CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH - SEE NOTE 42 TO THE FINANCIAL STATEMENTS

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

FINANCIAL STATEMENTS AND DISCLOSURES
FOR THE INTERIM PERIOD JANUARY 1- MARCH 31, 2008

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

Financial Statements as of March 31, 2008

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Balance Sheet as of March 31, 2008

(Currency –New Turkish Liras (YTL) unless otherwise indicated)

	Notes	(Unaudited) Current period March 31, 2008	(Audited) Prior Period December 31, 2007
ASSETS			
Current Assets			
Cash and Cash Equivalents	6	1.823.988	3.602.328
Financial Investments	7	-	-
Trade Receivables		130.553.839	91.992.630
- Trade Receivables from Related Parties	37	2.878.298	225.747
- Other Trade Receivables	10	127.675.541	91.766.883
Receivables from Finance Sector Operations	12	-	-
Other Receivables	11	98.241	7.525
Inventories	13	70.126.060	74.999.174
Biological Assets	14	-	-
Other Current Assets	26	55.526.462	40.561.565
		258.128.590	**211.163.222**
Assets Held for Sale	34	-	-
Total Current Assets		**258.128.590**	**211.163.222**
Non-current Assets			
Trade Receivables		37.574.889	32.538.161
- Trade Receivables from Related Parties	37	-	-
- Other Trade Receivables	10	37.574.889	32.538.161
Receivables from Finance Sector Operations	12	-	-
Other Receivables	11	5.496	5.495
Financial Investments	7	1.542.712	1.542.712
Investments Accounted under Equity Method	16	-	-
Biological Assets	14	-	-
Investment Properties	17	-	-
Property, Plant and Equipment	18	40.745.771	41.373.329
Intangible Assets	19	8.589.535	5.578.622
Goodwill	20	-	-
Deferred Tax Asset	35	-	-
Other Non-current Assets	26	-	-
Total Non-current Assets		**88.458.403**	**81.038.319**
Total Assets		**346.586.993**	**292.201.541**

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

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

Balance Sheet as of March 31, 2008

(Currency –New Turkish Liras (YTL) unless otherwise indicated)

	Notes	(Unaudited) Current period March 31, 2008	(Audited) Prior Period December 31, 2007
LIABILITIES			
Current Liabilities			
Short – Term Bank Borrowings	8	97.463.355	33.969.368
Other Financial Liabilities	9	-	-
Trade Payables		29.534.314	48.867.283
- Trade Payables to Related Parties	37	1.764.715	5.731.766
- Other Trade Payables	10	27.769.599	43.135.517
Other Payables	11	29.583.536	42.077.568
Liabilities from Finance Sector Operations	12	-	-
Government Incentives and Grants	21	-	-
Tax Liabilities from Net Income for the Period	22	4.960.381	6.125.202
Provisions	22	13.197.255	9.804.067
Other Current Liabilities	26	6.655.549	3.881.452
		181.394.390	**144.724.940**
Liabilities Related with Assets Held for Sale		-	-
Total Current Liabilities		**181.394.390**	**144.724.940**
Non – Current Liabilities			
Long – Term Bank Borrowings	8	-	-
Other Financial Liabilities	9	-	-
Trade Payables		-	-
- Trade Payables to Related Parties	37	-	-
- Other Trade Payables	10	-	-
Other Payables	11	-	-
Liabilities from Finance Sector Operations	12	-	-
Government Incentives and Grants	21	-	-
Provisions	22	-	-
Reserve for Retirement Pay	24	4.425.571	4.118.424
Deferred Tax Liability	35	469.978	852.060
Other Non – current Liabilities	26	-	-
Total Non-current Liabilities		**4.895.549**	**4.970.484**
Shareholders' Equity			
Parent Company's Equity		**-**	**-**
Paid – in Share Capital	27	24.000.000	24.000.000
Inflation Adjustment on Equity Items		63.693.113	63.693.113
Adjustments to Share Capital and Equity Instruments (-)		-	-
Share Premium		-	-
Revaluation Surplus	27	898.363	898.363
Foreign Currency Translation Adjustment		-	-
Restricted Reserves	27	11.338.147	11.338.147
Retained Earnings	27	42.576.494	5.003.560
Net Income for the Period	27	17.790.937	37.572.934
Minority Interest		**-**	**-**
Total Shareholder's Equity		**160.297.054**	**142.506.117**
TOTAL LIABILITIES		**346.586.993**	**292.201.541**

Financial statements as of and for the period ended March 31, 2008 were approved by Board of Directors on May 22, 2008.

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

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

Income Statement for the period ended March 31, 2008
(Currency –New Turkish Liras (YTL) unless otherwise indicated)

	Notes	(Unaudited) Current Period March 31, 2008	(Unaudited) Prior Period March 31, 2007
CONTINUING OPERATIONS			
Net Sales	28	119.946.647	67.500.570
Cost of Sales (-)	28	(88.771.634)	(50.264.927)
Gross Profit (Loss) from Business Activities		**31.175.013**	**17.235.643**
Interest, Fee, Premium, Commission and Other Income		-	-
Interest, Fee, Premium, Commission and Other Expense (-)		-	-
Gross Profit (Loss) from Finance Sector Operations		**-**	**-**
GROSS PROFIT/LOSS		**31.175.013**	**17.235.643**
Selling, Marketing and Distribution Expense (-)	29	(9.826.175)	(7.492.277)
General and Administrative Expense (-)	29	(5.373.262)	(4.858.906)
Research and Development Expense (-)	29	(837.916)	(1.926.174)
Other Operating Income	31	1.660.520	507.700
Other Operating Expense (-)	31	(710.442)	(367.647)
OPERATING PROFIT/LOSS		**16.087.738**	**3.098.339**
Shares of Profit / (Loss) from Investments Accounted under Equity Method		-	-
Financial Income	32	16.031.644	2.097.628
Financial Expense (-)	33	(9.750.146)	(3.839.088)
NET INCOME BEFORE PROVISION FOR TAXES FROM CONTINUING OPERATIONS		**22.369.236**	**1.356.879**
Tax Income/Expense for Continuing Operations		**-**	**-**
- Tax Income/(Expense) for The Period	35	(4.960.381)	(174.019)
- Deferred Tax Income/(Expense)	35	382.082	357.839
CONTINUING OPERATIONS NET INCOME		**17.790.937**	**1.540.699**
DISCONTINUING OPERATIONS		**-**	**-**
Net Income / (Expense) after Provisions for Taxes from Discontinuing Operations		**-**	**-**
NET INCOME/EXPENSE		**17.790.937**	**1.540.699**
Distribution of Net Income/(Expense) for the Period		**-**	**-**
- Minority Interest		-	-
- Shares of Parent Company		-	-
Earnings per Share	**36**	**0.074**	**0.006**
Earning per Diluted Share		**-**	**-**
Earnings per Share from Continuing Operations	**36**	**0.074**	**0.006**
Earning per Diluted Share from Continuing Operations		**-**	**-**

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

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.
Statement of Changes in Equity for the period ended March 31, 2008
(Currency –New Turkish Liras (YTL) unless otherwise indicated)

