

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2005
TOGETHER WITH AUDITOR'S REVIEW REPORT**

**CONVENIENCE TRANSLATION INTO ENGLISH OF
INDEPENDENT AUDITOR'S REVIEW REPORT
ORIGINALLY ISSUED IN TURKISH**

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

**INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2005**

1. We have reviewed the accompanying balance sheet of Otokar Otobüs Karoseri Sanayi A.Ş. ("the Company") at 30 June 2005 and the related statement of income for the period then ended in accordance with the limited review standards issued by the Capital Market Board ("CMB"). Our work on the interim balance sheet and the statement of income was limited compared to the work performed in accordance with generally accepted auditing standards for the year-end financial statements. Our work covered mainly analytical review, gathering information and various audit techniques in accordance with the limited review standards, on the basis of our understanding of the interim financial statements preparation system. Accordingly, our report should not be considered comparable to an independent full scope audit report.
2. Accordingly, in the above-mentioned unaudited interim financial statements, no material disagreement was noted with generally accepted accounting standards issued by the CMB (see note 2).
3. Additional paragraph for convenience translation into English:

The effects of differences between accounting principles issued by the CMB (see note 2), the accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with accounting principles generally accepted in such countries and IFRS.

Başaran Nas Serbest Muhasebeci
Mali Müşavirlik Anonim Şirketi
a member of
PricewaterhouseCoopers

Zeynep Uras, SMMM
Istanbul, 9 August 2005

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

FINANCIAL STATEMENTS AT 30 JUNE 2005

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OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

BALANCE SHEETS

AT 30 JUNE 2005 AND 31 DECEMBER 2004

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

	Notes	30 June 2005	Restated 31 December 2004
ASSETS			
Current Assets		156.101.718	153.420.846
Cash and Cash Equivalents	4	1.562.729	4.900.809
Marketable Securities (net)	5	-	-
Trade Receivables (net)	7	98.980.239	107.065.027
Leasing Receivables (net)	8	-	-
Due From Related Parties (net)	9	754.588	2.887.849
Other Receivables (net)	10	141.621	57.100
Biological Assets (net)	11	-	-
Inventories (net)	12	48.956.163	37.837.518
Construction Contracts Receivables (net)	13	-	-
Deferred Tax Assets	14	-	-
Other Current Assets	15	5.706.378	672.543
Non-current Assets		52.907.650	61.138.086
Trade Receivables (net)	7	8.505.521	14.048.200
Financial Leasing Receivables (net)	8	-	-
Due From Related Parties (net)	9	-	-
Other Receivables (net)	10	-	-
Financial Assets (net)	16	2.505.092	2.630.592
Positive/Negative Goodwill (net)	17	-	-
Investment Property (net)	18	-	-
Property, Plant and Equipment (net)	19	41.481.512	44.010.175
Intangible Assets (net)	20	415.525	449.119
Deferred Tax Assets	14	-	-
Other Non-Current Assets	15	-	-
TOTAL ASSETS		209.009.368	214.558.932

The accompanying notes form an integral part of these financial statements

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

BALANCE SHEETS

AT 30 JUNE 2005 AND 31 DECEMBER 2004

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

LIABILITIES	Notes	30 June 2005	31 December 2004
			Restated
Current liabilities		102.854.415	99.855.951
Financial Liabilities (net)	6	59.897.223	46.336.792
Short-Term Portion of Long-Term Financial Liabilities	6	-	-
Leasing Liabilities (net)	8	-	-
Other Financial Liabilities (net)	10	-	-
Trade Payables (net)	7	26.094.000	31.990.259
Due to Related Parties (net)	9	2.636.610	3.453.322
Advances Received	21	5.039.069	12.470.510
Construction Contracts Progress Payments (net)	13	-	-
Provisions	23	6.239.761	1.430.622
Deferred Tax Liability	14	-	-
Other Liabilities (net)	15	2.947.752	4.174.446
Non-current liabilities		5.461.953	5.491.063
Financial Liabilities (net)	6	-	-
Financial Leasing Liabilities (net)	8	-	-
Other Financial Liabilities (net)	10	-	-
Trade Payables (net)	7	-	-
Due to Related Parties (net)	9	-	-
Advances Received	21	-	-
Provisions	23	4.773.087	3.941.085
Deferred Tax Liability	14	52.817	1.050.928
Other Liabilities (net)	15	636.049	499.050
Minority interest		-	-
Shareholders' Equity		100.693.000	109.211.918
Share Capital	25	24.000.000	24.000.000
Capital Reserves	26	64.531.676	64.573.686
Share Premiums		-	-
Share Cancellation Profit		-	-
Revaluation Fund		-	-
Financial Assets Revaluation Fund		838.563	880.573
Shareholders' Equity Inflation Adjustment Differences		63.693.113	63.693.113
Profit Reserves	27	7.588.011	830.700
Legal Reserves		3.208.566	830.700
Statutory Reserves		-	-
Extraordinary Reserves		4.379.445	-
Special Reserves		-	-
Investment Shares And Property Sales Gains to be Added To Capital		-	-
Foreign currency Translation Differences		-	-
Net Current Year Profit		5.923.092	20.688.105
Accumulated loss (-)	28	(1.349.779)	(880.573)
Total Shareholders' Equity and Liabilities		209.009.368	214.558.932

