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

Otokar Otobüs Karoseri Sanayi Anonim Şirketi

Interim financial statements together with review report of independent auditors
June 30, 2008

(Convenience translation of financial statements originally issued in Turkish)

Otokar Otobüs Karoseri Sanayi Anonim Şirketi

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(Convenience translation of review report originally issued in Turkish)

Independent auditors' review report on the interim financial statements of January 1 - June 30, 2008

To the Board of Directors of
Otokar Otobüs Karoseri Sanayi Anonim Şirketi:

Introduction

We have reviewed the interim financial statements of Otokar Otobüs Karoseri Sanayi Anonim Şirketi (the Company), which comprise the balance sheet as at June 30, 2008, the income statement, statement of changes in equity and cash flow statement for the six month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these financial statements in accordance with financial reporting standards issued by Capital Market Board. Our responsibility is to express a conclusion on based on our review of the interim financial statements.

Scope of review

We conducted our review in accordance with standards on auditing issued by Capital Market Board. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with standards on auditing issued by Capital Market Board and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Balance sheets of the Company as at December 31, 2007 and June 30, 2007 and income statements for the year and six months period then ended prepared in accordance with financial reporting standards issued by Capital Market Board were audited and reviewed, respectively, by other auditors. In the review report of other auditors, dated August 2 ,2007, an unqualified conclusion was issued on the financial statements as of and for the period ended June 30, 2007, and an unqualified audit opinion was issued on the financial statements as of and for the year ended December 31, 2007, in other auditors report dated March 6, 2008.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements do not present fairly the financial position of Otokar Otobüs Karoseri Sanayi Anonim Şirketi as at June 30, 2008 and its financial performance and its cash flows for the six month period then ended in accordance with financial reporting standards issued by Capital Market Board.

Additional paragraph for convenience translation to English

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

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

Erdem Tecer, SMMM
Engagement Partner

August 1, 2008
Istanbul, Turkey

(Convenience translation of financial statements originally issued in Turkish)

Otokar Otobüs Karoseri Sanayi Anonim Şirketi
Balance sheet as of June 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	(Reviewed) June 30, 2008	(Audited) December 31, 2007
Assets			
Current assets			
Cash and cash equivalents	6	**3.051.718**	3.602.328
Financial investments	7	**-**	-
Trade receivables		**95.101.208**	91.992.630
- Trade receivables from related parties	37	**2.732.382**	225.747
- Other trade receivables	10	**92.368.826**	91.766.883
Receivables from finance sector operations	12	**-**	-
Other receivables	11	**47.694**	7.525
Inventories	13	**129.472.173**	100.178.677
Biological assets	14	**-**	-
Other current asset	26	**20.660.849**	15.382.062
		248.333.642	211.163.222
Assets held for sale	34	**-**	-
Total current assets		**248.333.642**	211.163.222
Non-current assets			
Trade receivables		**32.596.272**	32.538.161
- Trade receivables related parties	37	**-**	-
- Other trade receivables	10	**32.596.272**	32.538.161
Receivables from finance sector operations	12	**-**	-
Other receivables	11	**5.495**	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	**41.266.079**	41.373.329
Intangibles	19	**12.564.141**	5.578.622
Goodwill	20	**-**	-
Deferred tax asset	35	**-**	-
Other non-current assets	26	**-**	-
Total non-current assets		**88.581.987**	81.038.319
Total assets		**36.915.629**	292.201.541

The accompanying policies and explanatory notes on pages 8 through 52 form an integral part of the financial statements.

Otokar Otobüs Karoseri Sanayi Anonim Şirketi
Balance sheet as of June 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	(Reviewed) June 30, 2008	(Audited) December 31, 2007
Liabilities			
Current liabilities			
Financial liabilities	8	**106.473.281**	33.969.368
Other financial liabilities	9	**-**	-
Trade payables		**38.324.606**	48.867.283
- Trade payables to related parties	37	**4.543.301**	5.731.766
- Other trade payables	10	**33.781.305**	43.135.517
Other payables	11	**20.162.822**	42.077.568
Liabilities from finance sector operations	12	**-**	-
Government incentives and grants	21	**-**	-
Tax liabilities from net income for the period	22, 35	**2.956.136**	6.125.202
Provisions	22	**13.955.340**	9.804.067
Other current liabilities	26	**2.250.442**	3.881.452
		184.122.627	144.724.940
Liabilities related with assets held for sale		**-**	-
Total current liabilities		**184.122.627**	144.724.940
Non-current liabilities			
Financial liabilities	8	**-**	-
Other financial liabilities	9	**-**	-
Trade payables		**461.085**	-
- Trade payables to related parties	37	**-**	-
- Other trade payables	10	**461.085**	-
Other payables	11	**-**	-
Liabilities from finance sector operations	12	**-**	-
Government incentives and grants	21	**-**	-
Provisions	22	**-**	-
Reserve for retirement pay	24	**4.360.563**	4.118.424
Deferred tax liability	35	**391.164**	852.060
Other non-current liabilities	26	**-**	-
Total non-current liabilities		**5.212.812**	4.970.484
Shareholders' equity			
Parent Company's equity			
Paid-in share capital	27	**24.000.000**	24.000.000
Inflation adjustment on equity items		**52.743.030**	52.743.030
Adjustments to share capital and equity instruments (-)		**-**	-
Share premium		**-**	-
Revaluation surplus	27	**1.475.287**	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	**34.497.149**	37.572.934
Minority interest		**-**	-
Total shareholders' equity		**147.580.190**	142.506.117
Total liabilities		**336.915.629**	292.201.541

The accompanying policies and explanatory notes on pages 8 through 52 form an integral part of the financial statements.

