(Convenience translation of financial statements and audit report originally issued in Turkish)

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Financial statements as of December 31, 2010 together with report of independent auditors

(Convenience translation of financial statements originally issued in Turkish)

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Table of contents

(Convenience translation of audit report originally issued in Turkish)

Independent auditor's report

To the Board of Directors of
Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi:

We have audited the accompanying financial statements of Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi (the Company), which comprise the balance sheet as at December 31, 2010, and the comprehensive income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

The Company's management is responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards published by the Capital Market Board in Turkey. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi as of December 31, 2010 and its financial performance and cash flow for the year then ended in accordance with financial reporting standards issued by Capital Market Board in Turkey.

Additional paragraph for convenience translation to English

As described in Note 2 to the accompanying financial statements, accounting principles and standards applied in the accompanying financial statements (CMB financial accounting standards) are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board except for the adoption of an earlier date for discontinuation of application of IAS 29 (Financial Reporting in Hyperinflationary Economies). As per CMB financial accounting standards application of inflation accounting was ceased effective as of January 1, 2005 whereas per IFRS it was ceased effective January 1, 2006.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Erdem Tecer, SMMM
Partner

February 14, 2011
Istanbul, Turkey

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Balance sheet as of December 31, 2010
Prepared in accordance with the Communiqué No: XI-29 "Communiqué on Financial Reporting Standards in Capital Market"
(Currency –Turkish Lira (TL) unless otherwise indicated)

	Notes	**Current period** (Audited) December 31, 2010	Prior period (Audited) (Reclassified Note:2.1) December 31, 2009	Prior period (Audited) (Reclassified Note:2.1) December 31, 2008
Assets				
Current assets				
Cash and cash equivalents	4	**111.564.742**	31.881.177	65.911.910
Trade receivables	6	**136.241.771**	128.188.437	136.553.576
- Trade receivables from related parties	25	**18.890.279**	30.621.228	22.522.704
- Other trade receivables	6	**117.351.492**	97.567.209	114.030.872
Other receivables	7	**594**	482	331
Inventories	8	**100.565.170**	130.050.043	117.045.641
Estimated earnings in excess of billings on uncompleted contracts	9	**22.646.544**	11.119.447	-
Other current assets	15	**60.578.115**	60.225.353	23.885.914
Total current assets		**431.596.936**	361.464.939	343.397.372
Non-current assets				
Trade receivables	6	**41.433.423**	31.422.645	37.617.739
- Trade receivables related parties	25	**-**	-	-
- Other trade receivables	6	**41.433.423**	31.422.645	37.617.739
Other receivables	7	**5.903**	5.903	5.903
Financial investments		**-**	-	2.107.000
Property, plant and equipment	10	**99.137.629**	102.591.845	96.709.092
Intangibles	11	**55.520.950**	39.832.961	23.542.779
Deferred tax asset	23	**7.944.450**	2.661.472	4.476.527
Total non-current assets		**204.042.355**	176.514.826	164.459.040
Total assets		**635.639.291**	537.979.765	507.856.412

The accompanying policies and explanatory notes on pages 8 through 63 form an integral part of the financial statements.

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Balance sheet as of December 31, 2010
Prepared in accordance with the Communiqué No: XI-29 “Communiqué on Financial Reporting Standards in Capital Market”
(Currency –Turkish Lira (TL) unless otherwise indicated)

	Notes	**Current period** (Audited) December 31, 2010	Prior period (Audited) (Reclassified Note:2.1) December 31, 2009	Prior period (Audited) (Reclassified Note:2.1) December 31, 2008
Liabilities				
Current liabilities				
Financial liabilities	5	**38.007.355**	69.388.311	210.331.455
Trade payables	6	**47.561.560**	56.548.984	55.813.758
- Trade payables to related parties	25	**3.376.743**	2.467.310	12.862.156
- Other trade payables	6	**44.184.817**	54.081.674	42.951.602
Other payables	7-9	**162.029.312**	96.890.484	75.303.004
Government incentives and grants	12	**359.975**	-	-
Tax liabilities from net income for the year	23	**4.581.519**	-	-
Provisions	13	**103.611.153**	59.157.739	9.599.800
Other current liabilities	15	**7.131.327**	5.417.702	4.460.501
Total current liabilities		**363.282.201**	287.403.220	355.508.518
Non-current liabilities				
Financial liabilities	5	**90.875.102**	71.837.163	-
Government incentives and grants	12	**892.142**	-	-
Employee benefits	14	**7.088.568**	5.616.418	4.450.303
Total non-current liabilities		**98.855.812**	77.453.581	4.450.303
Shareholders’ equity				
Parent Company’s equity				
Paid-in share capital	16	**24.000.000**	24.000.000	24.000.000
Inflation adjustment on equity items	16	**52.743.030**	52.743.030	52.743.030
Revaluation surplus		**-**	-	1.434.437
Restricted reserves	16	**16.738.147**	14.818.147	14.218.147
Retained earnings	16	**59.241.787**	47.701.977	20.646.577
Net income for the year	16	**20.778.314**	33.859.810	34.855.400
Total shareholders’ equity		**173.501.278**	173.122.964	147.897.591
Total liabilities		**635.639.291**	537.979.765	507.856.412

The accompanying policies and explanatory notes on pages 8 through 63 form an integral part of the financial statements.

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Income statement for the year ended December 31, 2010
Prepared in accordance with the Communiqué No: XI-29 "Communiqué on Financial Reporting Standards in Capital Market"
(Currency –Turkish Lira (TL) unless otherwise indicated)

	Notes	(Audited) 2010	(Audited) 2009
Continuing operations			
Net sales	17	**517.396.494**	503.244.683
Cost of sales (-)	17	**(426.300.182)**	(376.467.035)
Gross profit		**91.096.312**	126.777.648
Selling, marketing and distribution expense (-)	18	**(42.376.871)**	(43.453.036)
General and administrative expense (-)	18	**(19.913.065)**	(24.145.637)
Research and development expenses (-)	18	**(7.186.302)**	(5.171.960)
Other operating income	20	**5.770.936**	5.482.322
Other operating expense	20	**(1.749.748)**	(640.636)
Operating profit		**25.641.262**	58.848.701
Financial income	21	**37.636.662**	67.471.766
Financial expense (-)	22	**(43.201.069)**	(90.645.602)
Income before tax		**20.076.855**	35.674.865
Tax income/expense			
- Tax expense for the year	23	**(4.581.519)**	-
- Deferred tax income/(expense)	23	**5.282.978**	(1.815.055)
Net income		**20.778.314**	33.859.810
Other comprehensive income:			
Change in revaluation fund of financial investments, net of deferred tax	20	**-**	(1.434.437)
Total comprehensive income		**20.778.314**	32.425.373
Earnings per share	24	**0,087**	0,141

The accompanying policies and explanatory notes on pages 8 through 63 form an integral part of the financial statements.

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Statement of changes in equity for the year ended December 31, 2010
Prepared in accordance with the Communiqué No: XI-29 "Communiqué on Financial Reporting Standards in Capital Market"
(Currency –Turkish Lira (TL) unless otherwise indicated)

	Paid-in share capital	Inflation adjustment on equity items	Restricted reserves	Revaluation fund	Retained earnings	Net income for the year	Total shareholders' equity
January 1, 2009	24.000.000	52.743.030	14.218.147	1.434.437	20.646.577	34.855.400	147.897.591
Transfer to retained earnings	-	-	-	-	34.855.400	(34.855.400)	-
Transfer to restricted reserves	-	-	600.000	-	(600.000)	-	-
Dividends paid (Note 27)	-	-	-	-	(7.200.000)	-	(7.200.000)
Net income for the year	-	-	-	-	-	33.859.810	33.859.810
Other comprehensive income	-	-	-	(1.434.437)	-	-	(1.434.437)
Total comprehensive income	-	-	-	(1.434.437)	-	33.859.810	32.425.373
December 31, 2009	24.000.000	52.743.030	14.818.147	-	47.701.977	33.859.810	173.122.964
Transfer to retained earnings	**-**	**-**	**-**	**-**	**33.859.810**	**(33.859.810)**	**-**
Transfer to restricted reserves	**-**	**-**	**1.920.000**	**-**	**(1.920.000)**	**-**	**-**
Dividends paid (Note 27)	**-**	**-**	**-**	**-**	**(20.400.000)**	**-**	**(20.400.000)**
Net income for the year	**-**	**-**	**-**	**-**	**-**	**20.778.314**	**20.778.314**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**20.778.314**	**20.778.314**
December 31, 2010	**24.000.000**	**52.743.030**	**16.738.147**	**-**	**59.241.787**	**20.778.314**	**173.501.278**

The accompanying policies and explanatory notes on pages 8 through 63 form an integral part of the financial statements.

Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi

Cash flow statement for the year ended December 31, 2010
Prepared in accordance with the Communiqué No: XI-29 "Communiqué on Financial Reporting Standards in Capital Market"
(Currency –Turkish Lira (TL) unless otherwise indicated)

	Notes	December 31, 2010	December 31, 2009
Cash flows from operating activities			
Net income before provision for taxes		**20.076.855**	35.674.865
Adjustments to reconcile income before taxes to net cash flows from operating activities:			
Depreciation and amortization	10, 11	**15.820.022**	10.943.887
Reserve for retirement pay		**2.482.334**	2.587.328
Gain on sale of property, plant and equipment	20	**(2.858.179)**	(7.453)
Interest expense	22	**12.365.701**	21.115.831
Unrealized foreign exchange loss/(gain) on borrowings		**1.079.750**	(2.187.000)
Interest income	21	**(746.729)**	(2.709.512)
Gain on forward transactions		**(182.801)**	-
Gain on sale of financial investments	20	**-**	(1.434.437)
Operating profit before changes in operating asset and liabilities		**48.036.953**	63.983.509
Trade receivables and other receivables		**(18.064.221)**	14.560.082
Costs and estimated earnings in excess of billings on uncompleted contracts		**(11.527.097)**	(11.119.447)
Inventories		**29.484.873**	(13.004.402)
Other current assets		**(169.949)**	(34.438.472)
Trade payables		**(8.987.424)**	735.226
Other liabilities, provisions and other current liabilities		**112.557.985**	72.102.619
Taxes paid		**-**	(1.900.967)
Employee termination benefits paid	14	**(1.010.184)**	(1.421.213)
Net cash provided by operating activities		**150.320.936**	89.496.935
Investing activities			
Purchase of property, plant and equipment	10	**(6.186.083)**	(14.258.714)
Purchase of intangible assets	11	**(22.961.136)**	(19.672.758)
Proceeds from sale of property, plant and equipment		**3.951.604**	822.103
Interest received		**746.729**	2.709.512
Change in financial investments		**-**	2.107.000
Net cash used in investing activities		**(24.448.886)**	(28.292.857)
Financing activities			
Change in spot borrowings, net		**9.821.707**	6.695.735
Proceeds from bank borrowings		**34.779.500**	70.689.119
Repayments of bank borrowings		**(59.514.302)**	(147.206.510)
Interest payments		**(10.875.390)**	(18.213.155)
Dividends paid		**(20.400.000)**	(7.200.000)
Net cash used in financing activities		**(46.188.485)**	(95.234.811)
Net increase/(decrease) in cash and cash equivalents		**79.683.565**	(34.030.733)
Cash and cash equivalents at the beginning of the year	4	**31.881.177**	65.911.910
Cash and cash equivalents at the end of the year	4	**111.564.742**	31.881.177

The accompanying policies and explanatory notes on pages 8 through 63 form an integral part of the financial statements.

(Currency –Turkish Lira (TL) unless otherwise indicated)

1. Organisation and nature of operations

Otokar Otomotiv ve Savunma Sanayi A.Ş. ("Otokar" or "the Company") was established in 1963 and is registered in Istanbul, Turkey and operating under the Turkish Commercial Code.