	Paid - in Share Capital	Inflation Adjustment on Equity Items	Restricted Reserves	Revaluation Surplus	Retained Earnings	Net Income for the Period	Total Shareholder's Equity
Balance as of January 1, 2007	**24.000.000**	**63.693.113**	**4.544.498**	**898.363**	**384.700**	**41.412.509**	**134.933.183**
Transfer to legal and extraordinary reserves	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-
Decrease in the fair value of available-for-sale investments	-	-	-	-	-	-	-
Net income for the period	-	-	-	-	-	1.540.699	1.540.699
Transfer to retained earnings	-	-	-	-	41.412.509	(41.412.509)	-
Balance as of March 31, 2007	**24.000.000**	**63.693.113**	**4.544.498**	**898.363**	**41.797.209**	**1.540.699**	**136.473.882**
Balance as of January 1, 2007	**24.000.000**	**63.693.113**	**4.544.498**	**898.363**	**384.700**	**41.412.509**	**134.933.183**
Transfer to legal and extraordinary reserves	-	-	3.960.072	-	37.452.437	(41.412.509)	-
Dividends paid	-	-	-	-	(30.000.000)	-	(30.000.000)
Decrease in the fair value of available-for-sale investments	-	-	-	-	-	-	-
Net income for the period	-	-	-	-	-	37.572.934	37.572.934
Transfer to retained earnings	-	-	2.833.577	-	(2.833.577)	-	
Balance as of December 31, 2007	**24.000.000**	**63.693.113**	**11.338.147**	**898.363**	**5.003.560**	**37.572.934**	**142.506.117**
Transfer to legal and extraordinary reserves	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-
Decrease in the fair value of available-for-sale investments	-	-	-	-	-	-	-
Net income for the period	-	-	-	-	-	17.790.937	17.790.937
Transfer to retained earnings	-	-	-	-	37.572.934	(37.572.934)	-
Balance as of March 31, 2008	**24.000.000**	**63.693.113**	**11.338.147**	**898.363**	**42.576.494**	**17.790.937**	**160.297.054**

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

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

Cash Flow Statement for the period ended March 31, 2008

(Currency –New Turkish Liras (YTL) unless otherwise indicated)

	Notes	March 31, 2008	March 31,2007
Net income for the period		17.790.937	1.540.699
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	18, 19	1.248.663	1.052.377
Provision for employee termination benefits	24	616.171	594.327
Decrease in deferred tax liability	35	(382.082)	(357.839)
Warranty provision	22	2.461.625	-
Loss / (gain) on sale of property, plant and equipment	31	228.975	(13.370)
Provision for corporate tax	22	4.960.381	174.018
Provision for doubtful receivables	10	49.845	326.929
Provision for cost of materials committed to be delivered	22	709.804	-
Interest expense - net	31, 33	2.528.238	1.674.769
Deferred financial expense - net		47.383	(1.310.810)
Foreign currency loss / (gain) on borrowings	33	3.733.000	(343.000)
Net cash provided by operating activities before changes in operating assets and liabilities:		**33.992.940**	**3.338.100**
(Increase) / decrease in trade receivables		(40.830.011)	591.586
(Increase) / decrease in balances with related parties		(6.634.363)	1.694.831
Decrease / (increase) in inventories		4.873.115	(1.144.507)
(Increase) / decrease in other current assets		(15.055.613)	3.454.470
(Decrease) / increase in trade payables		(15.568.486)	(4.187.123)
Warranty payments	22	(1.409.990)	18.929
(Decrease) increase in other current liabilities		(5.385.884)	16.999.230
Taxes paid		(8.827.504)	(174.019)
Employee termination benefits paid	24	(309.024)	(499.141)
Collections from doubtful receivables	10	4.724	-
Net cash (used in) / provided by operating activities		**(55.150.096)**	**20.092.356**
Cash flows from investing activities:			
Purchase of property, plant and equipment	18	(850.212)	(486.478)
Purchase of intangible assets	19	(3.225.414)	(3.918)
Proceeds from sale of property, plant and equipment		214.632	18.571
Interest received		25.665	69.322
Net cash used in investing activities		**(3.835.329)**	**(402.503)**
Cash flows from financing activities:			
Increase / (decrease) on spot borrowings		46.726.650	(5.441.833)
Increase in bank borrowings		16.594.500	3.750.600
Repayment of bank borrowings		(4.031.200)	(3.220.599)
Interest paid		(2.082.865)	(1.705.766)
Dividend paid		-	-
Net cash provided by / (used in) financing activities		**57.207.085**	**(6.617.598)**
Net (decrease) / increase in cash and cash equivalents		**(1.778.340)**	**13.072.255**
Cash and cash equivalents at the beginning of the period		**3.602.328**	**637.141**
Cash and cash equivalents at the end of the period		**1.823.988**	**13.709.396**

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

(Currency –New Turkish Liras (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 comprises the majority of its production. The number of the personnel in the Company is 1.225 (December 31, 2007: 1.224).

The registered addresses of the Company are as follows:

Headquarters:

Aydınevler Mahallesi, Dumlupınar Cad. No:24 A Bl.
81580 Küçükyalı / İstanbul

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. As of March 31, 2008, the shares quoted on the ISE are %29.91 of the total shares. As of March 31, 2008, the principal shareholders and their respective shareholdings in the Company are as follows (Note 27):

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Presentation

2.1.1 Accounting Standards

The financial statements of the Company have been prepared in accordance with accounting and reporting standards (CMB Accounting Standards) as prescribed by Turkish Capital Market Board (CMB).

The financial statements are prepared and presented using the compulsory standard formats and principles, as prescribed by CMB in Communiqué No: XI-29 “Communiqué on Financial Reporting Standards in Capital Markets”. The Communiqué is effective for the first interim financial statements after January 1, 2008. In accordance with the Communiqué, companies apply International Accounting/Financial Reporting Standards (“IAS /IFRS”) which is accepted by European Union and disclose this in the related explanatory notes. In relation to this, Turkish Accounting/ Financial Reporting Standards, which is not in conflict with the aforementioned accepted standards, is applied as prescribed by Turkish Accounting Standards Committee.

The financial statements and explanatory notes are presented in accordance with the Communiqué No: XI-29, using compulsory standard formats published by CMB on April 14, 2008. In this extent, certain reclassifications have been made on the comparative financial statements.

The Company maintains its books of account and prepares its statutory financial statements in accordance with the requirements of CMB, the Turkish Commercial Code (the “TCC”), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance. The financial statements which are prepared in accordance with CMB Accounting Standards in New Turkish Liras (“YTL”) based on the historical cost convention except for the financial assets 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 Accounting Standards.

2.1.2 Functional and Presentation Currency

In accordance with the Capital Market Board’s resolution dated March 17, 2005 and numbered 11/367, financial statements were restated in accordance with IAS 29 (Financial Reporting in Hyperinflationary Economies) for the last time as of December 31, 2004 since the objective conditions which require the application of restatement of financial statements are no longer available and based on the existing data, CMB has foreseen that the indications whether such conditions are going to be realized in the future is no longer probable. Therefore, non-monetary assets, liabilities and equity items including the share capital as of March 31, 2008 and December 31,2007 have been restated by applying the relevant conversion factors through December 31, 2004 and carrying additions after December 31, 2004 at their nominal values.

Restatement of balance sheet and income statement items through the use of a general price index and relevant conversion factors as of December 31, 2004 does not necessarily mean that the Company could realize or settle the same values of assets and liabilities as indicated in the consolidated balance sheet. Similarly, it does not necessarily mean that the Company could return or settle the same values of equity to its shareholders.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1.3 Basis of Consolidation

There is not any consolidated entity.

2.1.4 Offseting

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 recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.2 Changes in Accounting Policies

As of March 31, 2008, the accounting policies adopted are consistent with those of the previous financial year except the new standards and the interpretations of International Financial Reporting Interpretations Committee (IFRIC) summarized below. Adoption of these new standards and interpretations does not have any effect on the Company's performance and financial position, however they give rise to additional disclosures.

IFRS 7, "Financial Instruments: Disclosures", (Effective for fiscal periods beginning on or after January 1, 2007).

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Company's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results, comparative information has been revised where needed.