Otokar Otobüs Karoseri Sanayi Anonim Şirketi

Income statement for the period ended June 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)

		Reviewed	Reviewed	Reviewed	
	Notes	**January 1 - June 30, 2008**	**April 1 - June 30, 2008**	January 1 - June 30, 2007	April 1 - June 30, 2007
Continuing operations					
Net sales	28	**230.741.410**	**110.794.763**	149.868.226	82.323.252
Cost of sales (-)	28	**(164.360.312)**	**(75.588.678)**	(112.601.702)	(62.336.775)
Gross profit		**66.381.098**	**35.206.085**	37.266.524	19.986.477
Selling, marketing and distribution expense (-)	29	**(18.997.671)**	**(9.171.496)**	(21.819.811)	(14.283.130)
General and administrative expense (-)	29	**(10.641.021)**	**(5.267.759)**	(7.946.346)	(3.087.440)
Research and development expenses (-)	29	**(1.747.645)**	**(909.729)**	(4.502.312)	(2.576.138)
Other operating income	31	**935.967**	**782.646**	270.732	219.765
Other operating expense	31	**(1.015.822)**	**(305.380)**	(556.927)	(189.280)
Operating profit		**34.914.906**	**20.334.367**	2.711.860	70.254
Financial income	32	**31.304.110**	**13.765.267**	8.029.827	5.339.166
Financial expense (-)	33	**(24.296.610)**	**(14.546.464)**	(9.279.519)	(5.304.131)
Net income before taxes from continuing operations		**41.922.406**	**19.553.170**	1.462.168	105.289
Tax income/expense for continuing operations					
- Tax income/expense for the period	35	**(7.916.517)**	**(2.956.136)**	(1.635.929)	(1.461.910)
- Deferred tax income	35	**491.260**	**109.178**	1.772.355	1.414.516
Net income		**34.497.149**	**16.706.212**	1.598.594	57.895
Earnings per share	36	**0,00144**	**0,0007**	0,00007	0,00001

The accompanying policies and explanatory notes on pages 8 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 June 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
January 1, 2007	24.000.000	52.743.030	4.544.498	898.363	11.334.783	41.412.509	134.933.183
Transfer to retained earnings	-	-	-	-	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	-	-	-	-	-	1.598.594	1,598.594
June 30, 2007	24.000.000	52.743.030	8.504.570	898.363	18.787.220	1.598.594	106.531.777
January 1, 2008	**24.000.000**	**52.743.030**	**11.338.147**	**898.363**	**15.953.643**	**37.572.934**	**142.506.117**
Transfer to retained earnings	-	-	-	-	**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	-	-	-	-	-	**34.497.149**	**34.497.149**
June 30, 2008	**24.000.000**	**52.743.030**	**14.218.147**	**1.475.287**	**20.646.577**	**34.497.149**	**147.580.190**

The accompanying policies and explanatory notes on pages 8 through 52 form an integral part of the financial statements.

Otokar Otobüs Karoseri Sanayi Anonim Şirketi

Cash flow statement for the period ended June 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	June 30, 2008	June 30, 2007
Cash flows from operating activities			
Net income before provision for taxes		**41.922.406**	1.462.168
Adjustments to reconcile net income to net cash flows from operating activities:			
Depreciation and amortization	18, 19	**2.543.703**	1.966.284
Reserve for retirement pay	24	**901.376**	413.860
Loss/(gain) on sale of property, plant and equipment	31	**202.860**	(13.606)
Interest expense	33	**4.253.578**	3.331.895
Foreign exchange gain/(loss) from borrowings	32, 33	**1.092.775**	(1.443.800)
Interest income	32	**(68.286)**	(143.072)
Provision for vacation pay liability	22	**584.622**	165.282
Operating profit before changes in operating asset and liabilities		**51.433.034**	5.739.011
Increase in trade receivables and other receivables		**(3.206.858)**	(18.446.866)
Increase in inventories		**(29.293.496)**	(21.173.222)
Increase in other current assets		**(5.278.787)**	(1.966)
Increase/(decrease) in trade payables		**(10.081.592)**	3.557.538
Increase/(decrease) in other liabilities, provisions and other current liabilities		**(19.979.105)**	80.584.970
Taxes paid		**(11.085.583)**	(191.450)
Employee termination benefits paid	24	**(659.237)**	(516.601)
Net cash (used in) / provided by operating activities		**(28.151.624)**	49.551.414
Investing activities			
Purchase of property, plant and equipment	18	**(2.471.384)**	(1.575.136)
Purchase of intangible assets	19	**(7.419.164)**	(41.505)
Proceeds from sale of property, plant and equipment		**265.716**	40.921
Interest received		**68.286**	143.072
Net cash used in investing activities		**(9.556.546)**	(1.432.648)
Financing activities			
Increase/(decrease) on spot borrowings		**34.377.536**	(27.800.000)
Proceeds from bank borrowings		**53.265.501**	23.760.700
Repayments of bank borrowings		**(17.264.717)**	(7.724.700)
Interest payments		**(3.220.760)**	(3.206.594)
Dividends paid		**(30.000.000)**	(30.000.000)
Net cash provided by / (used in) financing activities		**37.157.560**	(44.970.594)
Net (decrease) / increase in cash and cash equivalents		**(550.610)**	3.148.172
Cash and cash equivalents at the beginning of the period	**6**	**3.602.328**	637.141
Cash and cash equivalents at the end of the period	**6**	**3.051.718**	3.785.313

The accompanying policies and explanatory notes on pages 8 through 52 form an integral part of the financial statements.

(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 1.217 (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 August 1, 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 June 30, 2008, the shares listed on the ISE are 29,91% of the total shares. As of June 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
	100,00

2. Basis of presentation

2.1 Basis of presentation

The Company maintains its books of account and prepares its statutory financial statements in 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.