In accordance with Ordinary General Assembly Meeting dated March 17, 2010, Company's official title, which previously was "Otokar Otobüs Karoseri Sanayi Anonim Şirketi", has been changed as "Otokar Otomotiv ve Savunma Sanayi Anonim Şirketi".New official title which was registered on March 24, 2010 and came into effect at March 30, 2010 based on the declaration in the Trade Registry Gazette with law no 7532.

The Company operates in the automotive industry and off road 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 1.312 (December 31, 2009 - 1.207).

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

Financial statements have been authorized for issue by the Board of Directors of the Company on February 14, 2011 and signed by Ahmet Serdar Görgüç and Hüseyin Odabaş on behalf of Board of Directors of the Company. Although there is no such intention, the Company Management and certain regulatory bodies have the power to amend the statutory financial statements after issue.

The Company conducts part of its business transactions with the Koç Holding A.Ş. and related parties and has both customer and supplier relationships with related parties. The Company is registered to the Capital Market Board ("CMB") and its shares are listed on the Istanbul Stock Exchange ("ISE") since 1996. As of December 31, 2010, the shares listed on the ISE are 29,91% of the total shares. As of December 31, 2010, the principal shareholders and their respective shareholding percentages are as follows:

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

2. Basis of presentation

2.1 Basis of presentation

The Company maintains its books of account and prepares its statutory financial statements in Turkish Lira (TL) in accordance with regulations on accounting and reporting framework and the Uniform Chart of Accounts issued by the Ministry of Finance. The financial statements have been prepared from statutory financial statements with adjustments and reclassifications for the purpose of fair presentation in accordance with accounting and reporting standards as prescribed by Turkish Capital Market Board. The adjustments are mainly related with deferred taxation, retirement pay liability, prorate and useful life depreciation adjustment of fixed assets, accounting of provisions, construction accounting for tank project and discount of receivables and payables. The financial statements of current year are prepared in accordance with International Accounting / Financial Reporting Standards (IAS/IFRS) as prescribed in the CMB communiqué No:XI-29 "Communiqué on Financial Reporting Standards in Capital Markets" (Communiqué) which is published in the official gazette and become effective as of April 9, 2008.

The financial statements have been prepared under the historical cost convention, except financial assets carried at fair value.

Reclassifications made in 2009 and 2008 years’ financial statements

For the purpose of comparative presentation, the Company has made certain reclassifications in the prior period financial statements as follows:

Advances given which were classified in goods in transit account under inventories as of December 31, 2009 and 2008, amounting to TL 36.306.118 and TL 44.006.352 respectively, have been reclassified in other current assets.

The Company has offset the ‘advances taken’ accounted under ‘other payables’ as of December 31, 2009, amounting to TL 63.010.200 against ‘estimated earnings in excess of billings on uncompleted contracts’. This reclassification has no effect on the financial statements prepared as of December 31, 2008.

Furthermore, idle capacity amortization expense amounting to TL 4.354.161 which was classified under other expenses in the income statement for the period ended December 31, 2009, was reclassified under cost of sales account.

Functional and presentation currency

Functional and presentation currency of the Company is TL.

In accordance with the CMB's resolution dated March 17, 2005 and numbered 11/367, the financial statements were restated in accordance with International Accounting Standards (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 have not been realized and that 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.

2. Basis of presentation (continued)

Therefore, non-monetary assets, liabilities and equity items including the share capital as of December 31, 2010 and December 31, 2009 have been restated by applying the relevant conversion factors through December 31, 2004 and carrying additions after December 31, 2004 at their nominal values.

2.2 Changes in accounting policies

Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except those summarized below. The Company has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2010.

- IFRIC 17 Distributions of Non-cash Assets to Owners
- IAS 39 Financial Instruments: Recognition and Measurement (Amended) – eligible hedged items
- IFRS 2 Group Cash-settled Share-based Payment Transactions (Amended)
- IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)
- Improvements to IFRSs, May 2008
- Improvements to IFRSs April 2009

Adoption of the standards or interpretations does not have an impact on the financial statements or performance of the Company

Amendments -resulting from improvements to IFRSs published in April 2009- to the following standards which had or did not have an effect on the accounting policies, financial position or performance of the Company are as follows:

IFRS 2 Share-based Payment
Clarifies that the contribution of a business on formation of a joint venture and combinations under common control are not within the scope of IFRS 2 even though they are out of scope of IFRS 3 (revised).

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
Clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRSs only apply if specifically required for such non-current assets or discontinued operations.

IFRS 8 Operating Segment Information
Clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.

2. Basis of presentation (continued)

IAS 1 Presentation of Financial Statements
The terms of a liability that could result, at any time, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.

IAS 7 Statement of Cash Flows
Explicitly states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities. This amendment will impact the presentation in the statement of cash flows of the contingent consideration on the business combination completed in 2009 upon cash settlement.

IAS 17 Leases
The amendment removes the specific guidance on classifying land as a lease so that only the general guidance remains.

IAS 18 Revenue
The Board has added guidance (which accompanies the standard) to determine whether an entity is acting as a principal or as an agent. The features to consider are whether the entity:

- Has primary responsibility for providing the goods or service
- Has inventory risk
- Has discretion in establishing prices
- Bears the credit risk

IAS 36 Impairment of Assets
The amendment clarified that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes.

IAS 38 Intangible Assets
Clarifies that if an intangible asset acquired in business combination is identifiable only with another intangible asset, the acquirer may recognise the group of intangible assets as a single asset provided the individual assets have similar useful lives. Also, clarifies that the valuation techniques presented for determining the fair value of intangible assets acquired in a business combination that are not traded in active markets are only examples and are not restrictive on the methods that can be used. If an entity applies IFRS 3 (revised) for an earlier period, the amendment shall also be applied for that earlier period.

2. Basis of presentation (continued)

IAS 39 Financial Instruments: Recognition and Measurement
The amendment clarifies that:

- A prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract.
- The scope exemption for contracts between an acquirer and a vendor in a business combination to buy or sell an acquiree at a future date, applies only to binding forward contracts, and not derivative contracts where further actions by either party are still to be taken (Applicable to all unexpired contracts for annual periods beginning on or after 1 January 2010)
- Gains and losses on cash flow hedges of a forecast transaction that subsequently results in the recognition of a financial instrument or on cash flow hedges of recognised financial instruments should be reclassified in the period that the hedged forecast cash flows affect profit or loss (Applicable to all unexpired contracts for annual periods beginning on or after 1 January 2010)

➢ **IFRIC 9 Reassessment of Embedded Derivatives**
The Board amended the scope paragraph of IFRIC 9 to clarify that it does not apply to possible reassessment, at the date of acquisition, to embedded derivatives in contracts acquired in a combination between entities or business under common control or the formation of a joint venture. If an entity applies IFRS 3 (revised) for an earlier period, the amendment shall also be applied for that earlier period.

➢ **IFRIC 16 Hedges of a Net Investment in a Foreign Operation**
The amendment states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of IAS 39 that relate to a net investment hedge are satisfied.

The Company does not expect that the standards or interpretations have an impact on the financial statements or performance of the Company

Standards issued but not yet effective and not early adopted

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
The interpretation is effective for annual periods beginning on or after 1 July 2010. This interpretation addresses the accounting treatment when there is a renegotiation between the entity and the creditor regarding the terms of a financial liability and the creditor agrees to accept the entity's equity instruments to settle the financial liability fully or partially. IFRIC 19 clarifies such equity instruments are "consideration paid" in accordance with paragraph 41 of IAS 39. As a result, the financial liability is derecognised and the equity instruments issued are treated as consideration paid to extinguish that financial liability. The Company does not expect that the amendment will have impact on the financial position or performance of the Company.

2. Basis of presentation (continued)

IFRIC 14 Prepayments of a Minimum Funding Requirement (Amended)
The amendment is effective for annual periods beginning on or after 1 January 2011. The purpose of this amendment was to permit entities to recognise as an asset some voluntary prepayments for minimum funding contributions. This Earlier application permitted and must be applied retrospectively. The Company does not expect that the amendment will have impact on the financial position or performance of the Company.

IFRS 9 Financial Instruments – Phase 1 financial assets, classification and measurement
The new standard is effective for annual periods beginning on or after 1 January 2013. Phase 1 of this new IFRS introduces new requirements for classifying and measuring financial assets. Early adoption is permitted. This standard has not been approved by the European Union yet. The Company does not expect that the amendment will have impact on the financial position or performance of the Company.

IAS 32 Classifications on Rights Issues (Amended)
The amendment is effective for annual periods beginning on or after 1 February 2010. This amendment relates to the rights issues offered for a fixed amount of foreign currency which were treated as derivative liabilities by the existing standard. The amendment states that if certain criteria are met, these should be classified as equity regardless of the currency in which the exercise price is denominated. The amendment is to be applied retrospectively The Company does not expect that this amendment will have an impact on the financial position or performance of the Company.

IAS 24 Related Party Disclosures (Revised)
The revision is effective for annual periods beginning on or after 1 January 2011. This revision relates to the judgment which is required so as to assess whether a government and entities known to the reporting entity to be under the control of that government are considered a single customer. In assessing this, the reporting entity shall consider the extent of economic integration between those entities. Early application is permitted and adoption shall be applied retrospectively. The Company does not expect that this amendment will have an impact on the financial position or performance of the Company.

IAS 12 Income Taxes-Deferred Taxation: Recovery of Main assets (Amendment)
The amendments are mandatory for annual periods beginning on or after 1 January 2012, but earlier application is permitted. IAS 12 has been updated to include i) a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale and ii) a requirement that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis. This standard has not yet been endorsed by the European Union. The Company does not expect that this amendment will have an impact on the financial position or performance of the Company.

2. Basis of presentation (continued)

In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. The effective dates of the improvements are various and the earliest is for the financial year beginning 1 July 2010. Early application is permitted in all cases. This annual improvement project has not been approved by the European Union yet.

IFRS1 First-time adoption, effective for annual periods beginning on or after 1 January 2011
This improvement clarifies the treatment of accounting policy changes in the year of adoption after publishing an interim financial report in accordance with IAS 34 Interim Financial Reporting, allows first-time adopters to use an event-driven fair value as deemed cost and expands the scope of 'deemed cost' for property, plant and equipment or intangible assets to include items used subject to rate regulated activities.

IFRS 3 Business Combinations, effective for annual periods beginning on or after 1 July 2010
This improvement clarifies that the amendments to IFRS 7 Financial Instruments: Disclosures, IAS 32 Financial Instruments: Presentation and IAS 39 Financial Instruments: Recognition and Measurement, that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008). Moreover, this improvement limits the scope of the measurement choices (fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets) only to the components of non-controlling interest that are present ownership interests that entitle their holders to a proportionate share of the entity's net assets.

Finally, it requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), i.e., split between consideration and post combination expenses.

- **IFRS 7 Financial Instruments: Disclosures,** effective for annual periods beginning on or after 1 January 2011.
  This improvement gives clarifications of disclosures required by IFRS 7 and emphasizes the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments.

- **IAS 1 Presentation of Financial Statements,** effective for annual periods beginning on or after 1 January 2011.
  This amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

- **IAS 27 Consolidated and Separate Financial Statements,** effective for annual periods beginning on or after 1 July 2010.
  This improvement clarifies that the consequential amendments from IAS 27 made to IAS 21. The Effect of Changes in Foreign Exchange Rates, IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures apply prospectively for annual periods beginning on or after 1 July 2009 or earlier when IAS 27 is applied earlier.

2. Basis of presentation (continued)

- **IAS 34 Interim Financial Reporting,** effective for annual periods beginning on or after 1 January 2011.
  This improvement provides guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements.

- **IFRIC 13 Customer Loyalty Programmes,** effective for annual periods beginning on or after 1 January 2011.
  This improvement clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.

IFRS 7 Financial Instruments: Disclosures as part of its comprehensive review of off balance sheet activities (Amended)
The amendment is effective for annual periods beginning on or after 1 July 2011. The purpose of this amendment is to allow users of financial statements to improve their understanding of transfer transactions of financial assets (e.g. securitisations), including understanding the possible effects of any risks that may remain with the entity which transferred the assets. The amendment also requires additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The amendments broadly align the relevant disclosure requirements of IFRSs and US GAAP. This amendment has not been approved by the European Union yet.

