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

Otokar Otobüs Karoseri Sanayi Anonim Şirketi

Financial statements as of December 31, 2008 together with report of independent auditors

(Convenience translation of financial statements originally issued in Turkish)

Otokar Otobüs Karoseri 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 Otobüs Karoseri Sanayi Anonim Şirketi:

We have audited the accompanying financial statements of Otokar Otobüs Karoseri Sanayi Anonim Şirketi (the Company), which comprise the balance sheet as at December 31, 2008, and the 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.

Balance sheet of the Company as at December 31, 2007 and the income statement for the year then ended prepared in accordance with financial reporting standards issued by Capital Market Board was audited by other auditor. In the auditors’ report of other auditors, dated March 6, 2008, an unqualified opinion was issued on the financial statements as of and for the year then ended December 31, 2007.

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 Otobüs Karoseri Sanayi Anonim Şirketi as of December 31, 2008 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, 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
Engagement Partner

February 16, 2009
Istanbul, Turkey

Otokar Otobüs Karoseri Sanayi Anonim Şirketi

Balance sheet as of December 31, 2008
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) December 31, 2008	(Audited) December 31, 2007
Assets			
Current assets			
Cash and cash equivalents	6	**65.911.910**	3.602.328
Financial investments	7	**-**	-
Trade receivables		**136.553.576**	91.992.630
- Trade receivables from related parties	37	**22.522.704**	225.747
- Other trade receivables	10	**114.030.872**	91.766.883
Receivables from finance sector operations	12	**-**	-
Other receivables	11	**331**	7.525
Inventories	13	**117.045.641**	100.178.677
Biological assets	14	**-**	-
Other current asset	26	**23.885.914**	15.382.062
		343.397.372	211.163.222
Assets held for sale	34	**-**	-
Total current assets		**343.397.372**	211.163.222
Non-current assets			
Trade receivables		**37.617.739**	32.538.161
- Trade receivables related parties	37	**-**	-
- Other trade receivables	10	**37.617.739**	32.538.161
Receivables from finance sector operations	12	**-**	-
Other receivables	11	**5.903**	5.495
Financial investments	7	**2.107.000**	1.542.712
Investments accounted using equity method	16	**-**	-
Biological assets	14	**-**	-
Investment properties	17	**-**	-
Property, plant and equipment	18	**96.709.092**	41.373.329
Intangibles	19	**23.542.779**	5.578.622
Goodwill	20	**-**	-
Deferred tax asset	35	**4.476.527**	-
Other non-current assets	26	**-**	-
Total non-current assets		**164.459.040**	81.038.319
Total assets		**507.856.412**	292.201.541

The accompanying policies and explanatory notes on pages 8 through 61 form an integral part of the financial statements.

Otokar Otobüs Karoseri Sanayi Anonim Şirketi

Balance sheet as of December 31, 2008
Prepared in accordance with the Communiqué No: XI-29 "Communiqué on Financial Reporting Standards in Capital Market"
(Currency –Turkish Lira (TL) unless otherwise indicated)

		(Audited)	(Audited)
	Notes	**December 31, 2008**	December 31, 2007
Liabilities			
Current liabilities			
Financial liabilities	8	**210.331.455**	33.969.368
Other financial liabilities	9	**-**	-
Trade payables		**55.813.758**	48.867.283
- Trade payables to related parties	37	**12.862.156**	5.731.766
- Other trade payables	10	**42.951.602**	43.135.517
Other payables	11	**75.303.004**	42.077.568
Liabilities from finance sector operations	12	**-**	-
Government incentives and grants	21	**-**	-
Tax liabilities from net income for the year	22, 35	**-**	6.125.202
Provisions	22	**9.599.800**	9.804.067
Other current liabilities	26	**4.460.501**	3.881.452
		355.508.518	144.724.940
Liabilities related with assets held for sale		**-**	-
Total current liabilities		**355.508.518**	144.724.940
Non-current liabilities			
Financial liabilities	8	**-**	-
Other financial liabilities	9	**-**	-
Trade payables		**-**	-
- Trade payables to related parties	37	**-**	-
- Other trade payables	10	**-**	-
Other payables	11	**-**	-
Liabilities from finance sector operations	12	**-**	-
Government incentives and grants	21	**-**	-
Provisions	22	**-**	-
Reserve for retirement pay	24	**4.450.303**	4.118.424
Deferred tax liability	35	**-**	852.060
Other non-current liabilities	26	**-**	-
Total non-current liabilities		**4.450.303**	4.970.484
Shareholders' equity			
Parent Company's equity			
Paid-in share capital	27	**24.000.000**	24.000.000
Inflation adjustment on equity items		**52.743.030**	52.743.030
Adjustments to share capital and equity instruments (-)		**-**	-
Share premium		**-**	-
Revaluation surplus	27	**1.434.437**	898.363
Foreign currency translation adjustment		**-**	-
Restricted reserves	27	**14.218.147**	11.338.147
Retained earnings	27	**20.646.577**	15.953.643
Net income for the year	27	**34.855.400**	37.572.934
Minority interest		**-**	-
Total shareholders' equity		**147.897.591**	142.506.117
Total liabilities		**507.856.412**	292.201.541

The accompanying policies and explanatory notes on pages 8 through 61 form an integral part of the financial statements.

(Convenience translation of financial statements originally issued in Turkish)

Otokar Otobüs Karoseri Sanayi Anonim Şirketi

Income statement for the year ended December 31, 2008
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) December 31, 2008	(Audited) December 31, 2007
Continuing operations			
Net sales	28	**479.114.855**	427.610.628
Cost of sales (-)	28	**(362.487.653)**	(312.672.616)
Gross profit		**116.627.202**	114.938.012
Selling, marketing and distribution expense (-)	29	**(36.327.241)**	(45.615.033)
General and administrative expense (-)	29	**(21.044.451)**	(19.423.427)
Research and development expenses (-)	29	**(4.944.475)**	(5.783.188)
Other operating income	31	**3.293.752**	774.570
Other operating expense	31	**(2.482.738)**	(834.750)
Operating profit		**55.122.049**	44.056.184
Financial income	32	**82.184.496**	23.242.662
Financial expense (-)	33	**(100.740.809)**	(21.053.004)
Net income before taxes from continuing operations		**36.565.736**	46.245.842
Tax income/expense for continuing operations			
- Tax expense for the year	35	**(7.067.137)**	(8.827.323)
- Deferred tax income	35	**5.356.801**	154.415
Net income		**34.855.400**	37.572.934
Earnings per share (kuruş)	36	**0,145**	0,157

The accompanying policies and explanatory notes on pages 8 through 61 form an integral part of the financial statements.

Otokar Otobüs Karoseri Sanayi Anonim Şirketi

Statement of changes in equity for the year ended December 31, 2008
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, 2007	24.000.000	52.743.030	4.544.498	898.363	11.334.783	41.412.509	134.933.183
Transfer to retained earnings	-	-	-	-	34.618.860	(34.618.860)	-
Transfer to restricted reserves	-	-	6.793.649	-	-	(6.793.649)	-
Dividends paid	-	-	-	-	(30.000.000)	-	(30.000.000)
Net income for the year	-	-	-	-	-	37.572.934	37.572.934
December 31, 2007	24.000.000	52.743.030	11.338.147	898.363	15.953.643	37.572.934	142.506.117
January 1, 2008	**24.000.000**	**52.743.030**	**11.338.147**	**898.363**	**15.953.643**	**37.572.934**	**142.506.117**
Transfer to retained earnings	**-**	**-**	**-**	**-**	**34.692.934**	**(34.692.934)**	**-**
Transfer to restricted reserves	**-**	**-**	**2.880.000**	**-**	**-**	**(2.880.000)**	**-**
Increase in revaluation fund (net of deferred tax) (Note 7)	**-**	**-**	**-**	**536.074**	**-**	**-**	**536.074**
Dividends paid	**-**	**-**	**-**	**-**	**(30.000.000)**	**-**	**(30.000.000)**
Net income for the year	**-**	**-**	**-**	**-**	**-**	**34.855.400**	**34.855.400**
December 31, 2008	**24.000.000**	**52.743.030**	**14.218.147**	**1.434.437**	**20.646.577**	**34.855.400**	**147.897.591**

The accompanying policies and explanatory notes on pages 8 through 61 form an integral part of the financial statements.

Otokar Otobüs Karoseri Sanayi Anonim Şirketi

Cash flow statement for the year ended December 31, 2008
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, 2008	December 31, 2007
Cash flows from operating activities			
Net income before provision for taxes		**36.565.736**	46.245.842
Adjustments to reconcile net income to net cash flows from operating activities:			
Depreciation and amortization	18, 19	**6.177.683**	4.088.017
Reserve for retirement pay	24	**1.159.599**	451.903
Loss/(gain) on sale of property, plant and equipment	31	**203.914**	(34.945)
Interest expense	33	**13.018.955**	4.530.419
Foreign exchange gain/(loss) from borrowings	32, 33	**18.480.893**	(3.883.100)
Interest income	32	**(771.755)**	(279.049)
Operating profit before changes in operating asset and liabilities		**74.835.025**	51.119.087
Trade receivables and other receivables		**(49.633.738)**	(13.056.776)
Inventories		**(16.866.964)**	16.905.947
Other current assets		**(7.425.671)**	(28.882.487)
Trade payables		**6.946.475**	(8.786.614)
Other liabilities, provisions and other current liabilities		**33.600.218**	42.283.429
Taxes paid		**(14.270.520)**	(2.702.121)
Employee termination benefits paid	24	**(827.720)**	(942.485)
Net cash provided by operating activities		**26.357.105**	55.937.980
Investing activities			
Purchase of property, plant and equipment	18	**(61.107.301)**	(5.097.648)
Purchase of intangible assets	19	**(18.846.365)**	(5.274.479)
Proceeds from sale of property, plant and equipment		**272.149**	108.528
Interest received		**771.755**	279.049
Net cash used in investing activities		**(78.909.762)**	(9.984.550)
Financing activities			
Increase/(decrease) on spot borrowings		**70.327.513**	(24.763.449)
Proceeds from bank borrowings		**111.261.173**	32.962.300
Repayments of bank borrowings		**(30.932.817)**	(17.155.100)
Interest payments		**(5.793.630)**	(4.031.994)
Dividends paid		**(30.000.000)**	(30.000.000)
Net cash provided by / (used in) financing activities		**114.862.239**	(42.988.243)
Net increase in cash and cash equivalents		**62.309.582**	2.965.187
Cash and cash equivalents at the beginning of the year	**6**	**3.602.328**	637.141
Cash and cash equivalents at the end of the year	**6**	**65.911.910**	3.602.328

The accompanying policies and explanatory notes on pages 8 through 61 form an integral part of the financial statements.