Financial statements at and for the year ended 30 June 2005 were approved by the Board of Directors at 9 August 2005. The accompanying notes form an integral part of these financial statements.

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

STATEMENTS OF INCOME FOR THE PERIODS ENDED 30 JUNE 2005 AND 2004

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

	Notes	1 January 2005 - 30 June 2005	1 April 2005 - 30 June 2005	Restated 1 January 2004 - 30 June 2004	Restated 1 April 2004 - 30 June 2004
Revenue from main operations					
Sales Income (net)	36	127.568.567	76.811.887	147.067.480	83.784.900
Cost of Sales (net)		(91.849.680)	(55.342.779)	(109.557.758)	(60.283.885)
Service Sales (net)		-	-	-	-
Other Income from Primary Operations (net)		-	-	-	-
Gross Profit From Primary Operations		35.718.887	21.469.108	37.509.722	23.501.015
Operating Expenses (net)	37	(26.956.146)	(13.809.297)	(19.626.945)	(12.156.398)
Net Losses from Primary Operations		8.762.741	7.659.811	17.882.777	11.344.617
Other Operating Income	38	553.691	339.382	1.388.107	1.131.930
Other Operating Expenses (-)	38	(664.110)	(664.110)	(147.020)	(139.695)
Financial Expenses (net) (-)	39	(289.758)	704.962	2.640.372	2.384.643
Operating Profit		8.362.564	8.040.045	21.764.236	14.721.495
Net Monetary Position Gain/Loss	40	-	-	(2.087.145)	(428.165)
Minority Interest Profit/Loss		24	-	-	-
Profit Before Tax		8.362.564	8.040.045	19.677.091	14.293.330
Taxation on income	41	(2.439.472)	(2.286.502)	(6.889.733)	(4.489.017)
Net Profit For The Year		5.923.092	5.753.543	12.787.358	9.804.313
Profit Per Share (Ykr)		42	0,02	0,05	

The accompanying notes form an integral part of these financial statements.

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIODS ENDED 30 JUNE 2005 AND 2004

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

	Share Capital	Inflation Adjustment to Share Capital Differences	Legal Reserves	Extraordinary Reserves	Financial Assets Value Increase Fund	Accumulated Profit/ (Loss)	Net Profit for the Period	Total Shareholders' Equity
Balances at 1 January 2004								
- As previously reported	24.000.000	73.934.372	2.873.548	8.525.974	-	(20.810.081)	-	88.523.813
Change in accounting policy (Note 2.4)	-	-	-	-	931.883	(931.883)	-	-
Balances at 1 January 2004								
- As restated	24.000.000	73.934.372	2.873.548	8.525.974	931.883	(21.741.964)	-	88.523.813
Accumulated loss deduction (Note 27)	-	(10.241.259)	(2.042.848)	(8.525.974)	-	20.810.081	-	-
Net income for the period	-	-	-	-	-	-	12.787.358	12.787.358
Balances at 30 June 2004	24.000.000	63.693.113	830.700	-	931.883	(931.883)	12.787.358	101.311.171
Balances at 1 January 2005								
- As previously reported	24.000.000	63.693.113	830.700	-	-	20.688.105	-	109.211.918
Change in accounting policy (Note 2.4)	-	-	-	-	880.573	(880.573)	-	-
Balances at 1 January 2005								
- As restated	24.000.000	63.693.113	830.700	-	880.573	19.807.532	-	109.211.918
Transfer to legal and extraordinary reserves	-	-	2.377.866	4.379.445	-	(6.757.311)	-	-
Dividends paid	-	-	-	-	-	(14.400.000)	-	(14.400.000)
Fair value decrease of available- for-sale investments	-	-	-	-	(42.010)	-	-	(42.010)
Net income for the period	-	-	-	-	-	-	5.923.092	5.923.092
Balances at 30 June 2005	24.000.000	63.693.113	3.208.566	4.379.445	838.563	(1.349.779)	5.923.092	100.693.000

The accompanying notes form an integral part of these financial statements.