The Company does not expect that this amendment will have an impact on the financial position or performance of the Company.

2.3 Significant accounting judgments and estimates

The preparation of financial statements require management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. Those estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the periods in which they become known.

Significant estimates used in the preparation of these financial statements and the significant judgments with the most significant effect on amounts recognized in the financial statements are as follows:

a) In the context of IAS 11 "Construction contracts" assumptions are made related to total cost of and profitability of projects (Note 9)

b) Deferred tax asset is recognised to the extent that taxable profit will be available against which the deductible temporary differences can be utilized. When taxable profit is probable, deferred tax asset is recognised for all temporary differences. For the year ended December 31, 2010, since the assumptions related to the Company's future taxable profit generation are considered reliable, adequate, deferred tax asset is recognized (Note 23).

2. Basis of presentation (continued)

c) Reserve for retirement pay is determined by using actuarial assumptions (discount rates, future salary increases and employee turnover rates) (Note 14).

d) The Company determines warranty provision by considering the past warranty expenses and remaining warranty period per vehicle (Note 13).

e) Provision for doubtful receivables is an estimated amount that management believes to reflect for possible future losses on existing receivables that have collection risk due to current economic conditions. During the impairment test for the receivables, the debtors, other than related parties, are assessed with their prior year performances, their credit risk in the current market, their individual performances after the balance sheet date up to the issuing date of the financial statements and furthermore, the renegotiation conditions with these debtors are considered (Note 6).

2.4 Summary of significant accounting policies

Revenue recognition

Revenue includes invoiced or accrued values of sale of goods and rendering services. Revenue from the sale of goods is recognised on an accrual basis over fair value when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Significant risk and rewards related to sales passes to the buyer on delivery of the goods or transfer of ownership to buyer. Net sales are invoiced amounts of delivered goods excluding sales returns.

Interest income is recognised using the effective interest rate until maturity and considering the effective interest rate.

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.

Construction contract activities

Contract revenue and costs are recognized as revenue and expenses, respectively, when the outcome of a construction contract can be estimated reliably. The projects are “fixed cost” and the project revenues are reflected according to the percentage of completion method. The percentage of completion method is used to recognize revenue on a contract as work progresses by matching contract revenue with contract costs incurred based on the proportion of work completed which is determined by the ratio of actual costs incurred through to the end of each reporting period divided by the total estimated contract costs of the project.

2. Basis of presentation (continued)

Contract costs include all direct material and labor costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs and depreciation costs. Selling, general and administrative expenses are charged to the income statement as incurred. Provisions for estimated losses on uncompleted contracts are made in full, in the period in which such losses are determined. Changes in job performance, job conditions and estimated profitability, including those arising from contract penalty provisions and final contract settlements may result in revisions to costs and income and are recognized in the period in which the revisions are determined.

Costs and estimated earnings in excess of billings on uncompleted contracts represent revenues recognized in excess of amounts billed. Billings in excess of costs and estimated earnings on uncompleted contracts represent billings in excess of revenues recognized (Note 9).

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and at banks and short-term highly liquid and the risk of value change is not material investments including time deposits generally having original maturities of three months or less (Note 4).

Related parties

Parties are considered related to the Company if;

(a) directly, or indirectly through one or more intermediaries, the party:
   (i) controls, is controlled by, or is under common control with the Company (this includes parent, subsidiaries and fellow subsidiaries);
   (ii) has an interest in the Company that gives it significant influence over the Company; or
   (iii) has joint control over the Company;
(b) the party is an associate of the Company;
(c) the party is a joint venture in which the Company is a venturer;
(d) the party is member of the key management personnel of the Company as its parent;
(e) the party is a close member of the family of any individual referred to in (a) or (d);
(f) the party is an entity that is controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
(g) the party is a post-employment benefit plan for the benefit of employees of the Company, or of any entity that is a related party of the Company

A related party transaction is a transfer of resources, services or obligation between related parties, regardless of whether a price is charged.

A number of transactions are entered into with related parties in the normal course of business.

(Currency –Turkish Lira (TL) unless otherwise indicated)

2. Basis of presentation (continued)

Inventories

Inventories are valued at the lower of cost or net realizable value. Cost incurred in bringing each product to its present location and conditions are included in the cost of inventory:

Raw materials - cost is determined on a weighted average basis over the costs netted off imputed interest.

Finished goods and work-in progress -cost of direct materials and labor and a proportion of manufacturing overheads is included based on normal operating capacity using average cost method.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale (Note 8).

Property, plant and equipment

All property and equipment is initially recorded at cost and then are carried at restated cost until December 31, 2004 with the index of the related purchase date. Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment loss.

The initial cost of property and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after property, plant and equipment have been put into operation, such as repairs and maintenance, are normally charged to income in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

The useful lives and depreciation methods are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Depreciation is provided on cost or revalued amount of property, plant and equipment on a straight-line basis (Note 10). Estimated useful lives are as follows:

Land improvements	25-30 years
Building	30 years
Machinery and equipment	3-15 years
Vehicles	9 years
Furniture and fixtures	5-15 years
Leasehold improvements	5 years

Land is not amortized since it has an unlimited economic life.

Gains and losses on sale of property, plant and equipment are included in other operating income and expense (Notes 10 and 20).

2. Basis of presentation (continued)

Intangible assets

Intangible assets mainly comprise software rights, information systems, project costs related to new product development and computer software (Note 11). Intangible assets are initially stated at cost and are restated until December 31, 2004 with the index of the related purchase date. Intangible assets are stated at cost less accumulated depreciation and accumulated impairment loss. Intangible assets are amortized on a straight-line basis over the estimate of their useful lives, which is up to 5 years. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise; and the cost of the asset can be measured reliably. Where the carrying amount of an intangible asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Research and development expenses

Research expenditures are recognized as an expense when they are incurred.

Intangible assets arising from in-house development activities (or the improvement phase of an intergroup project) are recognized when all of the following conditions are met:

(a) existence of the technical feasibility of completing the intangible asset so that it will be available for use or sale.
(b) existence of the intention to complete the intangible asset and use or sell it
(c) existence of the ability to use or sell the intangible asset.
(d) reliability of how the intangible asset will generate probable future economic benefits
(e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
(f) existence of the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Other development expenditures are recognized as an expense as incurred. Development costs previously recognized as an expense are not capitalized as an asset in a subsequent period. Capitalized development expenses are amortized in 5 years by straight-line method effective from the start of the production.

Investment, research and development incentives

Investment and research and development incentives are recognized when the Company’s incentive requests (applications) are approved by fiscal authorities.

2. Basis of presentation (continued)

Income taxes

Income tax is the aggregate amount included in the determination of net profit or loss for the year in respect of current and deferred tax.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax assets are recognised for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. The carrying amount of deferred income tax assets is reviewed by the Company at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized (Note 23).

Long-term employee benefits

(a) Defined benefit plans:

In accordance with existing social legislation in Turkey, the Company is required to make lump-sum termination indemnities to each employee who has completed over one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

In the financial statements, the Company has recognized a liability using the “Projected Unit Credit Method” based upon factors derived using the Company’s experience of personnel terminating and being eligible to receive benefits, discounted by using the current market yield at the balance sheet date on government bonds (Note 14). All actuarial gains and losses are recognized in the income statement.

(b) Defined contribution plans:

The Company pays contributions to the Social Security Institution on a mandatory basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognized as an employee benefit expense when they are due.

Foreign currency transactions

Transactions in foreign currencies during the year have been translated at the exchange rates prevailing at the dates of such transactions. Monetary balance sheet items denominated in foreign currencies have been translated at the Central Bank of Turkey (TCB) exchange rates prevailing at the balance sheet date. Exchange gains or losses arising on translation of foreign currency denominated assets and liabilities are included in the income statement.

2. Basis of presentation (continued)

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Provisions are revised at each balance sheet date and amended in order to reflect management's recent estimations.

Contingent liabilities and assets

Contingent liabilities and assets are defined to be arising from past events to be caused from inflows or outflows of resources including economic benefits on amortization.

Contingent liabilities are not recognized in the financial statements. They are disclosed only, unless the possibility of an outflow of resources embodying economic benefits is probable. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is mostly probable.

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 16).

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.

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 year (Note 13).

2. Basis of presentation (continued)

Financial instruments

The Company’s financial assets comprise cash and cash equivalents, receivables from related parties and other receivables. Financial loans, trade payables, due to related parties and other payables are classified as financial liabilities.

Financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Company has the positive intention and ability to hold to maturity. Financial assets which are ready for sale when considered the liquidity needs or the possible changes in interest rates, are classified as held for trading. Others except these are classified as ready for sale financial assets.

Available for sale investments

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

The fair value of available for sale financial assets is determined by the market price at the balance sheet date when available. If no market price is available, fair value is estimated based on valuation process by using discounted cash flow, similar purchases and observable market parameters. The fair value of financial assets must be carried at cost less impairment, when the fair value of financial assets cannot be measured reliably.

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.

Loans and receivables

Trade receivables and notes and post-dated checks classified within trade receivables which are recognized at original invoice amount are measured at amortized cost using the effective interest rate method. Short term trade receivables without specified interest rate, are measured at invoice amount when the interest accrual effect is immaterial.

2. Basis of presentation (continued)

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 allowance is an estimated amount which is difference between existing receivable and collectible amount. Collectible amount is the discounted value of trade receivables, all cash flows including collections from guarantees by using original effective interest rate.

The allowance for doubtful receivables is established through a provision charged to expenses. Provision is made when there is objective evidence that the Company will not be able to collect the debts. The allowance is an estimated amount that management believes to be adequate to absorb possible future losses on existing receivables that may become uncollectible due to current economic conditions and inherent risks in the receivables. Bad debt are written off when identified.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, reversal of the provision is credited to other income (Note 6).

Trade payables

Trade payables are recognized initially at fair value of and subsequently measured at amortized cost using the effective interest method (Note 6).

Borrowings

Borrowings are recognized initially at proceeds received, net of transaction costs incurred. 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 arising from bank loans are charged to the income statement when they are incurred (Note 5).

Derivative instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and subsequently are re-measured at their fair value. The derivative instruments of the Company mainly consist of foreign exchange forward contracts and related transactions. These derivative transactions, even though providing effective economic hedges under the Company risk management position, do not generally qualify for hedge accounting under the specific rules in IAS 39, “Financial Instruments: Recognition and Measurement”, and are therefore treated as derivatives held for trading. Such transactions are accounted under other current assets as “accrual for forward income”.

Impairments in financial assets

Financial asset are assessed at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that had occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. For loans and receivables impairment loss has been incurred the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows.

2. Basis of presentation (continued)

Except for trade receivables, which is reduced through the use of an allowance account, impairment on all other financial assets are directly written off in the related account. In case trade receivables cannot be collected, the related amount is written off from allowance account. The change in allowance account is accounted in the income statement.

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.

If the fair value of available for sale asset increases after the impairment, the related income is directly booked to shareholder's equity.

Recognition and derecognition of financial assets and liabilities

The Company recognizes a financial asset or financial liability in its balance sheet when only when it becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial asset or a portion of it only when the control on rights under the contract is discharged. The Company derecognizes a financial liability when the obligation under the liability is discharged or cancelled or expires.

All regular way financial asset purchase and sales are recognized at the date of the transaction, the date the Company committed to purchase or sell. The mentioned purchases or sales are ones which require the delivery of the financial assets within the time interval identified with the established practices and regulations in the market.

Earnings per share

Basic earnings per share are calculated by dividing the net profit by the weighted average number of ordinary shares outstanding during the year.

The 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. Accordingly, the weighted average number of shares used in earnings per share calculation is derived by giving retroactive effect to the issue of such shares.

