

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

# **Otokar Otobüs Karoseri Sanayi Anonim Şirketi**

**Interim financial statements  
September 30, 2008**

(Convenience translation of financial statements originally issued in Turkish)

## Otokar Otobüs Karoseri Sanayi Anonim Şirketi

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## Otokar Otobüs Karoseri Sanayi Anonim Şirketi

Balance sheet as of September 30, 2008

Prepared in accordance with the Communiqué No: XI-29 “Communiqué on Financial Reporting Standards in Capital Markets”

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

			(Audited)
	Notes	September 30, 2008	December 31, 2007
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	21.998.512	3.602.328
Financial investments	7	-	-
Trade receivables		115.451.140	91.992.630
- Trade receivables from related parties	37	1.012.843	225.747
- Other trade receivables	10	114.438.297	91.766.883
Receivables from finance sector operations	12	-	-
Other receivables	11	91.002	7.525
Inventories	13	129.957.155	100.178.677
Biological assets	14	-	-
Other current asset	26	20.513.302	15.382.062
		<b>288.011.111</b>	<b>211.163.222</b>
Assets held for sale	34	-	-
<b>Total current assets</b>		<b>288.011.111</b>	<b>211.163.222</b>
<b>Non-current assets</b>			
Trade receivables		31.150.349	32.538.161
- Trade receivables related parties	37	-	-
- Other trade receivables	10	31.150.349	32.538.161
Receivables from finance sector operations	12	-	-
Other receivables	11	5.496	5.495
Financial investments	7	2.150.000	1.542.712
Investments accounted using equity method	16	-	-
Biological assets	14	-	-
Investment properties	17	-	-
Property, plant and equipment	18	96.886.618	41.373.329
Intangibles	19	16.679.923	5.578.622
Goodwill	20	-	-
Deferred tax asset	35	-	-
Other non-current assets	26	-	-
<b>Total non-current assets</b>		<b>146.872.386</b>	<b>81.038.319</b>
<b>Total assets</b>		<b>434.883.497</b>	<b>292.201.541</b>

The accompanying policies and explanatory notes on pages 7 through 52 form an integral part of the financial statements.

## Otokar Otobüs Karoseri Sanayi Anonim Şirketi

Balance sheet as of September 30, 2008

Prepared in accordance with the Communiqué No: XI-29 “Communiqué on Financial Reporting Standards in Capital Markets”

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

			(Audited)
	Notes	September 30, 2008	December 31, 2007
<b>Liabilities</b>			
<b>Current liabilities</b>			
Financial liabilities	8	141.401.692	33.969.368
Other financial liabilities	9	-	-
Trade payables		95.025.224	48.867.283
- Trade payables to related parties	37	45.909.778	5.731.766
- Other trade payables	10	49.115.446	43.135.517
Other payables	11	21.644.716	42.077.568
Liabilities from finance sector operations	12	-	-
Government incentives and grants	21	-	-
Tax liabilities from net income for the period	22, 35	460.095	6.125.202
Provisions	22	14.422.206	9.804.067
Other current liabilities	26	3.843.711	3.881.452
		<b>276.797.644</b>	<b>144.724.940</b>
Liabilities related with assets held for sale		-	-
<b>Total current liabilities</b>		<b>276.797.644</b>	<b>144.724.940</b>
<b>Non-current liabilities</b>			
Financial liabilities	8	-	-
Other financial liabilities	9	-	-
Trade payables		636.581	-
- Trade payables to related parties	37	-	-
- Other trade payables		636.581	-
Other payables	11	-	-
Liabilities from finance sector operations	12	-	-
Government incentives and grants	21	-	-
Provisions	22	-	-
Reserve for retirement pay	24	4.395.780	4.118.424
Deferred tax liability	35	392.103	852.060
Other non-current liabilities	26	-	-
<b>Total non-current liabilities</b>		<b>5.424.464</b>	<b>4.970.484</b>
<b>Shareholders' equity</b>			
<b>Parent Company's equity</b>			
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	1.475.287	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 period	27	39.578.348	37.572.934
<b>Minority interest</b>		-	-
<b>Total shareholders' equity</b>		<b>152.661.389</b>	<b>142.506.117</b>
<b>Total liabilities</b>		<b>434.883.497</b>	<b>292.201.541</b>

The accompanying policies and explanatory notes on pages 7 through 52 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 period ended September 30, 2008

Prepared in accordance with the Communiqué No: XI-29 “Communiqué on Financial Reporting Standards in Capital Markets”

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

	Notes	Not reviewed January 1 – September 30, 2008	Not reviewed July 1 – September 30, 2008	Not reviewed January 1 – September 30, 2007	Not reviewed July 1 – September 30, 2007
<b>Continuing operations</b>					
Net sales	28	355.239.399	124.497.989	264.917.701	115.049.475
Cost of sales (-)	28	(264.887.936)	(100.527.624)	(199.383.359)	(86.781.657)
<b>Gross profit</b>		<b>90.351.463</b>	<b>23.970.365</b>	65.534.342	28.267.818
Selling, marketing and distribution expense (-)	29	(26.342.689)	(7.345.018)	(30.970.498)	(9.150.687)
General and administrative expense (-)	29	(16.647.024)	(6.006.003)	(13.496.605)	(5.550.259)
Research and development expenses (-)	29	(3.878.442)	(2.130.796)	(7.043.921)	(2.541.609)
Other operating income	31	2.762.242	1.826.275	735.855	465.123
Other operating expense	31	(1.297.524)	(281.702)	(783.782)	(226.855)
<b>Operating profit</b>		<b>44.948.026</b>	<b>10.033.121</b>	13.975.391	11.263.531
Financial income	32	43.504.177	12.406.212	19.035.233	11.005.406
Financial expense (-)	33	(41.328.978)	(17.238.513)	(17.856.884)	(8.577.365)
<b>Net income before taxes from continuing operations</b>		<b>47.123.225</b>	<b>5.200.820</b>	15.153.740	13.691.572
<b>Tax income/expense for continuing operations</b>					
- Tax income/expense for the period	35	(8.035.199)	(118.682)	(2.485.589)	(849.660)
- Deferred tax income	35	490.322	(938)	546.567	(1.225.788)
<b>Net income</b>		<b>39.578.348</b>	<b>5.081.200</b>	13.214.718	11.616.124
<b>Earnings per share</b>	36	<b>0,00165</b>	<b>0,00021</b>	0,00055	0,00048

The accompanying policies and explanatory notes on pages 7 through 52 form an integral part of the financial statements.

(Convenience translation of financial statements originally issued in Turkish)

## Otokar Otobüs Karoseri Sanayi Anonim Şirketi

### Statement of changes in equity for the period ended September 30, 2008

Prepared in accordance with the Communiqué No: XI-29 “Communiqué on Financial Reporting Standards in Capital Markets”

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

	Paid-in share capital	Inflation adjustment on equity items	Restricted reserves	Revaluation fund	Retained earnings	Net income for the period	Total shareholders' equity
<b>January 1, 2007</b>	24.000.000	52.743.030	4.544.498	898.363	11.334.783	41.412.509	134.933.183
Transfer to retained earnings	-	-	-	-	37.452.437	(37.452.437)	-
Transfer to restricted reserves	-	-	3.960.072	-	-	(3.960.072)	-
Dividends paid	-	-	-	-	(30.000.000)	-	(30.000.000)
Net income for the period	-	-	-	-	-	13.214.718	13.214.718
<b>September 30, 2007</b>	24.000.000	52.743.030	8.504.570	898.363	18.787.220	13.214.718	118.147.901
<b>January 1, 2008</b>	<b>24.000.000</b>	<b>52.743.030</b>	<b>11.338.147</b>	<b>898.363</b>	<b>15.953.643</b>	<b>37.572.934</b>	<b>142.506.117</b>
Transfer to retained earnings	-	-	-	-	37.572.934	(37.572.934)	-
Transfer to restricted reserves	-	-	2.880.000	-	(2.880.000)	-	-
Increase in revaluation fund (net of deferred tax)	-	-	-	576.924	-	-	576.924
Dividends paid	-	-	-	-	(30.000.000)	-	(30.000.000)
Net income for the period	-	-	-	-	-	39.578.348	39.578.348
<b>September 30, 2008</b>	<b>24.000.000</b>	<b>52.743.030</b>	<b>14.218.147</b>	<b>1.475.287</b>	<b>20.646.577</b>	<b>39.578.348</b>	<b>152.661.389</b>

The accompanying policies and explanatory notes on pages 7 through 52 form an integral part of the financial statements.