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 June 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 6.440.427 for the period ended June 30, 2007 is reclassified to financial income and other operational expense amounting to YTL 5.802.024 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 11/376, the financial statements were restated in accordance with International Accounting Standards (IAS) 29 (Financial Reporting in Hyperinflationary Economies) for the last time as of December 31, 2004 since the objective conditions which require the application of restatement of financial statements have not been realized and that based on the existing data CMB has foreseen that the indications whether such conditions are going to be realized in the future is no longer probable. Therefore, non-monetary assets, liabilities and equity items including the share capital as of June 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.

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.

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)

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 raise to a gain or loss. Furthermore the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

Amendments to IAS 32 and IAS 1: "Puttable Financial Instruments and Obligations Arising on Liquidation" (Effective for fiscal periods beginning 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.

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

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.

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:

	Years
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).

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.

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.

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.

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.

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).

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

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

	June 30, 2008	December 31, 2007
Cash at banks		
- demand deposits	**1.522.731**	3.555.269
Checks and notes received	**1.480.548**	-
Other	**48.439**	47.059
	3.051.718	3.602.328

As of June 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 June 30, 2008, the Company has restricted bank deposit amounting to YTL 1.145 (December 31, 2007 - YTL 1.145).

7. Financial investments

Available for sale financial assets

	June 30, 2008		December 31, 2007	
	YTL	**%**	YTL	%
Entek Elektrik Üretimi A.Ş. ("Entek")	**2.150.000**	**0,86%**	1.542.712	0,86%
	2.150.000		1.542.712	

As of June 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

			June 30, 2008
	Interest rate (%)	**Amount in original currency**	**YTL**
Short-term bank borrowings			
Denominated in USD	**3,81 - 5,3**	**30.373.440**	**37.167.979**
Denominated in EUR	**5,24 - 6,74**	**16.539.791**	**31.873.831**
Denominated in YTL	**16,8 - 17**	**37.431.470**	**37.431.471**
Total			**106.473.281**

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

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

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

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

9. Other financial liabilities

None (December 31, 2007 - None).

10. Trade receivables and payables

Trade receivables

	June 30, 2008	December 31, 2007
Trade receivables, net	**48.447.859**	38.011.582
Notes receivables, net	**51.171.566**	61.004.554
	99.619.425	99.016.136
Less: Provision for doubtful receivables	**(7.250.599)**	(7.249.253)
Other short-term trade receivables	**92.368.826**	91.766.883
Notes receivables, net	**32.596.272**	32.538.161
Other long-term trade receivables	**32.596.272**	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 June 30, 2008, the total trade receivable amounting to YTL 31.184.722 (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 48.330.826 (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 June 30, 2008, trade receivables amounting to YTL 2.365.152 (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:

	June 30, 2008	December 31, 2007
Between 0-3 month	**1.283.435**	3.014.780
Between 3-6 month	**7.290**	6.267
Above 6 months	**1.074.427**	840.136
	2.365.152	3.861.183

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

10. Trade receivables and payables (continued)

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

	June 30, 2008	June 30, 2007
January 1	**7.249.253**	6.593.469
Collections	**(4.724)**	(1.194)
Additional provision	**6.070**	327.314
Total	**7.250.599**	6.919.589

Trade payables

	June 30, 2008	December 31, 2007
Trade payables, net	**33.721.381**	43.077.760
Notes payables, net	**59.924**	57.757
Other short-term trade payables	**33.781.305**	43.135.517

11. Other receivables and payables

Other short-term receivables

	June 30, 2008	December 31, 2007
Due from personnel	**47.694**	1.317
Other miscellaneous receivables	**-**	6.208
Total	**47.694**	7.525

Other long-term receivables

	June 30, 2008	December 31, 2007
Deposits and guarantees given	**5.495**	5.495
Total	**5.495**	5.495

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

11. Other receivables and payables (continued)

Other short-term payables

	June 30, 2008	December 31, 2007
Advances received	**19.375.277**	38.961.421
Due to personnel	**767.265**	3.090.720
Due to shareholders	**-**	5.927
Other miscellaneous payables	**20.280**	19.500
Total	**20.162.822**	42.077.568

12. Receivables and payables from finance sector operations

None (December 31, 2007 - None).

13. Inventories

	June 30, 2008	December 31, 2007
Raw material	**31.858.929**	22.618.445
Work-in-process	**16.955.318**	6.351.444
Finished goods	**29.621.632**	18.973.319
Merchandise	**10.741.030**	8.995.914
Goods in transit	**40.295.264**	43.239.555
	129.472.173	100.178.677

14. Biological assets

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

15. Assets related with construction projects in progress

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

16. Investment accounted using equity method

None (December 31, 2007 - None).

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

17. Investment properties

The Company does not have any investment properties.

18. Property, plant and equipment

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

	January 1, 2008	Additions	Disposal	Transfers	June 30, 2008
Cost:					
Land	5.370.676	-	-	-	5.370.676
Land improvements	4.543.484	-	-	-	4.543.484
Buildings	32.136.056	-	(413.852)	-	31.722.204
Machinery, equipment and installations	78.803.152	1.255.011	(475.746)	173.699	79.756.116
Motor vehicles	4.700.211	115.000	(202.833)	-	4.612.378
Furniture and fixtures	16.928.245	387.916	-	-	17.316.161
Leasehold improvements	1.445.746	713.457	-	(173.699)	1.985.504
Construction in progress	52.196	-	-	-	52.196
	143.979.766	2.471.384	(1.092.431)	-	145.358.719
Accumulated depreciation:					
Land improvements	1.765.209	70.842	-	-	1.836.051
Buildings	14.807.956	452.751	(80.568)	-	15.180.139
Machinery, equipment and installations	66.941.856	1.311.420	(475.746)	-	67.777.530
Motor vehicles	2.846.488	108.146	(67.541)	-	2.887.093
Furniture and fixtures	15.154.083	147.547	-	-	15.301.630
Leasehold improvements	1.090.845	19.352	-	-	1.110.197
	102.606.437	2.110.058	(623.855)	-	104.092.640
Net book value	41.373.329				41.266.079