Subsequent events

Subsequent to the balance sheet date events that provide additional information about the Company's position at the balance sheet date (adjusting events), are reflected in the financial statements. Subsequent to the balance sheet date events that are not adjusting events are disclosed in the notes when material.

2. Basis of presentation (continued)

Cash flow statement

For purposes of preparation of the statements of cash flows, cash and cash equivalents include cash on hand, bank deposits and reverse repurchase agreements with maturity of less than three months.

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, is impaired. When an indication of impairment exists, the Company estimates the recoverable values of such assets. When individual recoverable value of assets cannot be measured, recoverable value of cash generating unit of that asset is measured.

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.

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.

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.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets.

All other borrowing costs are expensed in the period they occur.

Offsetting

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

3. Segment reporting

The Company does not prepare segment reporting. Sales by geographical areas and by product groups are disclosed in Note 17.

4. Cash and cash equivalents

	December 31, 2010	December 31, 2009
Cash at banks		
- demand deposits	**9.675.762**	2.280.660
- time deposits	**100.799.200**	27.952.966
Checks and notes received	**1.028.005**	1.597.557
Other	**61.775**	49.994
	111.564.742	31.881.177

As of December 31, 2010, effective interest rates of time deposits which are originally amounting to USD 65.200.000 are annually 1,55% and the maturity is 3 days (As of December 31, 2009, effective interest rates of time deposits which are originally amounting to USD 13.827.989 and TL 7.130.000 are annually 1,5% for USD and 6,7% for TL and the maturities are 4 days on average).

As of December 31, 2010, checks and notes received consist of checks and notes given to banks for collections which are due as of balance sheet date.

As of December 31, 2010, the Company has restricted bank deposit amounting to TL 795 (December 31, 2009 - TL 795).

5. Financial liabilities

				December 31, 2010
	Maturities	**Interest rate (%)**	**Amount in original currency**	**TL**
Short-term bank borrowings (**)				
Denominated in EUR	**June 9, 2011**	**%3,55**	**10.378.129**	**21.265.825**
Denominated in TL	**January 5, 2011-October 27, 2011**	**%8,50**	**16.741.530**	**16.741.530**
Total				**38.007.355**

				December 31, 2010
	Maturities	**Interest rate (%)**	**Amount in original currency**	**TL**
Long-term bank borrowings (*)(**)				
Denominated in EUR	February 24, 2012 -March15, 2012	**%3,76**	**7.549.304**	**15.469.278**
Denominated in TL	April 28,2012	**%8,55-8,75**	**75.405.825**	**75.405.824**
Total				**90.875.102**

(*) Principle amount of long- term borrowings as of December 31, 2010 will be repaid on maturity with all interests accrued. Weighted average maturity days are 426.

(**) Bearing fixed interest rate

5. Financial liabilities (continued)

				December 31, 2009
	Maturity	Interest rate (%)	Amount in original currency	TL
Short-term bank borrowings (**)				
Denominated in USD	January 20, 2010	2,78%	10.059.212	15.146.155
Denominated in EUR	March 18, 2010	6,6%	10.523.794	22.734.553
Denominated in TL	January 16, 2010	11%	31.507.603	31.507.603
Total				69.388.311

				December 31, 2009
	Maturity	Interest rate (%)	Amount in original currency	TL
Long-term bank borrowings (*) (**)				
Denominated in EUR	June 9, 2011	3,55%	10.014.162	21.633.593
Denominated in TL	June 1, 2011	10%	50.203.570	50.203.570
Total				71.837.163

(*) Principle amount of long- term borrowings as of December 31, 2009 will be repaid on maturity with all interests accrued. Weighted average maturity days are 152.

(**) Bearing fixed interest rate

The Company has a loan amounting to EUR 7.500.000 under the guarantee of Koç Holding A.Ş. (December 31, 2009 - USD 10.000.000).

The Company has not provided any guarantees for the borrowings received (December 31, 2009 - None).

(Currency –Turkish Lira (TL) unless otherwise indicated)

6. Trade receivables and payables

Trade receivables

	December 31, 2010	December 31, 2009
Trade receivables, net	**44.185.538**	42.949.742
Notes receivables, net	**83.706.200**	63.649.902
	127.891.738	106.599.644
Less: Provision for doubtful receivables	**(10.540.246)**	(9.032.435)
Other short-term trade receivables	**117.351.492**	97.567.209
Trade receivables from related parties (Note 25)	**18.890.279**	30.621.228
Short-term trade receivables	**136.241.771**	128.188.437
Long-term notes receivable, net	**41.433.423**	31.422.645
Long-term receivables	**41.433.423**	31.422.645

Guarantees received for trade receivables

Receivables of the Company mainly relate to the sales to the minibus and bus dealers, trailer sales and military vehicle sales. As of December 31, 2010, the total trade receivable from dealers amounting to TL 53.131.516 (December 31, 2009 - TL 37.393.552), after provision reserved for doubtful receivables, has been secured by mortgages and guarantees at the amount of TL 46.846.000 (December 31, 2009 - TL 34.870.008). The Company manages its credit risk for the remaining receivables through policies and procedures as explained in the *Credit Risk* section of Note 26.

Trade receivables aging analysis

As of December 31, 2010, trade receivables amounting to TL 2.657.582 (December 31, 2009 - TL 1.113.718) have not been collected at the due dates.

(Currency –Turkish Lira (TL) unless otherwise indicated)

6. Trade receivables and payables (continued)

The aging of the past due but not impaired receivables is as follows:

Current period	**Trade receivables**
1- 30 day past due	**-**
1- 3 month past due	**-**
3- 12 month past due	**53.604**
1- 5 year past due	**2.603.978**
Over 5 year past due	**-**
Amount secured with guarantee (1)	**2.094.954**

Prior period	Trade receivables
1- 30 day past due	-
1- 3 month past due	-
3- 12 month past due	-
1- 5 year past due	1.113.718
Over 5 year past due	-
Amount secured with guarantee (1)	2.520.252

(1) Pledges on trailers.

The movement of the provision for doubtful receivables for the year ended December 31, 2010 and December 31, 2009 are as follows:

	December 31, 2010	December 31, 2009
January 1	**9.032.435**	7.725.491
Collections	**(27.508)**	(104.107)
Additional provision	**1.535.319**	1.411.051
Total	**10.540.246**	9.032.435

As of December 31, 2010, average collection term of trade receivables is 60-90 days (December 31, 2009 – 60-90 days).

(Currency –Turkish Lira (TL) unless otherwise indicated)

6. Trade receivables and payables (continued)

Commitments and contingencies

As of December 31, 2010 and 2009, the tables which represent the position of guarantees, pledges and mortgages are as follow:

Guarantees given by the Company		December 31, 2010	December 31, 2009
a.	Total amount of guarantees, pledges and mortgages given in the name of legal entity	**415.391.058**	291.493.623
b.	Total amount of guarantees, pledges and mortgages given in favor of the parties which are included in the scope of full consolidation	**-**	-
c.	Total amount of guarantees, pledges and mortgages given to third parties for their liabilities in the purpose of conducting the ordinary operations	**-**	-
d.	Total amount of other guarantees, pledges and mortgages	**-**	-
Total		**415.391.058**	291.493.623

The details of guarantees, pledges and mortgages are as follow in terms of currency is as follows:

	2010		2009	
	Original currency	**TL**	Original currency	TL
USD	**236,582,361**	**365,756,330**	153,566,174	231,224,587
EUR	**10,170,955**	**20,841,304**	21,543,508	46,540,440
GBP	**22,500**	**53,743**	19,665	46,984
YTL	**28,739,681**	**28,739,681**	13,681,611	13,681,612
		415,391,058		291,493,623

	December 31, 2010	December 31, 2009
Guarantees given		
Undersecretariat of Ministry of Defense	**326.155.872**	153.066.348
Other	**89.235.186**	138.427.275
	415.391.058	291.493.623

(Currency –Turkish Lira (TL) unless otherwise indicated)

6. Trade receivables and payables (continued)

Trade payables

	December 31, 2010	December 31, 2009
Trade payables, net	**44.033.767**	53.944.515
Notes payables, net	**151.050**	137.159
Short-term trade payables	**44.184.817**	54.081.674
Trade payables to related parties (Note 25)	**3.376.743**	2.467.310
Short-term trade payables	**47.561.560**	56.548.984

As of December 31, 2010, average payment term for trade payables is 45-60 days (December 31, 2009 – 45-60 days).

7. Other receivables and payables

Other short-term receivables

	December 31, 2010	December 31, 2009
Due from personnel	**594**	482
Total	**594**	482

Other long-term receivables

	December 31, 2010	December 31, 2009
Deposits and guarantees given	**5.903**	5.903
Total	**5.903**	5.903

Other short term payables

	December 31, 2010	December 31, 2009 (Reclassified Note:2.1)
Advances received	**158.527.706**	93.833.358
Due to personnel	**3.469.360**	3.034.025
Other miscellaneous payables	**32.246**	23.101
Total	**162.029.312**	96.890.484

(Currency –Turkish Lira (TL) unless otherwise indicated)

8. Inventories

	December 31, 2010	December 31, 2009 (Reclassified Note 2.1)	December 31, 2008 (Reclassified Note 2.1)
Raw material	**25.138.729**	34.750.524	27.210.962
Work-in-process	**2.139.199**	4.441.454	9.075.982
Finished goods	**29.089.773**	31.468.170	24.655.681
Merchandise	**17.622.154**	20.306.900	12.096.664
Goods in transit	**26.575.315**	39.082.995	44.006.352
	100.565.170	130.050.043	117.045.641

9. Costs and billings on uncompleted contracts

As of December 31, 2010 accrued costs related to uncompleted contracts amounted to TL 135.992.445 (December 31, 2009 - TL 64.326.929).

As of December 31, 2010, the short term advances taken by the Company related with ongoing projects which amounts to TL 114.477.042 was included in other payables in the financial statements (December 31, 2009 – TL 45.427.200).

10. Property, plant and equipment

During the year ended December 31, 2010, the movement of property, plant and equipment and the accumulated depreciation is as follows:

	January 1, 2010	Additions	Disposals	Transfers	December 31, 2010
Cost:					
Land	36.396.386	-	-	-	36.396.386
Land improvements	5.481.336	-	-	-	5.481.336
Buildings	53.131.899	-	-	87.104	53.219.003
Machinery, equipment and installations	86.463.883	2.034.497	(1.844.073)	5.780.619	92.434.926
Motor vehicles	5.113.531	1.901.866	(316.602)	-	6.698.795
Furniture and fixtures	18.408.093	1.593.830	(1.246.715)	3.940	18.759.148
Leasehold improvements	1.445.746	2.856	-	-	1.448.602
Construction in progress	5.889.502	653.034	-	(5.871.663)	670.873
	212.330.376	6.186.083	(3.407.390)	-	215.109.069
Accumulated depreciation:					
Land improvements	2.128.424	201.655	-	-	2.330.079
Buildings	18.593.043	2.520.598	-	-	21.113.641
Machinery, equipment and installations	70.043.866	4.739.617	(957.299)	-	73.826.184
Motor vehicles	3.127.422	363.051	(120.242)	-	3.370.231
Furniture and fixtures	14.677.521	682.677	(1.236.425)	-	14.123.773
Leasehold improvements	1.168.255	39.277	-	-	1.207.532
	109.738.531	8.546.875	(2.313.966)	-	115.971.440
Net book value	102.591.845			-	99.137.629

(Currency –Turkish Lira (TL) unless otherwise indicated)

10. Property, plant and equipment (continued)

During the year ended December 31, 2009, the movement of property, plant and equipment and the accumulated depreciation is as follows:

	January 1, 2009	Additions	Disposals	Transfers	December 31, 2009
Cost:					
Land	36.396.386	-	-	-	36.396.386
Land improvements	5.481.336	-	-	-	5.481.336
Buildings	50.777.114	-	-	2.354.785	53.131.899
Machinery, equipment and installations	86.839.417	2.123.025	(3.733.799)	1.235.240	86.463.883
Motor vehicles	5.024.671	937.774	(848.914)	-	5.113.531
Furniture and fixtures	17.958.621	1.770.583	(1.321.111)	-	18.408.093
Leasehold improvements	1.445.746	-	-	-	1.445.746
Construction in progress	52.196	9.427.331	-	(3.590.025)	5.889.502
	203.975.487	14.258.713	(5.903.824)	-	212.330.376
Accumulated depreciation:					
Land improvements	1.926.769	201.655	-	-	2.128.424
Buildings	16.144.638	2.448.405	-	-	18.593.043
Machinery, equipment and installations	69.582.592	4.075.033	(3.613.759)	-	70.043.866
Motor vehicles	2.992.257	298.847	(163.682)	-	3.127.422
Furniture and fixtures	15.490.589	498.666	(1.311.734)	-	14.677.521
Leasehold improvements	1.129.550	38.705	-	-	1.168.255
	107.266.395	7.561.311	(5.089.175)	-	109.738.531
Net book value	96.709.092	6.697.402	(814.649)	-	102.591.845

For the years 2010 and 2009, the allocation of depreciation and amortisation expense has been as follows:

	2010	2009
Cost of goods sold	**5.868.078**	5.345.099
Development projects in process	**1.020.656**	425.194
Research and development expenses	**6.185.961**	2.558.484
General administrative expenses	**1.034.056**	947.083
Selling and marketing expenses	**464.281**	362.221
Inventories on hand	**437.572**	624.679
Costs related to uncompleted contracts	**809.418**	681.127
Total	**15.820.022**	10.943.887

(Currency –Turkish Lira (TL) unless otherwise indicated)

10. Property, plant and equipment (continued)

As of December 31, 2010 and December 31, 2009, gross values of fully depreciated items which are still in use is as follows:

	December 31, 2010	December 31, 2009
Machinery, equipment and installations	**47.771.602**	46.640.422
Motor vehicles	**2.585.412**	2.585.412
Furniture and fixtures	**11.880.762**	12.749.417
Leasehold improvements	**1.089.332**	1.089.332
	63.327.108	63.064.583

11. Intangible assets

During the year ended December 31, 2010, the movement of intangibles and accumulated amortization is as follows:

	January 1, 2010	**Additions**	**Transfers**	**December 31, 2010**
Cost:				
Other intangible assets	**5.936.514**	**831.694**	**-**	**6.768.208**
Development costs	**26.784.388**	**-**	**28.228.079**	**55.012.467**
Development projects in process	**13.398.467**	**22.129.442**	**(28.228.079)**	**7.299.830**
	46.119.369	**22.961.136**	**-**	**69.080.505**
Accumulated amortization:				
Other intangible assets	**3.098.957**	**1.087.186**	**-**	**4.186.143**
Development costs	**3.187.451**	**6.185.961**	**-**	**9.373.412**
	6.286.408	**7.273.147**	**-**	**13.559.555**
Net book value	**39.832.961**			**55.520.950**

(Currency –Turkish Lira (TL) unless otherwise indicated)

11. Intangible assets (continued)

During the year ended December 31, 2009, the movement of intangibles and accumulated amortization is as follows:

	January 1, 2009	Additions	Transfers	December 31, 2009
Cost:				
Other intangible assets	3.839.826	2.096.688	-	5.936.514
Development costs	5.848.347	-	20.936.041	26.784.388
Development projects in process	16.758.438	17.576.070	(20.936.041)	13.398.467
	26.446.611	19.672.758	-	46.119.369
Accumulated amortization:				
Other intangible assets	2.341.733	757.224	-	3.098.957
Development costs	562.099	2.625.352	-	3.187.451
	2.903.832	3.382.576	-	6.286.408
Net book value	23.542.779	16.290.182	-	39.832.961

(*) This amount is transferred from construction in progress to other intangible assets.

As of December 31, 2010 and December 31, 2009, the gross values of fully amortized intangible assets which are still in use is as follows:

	December 31, 2010	December 31, 2009
Other intangible assets	**2.325.783**	2.037.453
	2.325.783	2.037.453

12. Government incentives

As of December 31, 2010, government incentives of the Group amounting to TL 1.252.117 have been originated from deferral of research and development incentive premiums provided to support research and development expenditures of the Company's various projects by the Scientific & Technological Research Council of Turkey (Tübitak). The related balance will be recognized as revenue in line with the amortization terms of the respective development investments.

As of December 31, 2010, there is not any incentive which has been gained but not utilized (December 31, 2009 - None).

(Currency –Turkish Lira (TL) unless otherwise indicated)

13. Provisions, contingent assets and liabilities

Provisions

	December 31, 2010	December 31, 2009
Provision for other cost (*)	**94.164.831**	51.518.026
Warranty provision	**6.511.877**	6.184.720
Provision for vacation pay liability	**1.922.831**	1.438.270
Provision for sales commission	**1.011.614**	-
Other	**-**	16.723
	103.611.153	59.157.739

(*) Includes costs incurred by the Company related with tank project, which were not charged yet, and costs incurred by the subcontractors that will be invoiced to the Company at the end of the project, which were computed according to the estimated percentage of completion.

Warranty provision

The Company provides one year warranty for minibus and Land Rover vehicles and 2 years warranty for certain armoured vehicle models and midi-busses sold. 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:

	December 31, 2010	December 31, 2009
January 1,	**6.184.720**	6.376.954
Additional provision	**8.536.235**	8.686.823
Realized	**(8.209.078)**	(8.879.057)
	6.511.877	6.184.720

Provision for vacation pay liability

The movements of provision for vacation pay liability are as follows:

	December 31, 2010	December 31, 2009
January 1,	**1.438.270**	1.749.665
Increase/(reversal)	**484.561**	(311.395)
	1.922.831	1.438.270

(Currency –Turkish Lira (TL) unless otherwise indicated)

13. Provisions, contingent assets and liabilities (continued)

Letters of guarantees

a) Guarantees given as of December 31, 2010 and December 31, 2009 are as follows:

	December 31, 2010	December 31, 2009
Bank letters of guarantee (*)	**415.391.058**	291.493.623
	415.391.058	291.493.623

(*) Bank letters of guarantee amounting to TL 326.155.872 (December 31, 2009 - TL 153.066.348) are given to Undersecretariat of Ministry of Defense in relation to Altay Project.

b) Guarantees received as of December 31, 2010 and December 31, 2009 are as follows:

	December 31, 2010	December 31, 2009
Bank letters of guarantee (**)	**162.541.441**	95.238.952
Guarantee notes	**1.000.000**	3.389.000
Mortgages received	**5.042.000**	7.045.000
Guarantee checks	**135.000**	135.000
	168.718.441	105.807.952

(**) Bank letters of guarantee amounting to TL 107.830.620 (December 31, 2009 – TL 55.351.176) are obtained from the sub-contractors for Altay Project.

14. Employee benefits

	December 31, 2010	December 31, 2009
Reserve for retirement pay	**7.088.568**	5.616.418
Total	**7.088.568**	5.616.418

(Currency –Turkish Lira (TL) unless otherwise indicated)

14. Employee benefits (continued)

Reserve for retirement pay

There are no agreements for pension commitments other than the legal requirements 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.

The amount payable consists of one month's salary limited to a maximum of TL 2.517 for each year of service as of December 31, 2010 (December 31, 2009 - TL 2.365).

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 Accounting 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:

	December 31, 2010	December 31, 2009
Discount rate (%)	**4,66**	5,92
Turnover rate to estimate the probability of retirement (%)	**8**	8

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.

As of January 1, 2011, the retirement pay liability ceiling is increased to TL 2.617.

The movement of reserve for retirement pay is as follows:

	December 31, 2010	December 31, 2009
January 1	**5.616.418**	4.450.303
Interest expense	**258.355**	240.316
Current year provision (including actuarial gains/losses)	**2.223.979**	2.347.012
Payments	**(1.010.184)**	(1.421.213)
	7.088.568	5.616.418

(Currency –Turkish Lira (TL) unless otherwise indicated)

15. Other assets and liabilities

	December 31, 2010	December 31, 2009 (Reclassified Note 2.1)	December 31, 2008 (Reclassified Note 2.1)
a) Other current assets:			
Advances given	**43.634.290**	36.306.118	-
Value added tax receivables	**14.634.076**	16.459.668	20.492.382
Forward income accrual	**182.808**	-	-
Prepaid tax	**-**	2.979.148	1.078.181
Prepaid expenses	**828.104**	593.458	501.361
Tax and funds deductible	**-**	3.135.804	1.752.693
Other	**1.298.837**	751.157	61.297
Total	**60.578.115**	60.225.353	23.885.914

) **Other current liabilities**	**December 31, 2010**	December 31, 2009
Taxes and funds payable	**4.772.726**	3.227.485
Social and funds payable	**2.044.993**	1.773.651
Deferred special consumption tax	**133.358**	259.324
Other	**180.250**	157.242
Total	**7.131.327**	5.417.702

16. Shareholders' equity

Share capital

The shareholding structure of the Company as of December 31, 2010 and 2009 is as follows:

	December 31, 2010		December 31, 2009	
Shareholder	**TL**	**%**	TL	%
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
Inflation adjustments to share capital	**52.743.030**		52.743.030	
Total	**76.743.030**		76.743.030	

16. Shareholders' equity (continued)

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

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the Company’s share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the Company’s share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted.

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

In accordance with the Capital Market Board Communiqué IV, Nr: 27, article 5th, in the listed companies, the first dividend shall not be below %20 of the distributable profit deducted the accumulated losses. Based on their decisions taken in the ordinary general boards, listed joint-stock companies have their right to distribute dividends in cash, in share certificates, in partial distribution within cash or share certificates while retaining a portion in the partnership.

Based on the decision of CMB, distributable profit -calculated upon the regulations of CMB related with the dividend distribution- shall be fully distributed if the amount is adequate to be provided by the distributable profits with respect to the statutory books, otherwise, all of the net distributable amount in the statutory books shall be distributed. No profit distribution shall be made in the case of tax loss is met in either local books or the financial statements prepared in accordance with CMB regulations.

Based on the decision of CMB dated January 27, 2010, it is decided not to determine any minimum dividend payment distribution requirement for publicly held companies.

Inflation adjustments to issued capital and historical amount of extraordinary reserves can be used for in kind capital increase, dividend distribution in cash or the net loss deduction. In case inflation adjustment to issued capital is used as dividend distribution in cash, it is subject to corporation tax.

As of December 31, 2010, in the financial statements of the Company prepared in accordance with financial reporting standards published by Capital Markets Board net income of the year and prior year profits including other reserves to be distributed as dividend is TL 20.778.314 and TL 59.241.787, respectively. Current year net income of the Company in statutory books is TL 36.775.511, other reserves to be distributed as dividend is TL 58.868.141. After deduction of first legal reserves, current year net profit in statutory books is TL 36.775.511. As of our report date, there is no decision of dividend distribution related to 2010.

(Currency –Turkish Lira (TL) unless otherwise indicated)

16. Shareholders' equity (continued)

In accordance with the Communiqué, as of December 31, 2010 and December 31, 2009, the details of equity, based on which the dividend will be distributed is as follows:

	December 31, 2009	December 31, 2009
Paid-in share capital	**24.000.000**	24.000.000
Inflation adjustments on equity items	**52.743.030**	52.743.030
Revaluation surplus		
- Revaluation surplus of financial assets	**-**	-
Restricted reserves	**16.738.147**	14.818.147
Retained earnings		
- Extraordinary reserves	**48.291.704**	36.751.894
- Inflation adjustments on legal reserves	**10.950.083**	10.950.083
- Retained earnings		
Net income for the year	**20.778.314**	33.859.810
Total shareholder’s equity	**173.501.278**	173.122.964

As of December 31, 2010 and 2009, the restated amounts and the equity restatement differences of the aforementioned nominal values are as follows:

			December 31, 2010
	Historical value	**Restated value**	**Inflation adjustments on equity items**
Share capital	**24.000.000**	**76.743.030**	**52.743.030**
Legal reserves	**16.738.147**	**27.677.929**	**10.950.083**
Total	**40.738.147**	**104.420.959**	**63.693.113**

			December 31, 2009
	Historical value	Restated value	Inflation adjustments on equity items
Share capital	24.000.000	76.743.030	52.743.030
Legal reserves	14.818.147	25.768.230	10.950.083
Total	38.818.147	102.511.260	63.693.113

(Currency –Turkish Lira (TL) unless otherwise indicated)

16. Shareholders' equity (continued)

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

	December 31, 2010	December 31, 2009
Legal reserves	**16.738.147**	14.818.147
Extraordinary reserves	**58.868.141**	60.181.449
Total	**75.606.288**	74.999.596
Dividends distributed during year based on previous year's net income per statutory financial statements	**20.400.000**	7.200.000
Dividend paid per share (kuruş)	**0,085**	0,030

The Company's share capital is fully paid, and consists of 24.000.000.000 shares with kuruş 0,1 par value each.