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2005

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 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 under Turkish Commercial Code. The company operates in automotive industry. Land Rover 4x4 land vehicles, armoured vehicles, minibuses and midibuses, trailers, semi-trailers and trucks comprise the majority of its production.

The registered addresses of the Company are as follows:

Head Quarters:

Aydınevler Mahallesi, Dumlupınar Cd. No:24 A Bl.
81580 Küçükyalı/Istanbul

Factory:

Atatürk Cad. No 9
54580 Arifiye/Sakarya

The Company is registered with the Capital Markets Board (“CMB”) and its shares have been quoted on the Istanbul Stock Exchange (“ISE”) since 1996. At 30 June 2005, the shares quoted on the ISE are approximately 29.91% of the total shares. At 30 June 2005, the principal shareholders and their respective shareholdings in the Company are as follows (Note 25):

	%
Koç Holding A.Ş.	42,92
Ünver Holding A.Ş.	24,81
Others	32,27
	100,00

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Accounting standards

The interim financial statements of the Company have been prepared in accordance with the accounting and reporting principles published by the Capital Markets Board (“CMB”), namely “CMB Accounting Standards”. The CMB published a comprehensive set of accounting principles in Communiqué No: XI-25 “The Accounting Standards in the Capital Markets”. In the aforementioned communiqué, it has been stated that applying the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) is accepted as an alternative to conform with the CMB Accounting Standards.

With the decision taken on 17 March 2005, the CMB has announced that, effective from 1 January 2005, the application of inflation accounting is not necessary for companies operating in Turkey and preparing their financial statements in accordance with CMB Accounting Standards. Accordingly, the Company did not apply International Accounting Standards (“IAS”) 29 “Financial Reporting in Hyperinflationary Economies” issued by IASB in its financial statements for the accounting periods starting on 1 January 2005. The financial statements of the Company presented for comparison purposes are expressed in the purchasing power of YTL at 31 December 2004. These financial statements and the related notes have been presented in accordance with the formats required by the CMB with the announcement dated 20 December 2004.

The financial statements are prepared in New Turkish Liras (“YTL”) based on the historical cost conversion except for the financial assets and liabilities which are expressed with their fair values.

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2005

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Financial reporting in hyperinflationary periods

IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date, and that corresponding figures for previous periods be restated in the same terms. The restatement of the comparative amounts was calculated by means of conversion factors derived from the Turkish nationwide wholesale price index ("WPI") published by the State Institute of Statistics ("SIS"). Indices and conversion factors used to restate the comparative amounts until 31 December 2004 are given below:

<u>Dates</u>	<u>Index</u>	<u>Conversion factor</u>	<u>Cumulative three year inflation rates (%)</u>
31 December 2004	8.403,8	1,000	69,7
31 December 2003	7.382,1	1,138	181,1
31 December 2002	6.478,8	1,297	227,3

The main procedures for the aforementioned restatement and the effects of ceasing inflation accounting are as follows:

- As the hyperinflationary period ceases, the current year financial statements are not restated and financial information related to previous reporting periods are expressed in terms of purchasing power of the last reporting period in which inflation adjustment was applied.
- As the hyperinflationary period ceases, the restated amount of the non-monetary assets, liabilities and equity which are expressed in terms of purchasing power at the last balance sheet date are accepted as the opening balances of such items at 1 January 2005.
- The financial statements of the previous reporting periods are expressed in the purchasing power at the last balance sheet in which inflation adjustment was applied.
- During hyperinflationary periods, inflation effect on the net monetary asset position of the Company is reflected to the statement of income as net monetary position loss.