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

18. Property, plant and equipment (continued)

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

	January 1, 2007	Additions	Disposals	Transfers	June 30, 2007
Cost:					
Land	5.370.676	-	-	-	5.370.676
Land improvements	4.410.668	-	-	-	4.410.668
Buildings	31.720.900	-	-	-	31.720.900
Machinery, equipment and installations	76.506.513	774.623	-	72.435	77.353.571
Motor vehicles	3.575.380	101.000	(54.535)	-	3.621.845
Furniture and fixtures	16.304.439	250.877	(17.786)	-	16.537.530
Leasehold improvements	1.094.689	-	-	-	1.094.689
Construction in progress	58.130	448.636	-	(72.435)	434.331
Advances given	22.352	-	(22.352)	-	-
	139.063.747	1.575.136	(94.673)	-	140.544.210
Accumulated depreciation:					
Land improvements	1.626.600	68.628	-	-	1.695.228
Buildings	13.903.956	451.424	-	-	14.355.380
Machinery, equipment and installations	64.587.381	1.161.640	-	-	65.749.021
Motor vehicles	2.816.148	52.093	(49.570)	-	2.818.671
Furniture and fixtures	14.910.135	106.897	(17.787)	-	14.999.245
Leasehold improvements	1.090.056	394	-	-	1.090.450
	98.934.276	1.841.076	(67.357)	-	100.707.995
Net book value	40.129.471				39.836.215

Current period depreciation and amortization expense has been allocated to cost of sales by YTL 985.132 (June 30, 2007 - YTL 872.661), to development project in process by YTL 361.578 (June 30, 2007 - None), to research and development expenses by YTL 219.077 (June 30, 2007 - YTL 308.530) to general administrative expenses by YTL 364.230 (June 30, 2007 - YTL 295.607), to selling and marketing expenses by YTL 121.122 (June 30, 2007 - YTL 70.949) and to inventories by YTL 492.564 (June 30, 2007 - YTL 418.537).

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

	June 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	65.237.854

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

19. Intangible assets

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

	January 1, 2008	Additions	Disposals	June 30, 2008
Cost:				
Other intangible assets	**2.793.953**	**184.009**	**-**	**2.977.962**
Development costs	**2.550.970**	**-**	**-**	**2.550.970**
Development projects in process	**2.255.323**	**7.235.155**	**-**	**9.490.478**
	7.600.246	**7.419.164**	**-**	**15.019.410**
Accumulated amortization:				
Other intangible assets	**1.979.108**	**178.548**	**-**	**2.157.656**
Development costs	**42.516**	**255.097**	**-**	**297.613**
	2.021.624	**433.645**	**-**	**2.455.269**
Net book value	**5.578.622**			**12.564.141**

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

	January 1, 2007	Additions	Disposals	June 30, 2007
Cost:				
Other intangible assets	2.325.767	41.505	-	2.367.272
Accumulated amortization:				
Other intangible assets	1.713.814	125.208	-	1.839.022
Net book value	611.953			528.250

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

	June 30, 2008	December 31, 2007
Other intangible assets	**541.918**	438.827
	541.918	438.827

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

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 7.145.796 (June 30, 2007 - YTL 1.719.738) as a result of its research and development expenditures made in the first six month of 2008 amounting to YTL 7.145.796 (June 30, 2007 - YTL 4.299.345) which can be utilized at 100% deduction without any withholding tax.

As of June 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

	June 30,2008	December 31, 2007
Provision for taxes, net (Note 35)	**2.956.136**	6.125.202
Total	**2.956.136**	6.125.202

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

22. Provisions, contingent assets and liabilities (continued)

Provisions

	June 30, 2008	December 31, 2007
Warranty provision	**7.670.956**	5.705.132
Provision for sales expenses	**1.961.730**	-
Provision for vacation pay liability	**1.799.965**	1.215.343
Provision for personnel premium	**1.750.000**	-
Provision for cost of materials committed to be delivered	**370.689**	2.883.592
Donations	**402.000**	-
	13.955.340	9.804.067

Warranty provision

The Company provides one year warranty for minibus and Land Rover vehicles and 2 years warranty for certain armoured vehicle models and midi-busses sold. The Company has no warranty 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:

	June 30, 2008	June 30, 2007
January 1,	**5.705.132**	1.490.699
Additional provision	**4.965.504**	3.510.897
Payments	**(2.999.680)**	(2.884.536)
	7.670.956	2.117.060

Provision for vacation pay liability

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

	June 30, 2008	June 30, 2007
January 1,	**1.215.343**	1.193.552
Additional provision	**584.622**	165.282
	1.799.965	1.358.834

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

22. Provisions, contingent assets and liabilities (continued)

Letters of guarantees

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

	June 30, 2008	December 31, 2007
Bank letters of guarantee	**158.798.253**	169.454.450
	158.798.253	169.454.450

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

	June 30, 2008	December 31, 2007
Bank letters of guarantee	**39.303.635**	38.518.879
Guarantee notes	**8.405.000**	8.005.000
Mortgages received	**7.023.000**	7.963.000
Guarantee checks	**115.000**	155.000
	54.846.635	54.641.879

23. Commitments

None (December 31, 2007 - None).

24. Employee benefits

	June 30, 2008	December 31, 2007
Reserve for retirement pay	**4.360.563**	4.118.424
Total	**4.360.563**	4.118.424

Reserve for retirement pay

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

Under the Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who is called up for military service, dies or retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men).

