recognised on an accrual basis at the time deliveries of the goods and services or acceptances are made, the risks are transferred and benefits related to good are realized, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company, at the fair value of the consideration received or receivable. The significant risks and benefits in sales are transferred when the goods are delivered or legal proprietorship is transferred to the customer. Net sales represent the invoiced value of goods shipped less sales returns and commission and excluding sales taxes.

Interest income is recognised on a time proportion basis that takes into account the effective yield on the asset.

When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognised on an accrual basis as financial income. Dividend income from subsidiaries is recognised when the Company’s right to receive dividend is established.

**3.15 Provisions**

Provisions are recognised when the Company has a present legal constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made.

**3.16 Contingent assets and liabilities**

Probable rights and obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company are treated as contingent assets or liabilities (Note 31).

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**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3.17 Share Capital and Dividends**

Ordinary shares are classified under Share Capital. Dividend distribution on ordinary shares is recognised as an appropriation of profit in the period in which they are declared (Note 25).

**3.18 Operating leases**

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

**3.19 Warranty expenses**

Warranty expenses are recorded as a result of repair and maintenance expenses for products produced and sold, authorized services' labor and material costs for products under the scope of the warranty terms without any charge to the customers, initial maintenance costs and estimated costs based on statistical information for possible future warranty services and returns of products with respect to the products sold during the period (Note 23).

**3.20 Trade payables**

Trade payables are recognised initially at fair value and subsequently measured at amortized cost using the effective interest method (Note 7).

**3.21 Financial instruments and financial risk management**

The Company's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. These risks are market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company.

***Interest rate risk***

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are not substantially prone to changes in market interest rates.

The company's interest rate risk arises from short-term borrowings. Borrowings that the Company has received are fixed rated borrowings and the borrowings that the Company will issue will be affected from future interest rates.

***Liquidity risk***

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the Availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions.

The ability to fund existing and prospective debt requirements is managed by maintaining the availability of adequate committed funding lines from high quality lenders.



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**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Company has no long-term financial liability as of 31 December 2007 (31 December 2006: None). As of 31 December 2007, the Company's long-term financial assets are composed of trade receivables, which amounts to YTL32.543.656 (31 December 2006: YTL34.603.642).

***Credit risk***

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. These risks are monitored by limiting the aggregate risk from any individual counterparty (excluding related parties) and by receiving guarantees from customers when considered necessary. Credit risk of the Company mainly arises from trade receivables. The Company manages this risk that may arise from its dealers or from other customers by restricting the credit limits determined for the dealers according the amount of guarantees received, by receiving advance payments or by receiving the pledge of ownership of the vehicles sold. Credit limits are regularly monitored by the Company and the customers' credit quality are regularly evaluated by considering the customer's financial position, past experiences and other factors. All foreign sales are made after receiving confirmed letters of credit. Military vehicle sales are made to domestic or foreign governmental institutions or to companies acting as agents to these institutions; accordingly, the Company does not anticipate any collection risk related to military vehicle sales. Trade receivables are evaluated by management depending on their past experiences and current economic condition, and are presented in financial statements net of provision for doubtful receivables (Note 7).

***Foreign currency risk***

The Company is exposed to the foreign exchange risk through the rate changes at the translation of foreign currency denominated liabilities to local currency. These risks are monitored and limited by analyzing the foreign currency position. Currency risk is monitored and limited by analyzing the foreign currency position. The Company follows a policy of diversifying its foreign currency position in order to manage the foreign currency risk that may arise due to future operations and recognised assets and liabilities (Note 29).

***Fair value of financial instruments***

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize in a current market exchange.

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**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The following methods and assumptions were used to estimate the fair value of the financial instruments for which it is practicable to estimate fair value:

*Monetary assets*

The fair values of balances denominated in foreign currencies, which are translated at year-end exchange rates, are considered to approximate carrying values.

The fair values of certain financial assets carried at cost, including cash and amounts due from banks, are considered to approximate their respective carrying values due to their short-term nature and negligible credit losses.

The carrying values of trade receivables along with the related allowances for uncollectibility are estimated to be their fair values.

*Monetary liabilities*

The fair values of bank borrowings and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature.

*Capital risk management*

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with other companies in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including borrowings and trade and other payables, as shown in balance sheet) less cash and cash equivalents. Total capital is calculated as equity, as shown in the balance sheet, plus net debt.

	<b>31 December 2007</b>	<b>31 December 2006</b>
Total debt (*)	128.795.671	114.717.837
<u>Less: cash and cash equivalents (Note 4)</u>	<u>3.602.328</u>	<u>637.141</u>
Net debt	125.193.343	114.080.696
Total equity	142.506.117	134.933.183
Total capital	267.699.460	249.013.879
<b>Gearing ratio</b>	<b>47%</b>	<b>46%</b>

(\*) At 31 December 2007, total debt includes YTL38.961.421 (2006: YTL3.627.854) of advances received for sales orders. Had this amount been deducted from total debt, the gearing ratio would have been 38% as of 31 December 2007 (2006: 45%)

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#### NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### 3.22 Earnings per share

Earnings per share amount is calculated by dividing net profit by the weighted average number of shares that have been outstanding during the year.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("Bonus Shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, bonus shares are not considered in the weighted average number of shares calculation.

Basic earning per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares (Note 42).

##### 3.23 Reporting of cash flows

For purposes of preparation of the statements of cash flows, cash and cash equivalents include cash on hand, bank deposits and loans originated by the Company under reverse repurchase agreements with predetermined sale prices at fixed future dates of less than three months.

##### 3.24 Impairment of assets

At each reporting date, the Company assesses whether there is any indication that book value of tangible and intangible assets, calculated by acquisition cost less accumulative amortisation, may be impaired. When an indication of impairment exists, the Company estimates the recoverable values of such assets. When individual recoverable value of assets can not be measured, recoverable value of cash generating unit of that asset is measured.

Impairment exists if the carrying value of an asset or a cash generating unit is greater than its recoverable amount, which is the higher of value in use or fair value less costs to sell. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

When recoverable amount of an asset (or a cash generating unit) is lower than its carrying value, the asset's carrying value is reduced to its recoverable amount. An impairment loss is recognised immediately in income statement, however if such asset is revalued, the related impairment loss is reduced from the revaluation fund.

An impairment loss recognised in prior periods for an asset is reversed if the subsequent increase in the asset's recoverable amount is caused by a specific event since the last impairment loss was recognised. Such a reversal amount cannot be higher than the previously recognised impairment and is recognised as income in the financial statements, however when related asset is revalued, reversed impairment loss is added to revaluation fund.

