

Financial Statements

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

BALANCE SHEET

AS OF DECEMBER 31, 2008

Prepared in accordance with the Communiqué No: XI-29 "Communiqué on Financial Reporting Standards in Capital Market"

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

ASSETS

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

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BALANCE SHEET

AS OF DECEMBER 31, 2008

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

LIABILITIES

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

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

INCOME STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2008

Prepared in accordance with the Communiqué No: XI-29 "Communiqué on Financial Reporting Standards in Capital Market"

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

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

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2008

Prepared in accordance with the Communiqué No: XI-29 "Communiqué on Financial Reporting Standards in Capital Market"

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

	Paid-in Capital	Inflation adjustment on Equity Items	Restricted Reserves	Revulation Fund	Retained Earnings	Net Income for the Year	Total Shareholders' Equity
January 1, 2007	24.000.000	52.743.030	4.544.498	898.363	11.334.783	41.412.509	134.933.183
Transfer to retained earnings	-	-	-	-	34.618.860	(34.618.860)	-
Transfer to restricted reserves	-	-	6.793.649	-	-	(6.793.649)	-
Dividends paid	-	-	-	-	(30.000.000)	-	(30.000.000)
Net income for the year	-	-	-	-	-	37.572.934	37.572.934
December 31, 2007	24.000.000	52.743.030	11.338.147	898.363	15.953.643	37.572.934	142.506.117
January 1, 2008	24.000.000	52.743.030	11.338.147	898.363	15.953.643	37.572.934	142.506.117
Transfer to retained earnings	-	-	-	-	34.692.934	(34.692.934)	-
Transfer to restricted reserves	-	-	2.880.000	-	-	(2.880.000)	-
Increase in revaluation fund (net of deferred tax) (Note 7)	-	-	-	536.074	-	-	536.074
Dividends paid	-	-	-	-	(30.000.000)	-	(30.000.000)
Net income for the year	-	-	-	-	-	34.855.400	34.855.400
December 31, 2008	24.000.000	52.743.030	14.218.147	1.434.437	20.646.577	34.855.400	147.897.591

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2008

Prepared in accordance with the Communiqué No: XI-29 "Communiqué on Financial Reporting Standards in Capital Market"

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

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

Notes To The Financial Statements

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2008

Prepared in accordance with the Communiqué No: XI-29 "Communiqué on Financial Reporting Standards in Capital Market"

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

1. ORGANISATION AND NATURE OF OPERATIONS

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

The Company operates in the automotive industry and off road vehicles, armoured vehicles, minibuses and midibuses, trailers, semi-trailers and cross-country comprises the majority of its production. The number of the personnel in the Company is 1.184 (December 31, 2007 - 1.124).

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

The registered addresses of the Company are as follows:

Headquarters:

Aydınevler Mahallesi, Dumlupınar Cad. No:24 A Bl.
81580 Küçükyalı / İstanbul

Factory:

Atatürk Cad. No: 9
54580 Arifiye / Sakarya

Financial statements are authorized for issue by the Board of Directors of the Company on February 16, 2009. Although there is no such intention, the Company Management and certain regulatory bodies have the power to amend the statutory financial statements after issue.

The Company conducts part of its business transactions with the Koç Holding A.Ş. and related parties and has both customer and supplier relationships with related parties. The Company is registered to the Capital Market Board ("CMB") and its shares are listed on the Istanbul Stock Exchange ("ISE") since 1996. As of December 31, 2008, the shares listed on the ISE are 29,91% of the total shares. As of December 31, 2008, the principal shareholders and their respective shareholding percentages are as follows (Note 27):

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

2. BASIS OF PRESENTATION

2.1 Basis of Presentation

The Company maintains its books of account and prepares its statutory financial statements in Turkish Lira (TL) in accordance with regulations on accounting and reporting framework and the Uniform Chart of Accounts issued by the Ministry of Finance. The financial statements have been prepared from statutory financial statement with adjustments and reclassifications for the purpose of fair presentation in accordance with accounting and reporting standards as prescribed by Turkish Capital Market Board. Until December 31, 2007, the Company prepared its financial statements in accordance with Communiqué No. XI-25 "Communiqué on Accounting Standards in Capital Markets" which sets out a comprehensive set of accounting principles. In this Communiqué, the CMB stated that, as an alternative, application of accounting standards prescribed by the International Accounting Standards Board (IASB) and the International Accounting Standards Committee (IASC) will also be considered to be compliant with the CMB Accounting Standards. The Company prepared its financial statements under the alternative application defined by the CMB as explained above until December 31, 2007. The financial statements of current year are prepared in accordance with International Accounting / Financial Reporting Standards (IAS/IFRS) as prescribed in the CMB communiqué No:XI-29 "Communiqué on Financial Reporting Standards in Capital Markets" (Communiqué) which is published in the official gazette and become effective as of April 9, 2008. In relation to this, other than certain reclassifications made on the comparative financial statements for the compliance with the Communiqué, there has been no change on the previously issued financial statements of the Company.