## Otokar Otobüs Karoseri Sanayi Anonim Şirketi

### Cash flow statement for the period ended September 30, 2008

#### Prepared in accordance with the Communiqué No: XI-29 “Communiqué on Financial Reporting Standards in Capital Markets”

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

	Notes	September 30, 2008	September 30, 2007
<b>Cash flows from operating activities</b>			
Net income before provision for taxes		47.123.227	15.153.740
<b>Adjustments to reconcile net income to net cash flows from operating activities:</b>			
Depreciation and amortization	18, 19	4.311.472	3.082.201
Reserve for retirement pay	24	1.045.206	534.768
Loss/(gain) on sale of property, plant and equipment	31	202.860	(24.377)
Interest expense	33	7.112.929	4.246.517
Foreign exchange gain/(loss) from borrowings	32, 33	(283.250)	(170.923)
Interest income	32	(101.983)	(3.439.800)
Provision for vacation pay liability	22	404.625	352.314
<b>Operating profit before changes in operating asset and liabilities</b>		<b>59.815.086</b>	<b>19.734.440</b>
Increase in trade receivables and other receivables		(22.154.175)	(22.257.376)
Increase in inventories		(29.778.478)	(8.765.779)
Increase in other current assets		(5.131.241)	(6.240.860)
Increase/(decrease) in trade payables		46.794.521	(9.956.285)
Increase/(decrease) in other liabilities, provisions and other current liabilities		(16.257.080)	66.841.962
Taxes paid		(13.700.305)	(1.637.883)
Employee termination benefits paid	24	(767.850)	(736.624)
<b>Net cash (used in) / provided by operating activities</b>		<b>18.820.478</b>	<b>36.981.595</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment	18	(59.644.634)	(2.137.872)
Purchase of intangible assets	19	(11.750.003)	(129.308)
Proceeds from sale of property, plant and equipment		265.716	60.726
Interest received		101.983	170.923
<b>Net cash used in investing activities</b>		<b>(71.026.938)</b>	<b>(2.035.531)</b>
<b>Financing activities</b>			
Increase/(decrease) on spot borrowings		29.213.923	(15.522.114)
Proceeds from bank borrowings		93.788.000	23.760.700
Repayments of bank borrowings		(17.264.717)	(7.724.700)
Interest payments		(5.134.562)	(3.696.554)
Dividends paid		(30.000.000)	(30.000.000)
<b>Net cash provided by / (used in) financing activities</b>		<b>70.602.644</b>	<b>(33.182.668)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>18.396.184</b>	<b>1.763.396</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>6</b>	<b>3.602.328</b>	<b>637.141</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>6</b>	<b>21.998.512</b>	<b>2.400.537</b>

The accompanying policies and explanatory notes on pages 7 through 52 form an integral part of the financial statements.

## Otokar Otobüs Karoseri Sanayi Anonim Şirketi

### Notes to the financial statements

As of September 30, 2008

Prepared in accordance with the Communiqué No: XI-29 “Communiqué on Financial Reporting Standards in Capital Markets”

(Currency –New Turkish Lira (YTL) 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 land vehicles, armoured vehicles, minibuses and midibuses, trailers, semi-trailers and cross-country comprises the majority of its production. The number of the personnel in the Company is 1.343 (December 31, 2007 - 1.124).

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 October 31, 2008. 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 September 30, 2008, the shares listed on the ISE are 29,91% of the total shares. As of September 30, 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
	<b>100,00</b>

At July 29, 2008, the Company has signed the agreement of “Period I Turkish Main Battle Design and Manufacturing of Prototype” with Defense Industry Undersecretariat, under the scope of “Project of Modern Tank Manufacturing with National Resources”. The amount of the agreement is USD 494 million and the agreement comprise a duration of 78,5 months as of its effective date.



## **Otokar Otobüs Karoseri Sanayi Anonim Şirketi**

### **Notes to the financial statements (continued)**

**As of September 30, 2008**

**Prepared in accordance with the Communiqué No: XI-29 “Communiqué on Financial Reporting Standards in Capital Markets”**

**(Currency –New Turkish Lira (YTL) unless otherwise indicated)**

## **2. Basis of presentation**

### **2.1 Basis of presentation**

The Company maintains its books of account and prepares its statutory financial statements in New Turkish Lira (YTL) 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 period 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.

## **Otokar Otobüs Karoseri Sanayi Anonim Şirketi**

### **Notes to the financial statements (continued)**

**As of September 30, 2008**

**Prepared in accordance with the Communiqué No: XI-29 “Communiqué on Financial Reporting Standards in Capital Markets”**

**(Currency –New Turkish Lira (YTL) unless otherwise indicated)**

#### **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 period ended September 30, 2007 to be consistent with the current period financial statements. In order to be consistent with current year presentation, other trade receivables amounting to YTL 576 is reclassified to other current assets; other receivables amounting to YTL 7.169 is reclassified to other current assets; trade receivables amounting to YTL 5.495 is reclassified to other receivables; advances taken amounting to YTL 38.961.421 is reclassified to other payables; other liabilities amounting to YTL 3.116.147 is reclassified to other payables; vacation pay liability amounting to YTL 1.215.343 is reclassified to current provisions from non-current provisions. Other operational income amounting to YTL 14.786.433 for the period ended September 30, 2007 is reclassified to financial income and other operational expense amounting to YTL 12.801.367 is reclassified to financial expenses.

##### **Reclassifications in December 31, 2007 financial statements**

In order to be consistent with the current period financial statements, other than the reclassifications made to the financial statements as of December 31, 2007 in conformity with the Communiqué No:XI-29, another reclassification has also been made. In order to be comparative with current year presentation, advances given amounting to YTL 25.179.503 is reclassified to goods in transit.

##### **Functional and presentation currency**

Functional and presentation currency of the Company is YTL.

In accordance with the CMB's resolution dated March 17, 2005 and numbered 11/367, the financial statements were restated in accordance with International Accounting Standards (IAS) 29 (Financial Reporting in Hyperinflationary Economies) for the last time as of December 31, 2004 since the objective conditions which require the application of restatement of financial statements have not been realized and that based on the existing data CMB has foreseen that the indications whether such conditions are going to be realized in the future is no longer probable. Therefore, non-monetary assets, liabilities and equity items including the share capital as of September 30, 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.

## Otokar Otobüs Karoseri Sanayi Anonim Şirketi

### Notes to the financial statements (continued)

As of September 30, 2008

Prepared in accordance with the Communiqué No: XI-29 “Communiqué on Financial Reporting Standards in Capital Markets”

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

## 2. Basis of presentation (continued)

### 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.

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, "UMS 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.

These new standards does not have any effect on the financial statements since they are not related with the Company’s operations.

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).

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. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. 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 that have been The Company anticipates that the change will have no impact on the financial statements.

## Otokar Otobüs Karoseri Sanayi Anonim Şirketi

### Notes to the financial statements (continued)

As of September 30, 2008

Prepared in accordance with the Communiqué No: XI-29 “Communiqué on Financial Reporting Standards in Capital Markets”

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

#### 2. Basis of presentation (continued)

*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.

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

An entity that grants loyalty award credits shall allocate some of the proceeds of the initial sale to the award credits as a liability. In effect, the award is accounted for as a separate component of the sale transaction. The amount of proceeds allocated to the award credits is measured by reference to their fair value. The entity shall recognize the deferred portion of the proceeds as revenue only when it has fulfilled its obligations. 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 or after January 1, 2009).

In order to increase the effectiveness of information in the financial statements, IAS 1 was revised. The main changes from the previous version are to require that an entity must present all non-owner changes in equity 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. The Company will make necessary changes related to presentation of financial statements in 2009.

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

Standard classifies 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)

## Otokar Otobüs Karoseri Sanayi Anonim Şirketi

### Notes to the financial statements (continued)

As of September 30, 2008

Prepared in accordance with the Communiqué No: XI-29 “Communiqué on Financial Reporting Standards in Capital Markets”

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

#### 2. Basis of presentation (continued)

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 rise 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 of 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.

#### 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 period. 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.