##### 3.25 Changes in accounting polices, accounting estimates and errors

Significant changes in accounting policies and determined significant accounting errors are applied retrospectively and prior period financial statements are restated. If changes in accounting estimates are related to only one period, they are recognised in the period when changes are applied; if changes in estimates are related to future periods, they are recognised both in the period where the change is applied and future periods prospectively.

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**NOTE 4 - CASH AND CASH EQUIVALENTS**

	<b>2007</b>	<b>2006</b>
Banks		
-demand deposits	3.555.269	239.951
Cheques received	-	370.109
Other	47.059	27.081
	<b>3.602.328</b>	<b>637.141</b>

Cheques received balance consist of cheques given to banks for collection and have maturities between 1 to 3 days. The Company has blocked bank deposits amounting to YTL1.145 at 31 December 2007 (31 December 2006: YTL1.145).

**NOTE 5 - MARKETABLE SECURITIES**

None (2006: None).

**NOTE 6 - FINANCIAL LIABILITIES**

	<b>2007</b>		
	Interest rate (%)	Amount in original currency	YTL
<b>Short-term borrowings</b>			
USD borrowings	5,3-5,82	17.578.845	20.474.081
EUR borrowings	4,73-5,24	6.114.697	10.457.354
YTL borrowings	15,9	3.037.933	3.037.933
<b>Total</b>			<b>33.969.368</b>
	<b>2006</b>		
	Interest rate (%)	Amount in original currency	YTL
<b>Short-term borrowings</b>			
USD borrowings	5,28 - 5,99	5.126.446	7.205.732
EUR borrowings	3,39 - 4,84	6.081.148	11.259.246
YTL borrowings	13,50 - 27,00	27.845.314	27.845.314
<b>Total</b>			<b>46.310.292</b>

The Company has not provided any guarantees for the borrowings received (2006: None).

The fair values of borrowings approximate their carrying values due to their short maturities.

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**NOTE 7 - TRADE RECEIVABLES AND PAYABLES**

**TRADE RECEIVABLES**

	<b>2007</b>	<b>2006</b>
Trade receivables	38.299.591	23.112.394
Notes receivables	61.466.779	59.708.652
Deposits and guarantees given	576	256
	<b>99.766.946</b>	<b>82.821.302</b>
Less: Provision for doubtful receivables	(7.249.253)	(6.593.469)
Less: Unearned financial income	(750.234)	(526.128)
<b>Short-term trade receivables-(net)</b>	<b>91.767.459</b>	<b>75.701.705</b>
Notes receivables	33.564.050	36.461.480
Deposits and guarantees given	5.495	5.256
Less: Unearned financial income	(1.025.889)	(1.863.094)
<b>Long-term trade receivables-(net)</b>	<b>32.543.656</b>	<b>34.603.642</b>

Guarantees received for trade receivables

Generally receivables of the Company emerges from sales to minibus and bus dealers, trailer sales and military vehicle sales. The total receivable amount which is YTL22.305.885 (2006: YTL22.672.298) as of 31 December 2007, excluding provision reserved for doubtful receivables from dealers, has been secured by mortgages and guarantees with total amount of YTL48.163.340 (2006: YTL47.708.000).

The Company manages its credit risk for the remaining receivables through policies and procedures as explained in the *Credit Risk* section of Note 3.21.

Aging analysis for trade receivables:

As of 31 December 2007, trade receivables of YTL11.110.436 (2006: YTL9.046.458) have not been collected at their due dates. The provision amount for these receivables is YTL7.249.253 (2006: YTL6.593.469). The Company does not estimate a collection risk for the remainder of the past due receivables due to the collaterals obtained for these receivables.

Aging of past due receivables as of 31 December 2007 is as follows:

	<b>2007</b>	<b>2006</b>
0-3 months	1.145.021	608.079
3-6 months	536.332	577.232
More than 6 months	9.429.083	7.861.147
	<b>11.110.436</b>	<b>9.046.458</b>

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**NOTE 7 - TRADE RECEIVABLES AND PAYABLES (Continued)**

Movement of the provision for doubtful receivables for the year ended 31 December 2007 and 2006 are as follows:

	<b>2007</b>	<b>2006</b>
1 January	6.593.469	6.484.135
Recoveries	(626)	(661)
Provision for the period (Note 38)	656.410	109.995
<b>31 December</b>	<b>7.249.253</b>	<b>6.593.469</b>

**TRADE PAYABLES**

	<b>2007</b>	<b>2006</b>
Trade payables	43.631.615	56.325.496
Note payables	58.500	51.034
	<b>43.690.115</b>	<b>56.376.530</b>
Less: Unrealized credit finance charges	(554.598)	(779.295)
<b>Short-term trade payables - (net)</b>	<b>43.135.517</b>	<b>55.597.235</b>

**NOTE 8 - FINANCIAL LEASING RECEIVABLES AND PAYABLES**

There are no financial leasing agreements signed by the Company as of 31 December 2007 (2006: None).

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**NOTE 9 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES**

Due to and due from related parties and transactions with related parties during the year are given below:

i) Balances with related parties at 31 December 2007 and 2006:

<b><u>Bank balances:</u></b>	<b>2007</b>	<b>2006</b>
Yapı ve Kredi Bankası A.Ş. - Demand deposits	2.245.102	121.721
	<b>2.245.102</b>	<b>121.721</b>
<b><u>Due from related parties:</u></b>	<b>2007</b>	<b>2006</b>
Ram Dış Ticaret A.Ş.	174.333	325.244
Koç Statoil Gaz İletim A.Ş.	38.480	-
Otokoç Otomotiv Tic. ve San. A.Ş.	-	161.424
Döktaş Ticaret ve San. A.Ş.	-	72.194
Beldeyama Motorlu Vasıtalar San. A.Ş.	-	16.048
Other	17.415	19.664
	<b>230.228</b>	<b>594.574</b>
Less: Unearned financial income	(4.481)	(9.647)
<b>Total</b>	<b>225.747</b>	<b>584.927</b>

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**NOTE 9 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)**

<b><u>Due to related parties:</u></b>	<b>2007</b>	<b>2006</b>
Ram Dış Ticaret A.Ş.	3.724.579	313.719
Koç Sistem A.Ş.	382.933	327.790
Zer Merkezi Hizmetler ve Tic. A.Ş.	362.468	188.960
Palmira Turizm Ticaret A.Ş.	326.972	255.588
Setur Servis Turistik A.Ş.	216.485	177.256
Beldeyama Motorlu Vasıtalar Sanayi ve Ticaret A.Ş.	166.904	-
Ark İnşaat A.Ş.	152.419	-
Akpa Day. Tük. LPG ve Akaryakıt Ür. Paz. A.Ş.	116.059	-
Otokoç Otomotiv Tic. ve San. A.Ş.	101.515	80.203
Ram Sigorta Aracılık Hizmetleri A.Ş.	63.720	96.635
Koç Holding A.Ş.	42.486	46.128
Birleşik Oksijen Sanayi Gazlar A.Ş.	28.796	76.722
Birmot Birleşik Motor San. ve Tic. A.Ş.	-	231.810
Other	122.766	306.762
	<b>5.808.102</b>	<b>2.101.573</b>