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

1. Organisation and nature of operations

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

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 1.184 (December 31, 2007 - 1.124).

On July 29, 2008, the Company signed an agreement with Undersecretariat of Ministry of Defense for "Term 1 Turkish Battle Tank Design and Prototype Production" under the scope of project "Modern Tank Production Project using National Resources" (Altay Project). The total amount of the agreement is 494 million USD and it covers 78,5 month-period beginning from the sign off of the agreement.

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 are authorized for issue by the Board of Directors of the Company on February 16, 2009. 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, 2008, the shares listed on the ISE are 29,91% of the total shares. As of December 31, 2008, the principal shareholders and their respective shareholding percentages are as follows (Note 27):

	%
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 statement with adjustments and reclassifications for the purpose of fair presentation in accordance with accounting and reporting standards as prescribed by Turkish Capital Market Board. Until December 31, 2007, the Company prepared its financial statements in accordance with Communiqué No. XI-25 "Communiqué on Accounting Standards in Capital Markets" which sets out a comprehensive set of accounting principles. In this Communiqué, the CMB stated that, as an alternative, application of accounting standards prescribed by the International Accounting Standards Board (IASB) and the International Accounting Standards Committee (IASC) will also be considered to be compliant with the CMB Accounting Standards. The Company prepared its financial statements under the alternative application defined by the CMB as explained above until December 31, 2007. 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. In relation to this, other than certain reclassifications made on the comparative financial statements for the compliance with the Communiqué, there has been no change on the previously issued financial statements of the Company.

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

With the decision taken on March 17, 2005, the CMB has declared that application of inflation accounting is no longer required for companies operating in Turkey which are reporting in accordance with CMB Accounting Standards effective from January 1, 2005. The financial statements and explanatory notes are presented using the compulsory standard formats as prescribed by CMB in Communiqué No:XI-29 on April 9, 2008.

These financial statements have been prepared from the statutory financial statements of the Company with adjustments and reclassifications for the purpose of fair presentation in accordance with accounting and reporting standards prescribed by Capital Markets Board. Such adjustments mainly comprise effects of deferred taxation, employee termination benefits, depreciation of property, plant and equipments based on their economic lives and on pro-rata basis, accounting for accruals, rediscount of trade receivables and payables.

Effective from January 1, 2005 concurrent with the removal of six zero digits, the new currency unit of Turkey was introduced as New Turkish Lira (YTL). The Government resolved to remove the "New" reference in the local currency unit effective from January 1, 2009. Accordingly the Company's figures presented below as of December 31, 2008 in TL using the conversion rate of TL 1= YTL 1.

2. Basis of presentation (continued)

Reclassifications made to 2007 financial statements

The Company prepared its financial statements in accordance with the Communiqué for the first time at March 31, 2008. Per IFRS 1 "Presentation of Financial Statements", the transition date to IAS/IFRS is January 1, 2007.

Certain reclassifications have been made in the balance sheet as of December 31, 2007 and income statement for the year ended December 31, 2007 to be consistent with the current year financial statements. In order to be consistent with current year presentation, other trade receivables amounting to TL 576 is reclassified to other current assets; other receivables amounting to TL 7.169 is reclassified to other current assets; trade receivables amounting to TL 5.495 is reclassified to other receivables; advances taken amounting to TL 38.961.421 is reclassified to other payables; other liabilities amounting to TL 3.116.147 is reclassified to other payables; vacation pay liability amounting to TL 1.215.343 is reclassified to current provisions from non-current provisions and advances given amounting to TL 25.179.503 is reclassified to goods in transit. Other operational income amounting to TL 19.359.562 for the year ended December 31, 2007 is reclassified to financial income and other operational expense amounting to TL 16.522.584 is reclassified to financial expenses.

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 11/376, 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. Therefore, non-monetary assets, liabilities and equity items including the share capital as of December 31, 2008 and December 31, 2007 have been restated by applying the relevant conversion factors through December 31, 2004 and carrying additions after December 31, 2004 at their nominal values.

2.2 Changes in accounting policies

The new standards which are effective as of January 1, 2008 and changes and interpretations of current standards are as follows :

IFRIC 11, "IFRS 2 - Group and Treasury Share Transactions" (Effective for fiscal periods beginning on or after March 1, 2007).

This interpretation provides guidance on share-based payment involving an entity's own equity instruments in which the entity chooses or is required to buy its own equity instruments to settle the share-based payment obligation. This interpretation also covers parent's share based payments to its subsidiary's employees.

2. Basis of presentation (continued)

IFRIC 12, "Service Concession Arrangements" (Effective for fiscal periods beginning on or after January 1, 2008).

The interpretation outlines an approach to account for contractual arrangements arising from entities providing public services. It provides the operator not to account for the infrastructure as property, plant and equipment, but recognize as a financial asset and / or an intangible asset.

IFRIC 14, "IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction" (Effective for fiscal periods beginning on or after January 1, 2008)

IFRIC 14, "IAS 19 addresses the interaction between a minimum funding requirement and the limit placed by IAS 19 Employee Benefits on the measurement of the defined benefit asset or liability.

IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures - Reclassification of Financial Assets (Revised) (Effective for fiscal periods beginning on or after July 1, 2008)

The amendment to IAS 39, issued in October 31, 2008, permits an entity to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category to the available-for-sale or held-to-maturity category in particular circumstances. The amendment also permits an entity to transfer from the fair value through profit or loss, or available-for-sale categories, to the loans and receivables category when that financial asset meets the definition of loans and receivables and if the entity has the intention and ability to hold that financial asset for the foreseeable future. The effective date of the amendment is 1 July 2008 and reclassifications before that date are not permitted.

Such new standard, amendments and interpretations to existing standards do not have any effect on the financial statements since they are not related with the operations of the Company.

The standards which are published but are not effective and are not early adopted by the Company as of the date of authorization of the financial statements, and the changes and interpretations to the current standards are as follows :

IAS 23, "(Revised) Borrowing Costs" (Effective for fiscal periods beginning on or after January 1, 2009).

2. Basis of presentation (continued)

The benchmark treatment in the existing standard of expensing all borrowing costs to the income statement is eliminated in the case of qualifying assets. All borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset must be capitalised. In accordance with the transitional requirements of the Standard, the Company will adopt this as a prospective change. Accordingly, borrowing costs will be capitalised on qualifying assets with a commencement date after 1 January 2009. No changes will be made for borrowing costs incurred to this date. The Company anticipates that the change will have no impact on the financial statements.

IFRS 8, Operating Segments (effective for financial years beginning on or after 1 January 2009)

IFRS 8 replaces IAS 14 Segment Reporting and adopts a management approach to segment reporting. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. This information may be different from that reported in the balance sheet and income statement and entities will need to provide explanations and reconciliations of the differences. The Company anticipates that the change will have no impact on the financial statements since they do not have operational segments.

IFRIC 13, “Customer Loyalty Programmes”(Effective for fiscal periods beginning on or after July 1, 2008).

The Interpretation requires loyalty award credits granted to customers in connection with a sales transaction to be accounted for as a separate component of the sales transaction. The consideration received in the sales transactions would, therefore, be allocated between the loyalty award credits and the other components of sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished. Since the Company does not have such an implementation, IFRIC 13 will not have any effect on the financial statements of the Company.

IAS 1, “Presentation of Financial Statements” (Revised) (Effective for fiscal periods beginning on or after January 1, 2009).

IAS 1 has been revised to enhance the usefulness of information in the financial statements. The main changes from the previous version are; an entity must present all non-owner changes in equity in a separate line and present a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when the entity applies an accounting policy retrospectively or makes a retrospective restatement. In addition, a statement of comprehensive income that combines all items of income and expense recognized in profit or loss together with “other comprehensive income” is introduced. The Company will make necessary changes related to presentation of financial statements in 2009.

2. Basis of presentation (continued)

IFRS 2, "Share Based Payments (Revised) – Qualifying and Cancellation" (Effective for fiscal periods beginning on or after January 1, 2009).

Standard clarifies two issues: Definition of 'Vesting Conditions' and the concept of 'Non-vesting Conditions' for the arrangements other than performance and service conditions. This standard also states that, if neither the entity nor the counterparty has the choice as to whether to meet a non-vesting condition, a failure to meet this non-vesting condition does not have any accounting effect, similar to the treatment of market conditions. IFRS 2 will not have any effect on the financial statements of the Company.