The key assumption concerning the future and other key sources of estimation uncertainty at the balance sheet date and the significant judgments with the most significant effect on amounts recognized in the financial statements are discussed in the relevant sections under "Summary of Significant Accounting Policies" Section.

#### 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 discounts rebates, returns etc.

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

## Otokar Otobüs Karoseri Sanayi Anonim Şirketi

### Notes to the financial statements (continued)

As of September 30, 2008

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#### 2. Basis of presentation (continued)

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 and the customer checks having maturities of less than three days (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).

#### 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

## Otokar Otobüs Karoseri Sanayi Anonim Şirketi

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#### 2. Basis of presentation (continued)

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).

#### Available for sale financial investments

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

Financial assets whose fair value can be reliably estimated are carried at fair value. All other financial assets classified as available-for-sale are carried at cost after the deduction of any impairment. When the Company is not able to make an estimate of the fair values that are sufficiently reliable for certain unlisted financial assets for which the Company has less than 20% ownership, due to the high variability in the range of reasonable estimates and various outcome probabilities to assess the usefulness of a single estimate, these securities are recorded at cost after deduction for any impairment. The unrealized gains and losses arising from changes in the fair value of available-for-sale securities are recognised in shareholders' equity. When there is objective evidence that an available-for-sale security is impaired, the cumulative loss measured as the difference between the acquisition and the current fair value is removed from equity and recognised in the statement of income.

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#### 2. Basis of presentation (continued)

##### 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 period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

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

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

Estimated useful lives are as follows:

	<u>Years</u>
Land improvements	30
Building	30
Machinery and equipment	3-15
Vehicles	9
Furniture and fixtures	5-15
Leasehold improvements	5

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 18).



## **Otokar Otobüs Karoseri Sanayi Anonim Şirketi**

### **Notes to the financial statements (continued)**

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#### **2. Basis of presentation (continued)**

##### **Intangible assets**

Intangible assets mainly comprise software rights, information systems, project costs related to new product development and computer softwares (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.

##### **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 period 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.

## Otokar Otobüs Karoseri Sanayi Anonim Şirketi

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#### 2. Basis of presentation (continued)

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.

##### (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 years 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.

## Otokar Otobüs Karoseri Sanayi Anonim Şirketi

### Notes to the financial statements (continued)

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## 2. Basis of presentation (continued)

### 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.

### Warranty expenses

Warranty expenses are recorded as a result of repair and maintenance expenses for products produced and sold, authorized services' labor and material costs for products under the scope of the warranty terms without any charge to the customers, initial maintenance costs and estimated costs based on statistical information for possible future warranty services and returns of products with respect to the products sold during the period (Note 22).

### 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.

## Otokar Otobüs Karoseri Sanayi Anonim Şirketi

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#### 2. Basis of presentation (continued)

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.

#### 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.

## Otokar Otobüs Karoseri Sanayi Anonim Şirketi

### Notes to the financial statements (continued)

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#### 2. Basis of presentation (continued)

##### 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, however if such asset is revalued, the related impairment loss is reduced from the revaluation fund.

An impairment loss recognized in prior periods for an asset is reversed if the subsequent increase in the asset's recoverable amount is caused by a specific event since the last impairment loss was recognized. Such a reversal amount cannot be higher than the previously recognized impairment and is recognized as income in the financial statements, however when related asset is revalued, reversed impairment loss is added to revaluation fund.

##### 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).

## Otokar Otobüs Karoseri Sanayi Anonim Şirketi

### Notes to the financial statements (continued)

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#### 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.

#### 6. Cash and cash equivalents

	<b>September 30, 2008</b>	December 31, 2007
Cash at banks		
- demand deposits	<b>1.222.150</b>	3.555.269
- time deposits	<b>19.294.000</b>	-
Checks and notes received	<b>1.417.771</b>	-
Other	<b>64.591</b>	47.059
	<b>21.998.512</b>	3.602.328

As of September 30, 2008, checks and notes received consist of checks and notes given to banks for collections and the maturities of these checks and notes vary between one and three days. As of September 30, 2008, the Company has restricted bank deposit amounting to YTL 1.145 (December 31, 2007 - YTL 1.145).

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#### 7. Financial investments

##### Available for sale financial assets

	September 30, 2008		December 31, 2007	
	YTL	%	YTL	%
Entek Elektrik Üretimi A.Ş. (“Entek”)	2.150.000	0,86%	1.542.712	0,86%
	<b>2.150.000</b>		<b>1.542.712</b>	

As of September 30, 2008, the participation has been reflected at its assessed fair value of YTL 2.150.000 which is derived from the appraisal report dated July 17, 2008, issued by an independent firm. The related appraisal is made on the basis of the statement of income and balance sheet projections prepared for 5 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 YTL 576.924 (net of deferred tax) is reflected as “Revaluation Surplus” under shareholders’ equity account.

#### 8. Financial liabilities

	Interest rate (%)	September 30, 2008	
		Amount in original currency	YTL
<b>Short-term bank borrowings</b>			
Denominated in USD	3,81 - 5,41	56.890.863	70.066.787
Denominated in EUR	5,24 - 7,17	21.740.144	39.084.430
Denominated in YTL	17,5	32.250.475	32.250.475
<b>Total</b>			<b>141.401.692</b>

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

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.

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#### 9. Other financial liabilities

None (December 31, 2007 - None).

#### 10. Trade receivables and payables

##### Trade receivables

	September 30, 2008	December 31, 2007
Trade receivables, net	65.843.731	38.011.582
Notes receivables, net	55.847.605	61.004.554
	<b>121.691.336</b>	99.016.136
Less: Provision for doubtful receivables	(7.253.039)	(7.249.253)
<b>Other short-term trade receivables</b>	<b>114.438.297</b>	91.766.883
Notes receivables, net	31.150.349	32.538.161
<b>Other long-term trade receivables</b>	<b>31.150.349</b>	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 September 30, 2008, the total trade receivable amounting to YTL 41.847.438 (December 31, 2007 - YTL 22.305.885), excluding provision reserved for doubtful receivables from dealers, has been secured by mortgages and guarantees at the amount of YTL 48.154.468 (December 31, 2007 - YTL 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.

##### Aging analysis for trade receivables

As of September 30, 2008, trade receivables amounting to YTL 2.977.996 (December 31, 2007 - YTL 3.861.183) have not been collected at the due dates. The Company does not estimate a collection risk for the remaining past due receivables due to the collaterals obtained for these receivables.

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

	September 30, 2008	December 31, 2007
Between 0-3 month	1.844.859	3.014.780
Between 3-6 month	270.285	6.267
Above 6 months	862.852	840.136
	<b>2.977.996</b>	3.861.183



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#### 10. Trade receivables and payables (cont'd)

The movement of the provision for doubtful receivables for the period ended September 30, 2008 and September 30, 2007 are as follows:

	September 30, 2008	September 30, 2007
January 1	7.249.253	6.593.469
Collections	(4.724)	(1.322)
Additional provision	8.510	327.414
<b>Total</b>	<b>7.253.039</b>	<b>6.919.561</b>

#### Trade payables

	September 30, 2008	December 31, 2007
Trade payables, net	49.055.378	43.077.760
Notes payables, net	60.068	57.757
<b>Other short-term trade payables</b>	<b>49.115.446</b>	<b>43.135.517</b>

#### 11. Other receivables and payables

##### Other short-term receivables

	September 30, 2008	December 31, 2007
Due from personnel	91.002	1.317
Other miscellaneous receivables	-	6.208
<b>Total</b>	<b>91.002</b>	<b>7.525</b>

##### Other long-term receivables

	September 30, 2008	December 31, 2007
Deposits and guarantees given	5.496	5.495
<b>Total</b>	<b>5.496</b>	<b>5.495</b>

## Otokar Otobüs Karoseri Sanayi Anonim Şirketi

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#### 11. Other receivables and payables (continued)

##### Other short-term payables

	September 30, 2008	December 31, 2007
Advances received	20.926.880	38.961.421
Due to personnel	687.518	3.090.720
Due to shareholders	7.008	5.927
Other miscellaneous payables	23.310	19.500
<b>Total</b>	<b>21.644.716</b>	<b>42.077.568</b>

#### 12. Receivables and payables from finance sector operations

None (December 31, 2007 - None).