Less: Unearned financial expense (76.326) (44.911)

**Total** **5.731.776** **2.056.662**

ii) Significant sales and purchase transactions with related parties for the years ended 31 December 2007 and 2006:

<b><u>Product and service sales:</u></b>	<b>2007</b>	<b>2006</b>
Ram Dış Ticaret A.Ş.	46.065.959	27.916.035
Yapı Kredi Finansal Kiralama A.Ş.	2.917.453	6.117.967
Koç Statoil Gaz İletişim A.Ş.	720.819	38.713
Aygaz A.Ş.	155.631	67.757
Ford Otomotiv Sanayi A.Ş.	88.045	605.672
RMK Gemi Yapım Sanayi A.Ş.	56.328	82.042
Otoyol Sanayi A.Ş.	1.544	68.400
Döktaş Ticaret ve San. A.Ş.	-	317.700
Otokoç Otomotiv Tic. ve San. A.Ş.	-	136.800
Beldeyama Motorlu Vasıtalar San. A.Ş.	-	67.700
Other	6.127	35.824
<b>Total</b>	<b>50.011.906</b>	<b>35.454.610</b>

**Purchases of property, plant and equipment:**

	<b>2007</b>	<b>2006</b>
Koç Sistem A.Ş.	572.220	372.540
Otokoç Otomotiv Tic. ve San. A.Ş.	-	139.872
Birmot Birleşik Motor San. ve Tic. A.Ş.	-	69.034
Other	7.987	13.811
<b>Total</b>	<b>580.207</b>	<b>595.257</b>



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NOTE 9 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Inventory purchases:

	2007	2006
Ram Dış Ticaret A.Ş.	11.278.699	3.516.460
Beko Ticaret A.Ş.	1.821.937	1.682.161
Akpa Day. Tük. LPG ve Akaryakıt Ür. Paz. A.Ş.	715.654	145.355
Birleşik Oksijen Sanayi Gazlar A.Ş.	588.939	608.205
Beldeyama Motorlu Vast.A.Ş.	542.467	-
Otomotiv Lastikleri Tevzi A.Ş.	217.727	162.759
Opet Petrolcülük A.Ş.	212.412	211.045
Ark İnşaat A.Ş.	129.169	-
Koçtaş Yapı Marketleri San. ve Tic. A.Ş.	88.727	632.069
Sanal Merkez Ticaret A.Ş.	37.784	99.067
Arçelik A.Ş.	8.455	40.590
Migros Türk T.A.Ş.	8	91.525
Kofisa S.A.	-	2.021.079
Other	1.215	49.399
<b>Total</b>	<b>15.643.193</b>	<b>9.259.714</b>

Services received:

	2007	2006
Ram Dış Ticaret A.Ş.	10.436.509	6.657.880
Koç Holding A.Ş.	1.336.516	1.361.074
Palmira Turizm Ticaret A.Ş.	1.330.416	1.074.365
Otokoç Otomotiv Tic. ve San. A.Ş.	1.171.349	119.131
Setur Servis Turistik A.Ş.	952.736	701.008
Ram Sigorta Aracılık Hizmetleri A.Ş.	942.939	849.744
Koç Sistem A.Ş.	289.566	352.042
Otoyol Sanayi A.Ş.	225.100	79.612
Koçnet Haberleşme Teknoloji ve İletişim Hizmetleri A.Ş.	182.471	139.674
Birmot Birleşik Motor San.Tic A.Ş.	37.763	185.544
Entek Elektrik Üretimi A.Ş.	-	1.059.764
Other	49.642	54.860
<b>Total</b>	<b>16.955.007</b>	<b>12.634.698</b>

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**NOTE 9 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)**

iii) Financial income and expenses with related parties for the years ended 31 December 2007 and 2006:

<b>Interest income:</b>	<b>2007</b>	<b>2006</b>
Yapı ve Kredi Bankası A.Ş.	58.219	164.165
<b>Total</b>	<b>58.219</b>	<b>164.165</b>

<b>Foreign exchange income:</b>	<b>2007</b>	<b>2006</b>
Ram Dış Ticaret A.Ş.	1.713.524	85.954
Yapı ve Kredi Bankası A.Ş.	187.902	967.664
Ram Sigorta Aracılık Hizm. A.Ş.	1.557	-
Kofisa S.A.	-	45.305
<b>Total</b>	<b>1.902.983</b>	<b>1.098.923</b>

<b>Interest expenses:</b>	<b>2007</b>	<b>2006</b>
Yapı ve Kredi Bankası A.Ş.	1.015	141.707
<b>Toplam</b>	<b>1.015</b>	<b>141.707</b>

<b>Foreign exchange losses:</b>	<b>2007</b>	<b>2006</b>
Ram Dış Ticaret A.Ş.	1.231.953	103.548
Yapı ve Kredi Bankası A.Ş.	101.496	1.062.039
Yapı Kredi Finansal Kiralama A.Ş.	15.529	-
Koç Statoil Gaz İletim A.Ş.	579	-
Ram Sigorta Aracılık Hizm. A.Ş.	147	-
Kofisa S.A.	-	160.244
<b>Total</b>	<b>1.349.704</b>	<b>1.325.831</b>

Benefits provided to executive management amount to YTL4.342.413 (2006: YTL4.419.689).

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**NOTE 10 - OTHER RECEIVABLES AND PAYABLES**

**Short-term Other Receivables**

	<b>2007</b>	<b>2006</b>
Receivables from personnel	2.312	689
Prepaid corporation tax (Note 41)	-	580.036
Other receivables	12.382	16.036
<b>Total</b>	<b>14.694</b>	<b>596.761</b>

**NOTE 11 - BIOLOGICAL ASSETS**

The Company's operations do not involve any biological assets.

**NOTE 12 - INVENTORIES**

	<b>2007</b>	<b>2006</b>
Raw materials	22.618.445	16.498.564
Semi-finished goods	6.351.444	4.372.913
Finished goods	18.973.319	25.057.886
Trade goods	8.995.914	7.832.917
Goods in transit	18.060.052	12.430.745
Stock advances	25.179.502	25.712.096
<b>Total</b>	<b>100.178.676</b>	<b>91.905.121</b>

**NOTE 13 - CONSTRUCTION CONTRACT RECEIVABLES AND PROGRESS BILLING**

The Company has no construction contract receivables and construction progress billings at 31 December 2007 and 2006.