IAS 1 (Revised), "Presentation of Financial Statements"

This amendment requires disclosures to enable users of the financial statements to evaluate the Company's objectives, policies and processes for managing capital.

Revisions and interpretations effective in the year 2007 but not applied since they are not related with the operations of the Company:

- IFRIC 7, "Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies",
- IFRIC 8, "Scope of IFRS 2",
- IFRIC 9 ," Reassessment of Embedded Derivatives",
- IFRIC 10, "Interim Financial Reporting and Impairment",
- IFRIC 11, "IFRS 2 - Group and Treasury Share Transactions" (Effective for fiscal periods beginning on or after March 1, 2007).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Up to the date of approval of the financial statements, certain new standards, amendments and interpretations to existing standards have been published that are mandatory for later periods but which the Company has not early adopted, as follows:

- IAS 23, "(Revised) Borrowing Costs" (Effective for fiscal periods beginning on or after January 1, 2009).
- IFRS 8, "Operating Segments" (Effective for fiscal periods beginning on or after January 1, 2009).
- IFRIC 12, "Service Concession Arrangements" (Effective for fiscal periods beginning on or after January 1, 2008).
- IFRIC 13, "Customer Loyalty Programmes"(Effective for fiscal periods beginning on or after January 1, 2008).
- IFRIC 14, "IAS 19- The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction" (Effective for fiscal periods beginning on or after January 1, 2008)
- IAS 1, "Presentation of Financial Statements" (Revised) (Effective for fiscal periods beginning or after January 1, 2009).
- IFRS 2, UFRS 2, "Share Based Payments (Revised) – Qualifying and Cancellation" (Effective for fiscal periods beginning of after January 1, 2009).
- IFRS 3, "Business Combinations and IAS 27 "Consolidated and Separate Financial Statements" (Revised) (Effective for fiscal periods beginning of after July 1, 2009).
- Amendments to IAS 32 and IAS 1: "Puttable Financial Instruments and Obligations Arising on Liquidation" (Effective for fiscal periods beginning of after January 1, 2009).

The Company management considers that the application of the standards and interpretations mentioned above, will not have any significant effect on the financial statements of the Company in the following periods.

2.3 Changes in Accounting Estimations and Errors

If changes in accounting estimates are related to only one period, they are recognized in the period when changes are applied; if changes in estimates are related to future periods, they are recognized both in the period where the change is applied and future periods prospectively.

2.4 Summary of the Material Accounting Policies

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

2.4.1 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 6).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4.2 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 amortized cost. Short-term receivables with no stated interest rate are measured at the original invoice amount unless the effect of imputed 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 10).

2.4.3 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 37).

2.4.4 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 13).

2.4.5 Available for sale financial 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.

(Currency –New Turkish Liras (YTL) unless otherwise indicated)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4.6 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 18).

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
Leasehold improvements	4-5 years

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

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 18).

2.4.7 Intangible Assets

Intangible assets comprise acquired intellectual property and computer software (Note 19). 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.

2.4.8 Research and Development Expenses

Research expenditure is recognized as an expense as incurred. Costs incurred on development projects relating to the design and testing of new or improved products are recognized 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 recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Capitalized development expenses are amortized in 5 years in straight-line amortization method effective from the start of the production.

2.4.9 Investment, research and development incentives

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4.10 Borrowings

Borrowings are recognized 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 recognized in the income statement over the period of the borrowings. Borrowing costs are charged to the income statement when they are incurred (Note 8).

2.4.11 Deferred tax

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 recognized for all taxable temporary differences, whereas deferred tax assets resulting from deductible temporary differences are recognized 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 35).

2.4.12 Provision for Employee Termination Benefits

Provision for employee 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 24).

2.4.13 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.

2.4.14 Revenue Recognition

Revenue recognition involves the invoiced value of the goods and service sales. Revenues are recognized 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest income is recognized 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 recognized on an accrual basis as financial income. Dividend income from subsidiaries is recognized when the Company's right to receive dividend is established.

2.4.15 Provisions

Provisions are recognized 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.

2.4.16 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 22).

2.4.17 Share Capital and Dividend

Ordinary shares are classified under Share Capital. Dividend distribution on ordinary shares is recognized as an appropriation of profit in the period in which they are declared (Note 27).

2.4.18 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.

2.4.19 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 22).

2.4.20 Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method (Note 10).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4.21 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 36).

2.4.22 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.

2.4.23 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 amortization, 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 recognized immediately in income statement, however if such asset is revalued, the related impairment loss is reduced from the revaluation fund.

An impairment loss recognized 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 recognized. Such a reversal amount cannot be higher than the previously recognized impairment and is recognized as income in the financial statements, however when related asset is revalued, reversed impairment loss is added to revaluation fund.

NOTE 3 - MERGERS AND ACQUISITIONS

None (December 31, 2007: None).

NOTE 4 - JOINT VENTURES

None (December 31, 2007: None).

(Currency –New Turkish Liras (YTL) unless otherwise indicated)

NOTE 5 - 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 operation 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 28 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 6 – CASH AND CASH EQUIVALENTS

	March 31, 2008	December 31, 2007
Cash at banks		
- demand deposits	1.120.469	3.555.269
Checks received	655.741	-
Other	47.778	47.059
	1.823.988	**3.602.328**

Checks received consist of checks given to banks for collections and the maturities of these checks received vary between one and three days. As of March 31, 2008, the Company has blocked bank deposit amounting to YTL 1.145. (December 31, 2007: 1.145 YTL).

NOTE 7 – FINANCIAL INVESTMENTS

	March 31, 2008		December 31, 2007	
	YTL	%	YTL	%
Entek Elektrik Üretimi A.Ş. ("Entek")	1.542.712	0,86%	1.542.712	0,86%
	1.542.712		**1.542.712**	

The impact of the change in the fair value of Entek during 2008 is deemed insignificant on the Company's financial statements; accordingly, the effect of such change has not been recognized in these financial statements.

NOTE 8 – FINANCIAL LIABILITIES

	March 31, 2008		
	Interest Rate (%)	Amount in Original Currency	YTL
Short-term Bank Borrowings:			
Denominated in USD	3,81-5,82	30.906.621	39.452.301
Denominated in EUR	5,24	4.092.009	8.247.853
Denominated in YTL	15,75	49.763.201	49.763.201
Total			**97.463.355**

	December 31, 2007		
	Interest Rate (%)	Amount in Original Currency	YTL
Short-term Bank Borrowings:			
Denominated in USD	5,3-5,82	17.578.845	20.474.081
Denominated in EUR	4,73-5,24	6.114.697	10.457.354
Denominated in YTL	15,9	3.037.933	3.037.933
Total			**33.969.368**

The Company has not provided any guarantees for the borrowings received (December 31, 2007: None).

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

NOTE 9 – OTHER FINANCIAL LIABILITIES

None (December 31, 2007: None).

(Currency –New Turkish Liras (YTL) unless otherwise indicated)

NOTE 10 - TRADE RECEIVABLES AND PAYABLES

TRADE RECEIVABLES	March 31, 2008	December 31, 2007
Trade Receivables	68.098.582	38.299.591
Notes Receivables	67.219.293	61.466.779
	135.317.875	**99.766.370**
Less: Provision for doubtful receivables	(7.294.374)	(7.249.253)
Less: Unearned financial income	(347.960)	(750.234)
Short-term trade receivables	**127.675.541**	**91.766.883**
Notes Receivables	39.172.995	33.564.050
Less: Unearned financial income	(1.598.106)	(1.025.889)
Long-term other trade receivables	**37.574.889**	**32.538.161**

Guarantees received for trade receivables

Generally receivables of the Company relate to the sales to the minibus and bus dealers and trailer sales and military vehicle sales. The total trade receivable amount which is YTL 40.069.668 (December 31, 2007: YTL 22.305.885) as of March 31, 2008 , excluding provision reserved for doubtful receivables from dealers, has been secured by mortgages and guarantees at the amount of YTL 50.743.136 (December 31, 2007: 48.163.340 YTL). The Company manages its credit risk for the remaining receivables through policies and procedures as explained in the Credit Risk section of Note 39.