#### 13. Inventories

	September 30, 2008	December 31, 2007
Raw material	32.894.146	22.618.445
Work-in-process	18.436.280	6.351.444
Finished goods	15.522.849	18.973.319
Merchandise	12.243.235	8.995.914
Goods in transit	50.860.645	43.239.555
	<b>129.957.155</b>	<b>100.178.677</b>

#### 14. Biological assets

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

#### 15. Assets related with construction projects in progress

As of September 30, 2008 and December 31, 2007, the Company does not have any assets related with the constructions projects in progress.

## Otokar Otobüs Karoseri Sanayi Anonim Şirketi

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#### 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 period ended September 30, 2008, the movement of property, plant and equipment and the accumulated depreciation is as follows:

	January 1, 2008	Additions	Disposal	Transfers	September 30, 2008
<b>Cost:</b>					
Land	5.370.676	14.193.664	-	-	19.564.340
Land improvements	4.543.484	-	-	-	4.543.484
Buildings	32.136.056	34.349.509	(413.852)	-	66.071.713
Machinery, equipment and installations	78.803.152	9.854.757	(475.746)	173.699	88.355.862
Motor vehicles	4.700.211	134.326	(202.833)	-	4.631.704
Furniture and fixtures	16.928.245	979.424	-	11.451	17.919.120
Leasehold improvements	1.445.746	-	-	-	1.445.746
Construction in progress	52.196	132.954	-	(185.150)	-
	<b>143.979.766</b>	<b>59.644.634</b>	<b>(1.092.431)</b>	<b>-</b>	<b>202.531.969</b>
<b>Accumulated depreciation:</b>					
Land improvements	1.765.209	106.264	-	-	1.871.473
Buildings	14.807.956	897.175	(80.568)	-	15.624.563
Machinery, equipment and installations	66.941.856	2.198.096	(475.746)	-	68.664.206
Motor vehicles	2.846.488	194.162	(67.541)	-	2.973.109
Furniture and fixtures	15.154.083	238.044	-	-	15.392.127
Leasehold improvements	1.090.845	29.028	-	-	1.119.873
	<b>102.606.437</b>	<b>3.662.769</b>	<b>(623.855)</b>	<b>-</b>	<b>105.645.351</b>
<b>Net book value</b>	<b>41.373.329</b>				<b>96.886.618</b>

With the decision of Board of Directors of the Company, numbered 2008/7, dated September 4, 2008, the projects maintained for trade vehicles and defence industry and the short-term and long term investment requirements that arise regarding these projects are evaluated and it is decided that plant, machinery and land of Otoyol Sanayi A.Ş., which were included in the expansion area of the Company and held for sale will be purchased at an amount of US Dollars 47,5 million. Following these purchases the Company will be operating at an area comprising of 552 thousand square meters in total. The property and equipment purchased from Otoyol Sanayi A.Ş. is recorded in the books in accordance with the valuation reports.

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#### 18. Property, plant and equipment (continued)

During the period ended September 30, 2007, the movement of property, plant and equipment and the accumulated depreciation is as follows:

	January 1, 2007	Additions	Disposals	Transfers	September 30, 2007
<b>Cost:</b>					
Land	5.370.676	-	-	-	5.370.676
Land improvements	4.410.668	121.364	-	-	4.532.032
Buildings	31.720.900	-	-	-	31.720.900
Machinery, equipment and installations	76.506.513	1.166.796	-	-	77.673.309
Motor vehicles	3.575.380	101.000	(73.687)	-	3.602.693
Furniture and fixtures	16.304.439	346.447	(17.786)	-	16.633.100
Leasehold improvements	1.094.689	351.057	-	-	1.445.746
Construction in progress	58.130	51.208	-	-	109.338
Advances given	22.352	-	(22.352)	-	-
	139.063.747	2.137.872	(113.825)	-	141.087.794
<b>Accumulated depreciation:</b>					
Land improvements	1.626.600	103.280	-	-	1.729.880
Buildings	13.903.956	677.135	-	-	14.581.091
Machinery, equipment and installations	64.587.381	1.766.507	-	-	66.353.888
Motor vehicles	2.816.148	133.204	(59.691)	-	2.889.661
Furniture and fixtures	14.910.135	203.482	(17.785)	-	15.095.832
Leasehold improvements	1.090.056	6.652	-	-	1096.708
	98.934.276	2.890.260	(77.476)	-	101.747.060
<b>Net defter değeri</b>	40.129.471				39.340.734

Current period depreciation and amortization expense has been allocated to cost of sales by YTL 1.510.222 (September 30, 2007 - YTL 1.590.849), to development project in process by YTL 564.076 (September 30, 2007 - None), to research and development expenses by YTL 318.886 (September 30, 2007 - YTL 481.483) to general administrative expenses by YTL 548.856 (September 30, 2007 - YTL 462.110), to selling and marketing expenses by YTL 215.941 (September 30, 2007 - YTL 128.898) and to inventories by YTL 755.111 (September 30, 2007 - YTL 418.861).

As of September 30, 2008 and December 31, 2007, gross values of fully depreciated items which are still in use is as follows :

	September 30, 2008	December 31, 2007
Machinery, equipment and installations	47.346.601	47.695.261
Motor vehicles	2.585.412	2.585.412
Furniture and fixtures	13.876.023	13.867.429
Leasehold improvements	1.089.332	1.089.332
	64.897.368	65.237.434

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#### 19. Intangible assets

For the period ended September 30, 2008, the movement of intangibles and accumulated amortization is as follows:

	January 1, 2008	Additions	Disposals	September 30, 2008
<b>Cost:</b>				
Other intangible assets	2.793.953	224.172	-	3.018.125
Development costs	2.550.970	-	-	2.550.970
Development projects in process	2.255.323	11.525.832	-	13.781.155
	<b>7.600.246</b>	<b>11.750.004</b>	-	<b>19.350.250</b>
<b>Accumulated amortization:</b>				
Other intangible assets	1.979.108	266.057	-	2.245.165
Development costs	42.516	382.646	-	425.162
	<b>2.021.624</b>	<b>648.703</b>	-	<b>2.670.327</b>
<b>Net book value</b>	<b>5.578.622</b>			<b>16.679.923</b>

For the period ended September 30, 2007, the movement of intangibles and accumulated amortization is as follows :

	January 1, 2007	Additions	Disposals	September 30, 2007
<b>Cost:</b>				
Other intangible assets	2.325.767	129.308	-	2.455.075
<b>Accumulated amortization:</b>				
Other intangible assets	1.713.814	191.941	-	1.905.755
<b>Net book value</b>	<b>611.953</b>			<b>549.320</b>

As of September 30, 2008 and December 31, 2007, the gross values of fully amortized intangible assets which are still in use is as follows :

	September 30, 2008	December 31, 2007
Other intangible assets	541.918	438.827
	<b>541.918</b>	<b>438.827</b>

## Otokar Otobüs Karoseri Sanayi Anonim Şirketi

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#### 20. Goodwill

None (December 31, 2007 - None).

#### 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 YTL 10.043.700 (September 30, 2007 - YTL 6.638.507) as a result of its research and development expenditures made in the first nine month of 2008 amounting to YTL 10.043.700 (September 30, 2007 - YTL 2.655.403) which can be utilized at 100% deduction without any withholding tax.

As of September 30, 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

	September 30, 2008	December 31, 2007
Provision for taxes, net (Note 35)	460.095	6.125.202
<b>Total</b>	<b>460.095</b>	<b>6.125.202</b>

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## 22. Provisions, contingent assets and liabilities (continued)

### Provisions

	September 30, 2008	December 31, 2007
Warranty provision	6.538.803	5.705.132
Provision for sales expenses	2.483.219	-
Provision for vacation pay liability	1.619.968	1.215.343
Provision for personnel premium	2.625.098	-
Provision for cost of materials committed to be delivered	552.118	2.883.592
Donations	603.000	-
	<b>14.422.206</b>	<b>9.804.067</b>

### Provision for warranty

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 commitments for trailers. Therefore, warranty expense provision has been recorded only for the vehicles under guarantee as of the balance sheet date. The movement of the warranty expense provision is as follows:

	September 30, 2008	September 30, 2007
January 1,	5.705.132	1.490.699
Additional provision	5.476.823	3.835.754
Payments	(4.643.152)	(3.440.470)
	<b>6.538.803</b>	<b>1.885.983</b>

### Provision for vacation pay liability

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

	September 30, 2008	September 30, 2007
January 1,	1.215.343	1.193.552
Additional provision	404.625	352.314
	<b>1.619.968</b>	<b>1.545.866</b>

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## 22. Provisions, contingent assets and liabilities (continued)

### Letters of guarantees

a) Guarantees given as of September 30, 2008 and December 31, 2007 are as follows:

	September 30, 2008	December 31, 2007
Bank letters of guarantee	150.928.962	169.454.450
	<b>150.928.962</b>	169.454.450

b) Guarantees received as of September 30, 2008 and December 31, 2007 is as follows:

	September 30, 2008	December 31, 2007
Bank letters of guarantee	39.705.000	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
	<b>55.318.000</b>	54.641.879

## 23. Commitments

None (December 31, 2007 - None).