**NOTE 14 - DEFERRED TAX ASSETS AND LIABILITIES**

**Deferred Taxes**

The Company recognises deferred tax assets and liabilities based upon temporary differences arising between their financial statements as reported under CMB Financial Reporting Standards and their statutory tax financial statements.

Deferred income taxes will be calculated on temporary differences that are expected to be realised or settled based on the taxable income in future periods under the liability method using a principal tax rate of 20% (2006: 20%). This rate is 5% for the temporary differences occurred in land and available-for-sale financial assets.

Details of cumulative temporary differences and the resulting deferred tax assets/(liabilities) provided at 31 December 2007 and 2006 using the enacted future tax rates are as follows:

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**NOTE 14 - DEFERRED TAX ASSETS AND LIABILITIES (Continued)**

	<b>Cumulative temporary differences</b>		<b>Deferred tax assets / (liabilities)</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Net difference between the tax bases and the carrying amount of:				
Tangible assets	14.920.261	13.159.997	(2.359.984)	(2.007.931)
Intangible assets	652.243	362.048	(130.449)	(72.410)
Unrealized credit finance charges	4.604.248	4.930.275	(920.850)	(986.055)
Financial assets	846.754	846.754	(42.338)	(42.338)
Prepaid expenses	282.668	43.960	(56.534)	(8.792)
<b>Deferred tax liabilities</b>			<b>(3.510.155)</b>	<b>(3.117.526)</b>
Net difference between the tax bases and the carrying amount of:				
Guarantee expense accruals	5.705.132	1.490.699	1.141.026	298.140
Reserve for employment termination benefits	4.118.424	4.609.006	823.685	921.801
Unearned financial income	1.780.604	2.398.870	356.121	479.774
Inventory	147.455	665.065	29.491	133.013
Other accruals	1.538.857	1.391.615	307.772	278.323
<b>Deferred tax assets</b>			<b>2.658.095</b>	<b>2.111.051</b>
<b>Deferred tax liabilities, net</b>			<b>(852.060)</b>	<b>(1.006.475)</b>
Deferred tax liability, net:				
			<b>2007</b>	<b>2006</b>
1 January			1.006.475	361.856
Current year deferred tax (income) / expense (note 41)			(154.415)	602.281
Fair value decrease on available-for-sale investments			-	42.338
<b>31 December</b>			<b>852.060</b>	<b>1.006.475</b>

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**NOTE 15 OTHER CURRENT/NON-CURRENT ASSETS AND OTHER CURRENT/NON -  
CURRENT LIABILITIES**

<b>a) Other current assets:</b>	<b>2007</b>	<b>2006</b>
Value Added Tax (VAT) receivables	11.385.369	8.606.921
Deductible taxes and funds	3.360.523	2.715.913
Prepaid expenses	628.426	356.244
<b>Total</b>	<b>15.374.318</b>	<b>11.679.078</b>
<b>b) Other current liabilities:</b>	<b>2007</b>	<b>2006</b>
Payables to personnel	3.090.720	1.690.199
Taxes and funds payable	2.489.541	1.811.390
Social security premiums payable	1.310.689	1.672.782
Deferred Special Consumption Tax	1.128	209.846
Deferred income	-	941.270
Deferred payables to government	-	636.049
Other	105.521	164.258
<b>Total</b>	<b>6.997.599</b>	<b>7.125.794</b>

**NOTE 16 - FINANCIAL ASSETS**

	<u>2007</u>		<u>2006</u>	
	YTL	%	YTL	%
<b>Available-for-sale investments</b>				
Entek Elektrik Üretimi Otoprodüktör Grubu A.Ş.	1.542.712	0,86%	1.542.712	0,86%
	<b>1.542.712</b>		<b>1.542.712</b>	

The impact of the change in the fair value of Entek during 2007 is deemed insignificant on the Company's financial statements; accordingly, the effect of such change has not been recognised in these financial statements.

**NOTE 17 - GOODWILL/NEGATIVE GOODWILL**

None (2006: None).

**NOTE 18 - INVESTMENT PROPERTY**

The Company has no investment property.

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**NOTE 19 - PROPERTY, PLANT AND EQUIPMENT**

Movement in property, plant and equipment and related accumulated depreciation during the year ended 31 December 2007 is as follows:

	<b>1 January 2007</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>31 December 2007</b>
<b>Cost:</b>					
Land	5.370.676	-	-	-	5.370.676
Land improvements	4.410.668	11.452	-	121.364	4.543.484
Buildings	31.720.900	415.156	-	-	32.136.056
Machinery and equipment	76.506.513	1.576.378	-	720.261	78.803.152
Motor vehicles	3.575.380	1.288.674	(163.843)	-	4.700.211
Furniture and fixtures	16.304.439	641.592	(17.786)	-	16.928.245
Leasehold improvements	1.094.689	-	-	351.057	1.445.746
Construction-in-progress	58.130	1.174.647	-	(1.180.581)	52.196
Advances given	22.352	-	-	(22.352)	-
	<b>139.063.747</b>	<b>5.107.899</b>	<b>(181.629)</b>	<b>(10.251)</b>	<b>143.979.766</b>
<b>Accumulated depreciation:</b>					
Land improvements	1.626.600	138.609	-	-	1.765.209
Buildings	13.903.956	904.000	-	-	14.807.956
Machinery and equipment	64.587.381	2.354.475	-	-	66.941.856
Motor vehicles	2.816.148	120.600	(90.260)	-	2.846.488
Furniture and fixtures	14.910.135	261.734	(17.786)	-	15.154.083
Leasehold improvements	1.090.056	789	-	-	1.090.845
	<b>98.934.276</b>	<b>3.780.207</b>	<b>(108.046)</b>	<b>-</b>	<b>102.606.437</b>
<b>Net book value</b>	<b>40.129.471</b>				<b>41.373.329</b>

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**NOTE 19 - PROPERTY, PLANT AND EQUIPMENT (Continued)**

Movements in property, plant and equipment and related accumulated depreciation during the year ended 31 December 2006 is as follows:

	<b>1 January 2006</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>31 December 2006</b>
<b>Cost:</b>					
Land	5.370.676	-	-	-	5.370.676
Land improvements	4.287.615	-	-	123.053	4.410.668
Buildings	31.345.034	-	-	375.866	31.720.900
Machinery and equipment	74.582.892	1.643.741	(147.627)	427.507	76.506.513
Motor vehicles	3.469.758	571.406	(465.784)	-	3.575.380
Furniture and fixtures	15.940.809	365.370	(1.740)	-	16.304.439
Leasehold improvements	1.089.375	-	-	5.314	1.094.689
Construction-in-progress	43.118	887.898	-	(872.886)	58.130
Advances given	8.127	187.447	-	(173.222)	22.352
	<b>136.137.404</b>	<b>3.655.862</b>	<b>(615.151)</b>	<b>(114.368)</b>	<b>139.063.747</b>
<b>Accumulated depreciation:</b>					
Land improvements	1.471.753	154.847	-	-	1.626.600
Buildings	12.830.852	1.073.104	-	-	13.903.956
Machinery and equipment	61.711.400	3.023.608	(147.627)	-	64.587.381
Motor vehicles	3.106.097	126.852	(416.801)	-	2.816.148
Furniture and fixtures	14.537.616	372.581	(62)	-	14.910.135
Leasehold improvements	1.082.375	7.681	-	-	1.090.056
	<b>94.740.093</b>	<b>4.758.673</b>	<b>(564.490)</b>	<b>-</b>	<b>98.934.276</b>
<b>Net book value</b>	<b>41.397.311</b>				<b>40.129.471</b>