2.3 New Turkish Lira

Through the enactment of the Law numbered 5083 concerning the "Currency of the Republic of Turkey" in the Official Gazette dated 30 January 2004, New Turkish Lira and the New Kuruş ("YKr") have been introduced as the new currency of the Republic of Turkey, effective from 1 January 2005. The hundredth part of the YTL is the YKr (1 YTL=100YKr). When the prior currency, Turkish Lira ("TL"), values are converted into the YTL, one million TL (1,000,000 TL) is equivalent to one YTL (1 YTL). Accordingly, currency of the Republic of Turkey is simplified by removing six zeroes from the TL.

All references made to Turkish Lira or Lira in laws, other legislation, administrative transactions, court decisions, legal transactions, negotiable instruments and other documents that produce legal effects as well as payment and exchange instruments shall be considered to have been made to YTL at the conversion rate indicated as above. Consequently, effective from 1 January 2005, the YTL replaces the TL as a unit of account in keeping and presenting the books, accounts and financial statements.

As stated in the announcement of Capital Markets Board dated 30 November 2004, financial statements of the period ending 30 June 2005, including the prior period financial data will be used for comparison purposes, are demonstrated in YTL, and prior period financial statements are presented in YTL currency for only comparative purposes.

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2005

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Comparative and restatement of prior periods' financial statements

The financial statements of the Company include comparative financial information to enable the readers to review of the financial position and performance of the Company. The balance sheet of the Company at 30 June 2005 includes the comparative financial information at 31 December 2004 and the statement of income, the statement of changes of shareholders' equity and the statement of cash flows for the six month period ended 30 June 2005 include the comparative financial information for the six month period ended 30 June 2004.

IAS 39 – "Financial Instruments: Regulations and Measurement" has been revised effective from the annual period beginning on or after 1 January 2005. In accordance with the revised standard, gains and losses on available-for-sale financial assets should be directly recognized in equity until these financial assets are derecognized. The Company had recognized gains and losses in the statement of income until 31 December 2004.

The Company changes its accounting policy as required by IAS 39. Accordingly, the Company applied the accounting policy change retrospectively and all related comparative financial information has been restated as if the new accounting policy had always been in use.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

3.1 Cash and cash equivalents

The cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents consist of cash on hand, deposits at banks and highly liquid investments with maturity periods of less than three-months (Note 4).

3.2 Trade receivables and valuation allowance

Trade receivables that have been entitled by the Company by providing goods or services directly to a debtor are carried at amortised cost. Short-term receivables with no stated interest rate are measured at the original invoice amount unless the effect of imputing interest is significant.

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 amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to other income.

3.3 Related parties

For the purpose of these financial statements, shareholders, key management personnel, members of Board of Directors, their families and the companies affiliated with them are considered and referred to as related parties. A number of transactions are entered into with related parties in the normal course of business. These transactions have been performed with prices adequate to market values (Note 9).

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2005

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Inventories

Inventories are valued at the lower of cost, or net realisable value. Cost elements included in inventories are materials, labour and an appropriate amount for factory overheads. The cost of inventories is determined on the moving monthly average basis. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses (Note 12).

3.5 Available-for-sale 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.

Equity securities whose fair value can be reliably estimated are carried at fair value. All other equity securities classified as available-for-sale are carried at cost after deduction for any impairment. The Company is not able to make an estimate of the fair values that are sufficiently reliable for certain unlisted equity securities, due to the high variability in the range of reasonable estimates and various outcome probabilities to assess the usefulness of a single estimate. The unrealised gains and losses arising from changes in the fair value of available-for-sale securities are recognised in shareholders' equity (Note 16).

3.6 Property, plant and equipment and related accumulated depreciation

Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is provided using the straight-line method based on the estimated useful lives of the assets, except for land. The depreciation periods for property and equipment, which approximate the economic useful lives of assets concerned, are as follows:

Land improvements	25 years
Buildings	25 years
Machinery and equipment	4-10 years
Furniture and fixtures	4-6 years
Motor vehicles	4-10 years
Special costs	4-5 years

Land is not depreciated as it is deemed to have an indefinite life.

Property, plant and equipment is reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of asset net selling price or value in use.

Gains or losses on disposals of property, plant and equipment are determined by comparing proceeds with carrying amounts and are included in operating profit (Note 19).

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Intangible assets

Intangible assets comprise acquired intellectual property and computer software. They are recorded at acquisition cost and amortised on a straight-line basis over their estimated economic lives for a period not exceeding 5 years from the date of acquisition. Where an indication of impairment exists, the carrying amount of any intangible asset is assessed and written down immediately to its recoverable amount.