Ageing analysis for trade receivables

As of March 31, 2008, trade receivables amounting to YTL 11.566.759 (December 31, 2007: YTL 11.110.436) have not been collected at the due dates. The provision amount for these trade receivables is YTL 7.294.374 (December 31, 2007: YTL 7.249.253). The Company does not estimate a collection risk for the remaining past due receivables due to the collaterals obtained for these receivables.

The ageing of the past due receivables is as follows:

	March 31, 2008	December 31, 2007
Up to 3 Months	672.805	1.145.021
3 to 6 Months	399.695	536.332
Over 6 Months	10.494.259	9.429.083
	11.566.759	**11.110.436**

(Currency –New Turkish Liras (YTL) unless otherwise indicated)

NOTE 10 - TRADE RECEIVABLES AND PAYABLES (Continued)

Movement of the provision for doubtful receivables for the period ended March 31, 2008 and December 31, 2007 are as follows:

	March 31, 2008	December 31, 2007
January 1	7.249.253	6.593.469
Recoveries	(4.724)	(626)
Additional provision	49.845	656.410
Total	**7.294.374**	**7.249.253**

TRADE PAYABLES

	March 31, 2008	December 31, 2007
Trade Payables	28.061.559	43.631.615
Notes Payables	60.060	58.500
Notes Payables	**28.121.619**	**43.690.115**
Less: Unrealized credit finance charges	(352.020)	(554.598)
Short-term other trade payables	**27.769.599**	**43.135.517**

NOTE 11 - OTHER RECEIVABLES AND PAYABLES

Short-Term Other Receivables

	March 31, 2008	December 31, 2007
Due from personnel	69.830	1.317
Deposits and guarantees given	1.734	576
Other miscellaneous receivables	26.677	5.632
Total	**98.241**	**7.525**

Long-Term Other Receivables

	March 31, 2008	December 31, 2007
Deposits and guarantees given	5.496	5.495
Total	5.496	5.495

(Currency –New Turkish Liras (YTL) unless otherwise indicated)

NOTE 11 - OTHER RECEIVABLES AND PAYABLES (Continued)

Short-Term Other Payables

	March 31, 2008	December 31, 2007
Advances received	28.770.546	38.961.421
Due to personnel	786.782	3.090.720
Due to shareholders	5.927	5.927
Other miscellaneous payables	20.281	19.500
Total	**29.583.536**	**42.077.568**

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

NOTE 12 - RECEIVABLES AND PAYABLES FROM FINANCE SECTOR OPERATIONS

None (December 31, 2007: None).

NOTE 13 - INVENTORIES

	March 31, 2008	December 31, 2007
Raw material	27.206.136	22.618.445
Work-in-process	10.529.342	6.351.444
Finished goods	19.888.980	18.973.319
Merchandise goods	10.463.041	8.995.914
Goods in transit	2.038.561	18.060.052
Total	**70.126.060**	**74.999.174**

NOTE 14 - BIOLOGICAL ASSETS

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

NOTE 15 - ASSETS RELATED WITH CONSTRUCTION PROJECTS IN PROGRESS

As of March 31, 2008 and December 31, 2007 the Company does not have any assets related with the constructions projects in progress.

NOTE 16 - INVESTMENTS ACCOUNTED UNDER EQUITY METHOD

None (December 31, 2007: None).

NOTE 17 – INVESTMENT PROPERTIES

The Company does not have any investment properties.

(Currency –New Turkish Liras (YTL) unless otherwise indicated)

NOTE 18 – PROPERTY, PLANT AND EQUIPMENT

During the period ended March 31, 2008, the movement of property, plant and equipment and the accumulated depreciation is as follows:

	January 1, 2008	Additions	Disposals	Transfers	March 31, 2008
Cost:					
Land	5.370.676	-	-	-	5.370.676
Land improvements	4.543.484	-	-	-	4.543.484
Buildings	32.136.056	-	(413.852)	-	31.722.204
Machinery, equipment and installations	78.803.152	460.643	(317.495)	-	78.946.300
Motor vehicles	4.700.211	-	(170.707)	-	4.529.504
Furniture and fixtures	16.928.245	97.096	-	-	17.025.341
Leasehold improvements	1.445.746	-	-	-	1.445.746
Construction in progress	52.196	292.473	-	-	344.669
	143.979.766	**850.212**	**(902.054)**	**-**	**143.927.924**
Accumulated Depreciation:					
Land improvements	1.765.209	35.421	-	-	1.800.630
Buildings	14.807.956	229.171	(82.805)	-	14.954.322
Machinery, equipment and installations	66.941.856	629.264	(317.495)	-	67.253.625
Motor vehicles	2.846.488	61.170	(58.146)	-	2.849.512
Furniture and fixtures	15.154.083	78.939	-	-	15.233.022
Leasehold improvements	1.090.845	197	-	-	1.091.042
	102.606.437	**1.034.162**	**(458.446)**	**-**	**103.182.153**
Net Book Value	**41.373.329**				**40.745.771**

(Currency –New Turkish Liras (YTL) unless otherwise indicated)

NOTE 18 - PROPERTY, PLANT AND EQUIPMENT (Continued)

During the period ended March 31, 2007, the movement of property, plant and equipment and the accumulated depreciation is as follows:

	January 1, 2007	Additions	Disposals	Transfers	March 31, 2007
Cost:					
Land	5.370.676	-	-	-	5.370.676
Land improvements	4.410.668	-	-	-	4.410.668
Buildings	31.720.900	-	-	-	31.720.900
Machinery, equipment and installations	76.506.513	385.305	-	-	76.891.818
Motor vehicles	3.575.380	-	(54.535)	-	3.520.845
Furniture and fixtures	16.304.439	101.173	(17.786)	-	16.387.826
Leasehold improvements	1.094.689	-	-	-	1.094.689
Construction in progress	58.130	-	-	-	58.130
Advances given	22.352	-	-	-	22.352
	139.063.747	**486.478**	**(72.321)**	**-**	**139.477.904**
Accumulated Depreciation:					
Land improvements	1.626.600	34.314	-	-	1.660.914
Buildings	13.903.956	225.712	-	-	14.129.668
Machinery, equipment and installations	64.587.381	577.465	-	-	65.164.846
Motor vehicles	2.816.148	76.809	(49.334)	-	2.843.623
Furniture and fixtures	14.910.135	75.517	(17.786)	-	14.967.866
Leasehold improvements	1.090.056	197	-	-	1.090.253
	98.934.276	**990.014**	**(67.120)**	**-**	**99.857.170**
Net Book Value	**40.129.471**				**39.620.734**

(Currency –New Turkish Liras (YTL) unless otherwise indicated)

NOTE 18 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Current period depreciation and amortization expense has been allocated to cost of sales by YTL 324.960 (March 31, 2007: YTL 702.662), to research and development expenses by YTL 326.718 (March 31, 2007: YTL 163.500), to general administrative expenses by YTL 176.235 (March 31, 2007: YTL 157.128), to sales and marketing expenses by YTL 141.440 (March 31, 2007: YTL 29.087) and to inventories by YTL 279.309.