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**NOTE 19 - PROPERTY, PLANT AND EQUIPMENT (Continued)**

Current year depreciation expense has been allocated to cost of sales by YTL1.882.672 (2006: YTL2.764.597), to research and development expenses by YTL925.301 (2006:YTL838,231), to general administrative expenses by YTL528.925 (2006: YTL718,537), to sales and marketing expenses by YTL503.566 (2006: YTL140,203), and to inventories by YTL247.553 (2006: YTL512.034).

**NOTE 20 - INTANGIBLE ASSETS**

Movement in intangible assets and related accumulated amortisation during the year ended 31 December 2007 is as follows:

	<b>1 January 2007</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>31 December 2007</b>
<b>Cost:</b>					
Intangible assets	2.325.767	457.935	-	10.251	2.793.953
Development projects in process	-	4.806.293	-	(2.550.970)	2.255.323
Development costs	-	-	-	2.550.970	2.550.970
<b>Total</b>	<b>2.325.767</b>	<b>5.264.228</b>	<b>-</b>	<b>10.251</b>	<b>7.600.246</b>
<b>Accumulated amortisation:</b>					
Intangible assets	(1.713.814)	(265.294)	-	-	(1.979.108)
Development costs	-	(42.516)	-	-	(42.516)
<b>Total</b>	<b>(1.713.814)</b>	<b>(307.810)</b>	<b>-</b>	<b>-</b>	<b>(2.021.624)</b>
<b>Net book value</b>	<b>611.953</b>				<b>5.578.622</b>

Movement in intangible assets and related accumulated amortisation during the interim period ended 31 December 2006 is as follows:

	<b>1 January 2006</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>31 December 2006</b>
<b>Cost:</b>					
Intangible assets	2.007.437	203.962	-	114.368	2.325.767
<b>Accumulated amortisation:</b>					
Intangible assets	(1.498.885)	(214.929)	-	-	(1.713.814)
<b>Net book value</b>	<b>508.552</b>				<b>611.953</b>



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**NOTE 21 - ADVANCES RECEIVED**

	<b>2007</b>	<b>2006</b>
Advances received	38.961.421	3.627.854
<b>Total</b>	<b>38.961.421</b>	<b>3.627.854</b>

Advances received constitute of advance payments received from customers for future sales.

**NOTE 22 - RETIREMENT PLANS**

The Company does not sponsor any retirement plans, as such, financial statement do not include any liability on retirement plans at 31 December 2007 and 2006.

**NOTE 23 - PROVISIONS**

	<b>2007</b>	<b>2006</b>
<b>Short-term provisions</b>		
Provision for taxes and legal reserves, net (Note 41)	6.125.202	-
Warranty provision	5.705.132	1.490.699
Provision for cost of materials committed to be delivered	2.883.592	-
Other	-	41.759
<b>Total</b>	<b>14.713.926</b>	<b>1.532.458</b>
<b>Long-term provisions</b>		
Provision for employment termination benefits	4.118.424	4.609.006
Provision for unused vacation of employees	1.215.343	1.193.552
<b>Total</b>	<b>5.333.767</b>	<b>5.802.558</b>

**Provision for employment termination benefits**

There are no agreements for pension commitments other than the legal requirement as explained below.

Under the Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who is called up for military service, dies or retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men).

The amount payable consists of one month's salary limited to a maximum of YTL2.030,19 for each year of service as of 31 December 2007 (31 December 2006 : YTL1.857,44).

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**NOTE 23 – PROVISIONS (Continued)**

The liability is not funded, as there is no funding requirement.

The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees.

The CMB Financial Reporting Standards require actuarial valuation methods to be developed to estimate the enterprises' obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	<b>31 December 2007</b>	<b>31 December 2006</b>
Discount rate (%)	5,71	5,71
Turnover rate to estimate the probability of retirement (%)	7	5

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Since the Company calculates provision for employment termination benefits every year, the maximum amount of YTL2.087,59, which is effective from 1 January 2008 (1 January 2006: YTL1.960,69) has been used in the calculations.

Movements in the provision for employment termination benefits during the year are as follows:

	<b>2007</b>	<b>2006</b>
1 January	4.609.006	4.407.223
Increase during the period	451.903	1.134.518
Paid during the period	(942.485)	(932.735)
	<b>4.118.424</b>	<b>4.609.006</b>

**Provision for warranty expense**

The Company provides one year warranty for minibus and Land Rover vehicles and two years warranty for certain armored vehicle models and midi-busses sold. The Company has no warranty commitments for trailers. Therefore, warranty expense provision has been recorded only for the vehicles under guarantee as of the balance sheet date. The movement of the warranty expense provision is as follows:

	<b>2007</b>	<b>2006</b>
1 January	1.490.699	1.375.203
Increase during the period	8.407.890	4.372.066
Paid during the period	(4.193.457)	(4.256.570)
	<b>5.705.132</b>	<b>1.490.699</b>

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**NOTE 24 - MINORITY INTEREST**

As the Company does not prepare consolidated financial statements, there is no minority interest.

**NOTE 25 - CAPITAL/ADJUSTMENT TO SHARE CAPITAL**

**CAPITAL**

The shareholding structure of the Company at 31 December 2007 and 2006 is as follows:

Shareholders	2007		2006	
	YTL	%	YTL	%
Koç Holding A.Ş.	10.722.750	44,68%	10.300.952	42,92
Ünver Holding A.Ş.	5.954.944	24,81%	5.954.944	24,81
Other	7.322.306	30,51%	7.744.104	32,27
<b>Total</b>	<b>24.000.000</b>		<b>24.000.000</b>	<b>100,00</b>
Adjustment to share capital	52.743.030		52.743.030	
<b>Total</b>	<b>76.743.030</b>		<b>76.743.030</b>	

**NOTE 26 - 27 - 28 CAPITAL RESERVES, PROFIT RESERVES, RETAINED EARNINGS**

Retained earnings, as per the statutory financial statements, other than legal reserves, are available for distribution, subject to the legal reserve requirement referred to below.

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in capital. Under the TCC, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50% of paid-in capital.