IFRS 3, Business Combinations and IAS 27 Consolidated and Separate Financial Statements (revised) (effective for annual periods beginning on or after July 1, 2009)

A revised version of IFRS 3 Business Combinations and an amended version of IAS 27 Consolidated and Separate Financial Statements were issued by IASB on January 10, 2008. IFRS 3 revised introduces a number of changes in the accounting for business combinations which will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. Such changes include the expensing of acquisition-related costs and recognizing subsequent changes in fair value of contingent consideration in the profit or loss (rather than by adjusting goodwill). IAS 27 revised requires that a change in ownership interest of a subsidiary is accounted for as an equity transaction. Therefore such a change will have no impact on goodwill, nor will it give raise to a gain or loss. Furthermore the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

Amendments to IAS 32 and IAS 1: "Puttable Financial Instruments and Obligations Arising on Liquidation" (Effective for fiscal periods beginning on or after January 1, 2009).

The change in IAS 32 considers that some puttable financial instruments and financial instruments that impose on the issuer an obligation to deliver a pro-rata share of net assets of the entity only on liquidation are equity. The change in IAS 1 recommends that the puttable financial instruments should be described and explained in detail.

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements (effective for financial years beginning on or after January 1, 2009).

The amendment allows an entity to determine the "cost" of investments in subsidiaries, jointly controlled entities or associates in its opening IFRS financial statements in accordance with IAS 27 or using a deemed cost. The amendment to IAS 27 requires all dividends from a subsidiary, jointly controlled entity or associate to be recognized in the income statement in the separate financial statements. The revision to IAS 27 will have to be applied prospectively.

2. Basis of presentation (continued)

IFRIC 15, "Agreements for the Construction of Real Estate", (Effective for fiscal periods beginning on or after January 1, 2009).

IFRIC 15, "Agreements for the Construction of Real Estate", was issued on 3 July, 2008 and is effective for annual periods beginning on or after 1 January 2009 and must be applied retrospectively. IFRIC 15 provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of IAS 11 'Construction Contracts' or IAS 18 'Revenue' and, accordingly, when revenue from such construction should be recognized.

IFRIC 16, "Hedges of a Net Investment in a Foreign Operation", (Effective for fiscal periods beginning on or after October 1, 2008).

IFRIC 16, "Hedges of a Net Investment in a Foreign Operation", was issued on 3 July, 2008 and is effective for annual periods beginning on or after 1 October, 2008 and can be applied retrospectively or prospectively. IFRIC 16 clarifies three main issues, namely: A presentation currency does not create an exposure to which an entity may apply hedge accounting. Consequently, a parent entity may designate as a hedged risk only the foreign exchange differences arising from a difference between its own functional currency and that of its foreign operation. This interpretation will have no impact on the Company's financial statements.

IFRIC 17, "Distributions of Non-cash Assets to Owners", the Interpretation applies to all non-reciprocal distributions of non-cash assets, including those giving the shareholders a choice of receiving non-cash assets or cash. This interpretation is to be applied prospectively and is applicable for annual periods beginning on or after July 1, 2009. The Company is evaluating the effect of the Interpretation.

IFRIC 18, "Transfer of Assets from Customers", the Interpretation specifies how the assets such as property, plant and equipment or cash for the construction or acquisition of such items received from the customers should be accounted for. This interpretation is to be applied prospectively to transfers of assets from customers received in periods beginning on or after July 1, 2009. The Company is evaluating the effect of the Interpretation.

Improvements to IFRSs

In May 2008, the International Accounting Standards Board (IASB) issued its first set of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. The Company has not yet adopted the following amendments and anticipates that these changes will have no material effect on the financial statements.

IFRS 5, "Non-current Assets Held for Sale and Discontinued Operations", when a subsidiary is held for sale, all of its assets and liabilities will be classified as held for sale under IFRS 5, even when the entity retains a non-controlling interest in the subsidiary after the sale.

2. Basis of presentation (continued)

IAS 1 "Presentation of Financial Statements", assets and liabilities classified as held for trading in accordance with IAS 39 Financial Instruments: Recognition and Measurement are not automatically classified as current in the balance sheet.

IAS 16, "Property, Plant and Equipment", items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases and they are held for sale.

IAS 19, "Employee Benefits", revised the definition of 'past service costs', 'return on plan assets' and 'short term' and 'other long-term' employee benefits. Amendment to plans that result in a reduction in benefits related to future services are accounted for as curtailment. Deleted the reference to the recognition of contingent liabilities to ensure consistency with IAS 37.

IAS 20, "Accounting for Government Grants and Disclosures of Government Assistance", loans granted in the future with no or low interest rates will not be exempt from the requirement to impute interest. The difference between the amount received and the discounted amount is accounted for as government grant. Also, revised various terms used to be consistent with other IFRS.

IAS 23, "Borrowing Costs", the definition of borrowing costs is revized to consolidate the two types of items that are considered components of "borrowing costs" into one - the interest expense calculated using the effective interest rate method calculated in accordance with IAS 39.

IAS 27, "Consolidated and Separate Financial Statement", when a parent entity accounts for a subsidiary at fair value in accordance with IAS 39 in its separate financial statements, this treatment continues when the subsidiary is subsequently classified as held for sale.

IAS 28, "Investment in Associates", if an associate is accounted for a fair value in accordance with IAS 39, only the requirement of IAS 28 to disclose the nature and extent of any significantly restrictions on the ability of the associate to transfer funds to entity in the form of cash o repayment of loans applies. An investment in an associate is a single asset for the purpose of conducting the impairment test. Therefore, any impairment test is not separately allocated to the goodwill included in the investment balance.

IAS 29, "Financial Reporting in Hyperinflationary Economies", revised the reference to the exception to measure assets and liabilities at historical costs, such that it notes property, plant and equipment as being example, rather than implying that it is a definitive list. Also, revised various terms used to be consistent with other IFRS.

IAS 34, "Interim Financial Reporting", earnings per share is disclosed in interim financial reports if an entity is within the scope of IAS 33.

IAS 31, "Interest in Joint ventures, if a joint venture is accounted for at fair value, in accordance with IAS 39, only the requirements of IAS 31 to disclose the commitments of the venturer and the joint venture, as well as summary financial information about the assets, liabilities, income and expense will apply.

2. Basis of presentation (continued)

IAS 36, “Impairment of Assets”, when discounted cash flows are used to estimate “fair value less cost to sell” additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate “value in use”.

IAS 38, “Intangible Assets”, expenditure on advertising and promotional activities is recognized as an expense when the Company either has the right to access the goods or has received the service.

IFRS 7, “Financial Instruments” Disclosures: Removal of the reference to ‘total interest income’ as a component of finance costs.

IAS 8, “Accounting Policies, Change in Accounting Estimates and Errors”, clarification that only implementation guidance that is an integral part of an IFRS is mandatory when selecting accounting policies.

IAS 10, “Events after the Reporting Period”, clarification that dividends declared after the end of the reporting period are not obligations.

IAS 18, “Revenue”, replacement of the term ‘direct costs’ with ‘transaction costs’ as defined in IAS 39.

IAS 39, “Financial Instruments: Recognition and Measurement”, changes in circumstances relating to derivatives are not reclassification and therefore may be either removed from, or included in, the ‘fair value through profit or loss’ classification after initial recognition. Removed the reference in IAS 39 to a ‘segment’ when determining whether an instrument qualifies as a hedge. Require the use of the revised effective interest rate when remeasuring a debt instrument on the cessation of fair value hedge accounting.

IAS 40, “Investment Property”, revision of the scope such that property under construction or development for future use as an investment property is classified as investment property. If fair value cannot be reliably determined, the investment under construction will be measured at cost until such time as fair value can be determined or construction is complete. Also, revised of the conditions for a voluntary change in accounting policy to be consistent with IAS 8 and clarified that the carrying amount of investment property held under lease is the valuation obtained increased by any recognized liability.

IAS 41, “Agriculture”, removed the reference to the use of a pre-tax discount rate to determine fair value. Removed the prohibition to take into account cash flows resulting from any additional transformations when estimating fair value. Also, replaced of the term ‘point-of-sale costs’ with ‘costs to sell’.

The Company management is considering the affects of the first time application of these amendments to its financial statements.

2. Basis of presentation (continued)

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) 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 unused tax losses and for all temporary differences. For the year ended December 31, 2008, since the assumptions related to the Company's future taxable profit generation are considered reliable, adequate, deferred tax asset is recognised.

b) Reserve for retirement pay is determined by using actuarial assumptions (discount rates, future salary increases and employee turnover rates). As of December 31, 2008 and December 31 2007, retirement pay liabilities are TL 4.450.303 and TL 4.118.424, respectively.

c) The Company determines warranty provision by considering the past warranty expenses and remaining warranty period per vehicle.

d) The Company calculated the fair value of its available for sale financial asset, Entek Elektrik Üretimi A.Ş., using discounted cash flows based on the statement of income and balance sheet projections of following 10 years.

2.4 Summary of significant accounting policies

Revenue recognition

Revenue includes invoiced 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 its 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.

2. Basis of presentation (continued)

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.

Dividend income from subsidiaries is recognised when the Company's right to receive the payment is established.

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 6).

Trade 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.

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.

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 10).

2. Basis of presentation (continued)

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. Generally, these transactions have been performed with prices adequate to market values (Note 37).

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 13).

2. Basis of presentation (continued)

Available for sale financial investments

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

The fair value of available for sale financial assets is determined by the market price at the balance sheet date when available. If market price is not available, then 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.

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 is 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.

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

2. Basis of presentation (continued)

Depreciation is provided on cost or revalued amount of property, plant and equipment on a straight-line basis (Note 18). 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.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Recoverable amount is the higher of net selling price or value in use. Net selling price is determined by deducting any expenses to be incurred for the sale of an asset from the fair value of the asset. Value in use is calculated as the discounted value of the estimated future cash flows the entity expects to receive from the asset.