## 24. Employee benefits

	September 30, 2008	December 31, 2007
Reserve for retirement pay	4.395.780	4.118.424
<b>Total</b>	<b>4.395.780</b>	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).



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#### 24. Employee benefits (continued)

The amount payable consists of one month’s salary limited to a maximum of YTL 2.173 for each year of service as of September 30, 2008 (December 31, 2007 - YTL 2.030).

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:

	<b>September 30, 2008</b>	December 31, 2007
Discount rate (%)	<b>5,71</b>	5,71
Turnover rate to estimate the probability of retirement (%)	<b>7</b>	7

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Since the Company calculates provision for employment termination benefits every year, the maximum amount of YTL 2.173, which is effective from January 1, 2008 (January 1, 2007 - YTL 1.961) has been used in the calculations.

The movement of reserve for retirement pay is as follows:

	<b>September 30, 2008</b>	September 30, 2007
January 1	<b>4.118.424</b>	4.609.006
Interest expense	<b>226.513</b>	253.495
Current period provision (including actuarial gains/losses)	<b>818.693</b>	281.273
Payments	<b>(767.850)</b>	(736.624)
	<b>4.395.780</b>	4.407.150

#### 25. Employee pension plan

As of September 30, 2008 and December 31, 2007, the Company does not have any liability related to the employee pension plans.

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#### 26. Other assets and liabilities

	September 30, 2008	September 30, 2007
<b>a) Other current / non-current assets</b>		
Value added tax (VAT) receivables	18.616.416	11.385.369
Inventory advances	557.052	-
Tax and funds deductible	647.858	3.360.523
Prepaid expenses	539.582	628.426
Job advances	72.817	6.750
Other	79.577	994
<b>Total</b>	<b>20.513.302</b>	<b>15.382.062</b>

	September 30, 2008	September 30, 2007
<b>b) Other current liabilities</b>		
Social security premiums payable	1.579.652	1.310.689
Cheques given and payment orders	1.156.792	-
Taxes and funds payable	962.828	2.489.541
Other	144.439	81.222
<b>Total</b>	<b>3.843.711</b>	<b>3.881.452</b>

#### 27. Shareholders' equity

##### Share capital

The shareholding structure of the Company as of September 30, 2008 and December 31, 2007 is as follows:

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

## Otokar Otobüs Karoseri Sanayi Anonim Şirketi

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#### 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.

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#### 27. Shareholders' equity (continued)

In accordance with the Communiqué, as of September 30, 2008 and December 31, 2007, the details of equity, based on which the dividend will be distributed is as follows:

	September 30, 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	1.475.287	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 period	39.578.348	37.572.934
<b>Total shareholder's equity</b>	<b>152.661.389</b>	<b>142.506.117</b>

As of September 30, 2008 and December 31, 2007, the restated amounts and the equity restatement differences of the aforementioned nominal values are as follows:

	Historical value	Restated value	September 30, 2008 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
<b>Total</b>	<b>38.218.147</b>	<b>101.911.260</b>	<b>63.693.113</b>

	Historical value	Restated value	December 31, 2007 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
<b>Total</b>	<b>35.338.147</b>	<b>99.031.260</b>	<b>63.693.113</b>

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#### 27. Shareholders' equity (continued)

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

	September 30, 2008	December 31, 2007
Legal reserves	14.218.147	11.338.147
Extraordinary reserves	30.711.001	30.179.910
<b>Total</b>	<b>44.929.148</b>	<b>41.518.057</b>
Dividends distributed during year based on previous period's net income per statutory financial statements	30.000.000	30.000.000

#### 28. Sales and cost of sales

##### Net sales

	January 1 - September 30 2008	July 1 - September 30 2008	January 1 - September 30 2007	July 1 - September 30 2007
Domestic sales	247.633.439	75.701.119	178.605.833	90.861.753
Export sales	108.010.029	48.964.363	86.701.568	24.415.869
Gross sales	355.643.468	124.665.482	265.307.401	115.277.622
Less: Sales discounts and sales returns	(404.069)	(167.493)	(389.700)	(228.147)
<b>Net sales</b>	<b>355.239.399</b>	<b>124.497.989</b>	<b>264.917.701</b>	<b>115.049.475</b>

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

	January 1 - September 30 2008	July 1 - September 30 2008	January 1 - September 30 2007	July 1 - September 30 2007
Midibus	1.147	397	815	282
Trailer	811	379	952	398
Armoured vehicles	349	117	192	78
Minibus	320	108	224	57
Bus	215	68	24	23
Land Rover 4x4	85	80	771	140
	<b>2.927</b>	<b>1.149</b>	<b>2.978</b>	<b>978</b>

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**28. Sales and cost of sales (continued)****Cost of sales**

	January 1 - September 30 2008	July 1 - September 30 2008	January 1 - September 30 2007	July 1 - September 30 2007
Cost of finished goods sold	251.739.438	96.103.224	190.423.258	82.475.594
Cost of merchandise sold	13.148.498	4.424.400	8.960.101	4.306.063
<b>Cost of sales</b>	<b>264.887.936</b>	<b>100.527.624</b>	<b>199.383.359</b>	<b>86.781.657</b>

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

	January 1 - September 30 2008	July 1 - September 30 2008	January 1 - September 30 2007	July 1 - September 30 2007
Selling and marketing expenses	26.342.689	7.345.018	30.970.498	9.150.687
General and administrative expenses	16.647.024	6.006.003	13.496.605	5.550.259
Research and development expenses	3.878.441	2.130.796	7.043.921	2.541.609
<b>Total operating expenses</b>	<b>46.868.154</b>	<b>15.481.817</b>	<b>51.511.024</b>	<b>17.242.555</b>

Personnel expenses totaling to YTL 47.306.413 (September 30, 2007 - YTL 35.302.655 ) have been allocated to cost of sales by YTL 24.769.256 (September 30, 2007 - YTL 21.155.984), to selling and marketing expenses by YTL 5.421.279 (September 30, 2007 - YTL 6.327.034), to general and administrative expenses by YTL 8.059.546 (September 30, 2007 - YTL 4.180.517), to research and development expenses (including the personnel expenses in the capitalized research and development expenses) by YTL 9.056.332 (September 30, 2007 - YTL 3.639.120).

**30. Expenses as to nature**

	January 1 - September 30 2008	July 1 - September 30 2008	January 1 - September 30 2007	July 1 - September 30 2007
Change in finished goods, work-in-process and merchandise goods	(11.881.687)	11.115.616	(8.906.222)	(1.880.948)
Cost of raw material and consumption goods	241.901.774	76.936.764	179.061.859	77.942.027
Personnel expenses	39.073.527	13.148.220	35.302.655	12.773.945
Warranty provision	5.476.823	511.319	3.440.470	(70.427)
Other production expenses	7.290.586	2.470.855	5.837.010	1.950.502
Other sales expenses	5.389.734	1.712.608	6.033.757	2.277.958
Depreciation and amortization	3.349.017	1.166.892	3.082.201	697.380
Sales commissions	2.199.225	430.721	10.742.016	2.368.868
Transportation and insurance expense	2.245.813	920.925	1.511.850	591.698
Exhibition and fair expenses	2.073.973	731.290	1.468.470	161.048
Other expenses	14.637.306	6.864.231	13.320.317	7.212.161
	<b>311.756.091</b>	<b>116.009.441</b>	<b>250.894.383</b>	<b>104.024.212</b>

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### 30. Expenses as to nature (continued)