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

24. Employee benefits (continued)

The amount payable consists of one month's salary limited to a maximum of YTL 2.088 for each year of service as of June 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:

	June 30, 2008	December 31, 2007
Discount rate (%)	**5,71**	5,71
Turnover rate to estimate the probability of retirement (%)	**7**	7

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Since the Company calculates provision for employment termination benefits every year, the maximum amount of YTL 2.088, 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:

	June 30, 2008	June 30, 2007
January 1	**4.118.424**	4.609.006
Interest expense	**226.513**	253.495
Current period provision (including actuarial gains/losses)	**674.863**	160.365
Payments	**(659.237)**	(516.601)
	4.360.563	4.506.265

25. Employee pension plan

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

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

26. Other assets and liabilities

a) Other current / non-current assets	June 30, 2008	December 31, 2007
Value added tax (VAT) receivables	**19.471.829**	11.385.369
Inventory advances	**377.249**	-
Tax and funds deductible	**261.799**	3.360.523
Prepaid expenses	**388.758**	628.426
Job advances	**64.270**	6.750
Other	**96.944**	994
Total	**20.660.849**	15.382.062

b) Other current liabilities	June 30, 2008	December 31, 2007
Social security premiums payable	**1.359.942**	1.310.689
Taxes and funds payable	**738.023**	2.489.541
Other	**152.477**	81.222
Total	**2.250.442**	3.881.452

27. Shareholders' equity

Share capital

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

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

27. Shareholders' equity (continued)

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

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

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

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

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

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

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

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

27. Shareholders' equity (continued)

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

	June 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	**34.497.149**	37.572.934
Total shareholder's equity	**147.580.190**	142.506.117

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

			June 30, 2008
	Historical value	**Restated value**	**Inflation adjustments on equity items**
Share capital	**24.000.000**	**76.743.030**	**52.743.030**
Legal reserves	**14.218.147**	**25.168.230**	**10.950.083**
Total	**38.218.147**	**101.911.260**	**63.693.113**

			December 31, 2007
	Historical value	Restated value	Inflation adjustments on equity items
Share capital	24.000.000	76.743.030	52.743.030
Legal reserves	11.338.147	22.288.230	10.950.083
Total	35.338.147	99.018.260	63.693.113

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

27. Shareholders' equity (continued)

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

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

28. Sales and cost of sales

Net sales

	January 1 - June 30, 2008	April 1 - June 30, 2008	January 1 - June 30, 2007	April 1 - June 30, 2007
Domestic sales	171.932.320	76.142.659	87.744.080	46.934.475
Export sales	59.045.666	34.881.201	62.285.699	35.426.896
Gross sales	230.977.986	111.023.860	150.029.779	82.361.371
Less: Sales discounts and sales returns	(236.576)	(229.097)	(161.553)	(38.119)
Net sales	230.741.410	110.794.763	149.868.226	82.323.252

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

	January 1 - June 30, 2008	April 1 - June 30, 2008	January 1 - June 30, 2007	April 1 - June 30, 2007
Midibus	750	439	540	297
Trailer	432	188	554	267
Armoured vehicles	232	113	99	28
Minibus	212	51	167	83
Bus	147	50	-	-
Land Rover 4x4	5	4	631	459
	1.778	845	1.991	1.134

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

28. Sales and cost of sales (continued)

Cost of sales

	January 1 - June 30, 2008	**April 1 - June 30, 2008**	January 1 - June 30, 2007	April 1 - June 30, 2007
Cost of finished goods sold	**155.636.214**	**71.368.045**	107.947.664	59.680.188
Cost of merchandise sold	**8.724.098**	**4.220.633**	4.654.038	2.656.587
Cost of sales	**164.360.312**	**75.588.678**	112.601.702	62.336.775

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

	January 1 - June 30, 2008	**April 1 - June 30, 2008**	January 1 - June 30, 2007	April 1 - June 30, 2007
Selling and marketing expenses	**18.997.671**	**9.171.496**	21.819.811	14.283.130
General and administrative expenses	**10.641.021**	**5.267.759**	7.946.346	3.087.440
Research and development expenses	**1.747.645**	**909.729**	4.502.312	2.576.138
Total operating expenses	**31.386.337**	**15.348.984**	34.268.469	19.946.708

Personnel expenses totaling to YTL 30.634.848 (June 30, 2007 - YTL 22.528.710) have been allocated to cost of sales by YTL 16.092.558 (June 30, 2007 - YTL 13.317.895), to selling and marketing expenses by YTL 3.547.355 (June 30, 2007 - YTL 2.709.984), to general and administrative expenses by YTL 5.528.576 (June 30, 2007 - YTL 4.201.479), to research and development expenses (including the personnel expenses in the capitalized research and development expenses) by YTL 5.466.359 (June 30, 2007 - YTL 2.299.352).

30. Expenses as to nature

	January 1 - June 30, 2008	**April 1 - June 30, 2008**	January 1 - June 30, 2007	April 1 - June 30, 2007
Change in finished goods, work-in-process and merchandise goods	**(22.997.303)**	**(16.436.616)**	(7.025.274)	(4.725.514)
Cost of raw material and consumption goods	**164.965.010**	**81.040.977**	101.119.832	56.760.702
Personnel expenses	**25.925.307**	**13.331.947**	22.528.710	11.623.022
Warranty provision	**4.965.504**	**2.503.879**	3.510.897	2.260.288
Other production expenses	**4.819.731**	**2.407.779**	3.886.508	1.896.865
Other sales expenses	**3.677.126**	**777.298**	3.755.799	2.565.822
Depreciation and amortization	**2.182.125**	**933.463**	2.384.821	913.906
Sales commissions	**1.768.504**	**1.081.715**	8.373.148	6.003.397
Transportation and insurance expense	**1.324.888**	**768.589**	920.152	387.331
Exhibition and fair expenses	**1.342.683**	**919.637**	1.307.422	823.457
Other expenses	**7.773.074**	**3.756.451**	6.108.156	3.774.207
	195.746.649	**90.937.662**	146.870.171	82.283.483