Gains and losses on sale of property, plant and equipment are included in other operating income and expense (Note 31).

Intangible assets

Intangible assets mainly comprise software rights, information systems, project costs related to new product development and computer software (Note 19). 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 expenditure is recognized as an expense as incurred. Costs incurred on development projects relating to the design and testing of new or improved products are recognized as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility, and only if the cost can be measured reliably. Other development expenditures are recognized as an expense as incurred. Development costs previously recognized as an expense are not 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.

2. Basis of presentation (continued)

Investment, research and development incentives

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

Borrowings

Borrowings are recognized initially at proceeds received, net of transaction costs incurred. Fair value of borrowings approximates their carrying values due to their short-term maturities. Borrowings are subsequently stated at amortized cost using the effective yield method; any difference between the proceeds and redemption value is recognized in the income statement over the period of the borrowings. Borrowing costs are charged to the income statement when they are incurred (Note 8).

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 35).

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 24). All actuarial gains and losses are recognized in the income statement.

2. Basis of presentation (continued)

(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.

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 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 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 27).

Operating leases

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

2. Basis of presentation (continued)

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 22).

Trade payables

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

Financial instruments

Financial instruments are the contractual agreements that give rise to value of financial assets of the Company and financial liabilities and equity instruments of another entity.

Financial assets comprise;

- cash and cash equivalents,
- the right to receive cash flows or other financial instruments from a third party under a pass-through arrangement,
- the exchange of financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the issuer,
- equity instruments of another entity.

Financial liabilities comprise;

- contractual obligation on the part of the Company to deliver cash or another financial asset,
- contractual obligation to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the issuer.

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.

2. Basis of presentation (continued)

Earnings per share

Basic earnings per share is 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.

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 can not be measured, recoverable value of cash generating unit of that asset is measured.

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

When recoverable amount of an asset (or a cash generating unit) is lower than its carrying value, the asset's carrying value is reduced to its recoverable amount. An impairment loss is recognized immediately in income statement.

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.

2. Basis of presentation (continued)

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. Mergers and acquisitions

None (December 31, 2007 - None).

4. Joint ventures

None (December 31, 2007 - None).

5. Segment reporting

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

As the primary reporting format of the Company is the business segment, the disclosure of revenues based on the geographical locations of customers is required for secondary segment reporting. However as foreign sales are made on a one-off basis and to different locations, the distribution of sales to specific locations varies with each year. Therefore, details of revenues are disclosed as foreign and domestic sales in Note 28 to the financial statements.

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

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

6. Cash and cash equivalents

	December 31, 2008	December 31, 2007
Cash at banks		
- demand deposits	**2.367.035**	3.555.269
- time deposits	**62.557.990**	-
Checks and notes received	**928.159**	-
Other	**58.726**	47.059
	65.911.910	3.602.328

As of December 31, 2008, effective interest rates of time deposits which are originally amounting to USD 41.300.000 and YTL 100.000 are between annually 1% - 3,75% for USD and 13% for TL and the maturities are between 1-3 days on average (As of December 31, 2007, there is no time deposit.)

As of December 31, 2008, 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, 2008, the Company has restricted bank deposit amounting to TL 795 (December 31, 2007 - TL 1.145).

7. Financial investments

Available for sale financial assets

	December 31, 2008		December 31, 2007	
	TL	**%**	TL	%
Entek Elektrik Üretimi A.Ş. ("Entek")	**2.107.000**	**0,86%**	1.542.712	0,86%
	2.107.000		1.542.712	

As of December 31, 2008, the participation has been reflected at its assessed fair value of TL 2.107.000 which is derived from the appraisal report dated January 28, 2009, issued by an independent appraisal firm. The related appraisal is made based on the statement of income and balance sheet projections prepared for 10 years and the value of Entek is calculated using the discounted cash flow method. In this respect, the difference occurred in the carrying value of the financial asset available for sale amounting to TL 536.074 (net of deferred tax) is reflected as "Revaluation Surplus" under shareholders' equity account.

8. Financial liabilities

			December 31, 2008
	Interest rate (%)	**Amount in original currency**	**TL**
Short-term bank borrowings			
Denominated in USD	**3,81% - 11,17%**	**57.377.299**	**86.771.689**
Denominated in EUR	**5,76% - 11,23%**	**21.943.625**	**46.976.912**
Denominated in TL	**18% – 29%**	**76.582.854**	**76.582.854**
Total			**210.331.455**

			December 31, 2007
	Interest rate (%)	Amount in original currency	TL
Short-term bank borrowings			
Denominated in USD	5,3% - 5,82%	17.578.845	20.474.081
Denominated in EUR	4,73% - 5,24%	6.114.697	10.457.354
Denominated in TL	15,9%	3.037.933	3.037.933
Total			33.969.368

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

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

9. Other financial liabilities

None (December 31, 2007 - None).

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

10. Trade receivables and payables

Trade receivables

	December 31, 2008	December 31, 2007
Trade receivables, net	**55.759.020**	38.011.582
Notes receivables, net	**65.997.343**	61.004.554
	121.756.363	99.016.136
Less: Provision for doubtful receivables	**(7.725.491)**	(7.249.253)
Other short-term trade receivables	**114.030.872**	91.766.883
Notes receivables, net	**37.617.739**	32.538.161
Other long-term trade receivables	**37.617.739**	32.538.161

Guarantees received for trade receivables

Generally receivables of the Company relate to the sales to the minibus and bus dealers and trailer sales and military vehicle sales. As of December 31, 2008, the total trade receivable from dealers amounting to TL 26.269.496 (December 31, 2007 - TL 22.305.885), after provision reserved for doubtful receivables, has been secured by mortgages and guarantees at the amount of TL 50.686.064 (December 31, 2007 - TL 48.163.340). The Company manages its credit risk for the remaining receivables through policies and procedures as explained in the *Credit Risk* section of Note 38.

The movement of the provision for doubtful receivables for the year ended December 31, 2008 and December 31, 2007 are as follows:

	December 31, 2008	December 31, 2007
January 1	**7.249.253**	6.593.469
Collections	**(5.424)**	(626)
Additional provision	**481.662**	656.410
Total	**7.725.491**	7.249.253

Trade payables

	December 31, 2008	December 31, 2007
Trade payables, net	**42.888.032**	43.077.017
Notes payables, net	**63.570**	58.500
Other short-term trade payables	**42.951.602**	43.135.517

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

11. Other receivables and payables

Other short-term receivables

	December 31, 2008	December 31, 2007
Due from personnel	**331**	1.317
Other miscellaneous receivables	**-**	6.208
Total	**331**	7.525

Other long-term receivables

	December 31, 2008	December 31, 2007
Deposits and guarantees given	**5.903**	5.495
Total	**5.903**	5.495

Other short-term payables

	December 31, 2008	December 31, 2007
Advances received	**72.141.887**	38.961.421
Due to personnel	**3.139.827**	3.090.720
Due to shareholders	**-**	5.927
Other miscellaneous payables	**21.290**	19.500
Total	**75.303.004**	42.077.568

12. Receivables and payables from finance sector operations

None (December 31, 2007 - None).

13. Inventories

	December 31, 2008	December 31, 2007
Raw material	**27.210.962**	22.618.445
Work-in-process	**9.075.982**	6.351.444
Finished goods, net of net realizable value amounting to TL 240.838 (2007 - None)	**24.655.681**	18.973.319
Merchandise	**12.096.664**	8.995.914
Goods in transit	**44.006.352**	43.239.555
	117.045.641	100.178.677

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

14. Biological assets

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

15. Assets related with construction projects in progress

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

16. Investment accounted using equity method

None (December 31, 2007 - None).

17. Investment properties

The Company does not have any investment properties.

18. Property, plant and equipment

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

	January 1, 2008	Additions	Disposal	Transfers	December 31, 2008
Cost:					
Land	5.370.676	31.025.710	-	-	36.396.386
Land improvements	4.543.484	937.852	-	-	5.481.336
Buildings	32.136.056	19.054.910	(413.852)	-	50.777.114
Machinery, equipment and installations	78.803.152	8.193.560	(475.746)	318.451	86.839.417
Motor vehicles	4.700.211	546.442	(221.982)	-	5.024.671
Furniture and fixtures	16.928.245	962.088	-	68.288	17.958.621
Leasehold improvements	1.445.746	-	-	-	1.445.746
Construction in progress	52.196	1.112.155	-	(1.112.155)	52.196
	143.979.766	61.832.717	(1.111.580)	(725.416) (*)	203.975.487
Accumulated depreciation:					
Land improvements	1.765.209	161.560	-	-	1.926.769
Buildings	14.807.956	1.417.250	(80.568)	-	16.144.638
Machinery, equipment and installations	66.941.856	3.116.482	(475.746)	-	69.582.592
Motor vehicles	2.846.488	224.972	(79.203)	-	2.992.257
Furniture and fixtures	15.154.083	336.506	-	-	15.490.589
Leasehold improvements	1.090.845	38.705	-	-	1.129.550
	102.606.437	5.295.475	(635.517)	-	107.266.395
Net book value	41.373.329				96.709.092

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

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

18. Property, plant and equipment (continued)

According to Board of Directors resolution dated September 4, 2008 and numbered 2008/7, the Company's defense industry and commercial vehicle projects and related short and long term investment requirements are evaluated, and accordingly, factory, machinery and land located over 383 thousand square meter area which is owned by Otoyol Sanayi A.Ş. in the near location of the Company is purchased for a consideration of USD 47,5 million. By this acquisition, the Company will be operating on 552 square meter area (Note 31).