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

	January 1 - September 30 2008	July 1 - September 30 2008	January 1 - September 30 2007	July 1 - September 30 2007
<b>Personnel expenses</b>				
Wages and salaries	28.841.023	9.054.835	27.951.225	10.444.589
Other social benefits	3.031.574	1.605.360	1.876.086	658.944
SSK employee contribution	6.013.367	2.201.838	4.570.778	1.179.707
Employee termination benefits	1.187.563	286.187	904.566	490.705
	<b>39.073.527</b>	<b>13.148.220</b>	<b>35.302.655</b>	<b>12.773.945</b>

### 31. Other operating income / expense

	January 1 - September 30 2008	July 1 - September 30 2008	January 1 - September 30 2007	July 1 - September 30 2007
<b>Other income</b>				
Research and development incentives income	1.159.389	1.010.580	302.567	302.567
Sales incentives income	913.112	446.500	-	-
Gain on sale of property, plant and equipment	-	-	24.377	10.771
Other	689.741	369.195	408.911	151.785
<b>Total</b>	<b>2.762.242</b>	<b>1.826.275</b>	<b>735.855</b>	<b>465.123</b>

	January 1 - September 30 2008	July 1 - September 30 2008	January 1 - September 30 2007	July 1 - September 30 2007
<b>Other expenses</b>				
Provision for vacation pay liability	404.625	(179.997)	352.314	187.032
Bank expenses	283.150	60.880	-	-
Loss on sale of property, plant and equipment	202.860	-	-	-
Other expenses	398.379	398.379	104.054	39.723
Provision / (reversal) for doubtful receivables	8.510	2.440	327.414	100
<b>Total</b>	<b>1.297.524</b>	<b>281.702</b>	<b>783.782</b>	<b>226.855</b>

Depreciation and amortisation of fixed assets, purchased from Otoyol Sanayi A.Ş., is disclosed under idle capacity expenses included in other expenses.

## Otokar Otobüs Karoseri Sanayi Anonim Şirketi

### Notes to the financial statements (continued)

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#### 32. Financial income

	January 1 - September 30 2008	July 1 - September 30 2008	January 1 - September 30 2007	July 1 - September 30 2007
Foreign exchange gain	27.004.239	5.689.464	10.874.750	7.260.997
Foreign exchange gain on bank borrowings	9.888.175	4.792.025	4.248.800	2.659.400
Term difference income related to sales	6.141.932	1.317.033	3.740.760	1.057.158
Interest income from time deposits	101.983	33.697	170.923	27.851
Deferred financial income	367.848	573.993	-	-
<b>Total</b>	<b>43.504.177</b>	<b>12.406.212</b>	19.035.233	11.005.406

#### 33. Financial expense

	January 1 - September 30 2008	July 1 - September 30 2008	January 1 - September 30 2007	July 1 - September 30 2007
Foreign exchange losses	24.611.124	10.963.162	12.801.367	6.999.343
Foreign exchange losses on bank borrowings	9.604.925	3.416.000	809.000	663.400
Interest expense on bank borrowings	7.112.929	2.859.351	4.246.517	914.622
<b>Total</b>	<b>41.328.978</b>	<b>17.238.513</b>	17.856.884	8.577.365

#### 34. Available for sale asset and discontinued operations

None (December 31, 2007 - None).

#### 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 for the fiscal year beginning from January 1, 2008 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.



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#### 35. Tax assets and liabilities (continued)

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.

According to “The Transfer Pricing, Controlled Foreign Corporation and Thin Capitalization General Communiqué (Serial no:1)” published on November 2007, the required reporting documentation have to be prepared by the Company until the submission of corporate tax declaration. The deadline is extended to August 18, 2008 for the current year. As of the date of approval of the financial statements, the Company continues to work on such reporting documentation.

As of September 30, 2008 and December 31, 2007, income tax payables net off prepaid taxes presented in the balance sheet is as follows:

	September 30, 2008	December 31, 2007
Income tax payable	8.035.199	8.827.323
Prepaid taxes	(7.575.104)	(2.702.121)
<b>Income tax payable</b>	<b>460.095</b>	<b>6.125.202</b>

The breakdown of total tax expense for the period ended September 30, 2008 and 2007:

	January 1- September 30 2008	January 1- September 30 2007
Corporate tax expense	8.035.199	2.485.589
Deferred tax income	(490.322)	(546.567)
<b>Total tax expense / (income)</b>	<b>7.544.877</b>	<b>1.939.022</b>

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

	January 1- September 30 2008	January 1- September 30 2007
<b>Profit before tax</b>	<b>47.123.225</b>	<b>15.153.740</b>
Income tax charge at effective tax rate 20% (2007- 20%)	9.424.645	3.030.748
Effect of non-tax deductible and tax exempt items	(2.643.973)	(544.615)
Dissallowable expenses	764.205	(547.111)
<b>Total tax expense / (income)</b>	<b>7.544.877</b>	<b>1.939.022</b>

## Otokar Otobüs Karoseri Sanayi Anonim Şirketi

### Notes to the financial statements (continued)

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#### 35. Tax assets and liabilities (continued)

As of September 30, 2008 and December 31, 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 (liability)/assets	
	September 30, 2008	December 31, 2007	September 30, 2008	December 31, 2007
Property, plant and equipment	14.579.468	14.920.261	(1.896.051)	(2.359.984)
Intangibles	535.776	652.243	(107.155)	(130.449)
Deferred financial expense	5.611.147	4.604.248	(1.122.229)	(920.850)
Financial assets	1.454.042	846.754	(72.702)	(42.338)
Prepaid expenses	-	282.668	-	(56.534)
<b>Deferred tax liability</b>			<b>(3.198.137)</b>	<b>(3.510.155)</b>
Inventories	39.960	147.455	7.992	29.491
Warranty reserve	6.538.802	5.705.132	1.307.760	1.141.026
Reserve for retirement pay	4.395.780	4.118.424	879.156	823.685
Deferred financial income	1.112.149	630.924	222.430	356.121
Other provisions	1.943.482	1.538.857	388.697	307.772
<b>Deferred tax assets</b>			<b>2.806.035</b>	<b>2.658.095</b>
<b>Deferred tax liability - net</b>			<b>(392.102)</b>	<b>(852.060)</b>

The movement of deferred tax liability and asset for the period ended September 30, 2008 and 2007 is as follows:

	September 30, 2008	September 30, 2007
January 1	852.060	1.006.475
Deferred tax benefit for the current period	(392.102)	(546.567)
Tax expense recorded in equity	30.364	-
	<b>490.322</b>	<b>459.908</b>

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### 36. Earnings per share

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

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

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

	<b>September 30, 2008</b>	September 30, 2007
Net income attributable to shareholders (YTL)	<b>39.578.348</b>	13.214.718
Weighted average number of issued shares	<b>24.000.000.000</b>	24.000.000.000
Earnings per share (Ykr)	<b>0,00165</b>	0,00055

### 37. Related party disclosures

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

i) Balances with related parties as of September 30, 2008 and December 31, 2007.

<b>Due from related parties</b>	<b>September 30, 2008</b>	December 31, 2007
Ram Dış Ticaret A.Ş. (Ram Dış)	<b>975.544</b>	170.940
Koç Statoil Gaz İletişim A.Ş. (Koç Statoil)	-	37.731
Ford Otosan A.Ş. (Ford)	<b>23.555</b>	7.530
Rmk Marine Gemi San. A.Ş. (RMK Marine)	<b>2.748</b>	5.390
Other	<b>10.995</b>	4.156
<b>Total</b>	<b>1.012.842</b>	225.747

## Otokar Otobüs Karoseri Sanayi Anonim Şirketi

### Notes to the financial statements (continued)

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#### 37. Related party disclosures (continued)