NOTE 19 – INTANGIBLE ASSETS

During the period ended March 31, 2008, the movement of intangibles and accumulated depreciation is as follows:

	January 1, 2008	Additions	Disposals	Transfers	March 31, 2008
Cost:					
Intangible assets	2.793.953	3.225.414	-	-	6.019.367
Development costs	2.550.970	-	-	-	2.550.970
Development projects in process	2.255.323	-	-	-	2.255.323
	7.600.246	**3.225.414**	**-**	**-**	**10.825.660**
Accumulated depreciation:					
Intangible assets	(1.979.108)	(86.952)	-	-	(2.066.060)
Development costs	(42.516)	(127.549)	-	-	(170.065)
	(2.021.624)	**(214.501)**	**-**	**-**	**(2.236.125)**
Net Book Value	**5.578.622**				**8.589.535**

During the period ended March 31, 2007, the movement of intangibles and accumulated depreciation is as follows:

	January 1, 2007	Additions	Disposals	Transfers	March 31, 2007
Cost:					
Intangible assets	2.325.767	3.918	-	-	2.329.685
Accumulated depreciation:					
Intangible assets	(1.713.814)	(62.363)	-	-	(1.776.177)
Net Book Value	**611.953**				**553.508**

(Currency –New Turkish Liras (YTL) unless otherwise indicated)

NOTE 20 - GOODWILL

None (December 31, 2007: None).

NOTE 21 - GOVERNMENT INCENTIVES

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

In the first three months of the year 2008, the Company earned an incentive amounting to YTL 1.281.381 (March 31, 2007: YTL 767.029)) calculated as 40% of the research and development expenditures of YTL 3.203.451 (March 31, 2007: YTL 1.917.573) 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 March 30, 2006 (Note 35). The Company has no unused investment allowances as of March 31, 2008 (2007: None).

NOTE 22 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Tax liabilities from net income for the period

	March 31, 2008	December 31, 2007
Provision for taxes, net (Note 35)	4.960.381	6.125.202
Total	**4.960.381**	**6.125.202**

Provisions

	March 31, 2008	December 31, 2007
Warranty provision	6.756.767	5.705.132
Provision for sales expenses	2.938.845	-
Provision for vacation pay liability	1.215.343	1.215.343
Provision for personnel salaries	750.000	-
Provision for cost of materials committed to be delivered	709.804	2.883.592
Donations	201.000	-
Other	625.496	-
Total	**13.197.255**	**9.804.067**

(Currency –New Turkish Liras (YTL) unless otherwise indicated)

NOTE 22 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (continued)

Warranty Provision

The Company provides one year warranty for minibus and Land Rover vehicles and two years warranty for certain armoured 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:

	March 31, 2008	December 31, 2007
January 1	5.705.132	1.490.699
Additional provision	2.461.625	8.407.890
Paid during the period	(1.409.990)	(4.193.457)
	6.756.767	**5.705.132**

Provision for vacation pay liability

Movements of provision for vacation pay liability for the period/year ended March 31, 2008 and December 31, 2007 are as follows:

	March 31, 2008	December 31, 2007
January 1,	1.215.343	1.193.552
Additional provision	-	21.791
	1.215.343	**1.215.343**

Letters of guarantees

a) Guarantees given by the Company as of March 31, 2008 and December 31, 2007 are as follows:

	March 31, 2008	December 31, 2007
Bank letters of guarantee	153.298.722	169.454.450

b) Guarantees received by the Company as of March 31, 2008 and December 31, 2007 is as follows:

	March 31, 2008	December 31, 2007
Bank letters of guarantee	40.669.379	38.518.879
Guarantee notes	8.005.000	8.005.000
Mortgages received	8.223.000	7.963.000
Guarantee checks	115.000	155.000
	57.012.379	**54.641.879**

NOTE 23 - COMMITMENTS

None. (December 31, 2007: None).

(Currency –New Turkish Liras (YTL) unless otherwise indicated)

NOTE 24 – EMPLOYEE BENEFITS

	March 31, 2008	December 31, 2007
Provision for employee termination benefits	4.425.571	4.118.424

Provision for Employee 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 YTL 2.087,92 for each year of service as of March 31, 2008 (December 31, 2007 : YTL 2.030,19).

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:

	March 31, 2008	December 31, 2007
Discount rate (%)	5,71	5,71
Turnover rate to estimate the probability of retirement (%)	7	7

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 YTL 2.087,59, which is effective from January 1, 2008 (January 1, 2007: YTL 1.960,69) has been used in the calculations.

Movement of provision for employee termination benefits for the period/year ended March 31, 2008 and December 31, 2007 is as follows:

	March 31, 2008	December 31, 2007
Balance as of January 1	4.118.424	4.609.006
Additional provision	616.171	451.903
Payment during the period	(309.024)	(942.485)
	4.425.571	**4.118.424**

(Currency –New Turkish Liras (YTL) unless otherwise indicated)

NOT 25 - EMPLOYEE PENSION PLANS

As of March 31, 2008 and December 31, 2007, the Company does not have any liability related to the employee pension plans.

NOT 26 - OTHER ASSETS AND LIABILITIES

a) Other Current Assets:	March 31, 2008	December 31, 2007
Inventory advances	31.002.693	25.179.503
Value added tax (VAT) receivables	15.937.247	11.385.369
Tax and funds deductible	7.814.069	3.360.523
Prepaid expenses	658.292	628.426
Job advances	72.182	6.750
Other	41.979	994
Total	**55.526.462**	**40.561.565**

b) Other current liabilities:	March 31, 2008	December 31, 2007
VAT payable	4.727.221	-
Social security premiums payable	1.295.125	1.310.689
Taxes and funds payable	543.862	2.489.541
Deferred special consumption tax	1.128	1.128
Other	88.213	80.094
Total	**6.655.549**	**3.881.452**

NOTE 27 - SHAREHOLDERS' EQUITY

Share Capital

The shareholding structure of the Company as of March 31, 2008 and December 31, 2007 is as follows:

	March 31, 2008		December 31, 2007	
Shareholder	**YTL**	**%**	**YTL**	**%**
Koç Holding A.Ş.	10.722.750	44,68	10.722.750	44,68
Ünver Holding A.Ş.	5.954.944	24,81	5.954.944	24,81
Other	7.322.306	30,51	7.322.306	30,51
Total	**24.000.000**	**100,00**	**24.000.000**	**100,00**
Adjustments to share capital	52.743.030		52.743.030	
Total	**76.743.030**		**76.743.030**	

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.

(Currency –New Turkish Liras (YTL) unless otherwise indicated)

NOTE 27 - SHAREHOLDERS' EQUITY (continued)

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.