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

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

Current year depreciation and amortization expense has been allocated to cost of sales by TL 2.568.645 (December 31, 2007 – TL 1.882.672), to development projects in process by TL 557.750 (December 31, 2007 - 0), to research and development expenses by TL 633.000 (December 31, 2007 - TL 925.301) to general administrative expenses by TL 749.031 (December 31, 2007 - TL 528.925), to selling and marketing expenses by TL 257.134 (December 31, 2007 - TL 503.566), to inventories by TL 505.773 (December 31, 2007 - TL 247.553), to other operating expenses (idle capacity expense) by TL 906.349 (December 31, 2007 – 0).

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

18. Property, plant and equipment (continued)

As of December 31, 2008 and December 31, 2007, gross values of fully depreciated items which are still in use is as follows :

	December 31, 2008	December 31, 2007
Machinery, equipment and installations	**47.525.326**	47.695.261
Furniture and fixtures	**13.912.260**	13.867.429
Motor vehicles	**2.585.412**	2.585.832
Leasehold improvements	**1.089.332**	1.089.332
	65.112.330	65.237.854

19. Intangible assets

During the year ended December 31, 2008, the movement of intangibles and accumulated amortization is as follows:

	January 1, 2008	**Additions**	**Transfers**	**December 31, 2008**
Cost:				
Other intangible assets	**2.793.953**	**320.457**	**725.416**	**3.839.826**
Development costs	**2.550.970**	**-**	**3.297.377**	**5.848.347**
Development projects in process	**2.255.323**	**17.800.492**	**(3.297.377)**	**16.758.438**
	7.600.246	**18.120.949**	**725.416 (*)**	**26.446.611**
Accumulated amortization:				
Other intangible assets	**1.979.108**	**362.625**	**-**	**2.341.733**
Development costs	**42.516**	**519.583**	**-**	**562.099**
	2.021.624	**882.208**	**-**	**2.903.832**
Net book value	**5.578.622**			**23.542.779**

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

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

19. Intangible assets (continued)

During the year ended December 31, 2007, the movement of intangibles and accumulated amortization is as follows :

	January 1, 2007	Additions	Transfers	December 31, 2007
Cost:				
Other intangible assets	2.325.767	457.935	10.251	2.793.953
Development costs	-	-	2.550.970	2.550.970
Development projects in process	-	4.806.293	(2.550.970)	2.255.323
	2.325.767	5.264.228	10.251	7.600.246
Accumulated amortization:				
Other intangible assets	1.713.814	265.294	-	1.979.108
Development costs	-	42.516	-	42.516
	1.713.814	307.810	-	2.021.624
Net book value	611.953			5.578.622

As of December 31, 2008 and December 31, 2007, the gross values of fully amortized intangible assets which are still in use is as follows :

	December 31, 2008	December 31, 2007
Other intangible assets	**1.777.802**	1.438.827
	1.777.802	1.438.827

20. Goodwill

None (December 31, 2007 - None).

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

21. Government Incentives

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, in 2008, income tax-payers can deduct 100% of the expenditures which are related to research and development related to new technology and information developments. In 2008, it is required that 40% research and development incentive rate should be applied at the first quarter temporary taxation period for the research and development expenditures incurred until the first taxation period, while 100% would be applied at the second and following temporary taxation periods for the total of research and development expenditures of the period which also includes the expenditures in the first temporary taxation period.

The Company has research and development incentive amounting to TL 14.149.292 (December 31, 2007 - TL 3.319.255) as a result of its research and development expenditures amounting to TL 14.149.292 (December 31, 2007 - TL 8.298.137) which is utilized at 100% (December 31, 2007 - 40%) deduction without any withholding tax.

For the year ended December 31, 2008, government incentives of the Company amounting to TL 1.389.615 included in other income consist of the amounts provided by Scientific & Technological Research Council of Turkey (Tübitak) in order to support research and development (R&D) expenditures of several projects conducted by the Company (December 31, 2007 - None).

As of December 31, 2008, there is not any incentive which has been gained but not utilized (December 31, 2007 - None).

22. Provisions, contingent assets and liabilities

Income tax payable

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

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

22. Provisions, contingent assets and liabilities (continued)

Provisions

	December 31,2008	December 31, 2007
Warranty provision	**6.376.954**	5.705.132
Provision for sales commission	**1.465.890**	-
Provision for vacation pay liability	**1.749.665**	1.215.343
Provision for cost of materials committed to be delivered	**-**	2.883.592
Other	**7.291**	-
	9.599.800	9.804.067

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. The Company has no warranty commitment for trailers. Therefore, warranty expense provision has been recorded only for the vehicles under guarantee as of the balance sheet date. The movement of the warranty expense provision is as follows:

	December 31, 2008	December 31, 2007
January 1,	**5.705.132**	1.490.699
Additional provision	**7.182.448**	8.407.890
Payments	**(6.510.626)**	(4.193.457)
	6.376.954	5.705.132

Provision for vacation pay liability

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

	December 31, 2008	December 31, 2007
January 1,	**1.215.343**	1.193.552
Additional provision	**534.322**	21.791
	1.749.665	1.215.343

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

22. Provisions, contingent assets and liabilities (continued)

Letters of guarantees

a) Guarantees given as of December 31, 2008 and December 31, 2007 are as follows:

	December 31, 2008	December 31, 2007
Bank letters of guarantee	**211.826.027**	169.454.450
	211.826.027	169.454.450

b) Guarantees received as of December 31, 2008 and 2007 are as follows:

	December 31, 2008	December 31, 2007
Bank letters of guarantee	**58.642.264**	38.518.879
Guarantee notes	**8.405.000**	8.005.000
Mortgages received	**7.023.000**	7.963.000
Guarantee checks	**185.000**	155.000
	74.255.264	54.641.879

23. Commitments

None (December 31, 2007 - None).

24. Employee benefits

	December 31, 2008	December 31, 2007
Reserve for retirement pay	**4.450.303**	4.118.424
Total	**4.450.303**	4.118.424

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 (58 for women and 60 for men).

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

24. Employee benefits (continued)

The amount payable consists of one month's salary limited to a maximum of TL 2.173 for each year of service as of December 31, 2008 (December 31, 2007 - TL 2.088).

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, 2008	December 31, 2007
Discount rate (%)	**6,26**	5,71
Turnover rate to estimate the probability of retirement (%)	**7**	7

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation.

As of January 1, 2009, the retirement pay liability ceiling is increased to TL 2.260.

The movement of reserve for retirement pay is as follows:

	December 31, 2008	December 31,2007
January 1	**4.118.424**	4.609.006
Interest expense	**222.395**	230.450
Current year provision (including actuarial gains/losses)	**937.204**	221.453
Payments	**(827.720)**	(942.485)
	4.450.303	4.118.424

25. Employee pension plan

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

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

26. Other assets and liabilities

a) Other current assets	December 31, 2008	December 31,2007
Value added tax receivables	**20.492.382**	11.385.369
Tax and funds deductible	**1.752.693**	3.360.523
Prepaid tax	**1.078.181**	-
Prepaid expenses	**501.361**	628.426
Job advances	**8.306**	6.750
Other	**52.991**	994
Total	**23.885.914**	15.382.062

b) Other current liabilities	December 31, 2008	December 31,2007
Taxes and funds payable	**2.656.668**	2.489.541
Social security premiums payable	**1.492.608**	1.310.689
Deferred special consumption tax	**195.798**	1.128
Other	**115.427**	80.094
Total	**4.460.501**	3.881.452

27. Shareholders' equity

Share capital

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

	December 31, 2008		December 31, 2007	
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
Adjustments to share capital	**52.743.030**		52.743.030	
Total	**76.743.030**		76.743.030	

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

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

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

According to Communiqué Serial: IV, No:27 on "Principles Regarding Distribution of Dividends and Interim Dividends to be Followed by the Listed Companies Subject to Capital Market Law", first dividend distribution of the listed companies cannot be lower than 20% of the distributable profit following the deductions of legal reserves, tax provision and netting of prior year losses, if any. Per the resolution of General Assembly Meeting of the companies, the listed companies are free to decide to distribute dividend as full in cash, or distribute dividend as cash or as fully bonus shares to be issued to the shareholders, or partially in cash, partially in bonus shares and to keep the remaining portion in the reserves, or fully keep in the reserve without distribute as cash or bonus shares. If the resolution of general assembly of the companies is not to distribute first dividend, then the amount is added to extraordinary reserves.