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

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

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

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

Reclassifications made to 2007 financial statements

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

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

Functional and presentation currency

Functional and presentation currency of the Company is TL.

In accordance with the CMB's resolution dated March 17, 2005 and numbered 11/376, the financial statements were restated in accordance with International Accounting Standards (IAS) 29 (Financial Reporting in Hyperinflationary Economies) for the last time as of December 31, 2004 since the objective conditions which require the application of restatement of financial statements have not been realized and that based on the existing data CMB has foreseen that the indications whether such conditions are going to be realized in the future is no longer probable. Therefore, non-monetary assets, liabilities and equity items including the share capital as of December 31, 2008 and December 31, 2007 have been restated by applying the relevant conversion factors through December 31, 2004 and carrying additions after December 31, 2004 at their nominal values.

2.2 Changes in accounting policies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Improvements to IFRSs

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.3 Significant accounting judgments and estimates

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

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

- a) Deferred tax asset is recognised to the extent that taxable profit will be available against which the deductible temporary differences can be utilized. When taxable profit is probable, deferred tax asset is recognised for all unused tax losses and for all temporary differences. For the year ended December 31, 2008, since the assumptions related to the Company's future taxable profit generation are considered reliable, adequate, deferred tax asset is recognised.
- b) Reserve for retirement pay is determined by using actuarial assumptions (discount rates, future salary increases and employee turnover rates). As of December 31, 2008 and December 31 2007, retirement pay liabilities are TL 4.450.303 and TL 4.118.424, respectively.
- c) The Company determines warranty provision by considering the past warranty expenses and remaining warranty period per vehicle.
- d) The Company calculated the fair value of its available for sale financial asset, Entek Elektrik Üretimi A.Ş., using discounted cash flows based on the statement of income and balance sheet projections of following 10 years.

2.4 Summary of significant accounting policies

Revenue recognition

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

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

When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognized on an accrual basis as financial income.

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and at banks and short-term highly liquid and the risk of value change is not material investments including time deposits generally having original maturities of three months or less (Note 6).

Trade receivables

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

A credit risk provision for trade receivables is established if there is objective evidence that the Company will not be able to collect all amounts due. The allowance is an estimated amount which is difference between existing receivable and collectible amount. Collectible amount is the discounted value of trade receivables, all cash flows including collections from guarantees by using original effective interest rate.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, reversal of the provision is credited to other income (Note 10).

Related parties

Parties are considered related to the Company if;

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

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

A number of transactions are entered into with related parties in the normal course of business. Generally, these transactions have been performed with prices adequate to market values (Note 37).

Inventories

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

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

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

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale (Note 13).

Available for sale financial investments

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

The fair value of available for sale financial assets is determined by the market price at the balance sheet date when available. If market price is not available, then fair value is estimated based on valuation process by using discounted cash flow, similar purchases and observable market parameters. The fair value of financial assets must be carried at cost less impairment, when the fair value of financial assets cannot be measured reliably.

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

Property, plant and equipment

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

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

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

Depreciation is provided on cost or revalued amount of property, plant and equipment on a straight-line basis (Note 18). Estimated useful lives are as follows:

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

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

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

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

Intangible assets

Intangible assets mainly comprise software rights, information systems, project costs related to new product development and computer software (Note 19). Intangible assets are initially stated at cost and are restated until December 31, 2004 with the index of the related purchase date. Intangible assets are stated at cost less accumulated depreciation and accumulated impairment loss. Intangible assets are amortized on a straight-line basis over the estimate of their useful lives, which is up to 5 years. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise; and the cost of the asset can be measured reliably. Where the carrying amount of an intangible asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Research and development expenses

Research expenditure is recognized as an expense as incurred. Costs incurred on development projects relating to the design and testing of new or improved products are recognized as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility, and only if the cost can be measured reliably. Other development expenditures are recognized as an expense as incurred. Development costs previously recognized as an expense are not capitalized as an asset in a subsequent period. Capitalized development expenses are amortized in 5 years by straight-line method effective from the start of the production.

