

OTOKAR REPORTS 1H 2006 RESULTS

“Record level profitability”

In this report we submit 1H 2006 figures to compare with 1H 2005 figures. 1H 2005 & 1H 2006 financial results published in this press release are prepared according to International Financial Reporting Standards.

Highlights of 1H 2006

- Net sales reached USD 117 million in 1H 2006, referring a 23% increase compared to the same period of last year. %56 of sales came from export markets.
- Sales volume was generated as 1846 units of vehicles in the first half of 2006. Armoured tactical vehicles had the highest unit growth in the company product range with 536% rate.
- Otokar experienced record level profitability in the first half of 2006. The net profit of the company was 19,2 million USD with a net margin of 16,4%. 1H 2006's profit level is %334 higher than its last year's level.
- Company's EBITDA level was at the peak with an amount of USD 19,8 million in 1H 06. EBITDA margin rose from %10 in 2Q05 to %17 in 2Q06.
- *Sultan Maxi*, a new model midibus for 31 passengers was launched to the market in 1H06. It was displayed in the Istanbul Commercial Vehicles Exhibition in May 2006.
- In 1H06, the company distributed USD 5,9 million as dividends to its shareholders accrued from the distributable profit of 2005.

Overview

OTOKAR IFRS P/L Statement Highlights	1H 2006 USD (thousands)	1H 2005 USD (thousands)	USD Based Change
Net Sales	116.977	95.412	23%
Cost of Sales	77.516	68.545	13%
Gross Profit	39.461	26.867	47%
Operating Expenses	21.851	20.117	9%
Operating Profit	17.610	6.751	161%
Income/(loss) before minorities & taxes	23.672	6.241	279%
Taxation	4.503	1.821	147%
Net Profit	19.169	4.420	334%
EBITDA	19.824	9.316	113%

Net Sales

Higher armoured vehicles sales to defence industry together with higher midibus and trailer sales were the main drive for revenue growth in 1H06. OTOKAR achieved USD 117 million net sales revenue with a growth rate of 23% in USD base (growth rate was 27% in YTL base).

The export revenues for 1H 2006 were realized as USD 65 million %57 higher than the same period in 2005. The considerable portion of the defence order received for USD.88.4 million in the second half of 2005 was realized as of 1H 2006 and the rest is aimed to complete till the end of 2006. Since OTOKAR has turned into a significant player in defence industry, the expansion of exports was mainly to North Africa, Middle East and Gulf Region countries. The commercial sales of midibuses (NAVIGO) by the distribution network established in European countries like France, Italy, Romania and Bulgaria contributed to the sales as well.

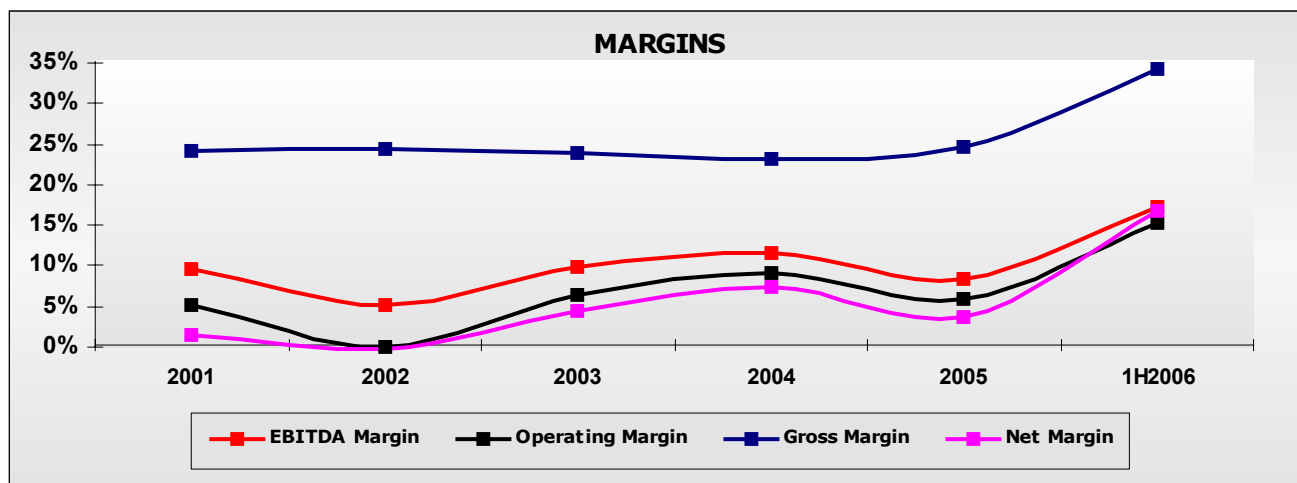
	1H 2006 USD (thousands)	1H 2005 USD (thousands)	Change %
Domestic Sales	51.921	53.983	-4%
Exports	65.056	41.429	57%
Total	116.977	95.412	23%