For the purposes of profit distribution in accordance with Communiqué No:XI-25, items of statutory equity such as share capital, share premium, legal reserves, other reserves, special reserves and extraordinary reserves, are presented at their historical nominal amounts. The difference between the inflated and historical amounts of these items is presented in equity cumulatively as *inflation adjustments to equity.*

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

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

27. Shareholders' equity (continued)

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

	December 31, 2008	December 31, 2007
Pain-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	**1.434.437**	898.363
Restricted reserves	**14.218.147**	11.338.147
Retained earnings		
- Extraordinary reserves	**9.696.494**	5.003.560
- Inflation adjustments on legal reserves	**10.950.083**	10.950.083
- Retained earnings	**-**	-
Net income for the year	**34.855.400**	37.572.934
Total shareholder's equity	**147.897.591**	142.506.117

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

			December 31, 2008
	Historical value	**Restated value**	**Inflation adjustments on equity items**
Share capital	**24.000.000**	**76.743.030**	**52.743.030**
Legal reserves	**14.218.147**	**25.168.230**	**10.950.083**
Total	**38.218.147**	**101.911.260**	**63.693.113**

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

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

27. Shareholders' equity (continued)

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

	December 31, 2008	December 31,2007
Legal reserves	**14.218.147**	11.338.147
Extraordinary reserves	**30.711.001**	30.179.910
Total	**44.929.148**	41.518.057
Dividends distributed during year based on previous year's net income per statutory financial statements	**30.000.000**	30.000.000
Dividend paid per share (kuruş)	**0,125**	0,125

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

28. Sales and cost of sales

Net sales

	December 31, 2008	December 31, 2007
Domestic sales	**329.541.298**	299.259.105
Export sales	**149.992.527**	128.972.333
Gross sales	**479.533.825**	428.231.438
Less: Sales discounts and sales returns	**(418.970)**	(620.810)
Net sales	**479.114.855**	427.610.628

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

28. Sales and cost of sales (continued)

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

	December 31, 2008	December 31, 2007
Midibus	**1.555**	1.188
Trailer	**994**	1.375
Minibus	**498**	368
Armoured vehicles	**453**	358
Bus	**308**	50
Land Rover 4x4	**209**	782
	4.017	4.121

Cost of sales

	December 31, 2008	December 31, 2007
Cost of finished goods sold	**343.753.430**	298.387.205
Cost of merchandise sold	**18.734.223**	14.285.411
Cost of sales	**362.487.653**	312.672.616

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

	December 31, 2008	December 31, 2007
Selling and marketing expenses	**36.327.241**	45.615.033
General and administrative expenses	**21.044.451**	19.423.427
Research and development expenses	**4.944.475**	5.783.188
Total operating expenses	**62.316.167**	70.821.648

Personnel expenses totaling to TL 64.720.489 (December 31, 2007 - TL 50.738.916) have been allocated to cost of sales and inventories by TL 34.184.645 (December 31, 2007 - TL 30.398.735), to selling and marketing expenses by TL 7.412.020 (December 31, 2007 - TL 5.907.845), to general and administrative expenses by TL 9.935.960 (December 31, 2007 - TL 9.241.805), to research and development expenses (including the personnel expenses in the capitalized research and development expenses) by TL 13.187.864 (December 31, 2007 - TL 5.190.531).

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

30. Expenses as to nature

	December 31, 2008	December 31, 2007
Change in finished goods, work-in-process and merchandise goods	**(11.507.650)**	2.943.039
Cost of raw material and consumption goods	**327.768.201**	269.724.878
Personnel expenses	**53.834.268**	48.130.991
Warranty expense	**7.182.448**	8.407.890
Other production expenses	**9.784.251**	8.173.820
Other sales expenses	**8.185.363**	9.973.098
Depreciation and amortization	**4.207.810**	3.840.464
Sales commissions	**3.022.254**	11.483.700
Transportation and insurance expense	**3.204.355**	2.254.559
Exhibition and fair expenses	**1.977.019**	2.412.237
Other expenses	**17.145.501**	16.149.588
Total expenses	**424.803.820**	383.494.264

The breakdown of personnel expenses included in the income statement is as follows:

	December 31, 2008	December 31, 2007
Personnel expenses		
Wages and salaries	**50.115.214**	39.809.079
Other social benefits	**4.085.422**	2.818.503
SSK employee contribution	**9.360.254**	7.659.431
Employee termination benefits	**1.159.599**	451.903
	64.720.489	50.738.916

31. Other operating income / expense

	December 31, 2008	December 31, 2007
Other income		
R&D incentives income	**1.389.615**	302.567
Sales incentives income	**466.612**	-
Gain on sale of property, plant and equipment	**-**	34.945
Other	**1.437.525**	437.058
Total	**3.293.752**	774.570

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

31. Other operating income / expense (continued)

	December 31, 2008	December 31, 2007
Other expense		
Idle capacity depreciation expense (*)	**(906.349)**	-
Provision for vacation pay liability	**(534.322)**	(21.791)
Provision for doubtful receivables	**(481.662)**	(656.410)
Bank expenses	**(356.491)**	(153.763)
Loss on sales of property, plant and equipment	**(203.914)**	-
Other expenses	**-**	(2.786)
	(2.482.738)	(834.750)

(*) Idle capacity depreciation expense is depreciation expense of the factory and machinery purchased from Otoyol Sanayi A.Ş. which are not in use for the year ended December 31, 2008.

32. Financial income

	December 31, 2008	December 31, 2007
Foreign exchange gain	**60.841.310**	14.039.063
Term difference income related to sales	**6.767.656**	5.041.450
Foreign exchange gain on bank borrowings	**13.803.775**	3.883.100
Interest income from time deposits	**771.755**	279.049
Total	**82.184.496**	23.242.662

33. Financial expense

	December 31, 2008	December 31, 2007
Foreign exchange losses	**(55.307.540)**	(16.522.584)
Unearned financial expense	**(32.284.668)**	-
Foreign exchange losses on bank borrowings	**(13.018.955)**	(4.530.420)
Interest expense on bank borrowings	**(129.646)**	-
Total	**(100.740.809)**	(21.053.004)

34. Available for sale asset and discontinued operations

None (December 31, 2007 - None).

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

35. 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, 2007 - 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% (2007 - 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.

As of December 31, 2008 and December 31, 2007, income tax payables net off prepaid taxes presented in the balance sheet is as follows:

	December 31, 2008	December 31, 2007
Income tax payable	**7.067.137**	8.827.323
Prepaid taxes	**(7. 067.137)**	(2.702.121)
Income tax payable	**-**	6.125.202

The breakdown of total tax expense for the year ended December 31, 2008 and 2007:

	December 31, 2008	December 31, 2007
Corporate tax charge	**7.067.137**	8.827.323
Deferred tax credit	**(5.356.801)**	(154.415)
Total tax expense	**1.710.336**	8.672.908

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

35. Tax assets and liabilities (continued)

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

	December 31, 2008	December 31, 2007
Profit before tax	**36.565.736**	46.245.842
Income tax charge at effective tax rate 20% (2007- 20%)	**7.313.147**	9.249.168
Effect of non-tax deductible and tax exempt items	**(6.022.229)**	(858.894)
Dissallowable expenses	**419.418**	282.634
Total tax expense	**1.710.336**	8.672.908

As of December 31, 2008 and 2007, 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, 2008	December 31, 2007	**December 31, 2008**	December 31, 2007
Property, plant and equipment	**(3.399.951)**	(14.920.261)	**2.801.305**	(2.359.984)
Intangibles	**(787.966)**	(652.243)	**(157.593)**	(130.449)
Deferred financial expense	**(4.567.855)**	(4.604.248)	**(913.571)**	(920.850)
Financial assets	**(1.411.042)**	(846.754)	**(70.552)**	(42.338)
Prepaid expenses	**-**	(282.668)	**-**	(56.534)
Inventories	**380.773**	147.455	**76.155**	29.491
Warranty reserve	**6.376.954**	5.705.132	**1.275.391**	1.141.026
Reserve for retirement pay	**4.450.303**	4.118.424	**890.061**	823.685
Deferred financial income	**803.483**	1.780.604	**160.697**	356.121
Other provisions	**2.073.179**	1.538.857	**414.634**	307.772
Deferred tax asset / (liability)			**4.476.527**	(852.060)

The movement of deferred tax liability and asset for the year ended December 31, 2008 and 2007 is as follows:

	December 31, 2008	December 31, 2007
January 1	**852.060**	1.006.475
Deferred tax credit for the current year	**(5.356.801)**	(154.415)
Tax expense recorded in equity	**28.214**	-
	(4.476.527)	852.060

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

36. Earnings per share

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

Companies can increase their share capital by making a pro rata distribution of shares (Bonus Shares) to existing shareholders without consideration for amounts resolved to be transferred to share capital from retained earnings. For the purpose of the earnings per share calculation such Bonus Share issues are regarded as stock dividends. Dividend payments, which are immediately reinvested in the shares of the 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, 2008	December 31, 2007
Net income attributable to shareholders (TL)	**34.855.400**	37.572.934
Weighted average number of issued shares	**24.000.000.000**	24.000.000.000
Earnings per share (kuruş)	**0,145**	0,157

37. Related party disclosures

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

i) Due from and due to related party balances as of December 31, 2008 and December 31, 2007:

Due from related parties	**December 31, 2008**	December 31, 2007
Ram Dış Ticaret A.Ş. (Ram Dış)(1)	**22.444.543**	170.940
Zer Merkezi Hizmetler ve Ticaret A.Ş. (Zer) (1)	**27.384**	-
Ford Otosan A.Ş. (Ford) (1)	**22.740**	7.530
Rmk Marine Gemi San.A.Ş. (RMK Marine) (1)	**2.723**	5.390
Koç Statoil Gaz İletişim A.Ş. (Koç Statoil) (1)	**-**	37.731
Other (1)	**25.314**	4.156
Total	**22.522.704**	225.747

(1) Shareholders’ subsidiary

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

37. Related party disclosures (continued)

Due to related parties	December 31, 2008	December 31, 2007
Otoyol Sanayi A.Ş. (Otoyol) (3)	**9.889.872**	51.175
Ram Dış (1)	**1.270.398**	3.675.633
Zer (1)	**671.064**	357.705
Setur Servis Turistik A.Ş. (Setur) (1)	**178.110**	213.640
Platform Araştırma Geliştirme Taş. Tic. A.Ş. (Platform) (1)	**148.392**	-
Akpa Dayanıklı Tük.Paz.A.Ş. (Akpa) (1)	**137.474**	114.534
Beldeyama Motorlu Vast.A.Ş. (Beldeyama) (1)	**142.599**	164.711
Koç Holding A.Ş.(2)	**128.367**	41.928
Otokoç Otomotiv Tic.San.A.Ş. (Otokoç) (1)	**108.970**	100.181
Koç Sistem Bilgi İle.Hizm.A.Ş. (Koç Sistem) (1)	**70.532**	377.901
Ram Sigorta Aracılık Hiz.A.Ş. (Ram Sigorta) (1)	**39.137**	62.883
Ford (1)	**17.833**	1.415
Opet Petrolcülük A.Ş. (Opet) (1)	**14.048**	9.189
Koçtaş Yapı Marketleri T.A.Ş. (Koçtaş) (1)	**10.945**	14.040
Koçnet Haberleşme Teknoloji ve İletişim Hizmetleri A.Ş. (Koçnet) (1)	**1.606**	16.511
Koç Finansal Kiralama A.Ş. (Koç Finansal) (1)	**1.462**	1.453
Palmira Turizm Tic.A.Ş (Palmira) (1)	**1.013**	322.675
Sanal Merkez T.A.Ş. (1)	**-**	6.646
Ark İnşaat A.Ş. (1)	**-**	150.416
Other (1)	**30.334**	49.130
Total	**12.862.156**	5.731.766

ii) Major sales and purchase transactions with related parties for the year ended December 31:

Product sales and service revenue	December 31, 2008	December 31,2007
Ram Dış (1)	**37.748.392**	46.065.959
Otoyol (3)	**10.063.715**	1.544
Aygaz A.Ş. (1)	**161.158**	155.631
Ford (1)	**65.738**	88.045
RMK Gemi Yapım Sanayi A.Ş. (RMK Gemi) (1)	**26.864**	56.328
Yapı Kredi Finansal Kiralama A.Ş (1)	**-**	2.917.453
Koç Statoil (1)	**-**	720.819
Other (1)	**-**	6.127
Total	**48.065.867**	50.011.906

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

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

37. Related party disclosures (continued)

Purchase of property, plant and equipment	December 31, 2008	December 31, 2007
Otoyol (3)	**57.171.000**	2.500
Koç Sistem (1)	**1.057.314**	572.220
Other (1)	**4.212**	5.487
Total	**58.232.526**	580.207

Inventory purchases	December 31, 2008	December 31, 2007
Otoyol (3)	**7.355.088**	-
Ram Dış (1)	**5.737.304**	11.278.699
Zer (1)	**3.540.356**	1.821.937
Beldeyama (1)	**1.736.268**	542.467
Akpa (1)	**1.257.854**	715.654
Opet (1)	**237.519**	212.412
Otlaş Otomotiv Last.Tev.A.Ş. (Oltaş) (1)	**105.922**	217.727
Koçtaş (1)	**26.530**	88.727
Sanal Merkez Ticaret A.Ş. (1)	**15.646**	37.784
Ark İnşaat A.Ş. (1)	**-**	129.169
Birleşik Oksijen Sanayi Gazlar A.Ş. (1)	**-**	588.939
Other (1)	**10.760**	9.678
Total	**20.023.247**	15.643.193

(1) Shareholder’s subsidiary
(2) Shareholder
(3) Shareholder’s subsidiary in liquidation process

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

37. Related party disclosures (continued)

Services received	December 31, 2008	December 31, 2007
Ram Dış (1)	**2.442.081**	10.436.509
Setur (1)	**1.671.395**	952.736
Ram Sigorta (1)	**1.198.582**	942.939
Koç Holding A.Ş. (1)	**978.379**	1.336.516
Palmira (1)	**845.251**	1.330.416
Koç Sistem (1)	**457.270**	289.566
Otokoç (1)	**432.608**	171.349
Migros (1)	**167.025**	-
Koçnet (1)	**151.089**	182.471
Platform (1)	**126.666**	-
Setair (1)	**61.215**	3.518
VKV Amerikan Hastanesi (1)	**27.175**	-
Otoyol (3)	**-**	225.100
Birmot (1)	**-**	37.763
Other (1)	**26.561**	46.124
Total	**8.585.297**	15.955.007

Bank deposits	December 31, 2008	December 31, 2007
Yapı ve Kredi Bankası A.Ş. (1)		
- demand deposits	**1.352.273**	2.245.102
- time deposits	**43.956.700**	-
	45.308.973	2.245.102

Checks and notes in collection	December 31, 2008	December 31, 2007
Yapı ve Kredi Bankası A.Ş. (1)	**18.392.003**	15.528.864
	18.392.003	15.528.864

Bank loans	December 31, 2008	December 31, 2007
Yapı ve Kredi Bankası A.Ş. (1)	**16.955.881**	-
	16.955.881	-

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

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

37. Related party disclosures (continued)

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

Interest income	December 31, 2008	December 31, 2007
Yapı ve Kredi Bankası A.Ş. (1)	**430.902**	58.219
Total	**430.902**	58.219

Foreign exchange gains	December 31, 2008	December 31, 2007
Ram Dış (1)	**3.114.237**	1.713.524
Yapı ve Kredi Bankası A.Ş. (1)	**2.488.826**	187.902
Ram Sigorta (1)	**-**	1.557
Total	**5.603.063**	1.902.983

Foreign exchange losses	December 31, 2008	December 31, 2007
Otoyol A.Ş. (3)	**13.236.552 (*)**	-
Yapı ve Kredi Bankası A.Ş. (1)	**8.345.200**	101.496
Ram Dış (1)	**4.289.826**	1.231.953
Ram Sigorta (1)	**2.307**	147
Diğer (1)	**-**	16.108
Total	**25.873.885**	1.349.704

(*) 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	December 31, 2008	December 31, 2007
Yapı ve Kredi Bankası A.Ş. (1)	**405.431**	1.015
Total	**405.431**	1.015

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

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

37. Related party disclosures (continued)

Forward agreement	**December 31, 2008**	December 31, 2007
Yapı ve Kredi Bankası A.Ş. (1)	**80.151.900**	-
Total	**80.151.900**	-

Salaries and similar benefits provided to the executive management by the Company for the year ended December 31, 2008 is amounted to TL 4.898.197 (December 31, 2007 - TL 4.842.413).

38. Nature and level of risks arising from financial instruments

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

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 10).

	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)	**174.171.315**	**6.234**	**64.925.025**	**80.151.900**
- Maximum risk secured by guarantee **(2)**	**(90.565.396)**	-	-	-
A. Net book value of financial assets neither overdue nor impaired	**169.790.541**	**6.234**	**64.925.025**	-
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	**2.310.746**	-	-	-
D. Net book value of impaired assets	**2.070.028**	-	-	-
- Overdue (gross book value)	**9.795.519**	-	-	-
- Impairment (-) (Note 10)	**(7.725.491)**	-	-	-
- Net value under guarantee	**2.070.028**	-	-	-
- Not overdue (gross book value)	-	-	-	-
- Impairment (-)	-	-	-	-
- Net value under guarantee	-	-	-	-
E. Off- balance sheet items having credit risk	-	-	-	**80.151.900**

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

38. 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)	124.530.791	13.020	3.555.269	-
- Maximum risk secured by guarantee **(2)**	(53.834.500)	-	-	-
A. Net book value of financial assets neither overdue nor impaired	121.683.995	13.020	3.555.269	-
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	1.832.409	-	-	-
D. Net book value of impaired assets	690.873	-	-	-
- Overdue (gross book value)	7.940.126	-	-	-
- Impairment (-) (Note 10)	(7.249.253)	-	-	-
- Net value under guarantee	690.873	-	-	-
- 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.

Current year	**Trade receivables**
1- 30 day past due	**-**
1- 3 month past due	**1.094.674**
3- 12 month past due	**2.160.889**
1- 5 year past due	**1.125.211**
Over 5 year past due	**-**
Amount secured with guarantee (1)	**4.380.774**

Prior year	Trade receivables
1- 30 day past due	-
1- 3 month past due	2.367.752
3- 12 month past due	6.267
1- 5 year past due	149.268
Over 5 year past due	-
Amount secured with guarantee (1)	2.523.282

(1) Pledges on trailer vehicles.

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.

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

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

As of December 31, 2008 and December 31, 2007, maturities of gross trade payables and financial liabilities are as follows:

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	210.331.455	218.382.520	66.407.476	151.975.044	-	-
Trade payables	55.813.758	56.317.189	46.141.466	10.175.723	-	-
Other payables	72.141.887	72.141.887	-	72.141.887	-	-

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	3.161.117	3.161.117	3.161.117	-	-	-
Other current liabilities	4.460.501	4.460.501	4.460.501	-	-	-

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)	(1.146.926)	(1.146.926)	-	(*)		
Derivative cash inflows	80.151.900	80.151.900	-	(*)	-	-
Derivative cash outflows	(81.298.826)	(81.298.826)	-	(*)	-	-

(*) On December 31, 2008, the Company signed forward agreement amounting to USD 53.000.000 to hedge the risk of EUR/USD parity fluctuations . According to this agreement, the Company will purchase USD 53.000.000 in exchange for EUR 37.975.909. Since TL denominated cash inflows and outflows on maturity can not be computed, TL amounts are not presented.