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

30. Expenses as to nature (continued)

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

	January 1 - June 30, 2008	**April 1 - June 30, 2008**	January 1 - June 30, 2007	April 1 - June 30, 2007
Personnel expenses				
Wages and salaries	**19.786.188**	**10.294.775**	17.506.637	9.109.073
Other social benefits	**1.426.214**	**660.657**	1.217.142	667.355
SSK employee contribution	**3.811.529**	**1.962.561**	3.391.071	1.778.870
Employee termination benefits	**901.376**	**413.954**	413.860	67.724
	25.925.307	**13.331.947**	22.528.710	11.623.022

31. Other operating income / expense

	January 1 - June 30, 2008	**April 1 - June 30, 2008**	January 1 - June 30, 2007	April 1 - June 30, 2007
Other income				
Research and development incentives income	**148.809**	**148.809**	-	-
Sales incentives income	**466.612**	**466.612**	-	-
Gain on sale of property, plant and equipment	**-**	**-**	13.606	-
Other	**320.546**	**167.225**	257.126	219.765
Total	**935.967**	**782.646**	270.732	219.765

	January 1 - June 30, 2008	**April 1 - June 30, 2008**	January 1 - June 30, 2007	April 1 - June 30, 2007
Other expenses				
Provision for vacation pay liability	**584.622**	**584.622**	165.282	165.282
Bank expenses	**222.270**	**114.163**	-	-
Loss on sale of property, plant and equipment	**202.860**	**(26.116)**	-	-
Other expenses	**-**	**-**	64.331	23.613
Provision / (reversal) for doubtful receivables	**6.070**	**(367.289)**	327.314	385
Total	**1.015.822**	**305.380**	556.927	189.280

32. Financial income

	January 1 - June 30, 2008	**April 1 - June 30, 2008**	January 1 - June 30, 2007	April 1 - June 30, 2007
Foreign exchange gain	**21.314.775**	**5.308.795**	3.613.753	1.792.147
Foreign exchange gain on bank borrowings	**5.096.150**	**5.096.150**	1.589.400	1.246.400
Term difference income related to sales	**4.824.899**	**3.317.701**	2.683.602	2.226.869
Interest income from time deposits	**68.286**	**42.621**	143.072	73.750
	31.304.110	**13.765.267**	8.029.827	5.339.166

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

33. Financial expense

	January 1 - June 30, 2008	April 1 - June 30, 2008	January 1 - June 30, 2007	April 1 - June 30, 2007
Foreign exchange losses	**13.647.962**	**10.184.719**	5.802.024	3.707.027
Foreign exchange losses on bank borrowings	**6.188.925**	**2.455.925**	145.600	9.300
Interest expense on bank borrowings	**4.253.578**	**1.699.675**	3.331.895	1.587.804
Unearned financial expense	**206.145**	**206.145**	-	-
	24.296.610	**14.546.464**	9.279.519	5.304.131

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.

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 Communique (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.

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

35. Tax assets and liabilities (continued)

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

	June 30, 2008	December 31, 2007
Income tax payable	**7.916.517**	8.827.323
Prepaid taxes	**(4.960.381)**	(2.702.121)
Income tax payable	**2.956.136**	6.125.202

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

	January 1 - June 30, 2008	January 1 - June 30, 2007
Corporate tax expense	**7.916.517**	1.635.929
Deferred tax income	**(491.260)**	(1.772.355)
Total tax expense / (income)	**7.425.257**	(136.426)

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

	January 1 - June 30, 2008	January 1 - June 30, 2007
Profit before tax	**41.922.406**	1.462.168
Income tax charge at effective tax rate 20% (2007- 20%)	**8.384.481**	292.434
Effect of non-tax deductible and tax exempt items	**(1.463.380)**	(345.242)
Dissallowable expenses	**504.156**	189.234
Total tax expense / (income)	**7.425.257**	136.426

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

35. Tax assets and liabilities (continued)

As of June 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	
	June 30, 2008	December 31, 2007	**June 30, 2008**	December 31, 2007
Property, plant and equipment	**14.539.384**	14.920.261	**(2.283.808)**	(2.359.984)
Intangibles	**577.915**	652.243	**(115.583)**	(130.449)
Deferred financial expense	**5.138.612**	4.604.248	**(1.027.722)**	(920.850)
Financial assets	**1.454.042**	846.754	**(72.702)**	(42.338)
Prepaid expenses	**-**	282.668	**-**	(56.534)
Deferred tax liability			**(3.499.815)**	(3.510.155)
Inventories	**61.238**	147.455	**12.248**	29.491
Warranty reserve	**7.670.957**	5.705.132	**1.534.191**	1.141.026
Reserve for retirement pay	**4.360.563**	4.118.424	**872.113**	823.685
Deferred financial income	**1.327.022**	630.924	**265.404**	356.121
Other provisions	**2.123.478**	1.538.857	**424.695**	307.772
Deferred tax assets			**3.108.651**	2.658.095
Deferred tax liability - net			**(391.164)**	(852.060)

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

	June 30, 2008	June 30, 2007
January 1	**852.060**	1.006.475
Deferred tax benefit for the current period	**(491.260)**	(1.772.355)
Tax expense recorded in equity	**30.364**	-
	391.164	(765.880)

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

36. Earnings per share

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

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

	June 30, 2008	June 30, 2007
Net income attributable to shareholders (YTL)	**34.497.149**	1.598.594
Weighted average number of issued shares	**24.000.000.000**	24.000.000.000
Earnings per share (Ykr)	**0,00144**	0,00007

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 June 30, 2008 and December 31, 2007.