Investment, research and development incentives

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

Borrowings

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

Income taxes

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

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

Deferred income tax assets are recognised for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. The carrying amount of deferred income tax assets is reviewed by the Company at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized (Note 35).

Long-term employee benefits

(a) Defined benefit plans:

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

In the financial statements, the Company has recognized a liability using the "Projected Unit Credit Method" based upon factors derived using the Company's experience of personnel terminating and being eligible to receive benefits, discounted by using the current market yield at the balance sheet date on government bonds (Note 24). All actuarial gains and losses are recognized in the income statement.

(b) Defined contribution plans:

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

Foreign currency transactions

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

Provisions

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

Contingent liabilities and assets

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

Share capital and dividend

Ordinary shares are classified under share capital. Dividend distribution on ordinary shares is recognized as an appropriation of profit in the period in which they are declared (Note 27).

Operating leases

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

Warranty expenses

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

Trade payables

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

Financial instruments

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

Financial assets comprise;

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

Financial liabilities comprise;

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

Recognition and derecognition of financial assets and liabilities

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

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

Earnings per share

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

The companies can increase their share capital by making a pro-rata distribution of shares ("Bonus Shares") to existing shareholders without consideration for amounts resolved to be transferred to share capital from retained earnings. For the purpose of the earnings per share calculation such Bonus Share issues are regarded as stock dividends. Accordingly, the weighted average number of shares used in earnings per share calculation is derived by giving retroactive effect to the issue of such shares.

Subsequent events

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

Cash flow statement

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

Impairment of assets

At each reporting date, the Company assesses whether there is any indication that book value of tangible and intangible assets, calculated by acquisition cost less accumulative amortization, is impaired. When an indication of impairment exists, the Company estimates the recoverable values of such assets. When individual recoverable value of assets can not be measured, recoverable value of cash generating unit of that asset is measured.

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

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

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

Offsetting

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

3. Mergers and acquisitions

None (December 31, 2007 - None).

4. Joint ventures

None (December 31, 2007 - None).

5. Segment reporting

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

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

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

6. Cash and cash equivalents

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

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

As of December 31, 2008, checks and notes received consist of checks and notes given to banks for collections which are due as of balance sheet date.

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

7. Financial investments

Available for sale financial assets

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

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

8. Financial liabilities

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

December 31, 2007

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

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

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

9. Other financial liabilities

None (December 31, 2007 - None).

10. Trade receivables and payables

Trade receivables

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

Guarantees received for trade receivables

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

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

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

Trade payables

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

11. Other receivables and payables

Other short-term receivables

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

Other long-term receivables

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

Other short-term payables

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

12. Receivables and payables from finance sector operations

None (December 31, 2007 - None).

13. Inventories

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

14. Biological assets

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

15. Assets related with construction projects in progress

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

16. Investment accounted using equity method

None (December 31, 2007 - None).

17. Investment properties

The Company does not have any investment properties.

18. Property, plant and equipment

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

	January 1, 2008	Additions	Disposal	Transfers	December 31, 2008
Cost:					
Land	5.370.676	31.025.710	-	-	36.396.386
Land improvements	4.543.484	937.852	-	-	5.481.336
Buildings	32.136.056	19.054.910	(413.852)	-	50.777.114
Machinery, equipment and installations	78.803.152	8.193.560	(475.746)	318.451	86.839.417
Motor vehicles	4.700.211	546.442	(221.982)	-	5.024.671
Furniture and fixtures	16.928.245	962.088	-	68.288	17.958.621
Leasehold improvements	1.445.746	-	-	-	1.445.746
Construction in progress	52.196	1.112.155	-	(1.112.155)	52.196
	143.979.766	61.832.717	(1.111.580)	(725.416) (*)	203.975.487
Accumulated depreciation:					
Land improvements	1.765.209	161.560	-	-	1,926.769
Buildings	14.807.956	1.417.250	(80.568)	-	16,144.638
Machinery, equipment and installations	66.941.856	3,116.482	(475.746)	-	69,582.592
Motor vehicles	2.846.488	224.972	(79.203)	-	2,992.257
Furniture and fixtures	15.154.083	336.506	-	-	15,490.589
Leasehold improvements	1.090.845	38.705	-	-	1,129.550
	102.606.437	5.295.475	(635.517)	-	107.266.395
Net book value	41.373.329				96.709.092

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

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

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

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

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

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

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