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, as of March 31, 2008 and December 31, 2007, the details of equity, based on which the dividend will be distributed is as follows:

	March 31, 2008	**December 31, 2007**
Paid-in share capital	24.000.000	24.000.000
Inflation adjustments on equity items	63.693.113	63.693.113
Revaluation Surplus		
- Revaluation surplus of financial assets	898.363	898.363
Restricted reserves	11.338.147	11.338.147
Retained Earnings		
- Extraordinary reserves	5.003.560	5.003.560
- Retained earnings	37.572.934	-
Net income for the period	17.790.937	37.572.934
Total Shareholder's Equity	**160.297.054**	**142.506.117**

(Currency –New Turkish Liras (YTL) unless otherwise indicated)

NOTE 27 - SHAREHOLDERS' EQUITY (continued)

As of March 31, 2008 and December 31, 2007, the restated amounts and the equity restatement differences of the aforementioned nominal values are as follows:

	March 31, 2008		
	Historical value	**Restated value**	**Inflation adjustments on equity items**
Share Capital	24.000.000	76.743.030	52.743.030
Legal reserves	11.338.147	22.288.230	10.950.083
Total	**35.338.147**	**99.031.260**	**63.693.113**

	December 31, 2007		
	Historical value	**Restated value**	**Inflation adjustments on equity items**
Share Capital	24.000.000	76.743.030	52.743.030
Legal reserves	11.338.147	22.288.230	10.950.083
Total	**35.338.147**	**99.031.260**	**63.693.113**

Historical value of legal and extraordinary reserves in the statutory financial statements are as follows:

	March 31, 2008	**December 31, 2007**
Legal Reserves	11.338.147	11.338.147
Extraordinary reserves	30.179.910	30.179.910
Total	**41.518.057**	**41.518.057**
Dividends distributed during year based on previous period's net income per statutory financial statements	-	30.000.000

(Currency –New Turkish Liras (YTL) unless otherwise indicated)

NOTE 28 - SALES AND COST OF SALES

NET SALES

	January 1 - March 31, 2008	January 1 - March 31, 2007
Domestic Sales	95.789.661	40.809.605
Export Sales	24.164.464	26.858.803
Gross Sales	119.954.125	67.668.408
Less: Sales discounts and sales returns	(7.478)	(167.838)
Net sales	**119.946.647**	**67.500.570**

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

	January 1, March 31, 2008	January 1, March 31, 2007
Midibus	311	252
Trailer	244	287
Minibus	161	84
Armoured vehicle	119	71
Bus	97	-
Land Rover 4X4	1	172
	933	**866**

COST OF SALES

	January 1 - March 31, 2008	January 1 - March 31 2007
Cost of finished goods sold	84.268.169	48.267.476
Cost of merchandise goods sold	4.503.465	1.997.451
Cost of sales	**88.771.634**	**50.264.927**

(Currency –New Turkish Liras (YTL) unless otherwise indicated)

NOTE 29 - RESEARCH AND DEVELOPMENT EXPENSES, SELLING, MARKETING AND DISTRIBUTION EXPENSES, GENERAL AND ADMINISTRATIVE EXPENSES

	January 1 - March 31, 2008	January 1 - March 31 2007
Selling and marketing expenses	9.826.175	7.492.277
General and administrative expenses	5.373.262	4.858.906
Research and development expenses	837.916	1.926.174
Total operating expenses	**16.037.353**	**14.277.357**

Personnel expenses totalling to YTL 12.219.254 (March 31, 2007: YTL 10.406.548) have been allocated to cost of sales by YTL 7.628.015 (March 31, 2007: YTL 6.312.228), to selling and marketing expenses by YTL 1.731.035 (March 31, 2007: YTL 1.308.583), to general administrative expenses by YTL 2.457.653 (March 31, 2007: YTL 1.710.219), to research and development expenses by YTL 402.551 (March 31, 2007: YTL 1.075.518).

NOTE 30 - EXPENSES AS TO NATURE

	January 1, March 31, 2008	January 1, March 31 2007
Change in finished goods, work-in-process and merchandise goods	(6.560.687)	(2.299.760)
Cost of raw material and consumption goods	84.633.837	44.359.131
Personnel expenses	12.219.254	10.406.548
Warranty provision (Not: 22)	2.461.625	1.206.649
Other sales expenses	2.440.321	356.702
Depreciation and amortization (Not: 18, 19)	1.248.662	1.052.378
Sales commissions	686.789	2.280.745
Other expenses	7.679.186	7.179.891
Total Expenses	**104.808.987**	**64.542.284**

(Currency –New Turkish Liras (YTL) unless otherwise indicated)

NOTE 31 - OTHER OPERATING INCOME / EXPENSE

Other Incomes:	January 1 - March 31, 2008	January 1 - March 31, 2007
Interest income on credit sales	1.507.199	456.733
Gain on sale of property, plant and equipment	-	13.370
Other	153.321	37.597
Total	**1.660.520**	**507.700**

Other expenses:	January 1 - March 31, 2008	January 1 - March 31, 2007
Provision for doubtful receivables	373.359	326.929
Bank expenses	110.395	40.718
Loss on sale of property, plant and equipment	228.975	-
Discount expenses	(2.287)	-
Total	**710.442**	**367.647**

NOTE 32 - FINANCIAL INCOME

	January 1 - March 31, 2008	January 1 - March 31, 2007
Foreign exchange gain	16.005.979	1.821.606
Interest income from time deposits	25.665	69.322
Foreign exchange gain on bank borrowings	-	206.700
Total	**16.031.644**	**2.097.628**

NOTE 33 - FINANCIAL EXPENSE

	January 1 - March 31, 2008	January 1 - March 31, 2007
Foreign exchange loss	3.463.243	2.094.997
Interest expense on bank borrowings	2.553.903	1.744.091
Foreign exchange loss on bank borrowings	3.733.000	-
Total	**9.750.146**	**3.839.088**

(Currency –New Turkish Liras (YTL) unless otherwise indicated)

NOTE 34 – ASSETS HELD FOR SALE AND DISCONTINUING OPERATIONS

None. (December 31, 2007: None).

NOT 35 – TAX ASSETS AND LIABILITIES

The Company recognizes 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 realized or settled based on the taxable income in future periods under the liability method using a principal tax rate of 20% (2007: 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 as of March 31, 2008 and December 31, 2007 using the enacted future tax rates are as follows:

	Cumulative temporary differences		**Deferred tax assets/ (liabilities)**	
	March 31, 2008	**December 31, 2007**	**March 31, 2008**	**December 31, 2007**
Net difference between the tax bases and the carrying amount of:				
Property, plant and equipments	14.433.637	14.920.261	(2.262.659)	(2.359.984)
Intangible assets	626.870	652.243	(125.374)	(130.449)
Unrealized financial expense	4.806.604	4.604.248	(961.321)	(920.850)
Financial assets	846.754	846.754	(42.338)	(42.338)
Prepaid expenses	114.705	282.668	(22.941)	(56.534)
Inventories	36.398	147.455	(7.280)	29.491
Deferred Tax Liability			**(3.421.913)**	**(3.480.664)**
Net difference between the tax bases and the carrying amount of:				
Warranty provision	6.756.767	5.705.132	1.351.353	1.141.026
Provision for employee termination benefits	4.425.571	4.118.424	885.114	823.685
Unearned financial income	1.988.636	1.780.604	397.727	356.121
Other provisions	1.588.702	1.538.857	317.741	307.772
Deferred tax assets			**2.951.935**	**2.628.604**
Deferred tax liability – net			**(469.978)**	**(852.060)**

(Currency –New Turkish Liras (YTL) unless otherwise indicated)

NOTE 35 - TAX ASSETS AND LIABILITIES (continued)

Deferred tax liability, net:

	March 31, 2008	March 31, 2007
January 1	852.060	1.006.475
Current period deferred tax expense/(income) (Note 35)	(382.082)	(357.839)
Revaluation surplus of financial assets	-	-
	469.978	**648.636**

Taxes

	March 31, 2008	December 31, 2007
Provision for corporate tax	-	2.702.121
Less: Prepaid portion	(4.960.381)	(8.827.323)
Corporate tax payable, net (Note 22)	**(4.960.381)**	**(6.125.202)**

Corporate Income Tax Law has been changed with the law numbered 5520 dated June 13, 2006. The Corporate Income Tax Law numbered 5520 has came into starting from January 1, 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 witholding 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 December 30, 2003 to amend the tax base for non-monetary assets and liabilities, effective from January 1, 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 March 31, 2008 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.

(Currency –New Turkish Liras (YTL) unless otherwise indicated)

NOTE 35 - TAX ASSETS AND LIABILITIES (continued)

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.

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.