3.8 Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised 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 recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

3.9 Borrowings

Borrowings are recognised initially at proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method; any difference between the proceeds and redemption value is recognised in the income statement over the period of the borrowings. Borrowing costs are charged to the income statement when they incur.

3.10 Deferred taxes

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax base of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income taxes.

The principal temporary differences arise from the restatement of property, plant and equipment and inventory over their historical cost, accrued interest income and expenses provision for employment termination benefits, provision for doubtful receivables, tax losses carried forward and unused tax credits.

Deferred tax liabilities are recognised for all taxable temporary differences, whereas deferred tax assets resulting from deductible temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilised.

Deferred tax assets and deferred tax liabilities related to income taxes levied by the same taxation authority are offset accordingly (Note 14).

3.11 Reserve for employment termination benefits

Reserve for employment termination benefits represent the present value of the estimated total provision of the future probable obligation of the Company arising from the retirement of the employees calculated in accordance with the Turkish Labour Law (Note 23).

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2005

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 Foreign currency transactions and translation

Transactions in foreign currencies during the year have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated at the exchange rates prevailing at year-end. Exchange gains or losses arising on the settlement and translation of foreign currency items have been included in the statements of income.

3.13 Revenue recognition

Revenues are recognised on an accrual basis at the time deliveries are made, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company at the fair value of considerations received or receivable. Net sales represent the invoiced value of goods sold less sales returns and commission, and exclude sales taxes.

Other revenues earned by the Company are recognised on the following basis:

Rental income-on an accrual basis.

Interest income-on an effective yield basis.

Dividend income-when the Company's right to receive payment is established.

3.14 Provisions

Provisions are recognised when the Company has a present legal constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

3.15 Contingent assets and liabilities

Probable rights and obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company are treated as contingent assets or liabilities.

3.16 Share capital and dividends

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared (Note 25).

3.17 Financial instruments and financial risk management

The Company's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company.

Interest rate risk

The Company is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. These exposures are managed by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities.

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2005

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Funding risk

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

Credit risk

Ownership of financial assets involves the risk that counter parties may be unable to meet the terms of their agreements. These risks are monitored by limiting the aggregate risk from any individual counter party and taking collaterals against the risks (Note 24).

Foreign currency risk

The Company is exposed to the foreign exchange risk through the impact of rate changes at the translation of foreign currency denominated liabilities to local currency. These risks are monitored and limited by the analysis of foreign currency position (Note 23).

Fair value 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 can realize in a current market exchange.

The following methods and assumptions were used to estimate the fair value of the financial instruments for which it is practicable to estimate fair value:

Monetary assets

The fair values of balances denominated in foreign currencies, which are translated at year end exchange rates, are considered to approximate carrying values.

The fair values of certain financial assets carried at cost, including cash and amounts due from banks, are considered to approximate their respective carrying values due to their short-term nature and negligible credit losses.

The carrying values of trade receivables along with the related allowances for uncollectability are estimated to be their fair values.

Monetary liabilities

The fair values of bank borrowings and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature.

Long-term borrowings, which are denominated in foreign currencies, are translated at year-end exchange rates and accordingly their fair values approximate their carrying values. Trading liabilities have been estimated at their fair values.

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2005

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Earnings per share

Earnings per share disclosed in these statements of income are determined by dividing net profit by the weighted average number of shares that have been outstanding during the weighted average number of shares that have been outstanding during the year concerned.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("Bonus Shares") to existing shareholders from retained earnings and revaluation surplus. For the purpose of earnings per share computations, such Bonus Share issuances are regarded as issued shares. Accordingly the weighted average number of shares used in earnings per share computations is derived by giving retroactive effect to the issuances of the shares per share computations is derived by giving retroactive effect to the issuances of the shares without consideration.

Basic earnings per share are calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue (Note 42).

3.19 Offsetting

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

3.20 Comparatives

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year so that the reclassification will result in a more appropriate presentation of events or transactions.

3.21 Reporting of cash flows

For purposes of the statements of cash flows, cash and cash equivalents include cash in hand, bank deposits and loans originated by the Company by providing money directly to a bank under reverse repurchase agreements with predetermined sale price at fixed future dates of less than 3 months.