17. Sales and cost of sales

Net sales

	2010	2009
Domestic sales	**448.419.381**	345.620.944
Export sales	**69.478.800**	157.789.678
Gross sales	**517.898.181**	503.410.622
Less: Sales discounts and sales returns	**(501.687)**	(165.939)
Net sales	**517.396.494**	503.244.683

(Currency –Turkish Lira (TL) unless otherwise indicated)

17. Sales and cost of sales (continued)

As of December 31, 2010 and 2009 sales of the Company in terms of the number of vehicles sold are as follows;

	2010	2009
Commercial vehicle	**271.182.909**	184.744.300
Armored vehicles	**119.856.251**	179.238.100
Other sales (*)	**126.357.334**	139.262.283
	517.396.494	503.244.683

(*) TL 79.561.711 of this amount is related to revenues of uncompleted contracts (December 31, 2009 - TL 74.129.647).

Cost of sales

	2010	2009
Cost of finished goods sold	**402.923.165**	347.330.740
Cost of merchandise sold	**23.377.017**	29.136.295
Cost of sales	**426.300.182**	376.467.035

18. Research and development expenses, marketing, selling and distribution expenses, general and administrative expenses

	2010	2009
Selling and marketing expenses	**42.376.871**	43.453.036
General and administrative expenses	**19.913.065**	24.145.637
Research and development expenses	**7.186.302**	5.171.960
Total operating expenses	**69.476.238**	72.770.633

(Currency –Turkish Lira (TL) unless otherwise indicated)

18. Research and development expenses, marketing, selling and distribution expenses, general and administrative expenses (continued)

For the years 2010 and 2009, the allocation of personnel expense has been as follows:

	2010	2009
Cost of sales and inventories on hand	**37.687.411**	31.999.153
Research and development expenditures (including capitalizations)	**12.476.635**	11.340.323
General administrative expenses	**11.044.838**	10.301.119
Selling and marketing expenses	**8.534.740**	8.221.886
Costs related to uncompleted contracts	**8.719.130**	6.037.602
Total	**78.462.754**	67.900.083

19. Expenses by nature

	2010	2009
Cost of raw material and consumption goods	**334.665.957**	307.619.005
Personnel expenses	**66.683.358**	58.025.981
Other production expenses	**11.300.213**	8.954.722
Warranty expense	**8.536.235**	8.686.823
Other sales expenses	**1.266.335**	7.591.176
Depreciation and amortization	**14.361.794**	9.894.014
Transportation and insurance expense	**4.272.898**	3.203.739
Exhibition and fair expenses	**2.555.148**	2.410.753
Change in finished goods and work-in-process	**4.680.652**	(2.177.961)
Cost of merchandise sold	**23.377.017**	29.136.295
Other expenses	**24.076.813**	15.893.121
Total expenses	**495.776.420**	449.237.668

The breakdown of personnel expenses is as follows:

	2010	2009
Personnel expenses		
Wages and salaries	**60.685.437**	52.393.720
SSK employee contribution	**9.770.756**	8.480.044
Other social benefits	**5.578.227**	4.095.442
Employee termination benefits	**2.428.334**	2.930.877
	78.462.754	67.900.083

(Currency –Turkish Lira (TL) unless otherwise indicated)

20. Other operating income / expense

	2010	2009
Other income		
R&D incentives income	**1.729.196**	2.626.157
Income related to Entek sales	**-**	1.434.437
Gain on sale of property, plant and equipment	**2.858.179**	7.453
Other	**1.183.561**	1.414.275
Total	**5.770.936**	5.482.322

	2010	2009
Other expense		
Bank transaction expenses	**(214.429)**	(698.800)
Provision for doubtful receivables	**(1.535.319)**	(1.411.051)
Other	**-**	1.469.215
	(1.749.748)	(640.636)

21. Financial income

	2010	2009
Foreign exchange gain	**26.544.615**	43.943.632
Futures income	**1.711.735**	-
Foreign exchange gain on bank borrowings	**2.585.250**	18.423.156
Interest income from time deposits	**746.729**	2.709.512
Term difference income related to sales	**6.048.333**	2.395.466
Total	**37.636.662**	67.471.766

22. Financial expense

	2010	2009
Foreign exchange losses	**(29.771.945)**	(51.755.997)
Interest expense on bank borrowings	**(12.365.701)**	(21.115.831)
Foreign exchange losses on bank borrowings	**(48.900)**	(17.773.774)
Unearned financial expense	**(30.516)**	-
Futures expense	**(984.007)**	-
Total	**(43.201.069)**	(90.645.602)

(Currency –Turkish Lira (TL) unless otherwise indicated)

23. Tax assets and liabilities

The Company is subject to taxation in accordance with the tax regulation and the legislation effective in Turkey.

In Turkey, the corporation tax rate is 20% (December 31, 2009 - 20%). Corporate tax returns are required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid in one installment by the end of the fourth month. The tax legislation provides for a temporary tax of 20% (2009 - 20%) to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the final corporate tax liability for the year.

Corporate tax losses can be carried forward for a maximum period of 5 years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

15% withholding applies to dividends distributed by resident real persons, those who are not liable to income and corporation tax, non-resident real persons, non-resident corporations (excluding those that acquire dividend through a permanent establishment or permanent representative in Turkey) and non-resident corporations exempted from income and corporation tax. Dividend distribution by resident corporations to resident corporations is not subject to a withholding tax. Furthermore, in the event the profit is not distributed or included in capital, no withholding tax shall be applicable.

Research and development incentive rate which will be calculated over the research and development expenditures, is raised to 100% from 40% with the amendment made to the 10th article of the Tax Law numbered 5520 as a result of the amendment in the 35th article of the Law 5746 related to the Support of Research and Development Operations. The aforementioned law has been enacted as of April 1, 2008. Accordingly, income tax-payers can deduct 100% of the expenditures made as of then, which are related to research and development related to new technology and information developments. Research and development incentives shall be calculated over the total expenditures made in 2010 and 2009.

The Company has utilized research and development incentives amounting to TL 22.425.397 (December 31, 2009 - TL 23.263.413) -as a result of its research and development expenditures made in 2010 amounting to TL 20.749.149 (December 31, 2009 – TL 23.263.413) and unused incentives as of December 31, 2009 amounting to TL1.676.248 - at 100% (December 31, 2009 - 100%) deduction without any withholding tax. The Company has an R&D center certificate.

As of December 31, 2010 and December 31, 2009, income tax payables net off prepaid taxes presented in the balance sheet is as follows:

	December 31, 2010	December 31, 2009
Income tax payable	**4.581.519**	-
Income tax payable	**4.581.519**	-

(Currency –Turkish Lira (TL) unless otherwise indicated)

23. Tax assets and liabilities (continued)

The breakdown of total tax expense for the year ended December 31, 2010 and 2009:

	2010	2009
Deferred tax credit/(charge)	**5.282.978**	(1.815.055)
Corporate tax charge	**(4.581.519)**	-
Total tax expense	**701.459**	(1.815.055)

The reconciliation of profit before tax to total tax expense is as follows:

	December 31, 2010	December 31, 2009
Profit before tax	**20.076.855**	35.674.865
Income tax charge at effective tax rate 20%	**(4.015.371)**	(7.134.973)
Effect of exemptions and incentives	**4.485.079**	5.480.336
Others	**231.751**	(160.418)
Total tax expense	**701.459**	(1.815.055)

As of December 31, 2010 and 2009, the breakdown of deferred tax bases and deferred tax liability computed using the current effective tax rates are as follows:

	Cumulative temporary differences		**Deferred tax assets/(liability)**	
	December 31, 2010	December 31, 2009	**December 31, 2010**	December 31, 2009
Property, plant and equipment	**(6.212.127)**	(5.245.615)	**2.238.869**	2.432.172
Intangibles	**(9.250.865)**	(4.353.089)	**(1.850.173)**	(870.618)
Deferred financial expense	**(189.676)**	(1.665.601)	**(37.935)**	(333.120)
Inventories	**(433.007)**	970.454	**(86.601)**	194.091
Warranty reserve	**6.511.876**	6.184.720	**1.302.375**	1.236.944
Reserve for retirement pay	**7.088.568**	5.616.418	**1.417.714**	1.123.284
Deferred financial income	**543.512**	1.223.640	**108.702**	244.728
Other provisions	**7.313.549**	3.765.163	**1.462.710**	753.033
Adjustment for percentage of completion method on construction projects	**17.723.696**	(9.802.719)	**3.544.739**	(1.960.544)
Other	**(779.753)**	(792.487)	**(155.950)**	(158.498)
Deferred tax asset			**7.944.450**	2.661.472

(Currency –Turkish Lira (TL) unless otherwise indicated)

23. Tax assets and liabilities (continued)

The movement of deferred tax liability and asset for the year ended December 31, 2010 and 2009 is as follows:

	December 31, 2010	December 31, 2009
January 1	**2.661.472**	4.476.527
Deferred tax charge/(credit)	**5.282.978**	(1.815.055)
	7.944.450	2.661.472

24. Earnings per share

Earnings per share are 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 Company, 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 year concerned.

	December 31, 2010	December 31, 2009
Net income attributable to shareholders (TL)	**20.778.314**	33.859.810
Weighted average number of issued shares	**24.000.000.000**	24.000.000.000
Earnings per share (kuruş)	**0,087**	0,141

(Currency –Turkish Lira (TL) unless otherwise indicated)

25. 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) Due from and due to related party balances as of December 31, 2010 and December 31, 2009:

Due from related parties	**December 31, 2010**	December 31, 2009
Ram Dış Ticaret A.Ş.(Ram Dış) (1) (*)	**18.799.156**	30.535.451
Ford Otosan A.Ş.(Ford) (1)	**56.323**	18.514
Rmk Marine Gemi San.A.Ş.(Rmk Gemi) (1)	**25.966**	22.905
Other (1)	**8.834**	44.358
Total	**18.890.279**	30.621.228

(1) Shareholders’ subsidiary

(*) Certain portion of export sales are realized through Ram Dış, accordingly the amount composed of accounts receivables arising on these transactions.