Once one of the above alternatives has been chosen, the application cannot be changed. Corporations that choose to utilize 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 tax expense for the year ended March 31, 2008 and 2007 are summarised as follows:

	March 31, 2008	**March 31, 2007**
Total tax expense		
- Current period corporate tax	4.960.381	174.019
- Deferred tax expense /(income) (Note 35)	(382.082)	(357.839)
Total tax expense	**4.578.299**	**(183.820)**

Reconciliation of net income before provision for taxes and corporate tax is as follows:

	March 31, 2008	**March 31, 2007**
Net income before provision for taxes	22.369.236	1.356.879
Expected tax expense (%20) (2007: %20)	4.473.847	271.376
Effect of change in tax rate	-	-
Discounts and exceptions	(263.820)	(710.995)
Disallowable expenses	368.272	255.799
Total tax expenses	**4.578.299**	**(183.820)**

(Currency –New Turkish Liras (YTL) unless otherwise indicated)

NOTE 36 - 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.

Companies can increase their share capital by making a pro rata distribution of shares (Bonus Shares) to existing shareholders without consideration for amounts resolved to be transferred to share capital from retained earnings. For the purpose of the earnings per share calculation such Bonus Share issues are regarded as stock dividends. Dividend payments, which are immediately reinvested in the shares of the Group, are regarded similarly.

Earnings per main share are determined by dividing net income of the shareholders by the weighted average number of shares that have been outstanding during the related period concerned.

	March 31, 2008	March 31, 2007
Net income attributable to shareholders (YTL)	17.790.937	1.540.699
Weighted average number of issued shares	24.000.000.000	24.000.000.000
Earnings Per Share (Ykr)	0,074	0,006

NOTE 37 - RELATED PARTY DISCLOSURES

Due from and due to the related parties at the year end and transactions with related parties during the year are as follows:

i) Balances with related parties as of March 31, 2008 and December 31,2007.

Bank deposits accounts:	March 31, 2008	December 31, 2007
Yapı ve Kredi Bankası A.Ş.		
- Demand deposits	695.642	2.245.102
	695.642	**2.245.102**

Due from related parties:	31 Mart 2008	31 Aralık 2007
Ram Dış Ticaret A.Ş.	2.787.948	174.333
Koç Statoıl Gaz Iletışım A.Ş.	-	38.480
Otokoç Otomotiv Tic.San.A.Ş.	64.800	-
Ford Otosan A.Ş.	26.861	7.679
Beldeyama Motorlu Vast.A.Ş.	24.709	-
Aygaz Anonim Şirketi	10.945	-
Other	5.604	9.736
	2.920.867	**230.228**
Less: Unearned financial income	(42.569)	(4.481)
Total	**2.878.298**	**225.747**

(Currency –New Turkish Liras (YTL) unless otherwise indicated)

NOT 37 - RELATED PARTY DISCLOSURES (continued)

Due to related parties:	**March 31, 2008**	**December 31, 2007**
Ram Dış Ticaret A.Ş.	393.739	3.724.579
Beldeyama Motorlu Vast.A.Ş.	195.841	166.904
Koç Sistem Bılgı İle.Hizm.A.Ş.	183.682	382.933
Ram Sigorta Aracılık Hız.A.Ş.	183.619	63.720
Palmira Turizm Tic.A.Ş	161.560	326.972
Zer Merkezi Hizmetler ve Ticaret A.Ş.	144.495	362.468
Otokoç Otomotiv Tic.San.A.Ş.	132.904	101.515
Setur Servis Turistik A.Ş.	132.220	216.485
Ark İnşaat A.Ş.	-	152.419
Akpa Dayanıklı Tük.Paz.A.Ş.	116.433	116.059
Oltaş Otomotiv Last.Tev.A.Ş.	43.996	16.569
Koç Holding	19.068	42.486
Bos Birleşik Oksijen San.A.Ş.	-	28.796
Koçnet Haberleşme Teknoloji ve İletişim Hizmetleri A.Ş.	14.393	16.731
Otoyol Sanayı A.Ş.	12.027	51.857
Setair Hava Taşım.Ve Hız.A.Ş.	11.825	-
Amerikan Hastanesi	11.770	-
Other	30.632	37.599
	1.788.204	**5.808.092**
Less: Unrealized financial expense	(23.489)	(76.326)
Total	**1.764.715**	**5.731.766**

ii) Significant sales and purchase transactions with related parties for the period ended March 31, 2008 and 2007:

Product sales and service revenue:	**January 1,- March 31, 2008**	**January 1,- March 31, 2007**
Ram Dış Ticaret A.Ş.	2.692.818	10.200.212
Aygaz A.Ş.	56.199	54.305
Ford Otosan A.Ş.	42.234	46.761
Other	4.144	31.483
Total	**2.795.395**	**10.332.761**

Purchase of property, plant and equipment:	**January 1- March 31 2008**	**January 1- March 31 2007**
Koç Sistem Bilgi İle. Hizm. A.Ş.	80.459	76.779
Koçnet Haberleşme Teknoloji ve İletişim Hizmetleri A.Ş.	1.314	2.728
Total	**81.773**	**79.507**

(Currency –New Turkish Liras (YTL) unless otherwise indicated)

NOTE 37 - RELATED PARTY DISCLOSURES (Continued)

Inventory Purchases:	January 1- March 31, 2008	January 1- March 31, 2007
Ram Dış Ticaret A.Ş.	1.666.984	948.594
Zer Merkezi Hizmetler ve Ticaret A.Ş.	476.294	315.977
Beldeyama Motorlu Vast.A.Ş.	364.634	-
Bos Birleşik Oksijen San.A.Ş.	-	145.928
Akpa Dayanıklı Tük.Paz.A.Ş.	291.693	77.706
Opet Petrolcülük A.Ş.	51.075	48.843
Oltaş Otomotiv Last.Tev.A.Ş.	42.025	67.219
Other	13.282	42.702
Total	**2.905.987**	**1.646.969**

Services received:	January 1- March 31, 2008	January 1- March 31, 2007
Ram Sigorta Aracılık Hız.A.Ş.	479.005	531.401
Palmira Turizm Tic.A.Ş	349.097	266.414
Koç Sistem Bılgı İle.Hizm.A.Ş.	167.683	126.514
Setur Servis Turistik A.Ş.	229.437	173.914
Ram Dış Ticaret A.Ş.	129.457	4.765.132
Otokoç Otomotiv Tic.San.A.Ş.	89.737	28.389
Koç Holding	48,383	334.803
Koç-Net Haberleşme A.Ş	34.707	45.879
Koç Allianz Sigorta A.Ş.	26.873	16.886
Otoyol Sanayı A.Ş.	17.351	49.325
Diğer	24.366	24.685
Total	**1.596.096**	**6.363.342**

iii) As of December 31, financial income and expense with related parties:

Interest income:	January 1- March 31, 2008	January 1- March 31, 2007
Yapı ve Kredi Bankası A.Ş.	-	-
Total	**-**	**-**

(Currency –New Turkish Liras (YTL) unless otherwise indicated)

NOTE 37 - RELATED PARTY DISCLOSURES (Continued)

Foreign exchange gain:	January 1- March 31, 2008	January 1- March 31, 2007
Yapı ve Kredi Bankası A.Ş.	166.095	75.155
Ram Dış Ticaret A.Ş.	59.701	21.127
Total	**225.796**	**96.282**

Interest expenses:	January 1- March 31, 2008	January 1- March 31, 2007
Yapı ve Kredi Bankası A.Ş.	-	378
Total	**-**	**378**

Foreign exchange losses:	January 1- March 31, 2008	January 1- March 31, 2007
Yapı ve Kredi Bankası A.Ş.	75.594	5.879
Ram Dış Ticaret A.Ş.	79.520	582
Total	**155.114**	**6.461**

Salaries and similar benefits provided to the executive management for the period ended March 31, 2008 amounts to YTL 566.703 (March 31, 2007: 506.198 YTL).

