

### OTOKAR REPORTS 2007 1H RESULTS

#### **“Sustainable Growth supported by Continuous demand of Defence Orders”**

In this report we submit **2007 1<sup>th</sup>H** figures to compare with 2006 1H figures. 2006 & 2007 1 H financial results published in this press release are prepared according to International Financial Reporting Standards

#### **Highlights of 2007**

- The recorded net sales of 2007 1H was USD 114.9 million which means an increase of %13,59 compared to the same period of the previous year. Export revenues in 2007 1H is comprised of %42.0 of total sales with an amount of USD 48.37 million.
- There is an increase in sales units from 1.846 to 1.991 vehicles between 2006 and 2007 1<sup>st</sup>H figures. %37 of unit sales in 2007 1<sup>st</sup>H was defense vehicles. The same figure in 2006 1<sup>st</sup>H was at %34. This period's dominant product is the Land Rover Defender Vehicles with sales of % 28,4 of all the total sales . The sales unit of Land Rover vehicles was 631 that means an increase of %79 compared to 2006 1H. Another rising star is SULTAN Midibuses (NAVIGO) which maintained %25,9 of all sales. The market share for midibuses has gone up from 17% to 23% in 1stH 2007.
- Generated net profit was USD 1.23 million with a net margin of 1.1 %.
- The planned dividend payment that agreed at the General Assembly for the year 2006 is USD.21.7 mio. was paid on May 15,2007.
- There are 4 major announcements made in the 1H 2007 concerning the company purchase orders.
  - 1) 288 units of Cobra sales domestically for 167.5 mio YTL.
  - 2) 188 units of Cobra sales abroad for 52.8 mio USD.
  - 3) 546 units of Land Rover Defender sales abroad 45.3 mio USD.
  - 4) Turkish Main Battle Tank Project (R&D phase + the production of 4 (prototypes) 500 mio USD.

### Overview

<b>OTOKAR IFRS P/L Statement Highlights</b>	<b>1H 2007 USD (thousands)</b>	<b>1H 2006 USD (thousands)</b>	<b>USD Based Change</b>
Net Sales	114.877	101.133	<b>13,59%</b>
Cost of Sales	-86.311	-67.017	<b>28,79%</b>
Gross Profit	28.566	34.116	<b>-16,27%</b>
Operating Expenses	-26.267	-18.892	<b>39,04%</b>
Operating Profit	2.298	15.225	<b>-84,91%</b>
Income/(loss) before minorities & taxes	1.121	20.466	<b>-94,52%</b>
Taxation	105	-3.893	<b>102,69%</b>
Net Profit	1.225	16.573	<b>-92,61%</b>
<b>EBITDA</b>	<b>3.805</b>	<b>17.139</b>	<b>-77,80%</b>

### Net Sales

OTOKAR's 1H 2007 total revenue was %13,59 up in comparison with 1H 2006 even though there is an uncertainty in the market as regards the presidential and general elections which will happen soon this year fuelling the reluctance in the commercial vehicle sales. The reason behind the rise in sales in a recessive market was the domestic defence orders. Also the above figure of 114,9 mio USD does not contain the orders for armoured vehicle sales which were confirmed as of the 1<sup>st</sup>Q2007 due to their long production period (lead time) causing the result of these sales to be realized at the end of 2007.

Although the recession occurred in the sector, Otokar has overcome this period by defence orders. 3 main defence orders received by the company regarding its core business (apart from the Tank Project) is going to be the catalyst in achieving the sales and profit targets. The company targets 300 mio USD in revenue and 120 mio USD of it to be exports.

	<b>1H 2007 USD (thousands)</b>	<b>1H 2006 USD (thousands)</b>	<b>Change %</b>
Domestic Sales	66.509	44.889	48.16%
Exports	48.368	56.245	-14.01%
<b>Total</b>	<b>114.877</b>	<b>101.134</b>	<b>13.59%</b>

OTOKAR expects the share of defence orders for the year 2007 to be the main locomotive in revenue. Plus the usual buyers of armoured and defence vehicles, there are new orders from new customers abroad.

The commercial vehicles (midibus + trailers + tankers) will also be getting new orders with the support of all the dealers abroad especially France, then Italy, Romania, Bulgaria, Greece and Germany.

### *Profit*

The effect of high gross margin products can not be seen as of 1H 2007 yet due to the longer production period (lead time).

The company had USD 28.566 mio. gross profit with a gross margin of % 24,9.

The operating profit was obtained as USD 2.298 million in 1H 2007 with an operating margin of %2.0.

The EBITDA level is USD.3,8 mio. with an EBITDA Margin of 3.3 % .

Net profit is USD.1.225 mio in 1H 2007. The reflection of defence products sales revenues to the net profit will be seen by the end of 3Q 2007 and the 4Q 2007 income statements since the completion of the new orders will be seen in the coming months.

### *Investments*

The total capex planned for the year 2007 is around USD 5 million to be spent on modernization & renovation of existing products (Another Welding Robot for the Defence Vehicles and a Laser cutting counter for the steel plates) and also on purchase of additional testing devices for Test and Design Centre. In 2007 when the signing of the agreement of The Main Battle Tank Project is realized there will also be a cash income for USD.500 mio for the design and concept and the production of the prototypes of the Turkish Main Battle Tanks.

### *Objectives*

Otokar, proving its leadership in the production of armoured tactical vehicles is negotiating for more orders in that area. As of 2007 the total receipt of purchase orders in the core business of defence is USD.250 mio to be produced and delivered by the end of 2008.

As in the international area of defense market, OTOKAR's land vehicles and armored tactical vehicles are in constant demand and the company has secured its place in the armored vehicle market by attending all the main local and national defense tenders and projects and exhibitions like IDEF, EUROSATORY and DUBAI Fairs.

The company's progress in commercial vehicles is also worth mentioning. Otokar added new models of midibuses to its civilian vehicle product range. A new model midibus for 35 passengers named "DORUK-VECTIO" was launched to the market which is noted for its comfort regarding the handicapped as well. Furthermore, the sales for new model trailers under the brand name of "Otokar" which started production in 2006 are in highly demand by customers.

<b>OTOKAR IFRS Balance Sheet</b>	<b>01H 2007 USD (thousands)</b>	<b>1H 2006 USD (thousands)</b>
Current Assets	165.878	126.258
Current Liabilities	144.684	91.044
Working Capital	131.019	98.664
Property, Plant & Equipment -Net	30.535	24.583
Total Assets	230.838	169.853
Total Liabilities	149.180	94.641
Shareholders Equity	81.659	75.212

<b>OTOKAR IFRS Balance Sheet</b>	<b>2007 1H</b>
Current Ratio	1,15
Liquidity Ratio	0,55
Current Assets / Total Assets	0,72
Current Liabilities / Total Liabilities	0,97
Total Liabilities / Total Liabilities & Shareholders' Equity	0,65

<b>OTOKAR IFRS Statement of Cash Flow</b>	<b>2007 1H USD (thousands)</b>
Cash and Cash Equivalents at the Beginning of the Period	488
Net Cash Provided by Operating Activities	37.999
Net Cash Used in Investment Activities	-1.115
Pre-Financing Cash Flow	36.884
Net Cash Used in Financing Activities and Effect of Exchange Rate Changes	-34.471
Net Increase in Cash and Cash Equivalents	2.413
Cash and Cash Equivalents at the End of the Period	2.902

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