Due to related parties	**December 31, 2010**	December 31, 2009
Zer Merkezi Hizmetler ve Ticaret A.Ş.(Zer) (1)	**1.056.504**	748.163
Ram Dış (1)	**1.024.253**	276.840
Eltek Elektrik Enerji İth. İhr.Top.Tic. A.Ş. (Eltek) (1)	**275.599**	-
Setur Servis Turistik A.Ş. (Setur) (1)	**224.384**	263.272
Platform Araştırma ve Geliştirme Taş. Tic. A.Ş.(Platform) (1)	**210.382**	194.149
Akpa Dayanıklı Tük. Paz. A.Ş. (Akpa) (1)	**203.774**	177.502
Otokoç Otomotiv Tic.San. A.Ş. (Otokoç) (1)	**125.872**	203.549
Ram Sigorta Aracılık Hiz. A.Ş. (Ram Sigorta) (1)	**91.671**	55.238
Koç Sistem Bilgi İle Hizm. A.Ş. (Koç Sistem) (1)	**51.196**	265.270
Promena Elektronik Tic. A.Ş. (Promena) (1)	**38.466**	14.950
Koç-Net Haberleşme A.Ş (Koçnet) (1)	**29.982**	28.245
Opet Petrolcülük A.Ş. (Opet) (1)	**19.210**	18.087
Koçtaş Yapı Marketleri T.A.Ş. (Koçtaş) (1)	**17.838**	78
Koç Holding A.Ş.(Koç Holding) (2)	**6.671**	108.280
Setair Hava Taşım. ve Hiz. A.Ş. (Setair) (1)	**-**	78.266
Ford (1)	**-**	24.533
Palmira Turizm Tic. A.Ş. (Palmira)(1)	**288**	1.863
Yapı Kredi Kültür ve Sanat (1)	**-**	1.790
Other	**653**	7.235
Total	**3.376.743**	2.467.310

(Currency –Turkish Lira (TL) unless otherwise indicated)

25. Related party disclosures (continued)

ii) Major sales and purchase transactions with related parties for the years ended:

Product sales and service revenue	**2010**	2009
Ram Dış (1) (*)	**39.850.839**	132.084.295
Zer (1)	**456.016**	302.435
Aygaz Anonim Şirketi (Aygaz) (1)	**162.857**	161.698
Otokoç (1)	**161.500**	126.746
Ford (1)	**3.789**	14.073
Aygaz Doğalgaz İletim A.Ş. (Aygaz Doğalgaz) (1)	**-**	3.170
Total	**40.635.001**	132.692.417

(1) Shareholders' subsidiary
(2) Shareholder

(*) Certain portion of export sales are realized through Ram Dış, accordingly the amount composed of accounts receivables arising on these transactions.

Purchase of property, plant and equipment	**2010**	2009
Koç Sistem (1)	**1.240.084**	1.360.133
Otokoç (1)	**59.794**	150.950
Koçnet (1)	**91.210**	26.451
Zer (1)	**5.019**	-
Arçelik A.Ş. (1)	**2.310**	-
Koçtaş Yapı Marketleri A.Ş. (Koçtaş)(1)	**1.170**	-
Total	**1.399.587**	1.537.534

Inventory purchases	**2010**	2009
Zer (1)	**5.579.493**	4.192.838
Ram Dış (1)	**3.855.965**	1.407.186
Akpa (1)	**1.259.185**	1.207.464
Beldeyama Motorlu Vasıtalar Sanayi A.Ş. (Beldeyama) (1)	**-**	623.350
Opet (1)	**293.080**	263.381
Koçtaş (1)	**30.694**	20.469
Arçelik A.Ş. (1)	**3.453**	12.874
Ford (1)	**-**	5.643
Total	**11.021.870**	7.733.205

(Currency –Turkish Lira (TL) unless otherwise indicated)

25. Related party disclosures (continued)

Services received	**2010**	2009
Eltek (1)	**1.537.021**	-
Setur (1)	**1.488.070**	1.355.000
Ram Sigorta (1) (*)	**1.241.101**	1.073.286
Ram Dış (1)	**1.237.287**	8.090.341
Koç Holding (2)	**1.162.663**	1.096.183
Otokoç (1)	**614.221**	622.313
Koç.Net (1)	**298.566**	207.963
Koç Sistem (1)	**209.635**	285.070
Platform (1)	**178.983**	165.129
Promena (1)	**119.109**	42.907
Tofaş(1)	**-**	8.104
Koç Üniversitesi (1)	**9.616**	7.595
Palmira (1)	**3.623**	6.789
Rahmi M. Koç Müzesi (1)	**1.962**	-
Setair (1)	**-**	108.620
Otoyol which is in liquidation process (3)	**-**	5.953
Yapı Kredi Kültür ve Sanat Yay (1)	**-**	1.662
Total	**8.101.857**	13.076.915

(1) Shareholders' subsidiary
(2) Shareholder
(3) Shareholder's subsidiary in liquidation process

(*) It includes paid and accrued premium as of December 31,2010 in accordance with insurance policies signed between unrelated insurance companies via Ram Sigorta Aracılık Hizmetleri A.Ş. which is a insurance agency.

Bank deposits	**December 31, 2010**	December 31, 2009
Yapı ve Kredi Bankası A.Ş. (1)		
- demand deposits	**-**	7.131.308
- time deposits	**4.201.751**	626.547
	4.201.751	7.757.855

Checks and notes in collection	**December 31, 2010**	December 31, 2009
Yapı ve Kredi Bankası A.Ş. (1)	**14.226.501**	14.309.918
	14.226.501	14.309.918

(Currency –Turkish Lira (TL) unless otherwise indicated)

37. Related party disclosures (continued)

Bank loans	December 31, 2010	December 31, 2009
Yapı ve Kredi Bankası A.Ş. (1)	**-**	50.203.570
	-	50.203.570

iii) For the year ended December 31, financial income and expense with related parties:

Interest income	December 31, 2010	December 31, 2009
Yapı ve Kredi Bankası A.Ş. (1)	**47.648**	1.180.929
Total	**47.648**	1.180.929

Foreign exchange gains	2010	2009
Yapı ve Kredi Bankası A.Ş. (1)	**7.039.375**	7.757.256
Ram Dış (1)	**1.104.195**	14.206.510
Ram Sigorta (1)	**690**	-
Total	**8.144.260**	21.963.766

(1) Shareholders' subsidiary

Forward gains /(losses)	2010	2009
Yapı ve Kredi Bankası A.Ş.		
Forward gains	**1.044.541**	678.416
Forward loss	**(429.620)**	(1.879.244)
Total	**614.921**	(1.200.828)

(Currency –Turkish Lira (TL) unless otherwise indicated)

25. Related party disclosures (continued)

Foreign exchange losses	**2010**	2009
Yapı ve Kredi Bankası A.Ş. (1)	**9.308.719**	11.253.453
Ram Dış (1)	**724.474**	16.015.358
Otoyol which is in liquidation process (3)	**-**	668.266 (*)
Ram Sigorta (1)	**378**	-
Total	**10.033.571**	27.937.077

(*) Foreign exchange losses invoiced by Otoyol Sanayi A.Ş are resulted from the foreign exchange difference between the date of the invoice and the date of the payments related to the purchase of fixed assets from Otoyol Sanayi A.Ş. amounting to USD 47,5 million.

Interest expense	**2010**	2009
Yapı ve Kredi Bankası A.Ş. (1)	**4.533.457**	2.315.952
Total	**4.533.457**	2.315.952

(1) Shareholders' subsidiary
(3) Shareholder's subsidiary in liquidation process

Benefits provided to executives

Salaries and similar benefits provided to the executive management by the Company for the year ended December 31, 2010 amounted to TL 5.534.095 (December 31, 2009 - TL 4.350.657).

26. 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.

(Currency –Turkish Lira (TL) unless otherwise indicated)

26. Nature and level of risks arising from financial instruments (continued)

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 based on their past experiences and current economic condition, and are presented in financial statements net of provision for doubtful receivables (Note 6).

	Receivables			
Current year	**Trade receivables**	**Other receivables**	**Bank deposits (Note 6)**	**Derivative instruments**
Maximum credit risk exposure as of reporting date (A+B+C+D+E) (1)	**177.675.195**	**43.640.787**	**110.474.962**	**-**
- Maximum risk secured by guarantee **(2)**	**(187.644.984)**	**-**	**-**	**-**
A. Net book value of financial assets neither overdue nor impaired	**-**	**-**	**-**	**-**
B. Net book value of financial assets of which conditions are negotiated, otherwise considered as impaired or overdue	**174.240.909**	**43.640.787**	**110.474.962**	**-**
C. Net book value of assets overdue but not impaired	**2.657.583**	**-**	**-**	**-**
D. Net book value of impaired assets	**776.703**	**-**	**-**	**-**
- Overdue (gross book value)	**11.316.949**	**-**	**-**	**-**
- Impairment (-) (Note 10)	**(10.540.246)**	**-**	**-**	**-**
- Net value under guarantee	**385.474**	**-**	**-**	**-**
- Not overdue (gross book value)	**-**	**-**	**-**	**-**
- Impairment (-)	**-**	**-**	**-**	**-**
- Net value under guarantee	**-**	**-**	**-**	**-**
E. Off- balance sheet items having credit risk				

(1) Guarantees received and factors increasing the loan reliability are not considered when determining this amount.
(2) Guarantees consist of guarantee notes, guarantee checks, mortgages and car pledges received from customers.

(Currency –Turkish Lira (TL) unless otherwise indicated)

26. Nature and level of risks arising from financial instruments (continued)

	Receivables			
Prior year	Trade receivables	Other receivables	Bank deposits (Note 6)	Derivative instruments
Maximum credit risk exposure as of reporting date (A+B+C+D+E) (1)	159.793.780	36.312.503	30.233.627	-
- Maximum risk secured by guarantee **(2)**	(125.401.848)	-	-	-
A. Net book value of financial assets neither overdue nor impaired	157.273.528	36.312.503	30.233.627	-
B. Net book value of financial assets of which conditions are negotiated, otherwise considered as impaired or overdue	-	-	-	-
C. Net book value of assets overdue but not impaired	1.113.718	-	-	-
D. Net book value of impaired assets	1.406.534	-	-	-
- Overdue (gross book value)	10.438.968	-	-	-
- Impairment (-) (Note 10)	(9.032.435)	-	-	-
- Net value under guarantee	1.406.533	-	-	-
- Not overdue (gross book value)	-	-	-	-
- Impairment (-)	-	-	-	-
- Net value under guarantee	-	-	-	-
E. Off- balance sheet items having credit risk	-	-	-	-

(1) Guarantees received and factors increasing the loan reliability are not considered when determining this amount.
(2) Guarantees consist of guarantee notes, guarantee checks, mortgages and car pledges received from customers.

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.

As of December 31, 2010 and December 31, 2009, maturities of gross trade payables and financial liabilities are as follows:

(Currency –Turkish Lira (TL) unless otherwise indicated)

26. Nature and level of risks arising from financial instruments (continued)

Current year

Maturities per agreements	Book value	Total cash outflow per agreement (=I+II+III+IV)	Less than 3 month (I)	Between 3-12 month (II)	Between 1-5 year (III)	Over 5 years (IV)
Non-derivative financial liabilities						
Bank loans	**128.882.457**	**138.196.972**	**17.062.793**	**37.857.191**	**83.276.988**	**-**
Trade payables	**47.561.560**	**47.751.405**	**43.733.173**	**4.018.232**	**-**	**-**

Expected maturities	Book value	Total expected cash outflow (=I+II+III+IV)	Less than 3 month (I)	Between 3-12 month (II)	Between 1-5 year (III)	Over 5 years (IV)
Non-derivative financial liabilities						
Other payables	**3.501.606**	**3.501.607**	**3.469.360**	**25.350**	**6.897**	**-**
Other current liabilities	**7.131.327**	**7.131.327**	**7.131.327**	**-**	**-**	**-**

Expected maturities (or maturities per agreement)	Book value	Total cash outflow expected / per agreement (=I+II+III+IV)	Less than 3 month (I)	Between 3-12 month (II)	Between 1-5 year (III)	Over 5 years (IV)
Derivative financial liabilities (net)	**182.808**	**182.808**	**-**	**-**	**-**	**-**
Derivative cash inflows	**411.764**	**411.764**	**411.764**		**-**	**-**
Derivative cash outflows	**(228.956)**	**(228.956)**	**-**	**(228.956)**	**-**	**-**

Prior year

Maturities per agreements	Book value	Total cash outflow per agreement (=I+II+III+IV)	Less than 3 month (I)	Between 3-12 month (II)	Between 1-5 year (III)	Over 5 years (IV)
Non-derivative financial liabilities						
Bank loans	141.225.474	150.063.565	69.854.413	-	80.209.152	-
Trade payables	56.548.984	56.769.351	46.154.444	10.607.642	7.265	-

Expected maturities	Book value	Total expected cash outflow (=I+II+III+IV)	Less than 3 month (I)	Between 3-12 month (II)	Between 1-5 year (III)	Over 5 years (IV)
Non-derivative financial liabilities						
Other payables	3.057.126	3.057.126	-	3.057.126	-	-
Other current liabilities	5.417.702	5.417.702	5.417.702	-	-	-

Expected maturities (or maturities per agreement)	Book value	Total cash outflow expected / per agreement (=I+II+III+IV)	Less than 3 month (I)	Between 3-12 month (II)	Between 1-5 year (III)	Over 5 years (IV)
Derivative financial liabilities (net)						
Derivative cash inflows	-	-	-	-	-	-
Derivative cash outflows	-	-	-	-	-	-

(Currency –Turkish Lira (TL) unless otherwise indicated)

26. Nature and level of risks arising from financial instruments (continued)

Market risk

a) *Foreign currency risk and related sensitivity analysis*

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 recognized assets and liabilities.