NOTE 38 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Company is exposed 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 Company has no significant interest-bearing assets, the Company'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.

NOTE 38 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

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.

The Company has no long-term financial liability as of March 31, 2008 (December 31, 2007-None). As of March 31, 2008, the Company's long-term financial assets are composed of trade receivables, amounting to YTL 37.580.385 (December 31, 2007- YTL 32.543.656).

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 10).

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 38).

Fair Values 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.

(Currency –New Turkish Liras (YTL) unless otherwise indicated)

NOTE 38 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (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 value of the foreign currency assets which are converted with the year end foreign exchange rates are considered to approximate their respective carrying values.

Cash and cash equivalents are considered to approximate their respective carrying values due to their short-term nature.

The carrying value of accounts receivable along with the related provision for doubtful receivables are estimated to be their fair values.

Monetary Liabilities

Bank borrowings and other monetary liabilities are considered 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.

	March 31, 2008	**December 31, 2007**
Total debt (*)	163.236.754	128.795.671
Less: Cash and cash equivalents (Not 6)	1.823.988	3.602.328
Net debt	161.412.766	125.193.343
Total equity	160.297.054	142.506.117
Total share capital	321.709.820	267.699.460
Debt/Share capital rate	**%50**	**%47**

(*) As of March 31, 2008, advance received for sales orders amounting to YTL 28.770.546 (December 31, 2007: YTL 38.961.421) is included in total debt. Had this amount been deducted from total debt, such ratio would have been 45% as of March 31, 2008. (December 31, 2007: 38%).

(Currency –New Turkish Liras (YTL) unless otherwise indicated)

NOTE 38 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

The accompanying table represents the foreign currency risk of the Company as of March 31, 2008 and December 31, 2007. Assets and liabilities denominated in foreign currency as of March 31, 2008 and December 31, 2007 are as follows:

	March 31, 2008	December 31, 2007
Assets	117.252.038	100.360.242
Liabilities	(83.541628)	(79.652.349)
Net foreign currency position	**33.710.410**	**20.707.893**

		March 31, 2008		December 31, 2007	
	Foreign currency	Foreign currency amount	YTL	Foreign currency amount	YTL
Assets:					
Cash and cash equivalents	USD	21.190	27.049	61.160	71.233
	EURO	466.550	940.399	757.098	1.294.790
	GBP	16.296	41.526	25.449	59.191
			1.008.974		**1.425.214**
Trade receivables	USD	14.004.040	17.876.157	1.936.891	2.255.897
	EURO	28.720.287	57.888.610	37.203.451	63.625.342
	GBP	22.655	57.732	138.379	321.855
			75.822.499		**66.203.094**
Due from related parties	GBP	1.116.696	2.845.676	83.311	193.773
			2.845.676		**193.773**
Long-term trade receivables	EURO	18.642.036	37.574.889	19.025.939	32.538.161
			37.574.889		**32.538.161**
Total foreign currency assets			**117.252.038**		**100.360.242**

(Currency –New Turkish Liras (YTL) unless otherwise indicated)

NOTE 38 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

		March 31, 2008		December 31, 2007	
	Foreign currency	Foreign currency balance	YTL	Foreign currency balance	YTL
Liabilities:					
Short-term bank borrowings	USD	30.906.621	39.452.301	17.578.845	20.474.081
	EURO	4.092.009	8.247.853	6.114.697	10.457.354
			47.700.154		**30.931.435**
Trade Payables	USD	72.325	92.323	1.529.451	1.781.352
	EURO	888.229	1.790.314	8.069.616	13.800.658
	GBP	1.767.971	4.505.321	4.109.920	9.559.264
	SEK	-	-	703.515	126.492
	CHF	-	-	175.714	180.705
			6.387.958		**25.448.471**
Advances received	USD	20.745.529	26.481.668	16.664.525	19.409.172
	EURO	1.413.610	2.849.271	1.503.855	2.571.892
			29.330.939		**21.981.064**
Provisions	EURO	60.547	122.039	502.743	859.792
	GBP	211	538	185.557	431.587
			122.577		**1.291.379**
Total foreign currency liability			**83.541.628**		**79.652.349**
Net foreign currency position			**33.710.410**		**20.707.893**

As of March 31, 2008, 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 YTL 3.371.043 higher (December 31: 2.101.370 YTL), as a result of gains on translation of financial assets and liabilities denominated in these foreign currencies.

As of March 31, 2008, had the US Dollar appreciated by 10% against YTL, with all other variables held constant, net income for the year would have been YTL 4.812.308 lower (December 31, 2007: 3.933.748 YTL), as a result of foreign exchange losses on translation of US Dollar denominated financial assets and liabilities.

As of March 31, 2008, had the Euro appreciated by 10% against YTL, with all other variables held constant, net income for the year would have been YTL 8.339.443 higher (December 31, 2007: 6.976.860 YTL), as a result of foreign exchange gains on translation of Euro denominated financial assets and liabilities.

(Currency –New Turkish Liras (YTL) unless otherwise indicated)

NOTE 38 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

As of March 31, 2008 had the British Pound appreciated by 10% against YTL, with all other variables held constant, net income for the year would have been YTL 156.092 lower (December 31, 2007: 941.603 YTL), as a result of foreign exchange losses on translation of British pound denominated financial assets and liabilities.

Total Export and Import

	March 31, 2008	March 31, 2007
Export	24.164.464	26.858.803
Import	44.519.197	25.668.081
Hedge rate of total foreign currency liabilities (%)	%54	%105

NOTE 39 - FINANCIAL INSTRUMENTS (FAIR VALUE EXPLANATIONS AND DISCLOSURES WITHIN THE FRAMEWORK OF HEDGE ACCOUNTING)

The Company believes that the historic values of its financial instruments reflect the fair values.

Financial assets—The foreign currency monetary instruments are translated by the year end foreign currency exchange rates since their balance sheet values are close to the fair values. Due to the short term maturity of the financial assets and the immateriality of the credit loss, it is assumed that the fair values are close to the carrying values.

Financial liabilities— The foreign currency monetary instruments are translated by the year end foreign currency exchange rates since their balance sheet values are close to the fair values. Due to the short term maturity of the financial liabilities, it is assumed that the fair values are close to the carrying values.

NOTE 40 – SUBSEQUENT EVENTS

There has been no significant issue, having impact on the financial statements, recognized in the subsequent period of the balance sheet date.

NOTE 41 - OTHER MATTERS WHICH ARE SINGNIFICANT TO THE FINANCIAL STATEMENTS OR WHICH SHOULD BE DISCLOSED FOR THE PURPOSE OF TRUE AND FAIR INTERPRETATION OF THE FINANCIAL STATEMENTS

There is no other matters having significant impact on or requiring explanation in order to provide the clarity, interpretability and perceptibility of the financial statements.

NOTE 42- OTHER MATTERS

The effect of the differences between the accounting principles summarized in Note 2 and the accounting principles generally accepted in countries in which the financial statements are to be distributed and International Financial Reporting Standards (IFRS), have not been quantified and reflected in the accompanying financial statements. The differences with IFRS mainly related to the application of inflation accounting which was ceased one year later in IFRS, and the presentation of the basic financial statements and the notes to them. Accordingly, the financial statements are not intended to present the Company's financial position and results of its operations in accordance with accounting principles generally accepted in such countries of users of the financial statements and IFRS.

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