Quoted companies are subject to dividend requirements regulated by the CMB as follows:

In accordance with the Communiqué No:XI-25 Section 15 paragraph 399, the accumulated deficit amounts arising from the first application of inflation adjustment, in line with CMB's profit distribution regulations, are considered to be deductible when computing the distributable profit. The accumulated deficit will first be netted-off from net income and retained earnings, and the remaining amount of deficit from extraordinary reserves, legal reserves and adjustment to share capital.

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**NOTE 26 - 27 - 28 CAPITAL RESERVES, PROFIT RESERVES, RETAINED EARNINGS  
(Continued)**

Net income of the financial statements prepared in accordance with Communiqué must be distributed as a minimum of 20% of total distributable profit. This distribution may be made either as cash, as a pro-rata shares amounting minimum of 20% of distributable profit or as a combination of both, depending on the decision taken at the General Assembly of the Company.

For the purposes of profit distribution in accordance with related CMB regulations, items of statutory equity such as share capital, share premium, legal reserves, other reserves, special reserves and extraordinary reserves, are presented at their historical nominal amounts. The difference between the inflated and historical amounts of these items is presented in equity cumulatively as *inflation adjustments to equity*.

Restatement difference of equity can only be netted-off against prior years' losses and used as an internal source in capital increases; whereas extraordinary reserves can be netted-off against prior years' losses, and used in distribution of bonus shares and dividends to shareholders.

In accordance with the Communiqué No:XI-25, at 31 December 2007 and 2006, the details of equity, based on which the dividend will be distributed is as follows:

	2007	2006
Share capital	24.000.000	24.000.000
Legal reserves	8.504.570	4.544.498
Extraordinary reserves	7.837.137	1.449.218
Financial assets fair value reserve	898.363	898.363
Inflation adjustments to equity	63.693.113	63.693.113
Net income for the period	37.572.934	41.412.509
Accumulated loss	-	(1.064.518)
<b>Total equity</b>	<b>142.506.117</b>	<b>134.933.183</b>

At 31 December 2007 and 2006, the restated amounts and the equity restatement differences of the aforementioned nominal values are as follows:

	Historical value	2007 Restated value	Restatement difference
Share capital	24.000.000	76.743.030	52.743.030
Legal reserves	8.504.570	19.454.653	10.950.083
<b>Total</b>	<b>32.504.570</b>	<b>96.197.683</b>	<b>63.693.113</b>

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**NOTE 26 - 27 - 28 CAPITAL RESERVES, PROFIT RESERVES, RETAINED EARNINGS  
(Continued)**

	<b>2006</b>		
	<b>Historical value</b>	<b>Restated value</b>	<b>Restatement difference</b>
Share capital	24.000.000	76.743.030	52.743.030
Legal reserves	4.544.498	15.494.581	10.950.083
<b>Total</b>	<b>28.544.498</b>	<b>92.237.611</b>	<b>63.693.113</b>

Historical amounts of legal and extraordinary reserves in the statutory financial statements are as below:

	<b>2007</b>	<b>2006</b>
Legal reserves	11.338.147	7.378.075
Extraordinary reserves	30.179.910	26.911.996
<b>Total</b>	<b>41.518.057</b>	<b>34.290.071</b>

Dividends distributed during year based on previous period's net income per statutory financial statements

	30.000.000	9.600.000
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**NOTE 29 - FOREIGN CURRENCY POSITION**

The following table illustrates the Company's foreign currency risk as a result of foreign currency position. Assets and liabilities denominated in foreign currency at 31 December 2007 and 2006 are as follows:

	<b>2007</b>	<b>2006</b>
Assets	100.360.242	82.045.842
Liabilities	(79.652.349)	(64.257.432)
<b>Net foreign currency position</b>	<b>20.707.893</b>	<b>17.788.410</b>

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**NOTE 29 - FOREIGN CURRENCY POSITION (Continued)**

	Foreign Currency	2007		2006	
		Foreign currency amount	YTL	Foreign currency amount	YTL
<b>Assets:</b>					
Cash and cash equivalents	EURO	757.098	1.294.790	89.723	166.123
	USD Dollar	61.160	71.233	10.251	14.408
	GBP	25.449	59.191	6.303	17.378
			<b>1.425.214</b>		<b>197.909</b>
Trade receivables	EURO	37.203.451	63.625.342	23.965.702	44.372.498
	USD Dollar	1.936.891	2.255.897	1.889.508	2.655.892
	GBP	138.379	321.855	151.482	417.621
			<b>66.203.094</b>		<b>47.446.011</b>
Due from related parties	GBP	83.311	193.773	117.975	325.244
			<b>193.773</b>		<b>325.244</b>
Other receivables-(net)	EURO	-	-	6.446	11.935
	GBP	-	-	1.399	3.857
					<b>15.792</b>
Long-term trade receivables	EURO	19.025.939	32.538.161	18.396.374	34.060.886
			<b>32.538.161</b>		<b>34.060.886</b>
<b>Total foreign currency assets</b>			<b>100.360.242</b>		<b>82.045.842</b>

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**NOTE 29 - FOREIGN CURRENCY POSITION (Continued)**

	Foreign Currency	2007		2006	
		Foreign currency amount	YTL	Foreign currency amount	YTL
<b>Liabilities:</b>					
Short-term borrowings	USD Dollar	17.578.845	20.474.081	5.126.446	7.205.732
	EURO	6.114.697	10.457.354	6.081.148	11.259.246
			<b>30.931.435</b>		<b>18.464.978</b>
Trade payables	EURO	8.069.616	13.800.658	5.541.462	10.260.018
	GBP	4.109.920	9.559.264	10.392.055	28.649.858
	USD Dollar	1.529.451	1.781.352	2.326.923	3.270.724
	Swedish Krona	703.515	126.492	-	-
	Swiss Franc	175.714	180.705	-	-
			<b>25.448.471</b>		<b>42.180.600</b>
Advances received	USD Dollars	16.664.525	19.409.172	2.547.309	3.580.498
	EURO	1.503.855	2.571.892	16.935	31.356
			<b>21.981.064</b>		<b>3.611.854</b>
Other liabilities	EURO	502.743	859.792	-	-
	GBP	185.557	431.587	-	-
			<b>1.291.379</b>		<b>-</b>
<b>Total foreign currency liabilities</b>			<b>79.652.349</b>		<b>64.257.432</b>
<b>Net foreign currency position</b>			<b>20.707.893</b>		<b>17.788.410</b>

At 31 December 2007, had the US Dollar, Euro and British Pound appreciated by 10% against YTL, with all other variables held constant, net income for the year would have been YTL2.101.370 higher (2006: YTL1.778.855), as a result of gains on translation of financial assets and liabilities denominated in these foreign currencies.

