

OTOKAR REPORTS 1H 2005 RESULTS

“Otokar :The brand name of Turkey in the global markets of the defense industry”

In this report we submit 1H 2004 figures re-based to provide an approximate comparison to 1H 2005 figures. 1H 2004 & 1H 2005 financial results published in this press release are prepared according to International Financial Reporting Standards.

Highlights of 1H 2005

- Otokar increased its exports revenues by %199 from USD 13,9 million in 1H 2004 to USD 41,4 in 1H 2005. During this period, the company received a defense industry order from abroad for 600 vehicles with a total value of USD 88,4 million, of which income inflow will be recorded both in 2005 and 2006. This single agreement in the realm of export is the largest abroad defense industry order the company has ever received until today.
- %44 portion of defense products in total revenues in 1H 2005 affirms the company strategy of focusing on exports to maintain its sustainable growth also in the 2005.
- Otokar-Fruehauf became the leader by the end of May 2005 with %34 market share among 5 important brands, holding %65 of Turkey’s trailer market.
- The sales revenue recorded in 1H 2005 was USD 95,1 million, %13 lower than 1H 2004.
- Net profit was achieved as USD 4,4 million with a net margin of %9 for the stated period.
- The generated EBITDA for the first half of 2005 was USD 9 million. The EBITDA margin in 1H 2005 was %10 whereas it was %15 in the same period last year.
- Otokar’s new investment “Test & Design Center” that has been started its construction prior periods, has become activated during the first six months of 2005.

Overview

OTOKAR IFRS P/L Statement Highlights	1H 2005 USD (thousands)	1H 2004 USD (thousands)	USD Based Change
Net Sales	95.108	109.645	-13%
Cost of Sales	(68.478)	(81.680)	-16%
Gross Profit	26.630	27.965	-5%
Operating Expenses	(20.097)	(14.633)	37%
Operating Profit	6.533	13.332	-51%
Income/(loss) before minorities & taxes	6.235	14.670	-58%
Taxation	(1.819)	(5.137)	-65%
Net Profit	4.416	9.534	-54%
EBITDA	9.096	16.168	-44%

Net Sales

Otokar increased its exports revenues by %199 from USD 13,9 million in 1H 2004 to USD 41,4 in 1H 2005. During this period, the company received a defense industry order from abroad for 600 vehicles with a total value of USD 88,4 million, of which income inflow will be recorded both in 2005 and 2006. This export contract is important for the company since this single agreement in the realm of export is the largest abroad defense industry order the company has ever received until today. 573 units of the 600 units subject to defense industry order to be exported are made up by Otokar Armored Personnel Carriers (APC) 4x4 armored wheeled vehicle and 27 units of the order are made up by Land Rover Defender 4x4 tactical wheeled vehicles. Total value of the order is USD 88,4 million, including spare parts and training.

Otokar shall begin the delivery of the orders in the last quarter of 2005 and deliver the rest in various shipments during the year 2006.

The significant growth in export revenues in 1H 2005 stemmed from the tenders of defence products signed abroad. Land Rover Defenders ranked first in the share of export revenues. Main export regions of the company were North African, Middle Eastern and Gulf Region countries.

	1H 2005 USD (thousands)	1H 2004 USD (thousands)	Change %
Domestic Sales	53.719	95.781	-44%
Exports	41.389	13.865	199%
Total	95.108	109.645	-13%

In domestic market, Otokar increased its market share to %34 and became the leader of the market among the 5 important brands holding the %65 of Turkey's trailer market.

Net sales dropped by %13 to USD 109,6 million during the six months of 2005 due to the contraction of commercial vehicles sales in domestic markets. However, the late reflection of export revenues on financials, whose contracts signed during first six months of the year, will ultimately carry the company's net sales to better figures in the end of 2005 than 2004.

Profit

The company's gross profit in 1H 2005 was USD 28 million with a gross margin of %28.

Operating profit dropped by 51% to USD 6,5 million in 1H 2005. Operating margin of 1H 2005 was %7 where it was %12 last year.

The company's EBITDA was USD 9 million in the first half of 2005, having an EBITDA margin of %10.

Otokar performed a net profit of USD 4,4 million in 1H 2005, %54 lower than it was in 1H2004. This figure will very definitely end up with a higher level in the end of 2005 as a result of the late reflection of defence products' sales revenues to net profit.

Investments

R&D activities of the company have started to take place in Otokar's new investment of "Otokar Design and Test Center" during first six months of 2005. In addition to this, a new investment with a total value of USD 3 million has been planned to support the production of company's latest order of USD 88,4 million amount.

Objectives

In the first quarter of 2005, although the Turkish minibus-midibus market has contracted %25, this contraction will not be a threat to Otokar's sustainable growth objective for the year 2005, which will be supported by exports. The strategy for the year 2005 will be on focusing the production and exporting of defence vehicles of which USD 65 million of contracts have already been signed.

Lately Signed Contracts

In addition to the defence product export order amounted USD 88,4 million mentioned earlier in the bulletin, the company made another export agreement concerning 10 Cobra 4x4 armored tactical wheeled vehicles. In compliance with the agreement, in total 2,6 millions USD with spare parts and user training will be delivered until the end of this year.

FINANCIALS

OTOKAR IFRS Balance Sheet	1H 2005 USD (thousands)	1H 2004 USD (thousands)
Current Assets	116.381	114.382
Current Liabilities	76.683	74.447
Working Capital	39.698	39.935
Property, Plant & Equipment -Net	30.926	32.812
Total Assets	155.826	159.963
Total Liabilities	80.755	78.541
Shareholders Equity	75.071	81.422

OTOKAR IFRS Balance Sheet	1H 2005
Current Ratio	1,52
Liquidity Ratio	0,98
Current Assets / Total Assets	0,75
Current Liabilities / Total Liabilities	0,95
Total Liabilities / Total Liabilities & Shareholders' Equity	0,52

OTOKAR IFRS Statement of Cash Flow	1H 2005 USD (thousands)
Cash and Cash Equivalents at the Beginning of the Period	3.654
Net Cash Provided by Operating Activities	(532)
Net Cash Used in Investment Activities	(11.206)
Pre-Financing Cash Flow	(11.738)
Net Cash Used in Financing Activities and Effect of Exchange Rate Changes	9.250
Net Decrease in Cash and Cash Equivalents	2.489
Cash and Cash Equivalents at the End of the Period	1.165

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