Due from related parties	**June 30, 2008**	December 31, 2007
Ram Dış Ticaret A.Ş. (Ram Dış)	**2.710.012**	170.940
Koç Statoil Gaz İletişim A.Ş. (Koç Statoil)	**-**	37.731
Ford Otosan A.Ş. (Ford)	**9.654**	7.530
Aygaz Anonim Şirketi (Aygaz)	**3.453**	-
Rmk Marine Gemi San.A.Ş. (RMK Marine)	**2.748**	5.390
Other	**6.515**	4.156
Total	**2.732.382**	225.747

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

37. Related party disclosures (continued)

Due to related parties	June 30, 2008	December 31, 2007
Otoyol Sanayi A.Ş. (Otoyol)	3.088.369	51.175
Setur Servis Turistik A.Ş. (Setur)	356.216	213.640
Koç Holding A.Ş.	258.636	41.928
Zer Merkezi Hizmetler ve Ticaret A.Ş. (Zer)	207.251	357.705
Koç Sistem Bilgi İle.Hizm.A.Ş. (Koç Sistem)	129.602	377.901
Ram Sigorta Aracılık Hiz.A.Ş. (Ram Sigorta)	124.759	62.883
Akpa Dayanıklı Tük.Paz.A.Ş. (Akpa)	124.554	114.534
Beldeyama Motorlu Vast.A.Ş. (Beldeyama)	106.832	164.711
Palmira Turizm Tic.A.Ş (Palmira)	44.805	322.675
Otokoç Otomotiv Tic.San.A.Ş. (Otokoç)	38.287	100.181
Setair Hava Taşım.ve Hiz.A.Ş. (Setair)	15.441	-
Opet Petrolcülük A.Ş. (Opet)	13.317	9.189
Koçnet Haberleşme Teknoloji ve İletişim Hizmetleri A.Ş. (Koçnet)	13.007	16.511
Koçtaş Yapı Marketleri T.A.Ş. (Koçtaş)	9.206	14.040
Koç Finansal Kiralama A.Ş. (Koç Finansal)	1.442	1.453
Ford	1.405	1.415
Ram Dış	-	3.675.633
Sanal Merkez T.A.Ş.	-	6.646
Ark İnşaat A.Ş.	-	150.416
Koç Üniversitesi	-	4.373
Other	10.172	44.757
Total	**4.543.301**	5.731.766

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

Product sales and service revenue	January 1 - June 30, 2008	April 1 - June 30, 2008	January 1 - June 30, 2007	April 1 - June 30, 2007
Ram Dış	7.170.181	4.477.363	36.509.285	26.309.072
Otoyol	1.884.121	1.884.121	1.544	-
Aygaz A.Ş.	91.503	35.304	118.392	64.087
Ford	49.752	7.518	53.074	6.313
RMK Gemi Yapım Sanayi A.Ş. (RMK Gemi)	13.020	8.876	27.459	6.988
Koç Statoil	-	-	707.190	707.190
Birmot	-	-	9.467	-
Total	**9.208.577**	**6.413.182**	37.426.411	27.093.650

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

37. Related party disclosures (continued)

Purchase of property, plant and equipment	January 1 - June 30, 2008	April 1 - June 30, 2008	January 1 - June 30, 2007	April 1 - June 30, 2007
Koç Sistem	355.394	274.935	146.084	69.305
Koçnet	1.314	-	-	-
Other	-	-	2.728	-
Total	356.708	274.935	148.812	69.305

Inventory purchases	January 1 - June 30, 2008	April 1 - June 30, 2008	January 1 - June 30, 2007	April 1 - June 30, 2007
Otoyol	4.576.444	4.576.444	-	-
Ram Dış	3.775.722	2.108.738	1.953.437	1.004.843
Zer	1.302.558	826.264	807.390	491.413
Beldeyama	648.203	283.569	-	-
Akpa	605.357	313.664	264.001	186.295
Opet	114.277	63.202	106.992	58.149
Oltaş Otomotiv Last.Tev.A.Ş. (Oltaş)	70.673	28.648	-	-
Sanal Merkez Ticaret A.Ş.	15.646	5.648	18.389	6.291
Koçtaş	12.846	9.562	65.725	35.120
Setur	3.876	3.876	123.601	56.382
Birleşik Oksijen Sanayi Gazlar A.Ş.	-	-	304.157	158.229
Arçelik A.Ş.	-	-	88	88
Total	11.125.602	8.219.615	3.643.780	1.996.810

Services received	January 1 - June 30, 2008	April 1 - June 30, 2008	January 1 - June 30, 2007	April 1 - June 30, 2007
Ram Dış	1.764.177	1.097.115	5.495.375	730.243
Setur	751.031	521.594	436.269	262.355
Palmira	642.956	293.859	595.246	328.832
Ram Sigorta	613.541	134.536	639.746	108.345
Koç Holding A.Ş.	579.584	531.201	635.702	300.899
Koç Sistem	458.369	290.686	85.590	35.855
Otokoç	191.336	101.599	59.499	31.110
Koçnet	78.348	43.641	85.161	42.010
Setair	32.483	22.461	3.581	-
Koç Allianz Sigorta A.Ş.	26.873	-	16.823	158
VKV Amerikan Hastanesi	23.030	13.055	-	-
Otoyol	17.351	-	53.565	4.240
Birmot	-	-	37.296	19.716
Other	5.943	1.574	47.372	43.624
Total	5.185.022	3.051.321	8.191.225	1.907.387

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

37. Related party disclosures (continued)

Demand deposits	January 1 - June 30, 2008	January 1 - June 30, 2007
Yapı ve Kredi Bankası A.Ş.		
- demand deposits	**554.161**	2.245.102
	554.161	2.245.102

iii) As of June 30, financial income and expense with related parties:

Interest income	January 1 - June 30, 2008	April 1 - June 30, 2008	January 1 - June 30, 2007	April 1 - June 30, 2007
Yapı ve Kredi Bankası A.Ş.	**3.789**	**3.789**	-	-
Total	**3.789**	**3.789**	-	-