The accompanying table represents the foreign currency risk of the Company as of December 31, 2010;

						Table of foreign currency position
						Current year
		TL equivalent (functional currency)	**USD**	**EUR**	**GBP**	**CHF**
1.	Trade receivables	104.009.947	14.725.861	39.292.550	305.368	-
2a.	Monetary financial assets (including cash, bank accounts)	155.109.729	91.024.578	7.012.640	6.753	-
2b.	Non-monetary financial assets	-	-	-	-	-
3.	Other	-	-	-	-	-
4.	**Current assets (1+2+3)**	**259.119.676**	**105.750.439**	**46.305.190**	**312.121**	-
5.	Trade receivables	41.433.423	-	20.220.303	-	-
6a.	Monetary financial assets	-	-	-	-	-
6b.	Non-monetary financial assets	-	-	-	-	-
7.	Other	-	-	-	-	-
8.	**Non-current assets (5+6+7)**	**41.433.423**	**-**	**20.220.303**	**-**	-
9.	**Total assets(4+8)**	**300.553.099**	**105.750.439**	**66.525.493**	**312.121**	-
10.	Trade payables	(15.824.373)	-	(4.592.477)	(2.685.225)	-
11.	Financial liabilities	(21.265.824)	-	(10.378.129)	-	-
12a.	Monetary other liabilities	(247.370.105)	(159.057.179)	(716.269)	-	-
12b.	Non-monetary other liabilities	-)	-)	-	-	-
13.	**Current liabilities (10+11+12)**	**(284.460.302)**	**(159.057.179)**	**(15.686.875)**	**(2.685.225)**	-
14.	Trade payables	-	-	-	-	-
15.	Financial liabilities	(15.469.279)	-	(7.549.304)	-	-
16a.	Monetary other liabilities	-	-	-	-	-
16b.	Non-monetary other liabilities	-	-	-	-	-
17.	**Non-current liabilities (14+15+16)**	**(15.469.279)**	**-**	**(7.549.304)**	**-**	-
18.	**Total liabilities (13+17)**	**(299.929.581)**	**(159.057.179)**	**(23.236.179)**	**(2.685.225)**	-
19.	Net asset/(liability) position of off-balance sheet derivative instruments(19a-19b)	-	-	-	-	-
19a.	Hedged total assets amount	-	-	-	-	-
19b.	Hedged total liabilities amount	-	-	-	-	-
20.	**Net foreign currency asset/(liability) position (9+18+19)**	**623.518**	**(53.306.740)**	**43.289.314**	**(2.373.104)**	-
21.	**Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)**	**623.518**	**(53.306.740)**	**43.289.314**	**(2.373.104)**	-
22.	Total fair value of financial instruments used for foreign currency hedging	-	-	-	-	-
23.	Export	69.424.341	9.639.936	27.171.629	359.295	-
24.	Import	129.399.072	30.428.251	35.587.455	5.851.327	-

(Currency –Turkish Lira (TL) unless otherwise indicated)

26. Nature and level of risks arising from financial instruments (continued)

		Table of foreign currency position				
						Prior year
		TL equivalent (functional currency)	USD	EUR	GBP	CHF
1.	Trade receivables	108.970.501	6.783.832	44.843.135	787.486	-
2a.	Monetary financial assets (including cash, bank accounts)	59.254.498	37.288.099	1.380.516	53.356	-
2b.	Non-monetary financial assets	-	-	-	-	-
3.	Other	-	-	-	-	-
4.	**Current assets (1+2+3)**	168.224.999	44.071.931	46.223.651	840.842	-
5.	Trade receivables	31.422.645	-	14.545.501	-	-
6a.	Monetary financial assets	-	-	-	-	-
6b.	Non-monetary financial assets	-	-	-	-	-
7.	Other	-	-	-	-	-
8.	**Non-current assets (5+6+7)**	31.422.645	-	14.545.501	-	-
9.	**Total assets(4+8)**	199.647.644	44.071.931	60.769.152	840.842	-
10.	Trade payables	(27.889.814)	(808.758)	(2.474.573)	(8.926.104)	-
11.	Financial liabilities	(37.880.708)	(10.059.212)	(10.523.794)	-	-
12a.	Monetary other liabilities	(143.938.814)	(85.396.020)	(7.109.210)	-	-
12b.	Non-monetary other liabilities	-	-	-	-	-
13.	**Current liabilities (10+11+12)**	(209.709.336)	(96.263.990)	(20.107.577)	(8.926.104)	-
14.	Trade payables	-	-	-	-	-
15.	Financial liabilities	(21.633.594)	-	(10.014.162)	-	-
16a.	Monetary other liabilities	-	-	-	-	-
16b.	Non-monetary other liabilities	-	-	-	-	-
17.	**Non-current liabilities (14+15+16)**	(21.633.594)	-	(10.014.162)	-	-
18.	**Total liabilities (13+17)**	(231.342.930)	(96.263.990)	(30.121.739)	(8.926.104)	-
19.	Net asset/(liability) position of off-balance sheet derivative instruments(19a-19b)	-	-	-	-	-
19a.	Hedged total assets amount	-	-	-	-	-
19b.	Hedged total liabilities amount	-	-	-	-	-
20.	**Net foreign currency asset/(liability) position (9+18+19)**	(31.695.286)	(52.192.059)	30.647.413	(8.085.262)	-
21.	**Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)**	(31.695.286)	(52.192.059)	30.647.413	(8.085.262)	-
22.	Total fair value of financial instruments used for foreign currency hedging	-	-	-	-	-
23.	Export	158.023.446	54.461.939	27.342.162	4.495.814	-
24.	Import	153.977.582	26.863.275	35.628.214	14.246.113	872.942

As of December 31, 2010, the Company signed forward agreements amounting to USD 56.440.600 and GBP 2.400.000 (December 31, 2009 - USD 53.000.000). According to the agreements, the Company will purchase the related amounts in consideration to EUR 44.949.712 (December 31, 2009 - 37.975.909 EURO).

(Currency –Turkish Lira (TL) unless otherwise indicated)

26. Nature and level of risks arising from financial instruments (continued)

The following table demonstrates the sensitivity to a possible change of 10% in the USD, Euro and GBP exchange rates, with all other variables held constant, on the Company's income before tax as of December 31, 2010 and 2009:

		Exchange rate sensitivity analysis table	
			Current year
		Profit/loss	**Profit/loss**
		Appreciation of foreign currency	**Appreciation of foreign currency**
	In case 10% appreciation of USD against TL:		
1-	USD net asset/liability	**(8.241.222)**	**8.241.222**
2-	Amount hedged for USD risk (-)	**-**	**-**
3-	**USD net effect (1+2)**	**(8.241.222)**	**8.241.222**
	In case 10% appreciation of EUR against TL:		
4-	EUR net asset/liability	**8.870.414**	**(8.870.414)**
5-	Amount hedged for EUR risk (-)	**-**	**-**
6-	**EUR net effect (4+5)**	**8.870.414**	**(8.870.414)**
	In case 10% appreciation of GBP against TL:		
7-	GBP net asset/liability	**(566.840)**	**566.840**
8-	Amount hedged for GBP risk (-)	**-**	**-**
9-	**GBP net effect (7+8)**	**(566.840)**	**566.840**
	Total (3+6+9)	**62.352**	**(62.352)**

(Currency –Turkish Lira (TL) unless otherwise indicated)

26. Nature and level of risks arising from financial instruments (continued)

		Exchange rate sensitivity analysis table	
			Prior year
		Profit/loss	Profit/loss
		Appreciation of foreign currency	Appreciation of foreign currency
	In case 10% appreciation of USD against TL:		
1-	USD net asset/liability	(7.858.558)	7.858.558
2-	Amount hedged for USD risk (-)	-	-
3-	**USD net effect (1+2)**	(7.858.558)	7.858.558
	In case 10% appreciation of EUR against TL:		
4-	EUR net asset/liability	6.620.760	(6.620.760)
5-	Amount hedged for EUR risk (-)	-	-
6-	**EUR net effect (4+5)**	6.620.760	(6.620.760)
	In case 10% appreciation of GBP against TL:		
7-	GBP net asset/liability	(1.931.731)	1.931.731
8-	Amount hedged for GBP risk (-)	-	-
9-	**GBP net effect (7+8)**	(1.931.731)	1.931.731
	Total (3+6+9)	(3.169.529)	3.169.529

Outstanding forward agreements

Amount	Sold currency	Purchased currency	Parity	Transaction date	Maturity
11.000.000	EUR	USD	1,3583	30.09.2010	30.03.2011
3.629.501	EUR	USD	1,3776	27.10.2010	26.04.2011
5.000.000	EUR	USD	1,3731	22.11.2010	22.02.2011
3.000.000	EUR	USD	1,3000	30.11.2010	29.03.2011
5.000.000	EUR	USD	1,3290	17.12.2010	14.04.2011
10.000.000	EUR	USD	1,3138	27.12.2010	25.05.2011
470.035	EUR	GBP	0,8510	27.12.2010	21.03.2011
1.175.088	EUR	GBP	0,8510	27.12.2010	27.04.2011
1.175.088	EUR	GBP	0,8510	27.12.2010	16.05.2011
4.500.000	EUR	USD	1,3224	30.12.2010	08.06.2011
11.000.000	EUR	USD	1,3583	30.09.2010	30.03.2011
3.629.501	EUR	USD	1,3776	27.10.2010	26.04.2011

As of December 31, 2009, the Company does not have any derivative instruments

26. Nature and level of risks arising from financial instruments (continued)

b) Interest position table and related sensitivity analysis

Interest rate risk

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

The Company’s interest rate risk arises from short-term borrowings and time deposits. The Company has obtained fixed rate bearing borrowings and time deposits however the borrowings and time deposits that the Company will obtain in future will be affected from future interest rates.

According to IFRS 7 “Financial Assets” effective from January 1, 2008, the interest rate position of the Company is as following:

Interest rate position table		**Current year**	Prior year
Financial liabilities	**Fixed-interest bearing financial instruments**	**128.882.457**	141.225.475

As of December 31, 2010 and 2009, financial liabilities of the Company are bank loans with fixed interest rates.

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.

(Currency –Turkish Lira (TL) unless otherwise indicated)

26. Nature and level of risks arising from financial instruments (continued)

	December 31, 2010	December 31, 2009
Total debt	**128.882.457**	141.225.474
Less: Cash and cash equivalents (Note 6)	**(111.564.742)**	(31.881.177)
Net debt	**17.317.715**	109.344.297
Total equity	**173.501.278**	173.122.964
Debt/share capital rate	**10%**	63%

27. 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.

Company considers that carrying amounts reflect fair values of the financial instruments.

Monetary assets - Short term monetary assets are considered to approximate their respective carrying values due to their short-term nature and low level of credit risk.

Monetary liabilities –Trade payables and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature. The fair values of long-term bank borrowings with fixed interest rates are noted that it is close to approximate their respective carrying values, since the interest rate as of balance sheet date is used. The fair values of short-term bank borrowings are considered to approximate their respective carrying values due to their short-term nature.

28. Subsequent events

None.

29. Other matters which are significant 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.