<b>Due to related parties</b>	<b>September 30, 2008</b>	<b>December 31, 2007</b>
Otoyol Sanayi A.Ş. (Otoyol) in liquidation	<b>44.386.609</b>	51.175
Setur Servis Turistik A.Ş. (Setur)	<b>462.658</b>	213.640
Zer Merkezi Hizmetler ve Ticaret A.Ş. (Zer)	<b>236.092</b>	357.705
Ram Sigorta Aracılık Hiz.A.Ş. (Ram Sigorta)	<b>174.983</b>	62.883
Beldeyama Motorlu Vast.A.Ş. (Beldeyama)	<b>148.631</b>	164.711
Akpa Dayanıklı Tük.Paz.A.Ş. (Akpa)	<b>125.408</b>	114.534
Koç Holding A.Ş.	<b>113.086</b>	41.928
Koç Sistem Bilgi İle.Hizm.A.Ş. (Koç Sistem)	<b>95.761</b>	377.901
Otokoç Otomotiv Tic.San.A.Ş. (Otokoç)	<b>83.383</b>	100.181
Oltaş Otomotiv Last.Tev.A.Ş. (Oltaş)	<b>33.496</b>	16.351
Koçnet Haberleşme Teknoloji ve İletişim Hizmetleri A.Ş. (Koçnet)	<b>18.464</b>	16.511
Ford	<b>16.395</b>	1.415
Koç Üniversitesi	<b>11.369</b>	4.373
Ram Dış	-	3.675.633
Palmira Turizm Tic.A.Ş. (Palmira)	-	322.675
Ark İnşaat A.Ş.	-	150.416
Birleşik Oksijen Sanayi Gazlar A.Ş.	-	28.418
Koçtaş Yapı Marketleri T.A.Ş. (Koçtaş)	-	14.040
Other	<b>3.443</b>	17.276
<b>Total</b>	<b>45.909.778</b>	<b>5.731.766</b>

iii) Major sales and purchase transactions with related parties for the period ended September 30, 2008 and 2007:

<b>Product sales and service revenue</b>	<b>January 1 - September 30, 2008</b>	<b>July 1 - September 30, 2008</b>	<b>January 1 - September 30, 2007</b>	<b>July 1 - September 30, 2007</b>
Ram Dış	<b>8.557.036</b>	<b>1.386.855</b>	46.216.410	9.707.125
Otoyol in liquidation	<b>8.308.127</b>	<b>6.424.006</b>	1.544	-
Aygaz A.Ş.	<b>128.498</b>	<b>36.995</b>	133.169	14.777
Ford	<b>61.533</b>	<b>11.781</b>	65.957	12.883
RMK Gemi Yapım Sanayi A.Ş. (RMK Gemi)	<b>20.008</b>	<b>6.988</b>	49.341	21.882
Koç Statoil	-	-	707.190	-
Yapı Kredi Finansal Kiralama A.O.	-	-	2.391.090	2.391.090
Other	-	-	2.550	2.550
<b>Total</b>	<b>17.075.202</b>	<b>7.866.625</b>	<b>49.567.251</b>	<b>12.150.307</b>

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**Notes to the financial statements (continued)**

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**37. Related party disclosures (continued)**

<b>Purchase of property, plant and equipment</b>	<b>January 1 - September 30, 2008</b>	<b>July 1 - September 30, 2008</b>	<b>January 1 - September 30, 2007</b>	<b>July 1 - September 30, 2007</b>
Otoyol in liquidation	57.171.000	57.171.000	2.500	2.500
Koç Sistem	496.880	141.486	218.100	72.016
Koçnet	1.314	-	2.728	-
<b>Total</b>	<b>57.669.194</b>	<b>57.312.486</b>	<b>223.328</b>	<b>74.516</b>

<b>Inventory purchases</b>	<b>January 1 - September 30, 2008</b>	<b>July 1 - September 30, 2008</b>	<b>January 1 - September 30, 2007</b>	<b>July 1 - September 30, 2007</b>
Otoyol in liquidation	6.617.912	2.041.468	-	-
Ram Dış	5.215.861	1.440.139	10.075.213	8.121.776
Zer	2.257.078	954.520	1.163.840	356.450
Akpa	913.980	308.623	470.029	206.028
Beldeyama	891.129	242.926	-	-
Opet	158.476	44.199	158.862	51.870
Oltaş Otomotiv Last.Tev.A.Ş. (Oltaş)	104.790	34.117	197.426	73.825
Koçtaş	17.322	4.476	76.670	10.945
Sanal Merkez Ticaret A.Ş.	15.646	-	28.255	9.867
Ford	12.792	12.792	688	688
Birleşik Oksijen Sanayi Gazlar A.Ş.	-	-	508.142	203.985
Arçelik A.Ş.	-	-	88	-
<b>Total</b>	<b>16.204.986</b>	<b>5.083.260</b>	<b>12.679.213</b>	<b>9.035.434</b>

**Otokar Otobüs Karoseri Sanayi Anonim Şirketi**

**Notes to the financial statements (continued)**

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**37. Related party disclosures (continued)**

<b>Services received</b>	<b>January 1 - September 30, 2008</b>	<b>July 1 - September 30, 2008</b>	<b>January 1 - September 30, 2007</b>	<b>July 1 - September 30, 2007</b>
Ram Dış	2.097.940	333.763	11.004.382	5.509.007
Setur	1.274.170	519.263	667.291	231.022
Ram Sigorta	883.909	270.368	708.563	68.817
Koç Holding A.Ş.	869.514	289.930	715.705	80.003
Palmira	752.154	109.198	830.983	235.737
Koç Sistem	626.915	168.546	191.130	105.540
Otokoç	296.791	105.455	1.097.848	1.038.349
Migros Türk Ticaret A.Ş. (Migros)	152.870	152.870	-	-
Koçnet	116.736	38.388	133.436	48.275
Setair	61.215	28.732	3.518	-
Koç Allianz Sigorta A.Ş.	26.873	-	16.788	-
VKV Amerikan Hastanesi	23.030	-	-	-
Otoyol in liquidation	22.585	5.234	198.948	145.383
Beldeyama	-	-	199.239	162.256
Birmot	-	-	49.347	12.051
Other	15.656	9.713	24.952	14.466
<b>Total</b>	<b>7.220.358</b>	<b>2.031.460</b>	<b>15.842.130</b>	<b>7.650.906</b>

<b>Demand deposits</b>	<b>January 1- September 30, 2008</b>	<b>January 1 - December 31 2007</b>
Yapı ve Kredi Bankası A.Ş. - demand deposits	769.576	2.245.102
<b>Total</b>	<b>769.576</b>	<b>2.245.102</b>

<b>Loans received from related parties</b>	<b>January 1- September 30, 2008</b>	<b>January 1 - December 31 2007</b>
Yapı ve Kredi Bankası A.Ş.	13.547.600	-
<b>Total</b>	<b>13.547.600</b>	<b>-</b>

**Otokar Otobüs Karoseri Sanayi Anonim Şirketi**

**Notes to the financial statements (continued)**

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**37. Related party disclosures (continued)**

**As of September 30, financial income and expense with related parties:**

	January 1 - September 30, 2008	July 1 - September 30, 2008	January 1 - September 30, 2007	July 1 - September 30, 2007
<b>Interest income</b>				
Yapı ve Kredi Bankası A.Ş.	33.336	29.547	5.915	5.915
<b>Total</b>	<b>33.336</b>	<b>29.547</b>	5.915	5.915

	January 1 - September 30, 2008	July 1 - September 30, 2008	January 1 - September 30, 2007	July 1 - September 30, 2007
<b>Foreign exchange gain</b>				
Yapı ve Kredi Bankası A.Ş.	698.280	521.265	150.617	70.877
Ram Dış	305.857	228.607	1.083.480	1.052.152
<b>Total</b>	<b>1.004.137</b>	<b>749.872</b>	1.234.097	1.123.029

	January 1 - September 30, 2008	July 1 - September 30, 2008	January 1 - September 30, 2007	July 1 - September 30, 2007
<b>Interest expense</b>				
Yapı ve Kredi Bankası A.Ş.	100.686	100.686	853	158
<b>Total</b>	<b>100.686</b>	<b>100.686</b>	853	158

	January 1 - September 30, 2008	July 1 - September 30, 2008	January 1 - September 30, 2007	July 1 - September 30, 2007
<b>Foreign exchange losses</b>				
Yapı ve Kredi Bankası A.Ş.	1.079.303	907.297	79.506	34.131
Ram Dış	794.526	436.586	765.179	761.135
Ram Sigorta	2.300	2.300	-	-
<b>Total</b>	<b>1.876.129</b>	<b>1.346.183</b>	844.685	795.266

Salaries and similar benefits provided to the executive management for the period ended September 30, 2008 amounts to YTL 1.675.078 (September 30, 2007 - YTL 1.521.609).