Foreign exchange gain	January 1 - June 30, 2008	April 1 - June 30, 2008	January 1 - June 30, 2007	April 1 - June 30, 2007
Yapı ve Kredi Bankası A.Ş.	**177.015**	**10.920**	79.740	4.585
Ram Dış	**77.250**	**17.549**	31.328	10.201
Total	**254.265**	**28.469**	111.068	14.786

Interest expense	January 1 - June 30, 2008	April 1 - June 30, 2008	January 1 - June 30, 2007	April 1 - June 30, 2007
Yapı ve Kredi Bankası A.Ş.	-	-	695	317
Total	-	-	695	317

Foreign exchange losses	January 1 - June 30, 2008	April 1 - June 30, 2008	January 1 - June 30, 2007	April 1 - June 30, 2007
Yapı ve Kredi Bankası A.Ş.	**172.006**	**96.412**	45.375	39.496
Ram Dış	**357.940**	**278.420**	4.044	3.462
Total	**529.946**	**374.832**	49.419	42.958

Salaries and similar benefits provided to the executive management for the period ended June 30, 2008 amounts to YTL 1.116.293 (June 30, 2007 - YTL 1.011.670).

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

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

June 30, 2008	**On demand**	**0-1 month**	**1-4 month**	**4-6 month**	**6-12 month**	**Over 1 year**	**Total**
Short term trade payables	**11.188.417**	**21.749.438**	**5.626.051**	**70.921**	**116.683**	**-**	**38.751.510**
Other short term payables	**19.139.889**	**787.545**	**235.388**	**-**	**-**	**-**	**20.162.822**
Short term financial liabilities	**-**	**37.447.197**	**-**	**10.701.009**	**60.874.233**	**-**	**109.022.439**
Total short term payables	**30.328.306**	**59.984.180**	**5,861,439**	**10.771.930**	**60.990.916**	**-**	**167.936.771**

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
Total short term payables	51.154.518	36.582.722	8.088.680	23.062.886	9.408.182	173.845	128.470.833

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

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 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.

	June 30, 2008	December 31, 2007
Total debt (*)	**167.672.236**	128.795.671
Less: Cash and cash equivalents (Note 6)	**(3.051.718)**	(3.602.328)
Net debt	**164.620.518**	125.193.343
Total equity	**147.003.266**	142.506.117
Total share capital	**311.623.784**	267.699.460
Debt/share capital rate	**53%**	47%

(*) As of June 30, 2008, advances received for sales orders amounting to YTL 20.162.822 (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 51% as of June 30, 2008 (December 31, 2007 - 38%).

(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 June 30, 2008 and December 31, 2007. Assets and liabilities denominated in foreign currency as of June 30, 2008 and December 31, 2007 are as follows:

	June 30, 2008	December 31, 2007
Assets	**97.080.202**	100.360.242
Liabilities	**(102.191.609)**	(79.652.349)
Net foreign currency position	**(5.111.407)**	20.707.893

	Foreign currency	June 30, 2008 Foreign currency amount	June 30, 2008 YTL	December 31, 2007 Foreign currency amount	December 31, 2007 YTL
Assets:					
Cash and cash equivalents	USD	**31.821**	**38.939**	6.116	71.233
	EUR	**1.312.040**	**2.528.432**	757.098	1.294.790
	GBP	**40.946**	**99.467**	108.760	252.964
			2.666.838		1.618.987
Trade receivables	USD	**160.087**	**195.899**	1.936.891	2.255.897
	EUR	**46.998.815**	**90.571.416**	56.229.390	96.163.503
	GBP	**1.500.926**	**3.646.049**	138.379	321.855
			94.413.364		98.741.255
Total foreign currency assets			**97.080.202**		100.360.242

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

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

		June 30, 2008		December 31, 2007	
	Foreign currency	**Foreign currency amount**	**YTL**	Foreign currency amount	YTL
Liabilities:					
Short-term bank borrowings	USD	**30.373.440**	**37.167.978**	17.578.845	20.474.081
	EUR	**16.539.791**	**31.873.832**	6.114.697	10.457.354
			69.041.810		30.931.435
Trade payable	USD	**387.456**	**474.130**	1.529.451	1.781.352
	EUR	**6.609.223**	**12.736.633**	8.572.359	14.660.450
	GBP	**242.027**	**587.933**	4.295.477	9.990.851
	SEK	**-**	**-**	703.515	126.492
	CHF	**-**	**-**	175.714	180.705
			13.798.696		26.739.850
Advances received	USD	**13.018.721**	**15.931.009**	16.664.525	19.409.172
	EUR	**1.774.736**	**3.420.094**	1.503.855	2.571.892
			19.351.103		21.981.064
Total foreign currency liability			**102.191.609**		79.652.349
Net foreign currency position			**(5.111.407)**		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 (Note 38).

(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 June 30, 2008 and December 31, 2007.

		Increase in foreign exchange rates (loss) / income	Decrease in foreign exchange rates (loss) / income
June 30, 2008	**USD**	**(5.333.828)**	**5.333.828**
	EUR	**4.506.929**	**(4.506.929)**
	GBP	**315.758**	**(315.758)**
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

	June 30, 2008	June 30, 2007
Export	**59.045.666**	62.285.699
Import	**82.880.444**	52.466.246
Hedge rate of total foreign currency liabilities (%)	**71%**	119%

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.

40. Subsequent events

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

In connection with this project, also agreements are signed between the Company and other subcontractors. South-Korean firm Hyundai-ROTEM will work as a technical support subcontractor. In addition, ASELSAN, Machinery and Chemistry Industry Association (MKEK) and ROKETSAN will be included in the project as local subcontractors.

41. Other matters which are significant to the financial statements or which should be disclosed for the purpose of true and fair interpretation of the financial statements

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