Share of armoured vehicles in sales volume increased to 15% in 1H06 from 2,4% in 1H05 and this positively affected the revenues of Otokar since armoured vehicles relatively have higher margin than other products in the product range of the company. Except for Land Rover tactical vehicles, the company achieved an increase in unit sales of every product in its product range in 1H06 compared to 1H05. However, till the end of 2006, unit sales of Land Rover tactical vehicles will catch up the 2005 end year Land Rover unit sales with the completion of the delivery of USD 22,5 million amount export order received in 1H06.

Sales Volume	1H 2006	1H 2005	Change %
Armoured Vehicles	280	44	536%
Land Rover	352	814	-57%
Minibus	229	207	11%
Midi-bus	355	220	61%
Trailer	630	534	18%
Total	1.846	1.819	1%

Profit

Experiencing a progressive year due to increase in revenues from armoured tactical vehicles supported by trailer and midibus sales, Otokar had excessive margins in the first half of 1H06.



The gross profit of the company was obtained as USD 39,5 million in 1H06, %47 higher than the last year's level. Gross margin went up to 34% in 1H06 from 28% in 1H05.

161% improvement in operating profit was realized in 1H06 compared to 1H05. Operating profit was generated as USD 17,6 million with a margin of 15%.

EBITDA margin of the company climbed to 17% in 1H06 from its 10% level in 1H05 due to increased portion of armoured vehicles. The generated EBITDA level in 1H06 of USD 19,8 million was the highest level in the past five years of the company.

The company experienced a record level in its profitability in the first half of 2006, USD 19,2 million. 334% massive profit increase in 1H06 enabled the company to have a net margin of 16,4%.

The increase in financial debt of the company in 1H06 compared to the end of 2005 was a temporary case due to the finance of exports production and it declined with the export receivables arriving within the month of July.

Investments

The total capex planned for the year 2006 is around USD 3 million to be spent on modernization & renovation of existing products and also on purchase of additional testing devices for Test and Design Centre. USD 0,6 million of planned capex was realized in the first half of 2006.

Objectives

Otokar is persistent about 2006-end year total revenue target of USD 265 million total revenue together with an export revenue target of over USD 100 million. Target export revenue is composed of all signed export contracts.

Depending on the government's new tax law about the reduction of corporate tax rate from 30% to 20% in 2006, the company experienced a positive effect of this change on the after-tax profitability as of 1H 2006. The company is determined about to carry out the year 2006 as the most profitable year for the last past 5 years.

Otokar's EBITDA margin was 16,9% in 1H 06 and the company targets to keep this level for 2006.

Being an international player in the defence industry, Otokar copes with the military based demands from export markets. However, for the time being, the firm is undergoing a process of evaluation of the demands and negotiation with the demanding parties.

Except for the planned revenue growth expected from defense side, Otokar continues to add new models of Sultan midibuses to its civilian vehicle product range. *Sultan Maxi*, a new model midibus for 31 passengers was launched to the market in May, 2006 and met with our clients. Our engineers are focusing on R&D studies for new models of Sultan midi-buses for the next year.

FINANCIALS

OTOKAR IFRS Balance Sheet	1H 2006 USD (thousands)	31.12.2005 USD (thousands)
Current Assets	146.038	111.688
Current Liabilities	105.308	73.680
Working Capital	40.730	38.008
Property, Plant & Equipment -Net	28.434	30.868
Total Assets	196.462	155.347
Total Liabilities	109.467	78.102
Shareholders Equity	86.995	77.245

OTOKAR IFRS Balance Sheet	1H 2006
Current Ratio	1,39
Liquidity Ratio	0,79
Current Assets / Total Assets	0,74
Current Liabilities / Total Liabilities	0,96
Total Liabilities / Total Liabilities & Shareholders' Equity	0,56

OTOKAR IFRS Statement of Cash Flow	1H 2006 USD (thousands)
Cash and Cash Equivalents at the Beginning of the Period	6.402
Net Cash Provided by Operating Activities	-14.179
Net Cash Used in Investment Activities	-483
Pre-Financing Cash Flow	-14.661
Net Cash Used in Financing Activities and Effect of Exchange Rate Changes	10.336
Net Decrease in Cash and Cash Equivalents	-4.325
Cash and Cash Equivalents at the End of the Period	2.076

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