## Otokar Otobüs Karoseri Sanayi Anonim Şirketi

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#### 38. Nature and level of risks arising from financial instruments

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

##### *Interest rate risk*

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

The Company's interest rate risk arises from short-term borrowings. The Company has obtained fixed rated borrowings however the borrowings that the Company will obtain in future will be affected from future interest rates.

##### *Liquidity risk*

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions.

The ability to fund existing and prospective debt requirements is managed by maintaining the availability of adequate committed funding lines from high quality lenders.

As of September 30, 2008 and December 31, 2007, maturities of gross trade payables and financial liabilities are as follows (including rediscount amounts) :

September 30, 2008	On demand	0-1 month	1-4 month	4-6 month	6-12 month	Over 1 year	Total
Short term trade payables	11.256.259	33.360.000	49.772.240	1.644.658	-	-	96.033.157
Other short term payables	20.646.478	710.828	287.410	-	-	-	21.644.716
Short term financial liabilities	-	42.421.820	511.721	17.613.217	82.979.589	1.725.405	145.251.752
<b>Total short term payables</b>	<b>31.902.737</b>	<b>76.492.648</b>	<b>50.571.371</b>	<b>19.257.875</b>	<b>82.979.589</b>	<b>1.725.405</b>	<b>262.929.525</b>

December 31, 2007	On demand	0-1 month	1-4 month	4-6 month	6-12 month	Over 1 year	Total
Short term trade payables	12.193.097	30.428.708	4.503.799	2.198.758	-	173.845	49.498.207
Other short term payables	38.961.421	3.116.147	-	-	-	-	42.077.568
Short term financial liabilities	-	3.037.867	3.584.881	20.864.128	9.408.182	-	36.895.058
<b>Total short term payables</b>	<b>51.154.518</b>	<b>36.582.722</b>	<b>8.088.680</b>	<b>23.062.886</b>	<b>9.408.182</b>	<b>173.845</b>	<b>128.470.833</b>



## Otokar Otobüs Karoseri Sanayi Anonim Şirketi

### Notes to the financial statements (continued)

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

##### *Credit risk*

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. These risks are monitored by limiting the aggregate risk from any individual counterparty (excluding related parties) and by receiving guarantees from customers when considered necessary. Credit risk of the Company mainly arises from trade receivables. The Company manages this risk that may arise from its dealers or from other customers by restricting the credit limits determined for the dealers according to the amount of guarantees received, by receiving advance payments or by receiving the pledge of ownership of the vehicles sold. Credit limits are regularly monitored by the Company and the customers' credit quality are regularly evaluated by considering the customer's financial position, past experiences and other factors. All foreign sales are made after receiving confirmed letters of credit. Military vehicle sales are made to domestic or foreign governmental institutions or to companies acting as agents to these institutions; accordingly, the Company does not anticipate any collection risk related to military vehicle sales. Trade receivables are evaluated by management depending on their past experiences and current economic condition, and are presented in financial statements net of provision for doubtful receivables (Note 10).

##### *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.

	September 30, 2008	December 31, 2007
Total debt (*)	262.551.924	128.795.671
Less: Cash and cash equivalents (Note 6)	(21.998.512)	(3.602.328)
Net debt	240.553.412	125.193.343
Total equity	152.661.389	142.506.117
Total share capital	393.214.801	267.699.460
Debt/share capital rate	%61	%47

(\*) As of September 30, 2008, advances received for sales orders amounting to YTL 20.926.880 (December 31, 2007 - YTL 38.961.421) is included in total debt. Had this amount been deducted from total debt, such ratio would have been 59% as of September 30, 2008 (December 31, 2007 - 38%).

## Otokar Otobüs Karoseri Sanayi Anonim Şirketi

### Notes to the financial statements (continued)

As of September 30, 2008

Prepared in accordance with the Communiqué No: XI-29 “Communiqué on Financial Reporting Standards in Capital Markets”

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

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

##### Foreign currency position

The accompanying table represents the foreign currency risk of the Company as of September 30, 2008 and December 31, 2007. Assets and liabilities denominated in foreign currency as of September 30, 2008 and December 31, 2007 are as follows:

	September 30, 2008	December 31, 2007
Assets	132.701.832	100.360.242
Liabilities	(189.261.979)	(79.652.349)
<b>Net foreign currency position</b>	<b>(56.560.147)</b>	<b>20.707.893</b>

	Foreign currency	September 30, 2008		December 31, 2007	
		Foreign currency amount	YTL	Foreign currency amount	YTL
<b>Assets:</b>					
Cash and cash equivalents	USD	15.097.066	18.593.547	6.116	71.233
	EUR	1.189.043	2.137.660	757.098	1.294.790
	GBP	13.207	29.890	108.760	252.964
		<b>20.761.097</b>		<b>1.618.987</b>	
Trade receivables	USD	7.706.590	9.491.436	1.936.891	2.255.897
	EUR	56.125.215	100.901.911	56.229.390	96.163.503
	GBP	683.747	1.547.388	138.379	321.855
		<b>111.940.735</b>		<b>98.741.255</b>	
<b>Total foreign currency assets</b>		<b>132.701.832</b>		<b>100.360.242</b>	

## Otokar Otobüs Karoseri Sanayi Anonim Şirketi

### Notes to the financial statements (continued)

As of September 30, 2008

Prepared in accordance with the Communiqué No: XI-29 “Communiqué on Financial Reporting Standards in Capital Markets”

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

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

	Foreign currency	September 30, 2008		December 31, 2007	
		Foreign currency amount	YTL	Foreign currency amount	YTL
<b>Liabilities:</b>					
Short-term bank borrowings					
	USD	56.811.899	69.969.534	17.578.845	20.474.081
	EUR	21.794.239	39.181.683	6.114.697	10.457.354
			109.151.217		30.931.435
Trade payable					
	USD	38.346.883	47.228.021	1.529.451	1.781.352
	EUR	5.760.963	10.357.059	8.572.359	14.660.450
	GBP	822.708	1.861.870	4.295.477	9.990.851
	SEK	-	-	703.515	126.492
	CHF	-	-	175.714	180.705
			59.446.950		26.739.850
Advances received					
	USD	16.232.316	19.991.720	16.664.525	19.409.172
	EUR	373.842	672.092	1.503.855	2.571.892
			20.663.812		21.981.064
<b>Total foreign currency liability</b>					
			189.261.979		79.652.349
<b>Net foreign currency position</b>					
<b>Liabilities:</b>					
			(56.560.147)		20.707.893

### Foreign currency risk

The Company is exposed to the foreign exchange risk through the rate changes at the translation of foreign currency denominated liabilities to local currency. These risks are monitored and limited by analyzing the foreign currency position. Currency risk is monitored and limited by analyzing the foreign currency position. The Company follows a policy of diversifying its foreign currency position in order to manage the foreign currency risk that may arise due to future operations and recognized assets and liabilities.

## Otokar Otobüs Karoseri Sanayi Anonim Şirketi

### Notes to the financial statements (continued)

As of September 30, 2008

Prepared in accordance with the Communiqué No: XI-29 “Communiqué on Financial Reporting Standards in Capital Markets”

(Currency –New Turkish Lira (YTL) 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 U.S. Dollars, Euro and GBP exchange rates, with all other variables held constant, on the Company's income before tax as of the dates September 30, 2008 and December 31, 2007.

		Increase in foreign exchange rates (loss) / income	Decrease in foreign exchange rates (loss) / income
September 30, 2008	USD	(10.910.429)	10.910.429
	EUR	5.282.874	(5.282.874)
	GBP	(28.459)	28.459
December 31, 2007	USD	(3.933.748)	3.933.748
	EUR	6.976.860	(6.976.860)
	GBP	(941.603)	941.603

#### Total export and import

	September 30, 2008	September 30, 2007
Export	108.010.029	86.701.568
Import	115.940.861	98.820.011
<b>Hedge rate of total foreign currency liabilities (%)</b>	<b>%0</b>	<b>%0</b>

#### 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.

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.

**Otokar Otobüs Karoseri Sanayi Anonim Şirketi**

**Notes to the financial statements (continued)**

**As of September 30, 2008**

**Prepared in accordance with the Communiqué No: XI-29 “Communiqué on Financial Reporting Standards in Capital Markets”**

**(Currency –New Turkish Lira (YTL) unless otherwise indicated)**

**40. Subsequent events**

There has been no significant issue having impact on the financial statements, subsequent to the balance sheet date.

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