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	33.969.368	34.793.692	6.621.436	28.172.256		
Trade payables	48.867.283	49.496.082	46.148.740	3.173.497	173.845	-
Other payables	38.961.421	38.961.421	-	38.961.421	-	-

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	3.116.147	3.116.147	3.116.147	-	-	-
Other current liabilities	3.881.452	3.881.452	3.881.452	-	-	-

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

38. 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, 2008;

						Table of foreign currency position
						Current year
		TL equivalent (functional currency)	USD	EUR	GBP	CHF
1.	Trade receivables	95.427.613	1.747.043	42.713.233	613.515	-
2a.	Monetary financial assets (including cash, bank accounts)	65.601.564	41.439.146	1.358.473	11.369	-
2b.	Non-monetary financial assets	-	-	-	-	-
3.	Other	-	-	-	-	-
4.	**Current assets (1+2+3)**	**161.029.177**	**43.186.189**	**44.071.706**	**624.884**	**-**
5.	Trade receivables	37.617.739	-	17.571.814	-	-
6a.	Monetary financial assets	-	-	-	-	-
6b.	Non-monetary financial assets	-	-	-	-	-
7.	Other	-	-	-	-	-
8.	**Non-current assets (5+6+7)**	**37.617.739**	**-**	**17.571.814**	**-**	**-**
9.	**Total assets(4+8)**	**198.646.916**	**43.186.189**	**61.643.520**	**624.884**	**-**
10.	Trade payables	(29.047.890)	(8.092.591)	(6.606.517)	(1.048.255)	**(264.691)**
11.	Financial liabilities	(133.748.602)	(57.377.299)	(21.943.625)	-	-
12a.	Monetary other liabilities	-	-	-	-	-
12b.	Non-monetary other liabilities	-	-	-	-	-
13.	**Current liabilities (10+11+12)**	**(162.796.492)**	**(65.469.890)**	**(28.550.142)**	**(1.048.255)**	**(264.691)**
14.	Trade payables	-	-	-	-	-
15.	Financial liabilities	-	-	-	-	-
16a.	Monetary other liabilities	-	-	-	-	-
16b.	Non-monetary other liabilities	-	-	-	-	-
17.	**Non-current liabilities (14+15+16)**	**-**	**-**	**-**	**-**	
18.	**Total liabilities (13+17)**	**(162.796.492)**	**(65.469.890)**	**(28.550.142)**	**(1.048.255)**	**(264.691)**
19.	Net asset/(liability) position of off-balance sheet derivative instruments(19a-19b)	(1.146.926)	53.000.000	(37.975.909)	-	-
19a.	Hedged total assets amount	80.151.900	53.000.000	-	-	-
19b.	Hedged total liabilities amount	(81.298.826)	-	(37.975.909)	-	-
20.	**Net foreign currency asset/(liability) position (9+18+19)**	**34.703.498**	**30.716.299**	**4.882.531**	**(423.371)**	**(264.691)**
21.	**Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)**	**35.850.424**	**(22.283.701)**	**33.093.378**	**(423.371)**	**(264.691)**
22.	Total fair value of financial instruments used for foreign currency hedging	80.151.900	53.000.000	37.975.909	-	-
23.	Export	149.992.527	58.895.933	33.126.944	4.331.594	-
24.	Import	151.405.544	36.060.533	47.804.806	7.070.534	1.107.478

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

38. 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	66.396.867	1.936.891	37.203.451	221.690	-
2a.	Monetary financial assets (including cash, bank)	1.425.214	61.160	757.099	25.449	-
2b.	Non-monetary financial assets	-	-	-	-	-
3.	Other	-	-	-	-	-
4.	**Current assets (1+2+3)**	67.822.081	1.998.051	37.960.550	247.139	-
5.	Trade receivables	32.538.161	-	19.025.939	-	-
6a.	Monetary financial assets	-	-	-	-	-
6b.	Non-monetary financial assets	-	-	-	-	-
7.	Other	-	-	-	-	-
8.	**Non-current assets (5+6+7)**	32.538.161	-	19.025.939	-	-
9.	**Total assets(4+8)**	100.360.242	1.998.051	56.986.489	247.139	-
10.	Trade payables	(25.448.471)	(1.579.451)	(8.249.243)	(4.109.920)	-
11.	Financial liabilities	(30.931.435)	(17.578.845)	(6.114.697)	-	-
12a.	Monetary other liabilities	-	-	-	-	-
12b.	Non-monetary other liabilities	-	-	-	-	-
13.	**Current liabilities (10+11+12)**	(56.379.906)	(19.108.296)	(14.363.940)	(4.109.920)	-
14.	Trade payables	-	-	-	-	-
15.	Financial liabilities	-	-	-	-	-
16a.	Monetary other liabilities	-	-	-	-	-
16b.	Non-monetary other liabilities	-	-	-	-	-
17.	**Non-current liabilities (14+15+16)**	-	-	-	-	-
18.	**Total liabilities (13+17)**	(56.379.906)	(19.108.296)	(14.363.940)	(4.109.920)	-
19.	Net asset/(liability) position of off-balance sheet derivative instruments(19a-19b)	-	-	-	-	-
19a.	Hedged total assets	-	-	-	-	-
19b.	Hedged total liabilities	-	-	-	-	-
20.	**Net foreign currency asset/(liability) position (9+18+19)**	43.980.336	(17.110.245)	42.622.549	(3.862.781)	-
21.	**Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)**	43.980.336	(17.110.245)	42.622.549	(3.862.781)	-
22.	Total fair value of financial instruments used for foreign currency hedging	-	-	-	-	-
23.	Export	128.972.333	44.253.865	15.292.955	17.843.772	-
24.	Import	145.582.528	39.767.554	36.330.375	9.867.275	1.333.344

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

38. 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, 2008 and 2007:

			Exchange rate sensitivity analysis table
			Current year
		Profit/loss	**Profit/loss**
		Appreciation of foreign currency	**Depreciation of foreign currency**
	In case %10 appreciation of USD against TL:		
1-	USD net asset/liability	**(3.369.964)**	**3.369.964**
2-	Amount hedged for USD risk (-)	**-**	**-**
3-	**USD net effect (1+2)**	**(3.369.964)**	**3.369.964**
	In case %10 appreciation of EUR against TL:		
4-	EUR net asset/liability	**7.084.631**	**(7.084.631)**
5-	Amount hedged for EUR risk (-)	**-**	**-**
6-	**EUR net effect (4+5)**	**7.084.631**	**(7.084.631)**
	In case %10 appreciation of GBP against TL:		
7-	GBP net asset/liability	**(92.820)**	**92.820**
8-	Amount hedged for GBP risk (-)	**-**	**-**
9-	**GBP net effect (7+8)**	**(92.820)**	**92.820**
	In case %10 appreciation of CHF against TL:		
10-	CHF net asset/liability	**(36.804)**	**36.804**
11-	Amount hedged for CHF risk (-)	**-**	**-**
12-	**CHF net effect (10+11)**	**(36.804)**	**36.804**
	Total (3+6+9+12)	**3.585.043**	**(3.585.043)**

			Exchange rate sensitivity analysis table
			Prior year
		Profit/loss	Profit/loss
		Appreciation of foreign currency	Depreciation of foreign currency
	In case %10 appreciation of USD against TL:		
1-	USD net asset/liability	(1.992.831)	1.992.831
2-	Amount hedged for USD risk (-)	-	-
3-	**USD net effect (1+2)**	(1.992.831)	1.992.831
	In case %10 appreciation of EUR against TL:		
4-	EUR net asset/liability	7.289.309	(7.289.309)
5-	Amount hedged for EUR risk (-)	-	-
6-	**EUR net effect (4+5)**	7.289.309	(7.289.309)
	In case %10 appreciation of GBP against TL:		
7-	GBP net asset/liability	(898.444)	898.444
8-	Amount hedged for GBP risk (-)	-	-
9-	**GBP net effect (7+8)**	(898.444)	898.444
	In case %10 appreciation of CHF against TL:	4.398.034	(4.398.034)

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

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

As of December 31, 2008, the Company signed a forward agreement amounting to USD 53.000.000 with Yapı Kredi Bankası in order to hedge the risk of EUR/USD parity fluctuations. Maturities and parities of related agreement are as follows:

Amount	Currency	Parity	Transaction date	Maturity
15.000.000	USD	1,3973	31.12.2008	15.05.2009
12.000.000	USD	1,3959	31.12.2008	30.06.2009
11.000.000	USD	1,3947	31.12.2008	06.08.2009
12.000.000	USD	1,3944	31.12.2008	12.10.2009

As of December 31, 2007, the Company does not have any derivative instruments.

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, 2007, the interest rate position of the Company is as following:

Interest rate position table		**Current year**	Prior year
	Fixed-interest bearing financial instruments		
Financial assets	Financial assets at fair value through profit/loss	**-**	-
	Available for sale financial assets	**-**	-
Financial liabilities		**210.331.455**	33.969.368
	Variable interest bearing financial instruments		
Financial assets		**-**	-
Financial liabilities		**-**	-

As of December 31, 2008 and 2007, financial liabilities of the Company are bank loans with fixed interest rates.

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

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

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.

	December 31, 2008	December 31, 2007
Total debt (*)	**345.908.718**	128.795.671
Less: Cash and cash equivalents (Note 6)	**(65.911.910)**	(3.602.328)
Net debt	**279.996.808**	125.193.343
Total equity	**147.897.591**	142.506.117
Total share capital	**427.894.399**	267.699.460
Debt/share capital rate	**%65**	%47

(*) As of December 31, 2008, advances received for sales orders amounting to TL 72.141.887 (December 31, 2007 - TL 38.961.421) is included in total debt. Had this amount been deducted from total debt, such ratio would have been 58% as of December 31, 2008 (December 31, 2007- 38%).

39. Fair values of financial instruments

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

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

39. Fair values of financial instruments (continued)

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

Monetary assets -- The fair value of the foreign currency assets which are converted by the year end foreign exchange rates are considered to approximate their respective carrying values.

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 – The fair value of the foreign currency liabilities which are converted by the year end foreign exchange rates are considered to approximate their respective carrying values. Trade payables and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature.

40. Subsequent events

Due to the slow down in automotive industry, the Company has stopped the production between the dates January 5 – 11 and January 26 – February 1, 2009 and production personnel used their vacations at this period.

According to the Board of Directors resolution dated January 13, 2009, in order to meet financial necessities, the management of the Company has decided to use part of the loan provided by international finance corporation to Koç Holding A.Ş. amounting to USD 10.000.000. Related loan will be paid at maturity which is 1 year. There is an option of 3 or 6 month term interest payment and interest rate is Libor + 2,5%.

41. 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.