At 31 December 2007, had the US Dollar appreciated by 10% against YTL, with all other variables held constant, net income for the year would have been YTL3.933.748 lower (2006: YTL4.878.264), as a result of foreign exchange losses on translation of US denominated financial assets and liabilities.

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**NOTE 29 - FOREIGN CURRENCY POSITION (Continued)**

At 31 December 2007, had the Euro appreciated by 10% against YTL, with all other variables held constant, net income for the year would have been YTL6.976.860 higher (2006: YTL5.986.921), as a result of foreign exchange gains on translation of Euro denominated financial assets and liabilities.

At 31 December 2007, had the British Pound appreciated by 10% against YTL, with all other variables held constant, net income for the year would have been YTL941.603 lower (2006: YTL1.294.406), as a result of foreign exchange losses on translation of British pound denominated financial assets and liabilities.

**NOTE 30 - GOVERNMENT GRANTS**

In accordance with the Tax Law 5228 item 28-9 dated 16 July 2004, 40% of the research and development expenditures on technology and information research made by the Company itself with effect from 31 July 2004 are exempt from corporate tax. Such exemptions are not subject to withholding taxes.

In 2007, the Company earned an incentive amounting to YTL8.298.137 (2006: YTL6.341.307) calculated as 40% of the research and development expenditures of YTL3.319.255 (2006: YTL2.536.523) which will be deducted from the tax base without any withholding tax payment.

The exemption for investment incentive allowance that has been in effect for several years, and with the latest regulation, calculated as 40% of corporate tax payers' capital expenditures exceeding a certain amount, has been abolished with Corporate Income Tax Law No.5479 dated 30 March 2006. The Company has no unused investment allowances as of 31 December 2007 (2006: None).

**NOTE 31 - PROVISIONS, COMMITMENTS AND CONTINGENT LIABILITIES**

a) Guarantees given at 31 December 2007 and 2006 are as follows:

	<b>2007</b>	<b>2006</b>
Letters of guarantees	169.454.450	80.041.965

b) Guarantees received as of 31 December 2007 and 2006 are as follows:

	<b>2007</b>	<b>2006</b>
Letters of guarantees	38.518.879	34.254.062
Guarantee notes	8.005.000	8.662.528
Mortgages received	7.963.000	7.663.000
Guarantee cheques	155.000	130.000
	<b>54.641.879</b>	<b>50.709.590</b>



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**NOTE 32 - BUSINESS COMBINATIONS**

None (2006: None).

**NOTE 33 - SEGMENT REPORTING**

The Company management considers that risk and returns for the Company are affected by business developments rather than developments in different geographic regions; accordingly, the decision has been taken to use the business segment as the Company's primary reporting format. As the Company operates in the automotive sector and has no other segments in terms of risks and returns, management considers that the Company operates in one business segment. When the operations of the Company is considered, it is seen that the attributes of products and production processes are similar. Due to having only one business segment, information regarding the primary segment has already been disclosed in the financial statements.

As the primary reporting format of the Company is the business segment, the disclosure of revenues based on the geographical locations of customers is required for secondary segment reporting. However as foreign sales are made on a one-off basis and to different locations, the distribution of sales to specific locations varies with each year. Therefore, details of revenues are disclosed as foreign and domestic sales in Note 36 to the financial statements.

As all Company assets are located in Turkey the book values of assets within this segment as well as the costs of the related assets, which both need to be disclosed within the secondary segment reporting framework, have not been disclosed separately.

**NOTE 34 - SUBSEQUENT EVENTS**

No significant events occurred subsequent to the balance sheet date.

**NOTE 35 - DISCONTINUED OPERATIONS**

None (2006: None).

**NOTE 36 - OPERATING INCOME**

**NET SALES**

	<b>2007</b>	<b>2006</b>
Domestic sales	299.259.105	178.010.919
Foreign sales	128.972.333	160.160.606
Gross sales	428.231.438	338.171.525
Less: Discounts	(620.810)	(556.075)
<b>Net sales</b>	<b>427.610.628</b>	<b>337.615.450</b>

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**NOTE 36 - OPERATING INCOME**

Sales of the Company in terms of the of vehicles sold are as follows:

	<b>2007</b>	<b>2006</b>
Treyler	1.375	1.340
Midibus	1.188	769
Land Rover 4X4	782	678
Minibus	368	464
Armoured vehicle	358	529
Otobus	50	-
	<b>4.121</b>	<b>3.780</b>

**COST OF SALES**

	<b>2007</b>	<b>2006</b>
Cost of finished goods sold	298.387.205	214.600.350
Cost of trade goods sold	14.285.411	16.792.266
<b>Cost of sales</b>	<b>312.672.616</b>	<b>231.392.616</b>

**NOTE 37 - OPERATING EXPENSES**

	<b>2007</b>	<b>2006</b>
Sales and marketing expenses	45.615.033	42.029.680
General administrative expenses	19.423.427	15.684.753
Research and development expenses	5.783.188	6.669.929
<b>Total operating expenses</b>	<b>70.821.648</b>	<b>64.384.362</b>

Personnel expenses totalling YTL50.738.916 (2006: YTL40.004.637) have been allocated to cost of sales by YTL30.398.735 (2006: YTL25.248.576), to sales and marketing expenses by YTL5.907.845 (2006: YTL6.967.432), to general administrative expenses by 9.241.805YTL (2006: YTL4.774.001),to research and development expenses by YTL3.270.034 (2006: YTL3.014.628) and to intangible assets by YTL1.920.497 due to capitalized development expenses .

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**NOTE 38 - OTHER INCOME/EXPENSE AND PROFIT/LOSS**

	<b>2007</b>	<b>2006</b>
<b>Other Income</b>		
Foreign exchange gain	14.039.063	30.755.488
Due date charges	5.041.450	6.659.627
Interest income	279.049	427.508
Grants received for research and development projects	302.567	847.900
Income from sale of tangible assets	34.945	107.202
Guarantee return income	-	80.232
Other	437.058	644.730
<b>Total</b>	<b>20.134.132</b>	<b>39.522.687</b>

**Other Expense**

	<b>2007</b>	<b>2006</b>
Foreign exchange losses	16.522.584	23.860.733
Doubtful provision expense (Note 7)	656.410	109.995
Provision for unused vacation	21.791	668.383
Bank expenses	153.763	117.848
Other	2.786	154
<b>Total</b>	<b>17.357.334</b>	<b>24.757.113</b>

**NOTE 39 - FINANCIAL EXPENSE**

	<b>2007</b>	<b>2006</b>
Interest expense on borrowings	4.530.420	3.043.732
Foreign exchange (income)/loss on bank loans	(3.883.100)	2.276.200
<b>Total</b>	<b>647.320</b>	<b>5.319.932</b>

**NOTE 40 - NET MONETARY POSITION PROFIT/LOSSES**

None (2006: None).

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**NOTE 41 - TAXES ON INCOME**

	<b>2007</b>	<b>2006</b>
Prepaid taxes	2.702.121	9.849.360
Less: Corporation taxes payable	(8.827.323)	(9.269.324)
<b>Corporation Taxes Payable (Note 23)/ Prepaid taxes-net (Note 10)</b>	<b>(6.125.202)</b>	<b>580.036</b>

Corporate Income Tax Law has been changed with the law numbered 5520 dated 13 June 2006. The Corporate Income Tax Law numbered 5520 has come into starting from 1 January 2006. The corporation tax rate for 2007 is 20% (2006: 20%). Corporation tax is payable at a rate of 20% on the total income of the Company after adjusting for certain disallowable expenses, exempt income (exemption for participation in subsidiaries, exemption for investment incentive allowance and etc.) and allowances (such as research and development expenditure allowances). No other tax liabilities arise other than the event of dividend distribution (except for the 19,8% withholding taxes paid in the event of the utilization of investment incentive allowance within the scope of Income Tax Law 61st temporary clause).

Dividends paid to non-resident corporations, which have a representative office in Turkey and resident corporations are not subject to withholding taxes. Otherwise, dividends paid are subject to withholding tax at a rate of 15%. An increase in capital via issuing bonus shares is not considered as a profit distribution.

Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their corporate income. Advance tax is declared by 14th and payable by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to set off against other liabilities to the government.

In accordance with Tax Law No.5024 "Law Related to Changes in Tax Procedure Law, Income Tax Law and Corporate Tax Law" published in the Official Gazette on 30 December 2003 to amend the tax base for non-monetary assets and liabilities, effective from 1 January 2004, income and corporate taxpayers will prepare the statutory financial statements by adjusting the non-monetary assets and liabilities for the changes in the general purchasing power of the Turkish lira. In accordance with the Law in question, the cumulative inflation rate for the last 36 months and the inflation rate for the last 12 months must exceed 100% and 10% respectively (SIS WPI increase rate). The Company has not applied restatement for inflation in its statutory financial statements as of 31 December 2007 in accordance with Tax Procedure Law since the due requirements for restatement for inflation have not been materialised.

In Turkey, there is no procedure for final and definitive agreement on tax assessment. Companies file their tax returns within the 25th of the fourth month following the close of the financial year to which they relate.

In tax reviews, authorized bodies can review the accounting records for the past five years and if errors are detected, tax amounts may change due to tax assessment.

Under the Turkish taxation system, tax losses can be carried forward to be offset against future taxable income for up to 5 years. Tax losses cannot be carried back to offset profits from previous years.

There are numerous exemptions in the Corporate Tax Law concerning the corporations.

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**NOTE 41 - TAXES ON INCOME (Continued)**

*Exemption for gain on participation in domestic subsidiaries*

Dividends obtained from Turkish resident corporations and dividends received by founders' shares and bonus shares (dividends from investment fund participation certificates are excluded), and investment partnership shares are exempt from corporate tax.

*Exemption for gain on sale of investment equity and real property*

75% portion of the gains arisen on the sale of preferential rights, usufruct shares and founding shares from investment equity and real property which has remained in assets for more than two full years are exempt from corporate tax. To be entitled to the exemption, the relevant gain is required to be held in a fund account in shareholder's equity and must not be withdrawn for a period of 5 years. The sales proceeds should be collected within 2 years after the date of sale.

*Exemption for investment incentive allowance*

The exemption for investment incentive allowance that has been applied for several years and latest calculated as 40% of corporate tax payers' capital expenditures exceeding a certain amount, has been abolished with Corporate Income Tax Law No.5479 dated 30 March 2006. On the other hand, according to the law and the temporary clause number 69 added to Income Tax Law,

- a) Investment started after 1 January 2006, within the scope of investment incentive share certificates granted prior to 24 April 2003 in accordance with the appendices 1,2,3,4,5, and 6 of Income Tax Law numbered 193 prior to the change with the law numbered 4842 dated 9 April 2003,
- b) Investment allowances being granted before 1 January 2006, which presents an economic and technical integrity with the investments, in accordance with the Income Tax Law numbered 193 abolished article No.19 of Corporate Income Tax Law numbered 193

can be utilised for the income generated in the years 2006, 2007 and 2008 in accordance with the articles valid on 31 December 2006 (including the corporate tax rate in accordance with Corporation Tax Law numbered 5422 and the related articles of Income Tax Law).

Once one of the above alternatives has been chosen, the application cannot be changed. Corporations that choose to utilise this right will be subject to the previous legislation's tax rates.

In addition to exemptions explained above, tax deductions specified in Corporation Tax Law articles 14, and Income Tax Law article 40, are also considered in the assessment of the corporation tax base.

The taxation on income for the year ended 31 December 2007 and 2006 are summarised as follows:

	<b>2007</b>	<b>2006</b>
Total taxation on income		
- Current year corporation tax	8.827.323	9.269.324
- Deferred tax (income)/expense (Note 14)	(154.415)	602.281
<b>Total taxation on income</b>	<b>8.672.908</b>	<b>9.871.605</b>

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**NOTE 41 - TAXES ON INCOME (Continued)**

Reconciliation of taxation on income and profit before tax is stated below:

	<b>2007</b>	<b>2006</b>
Profit before tax	46.245.842	51.284.114
Expected tax expense (%20) (2006: %20)	9.249.168	10.256.823
Effect on the change in tax rate	-	120.619
Discounts and exceptions	(858.894)	(680.787)
Disallowable charges	282.634	174.950
<b>Total income tax expense</b>	<b>8.672.908</b>	<b>9.871.605</b>

**NOTE 42 - EARNINGS PER SHARE**

Earnings per share is calculated by dividing net profit by the weighted average number of shares that have been outstanding during the year concerned.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("Bonus Shares") to existing shareholders from retained earnings and revaluation surplus. Bonus shares are not considered in the weighted average number of shares computations.

Basic earnings per share are calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue.

	<b>2007</b>	<b>2006</b>
Net profit for the period (YTL)	37.572.934	41.412.509
Weighted average number of shares	24.000.000.000	24.000.000.000
Earnings per share (YKr)	0,157	0,173

**NOTE 43 - STATEMENTS OF CASH FLOWS**

Statement of cash flows has been presented within primary financial statements.

**NOTE 44 - OTHER MATTERS**

**Convenience translation into English**

The accounting principles described in Note 2 (defined as CMB Accounting Standards) to the accompanying financial statements differ from International Financial Reporting Standards issued by the International Accounting Standards Board with respect to the application of IAS 29 - "Financial Reporting in Hyperinflationary Economies" and IAS 1 - "Presentation of Financial Statements" and the notes to them. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.