NOTE 4 - CASH AND CASH EQUIVALENTS

	30 June 2005	31 December 2004
Banks		
-demand deposits	1.435.265	2.014.956
-time deposits	-	2.851.920
Cheques received	87.910	23.292
Other cash equivalents	39.554	10.641
	1.562.729	4.900.809

The Company does not have any time deposits as of 30 June 2005. Interest rates for YTL, USD and EURO demand deposits as of 31 December 2004 are 19,50%, 1,60% and 3,25% respectively.

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2005

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 5 - MARKETABLE SECURITIES

None (2004: None).

NOTE 6 - FINANCIAL LIABILITIES

	30 June 2005		
	Interest rate (%)	Original currency	YTL
Short term borrowings			
EURO Borrowings	3,08 - 4,18	18.879.284	30.522.139
USD Borrowings	4,44 - 4,48	8.045.540	10.791.483
YTL Borrowings	0,00 - 15,00	9.563.235	9.563.235
GBP Borrowings	7,14	3.713.613	9.020.366
Total			59.897.223

NOTE 6 - FINANCIAL LIABILITIES (Continued)

	31 December 2004		
	Interest rate (%)	Original currency	YTL
Short term borrowings			
EURO Borrowings	3,84 - 4,18	15.788.526	28.842.478
USD Borrowings	3,32 - 3,38	5.668.960	7.608.311
YTL Borrowings	-	637.166	637.166
GBP Borrowings	7,14	3.589.690	9.248.837
Total			46.336.792

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

TRADE RECEIVABLES

	30 June 2005	31 December 2004
Trade receivables	61.071.270	70.294.644
Cheques and notes receivables	39.711.906	38.574.352
Deposits and guarantees given	256	256
	100.783.432	108.869.252
Less: Unearned credit finance income	(1.149.814)	(1.112.639)
Less: Provision for doubtful receivables	(653.379)	(691.586)
Short-term trade receivables-(net)	98.980.239	107.065.027
Cheques and notes receivables	10.197.787	16.039.879
Deposits and guarantees given	5.256	4.066
Less: Unearned credit finance income	(1.697.522)	(1.995.745)
Long-term trade receivables-(net)	8.505.521	14.048.200

Movements of the provision for doubtful receivables for the periods ended 30 June 2005 and 31 December 2004 were as follows:

	30 June 2005	31 December 2004
1 January	691.586	553.914
Recoveries	(174.508)	(75.693)
Net provision for the year	136.301	282.574
Monetary gain	-	(69.209)
Period end	653.379	691.586

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2005

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 7 - TRADE RECEIVABLES AND PAYABLES (Continued)

TRADE PAYABLES

	30 June 2005	31 December 2004
Trade payables	26.750.994	32.494.883
Note payables	46.897	44.415
Other	7.072	6.276
<hr/>		
Less: Unrealized credit finance charges	(710.963)	(555.315)
<hr/>		
Short-term trade payables-(net)	26.094.000	31.990.259

NOTE 8 - LEASING RECEIVABLES AND PAYABLES

Company does not have any outstanding leasing contracts.

NOTE 9 - DUE TO AND DUE FROM RELATED PARTIES

Due to and due from related parties as of the period ends and transactions with related parties during the periods are given below:

i) Balances with the related parties at 30 June 2005 and 31 December 2004:

<u>Bank balances:</u>	30 June 2005	31 December 2004
Koçbank A.Ş.		
- Demand deposits	848.552	961.142
- Time deposits	-	2.850.000
<hr/>		
	848.552	3.811.142
<hr/>		
<u>Due from related parties:</u>	30 June 2005	31 December 2004
Aygaz A.Ş.	554.723	-
Ram Dış Ticaret A.Ş.	211.806	2.915.103
Tofaş Türk Otomotiv Fabr.A.Ş.	2.997	-
Birmot Birleşik Motor Sanayi ve Tic. A.Ş.	2.953	-
Rmk Marine Gemi San.A.Ş.	1.770	1.770
Koç Finansal Kiralama A.Ş.	-	63.655
<hr/>		
	774.249	2.980.528
<hr/>		
Less: Unrealized credit finance income	(19.661)	(92.679)
<hr/>		
Total	754.588	2.887.849

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2005

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 9 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Borrowings:

	30 June 2005	31 December 2004
Koçbank A.Ş.	8.717.838	637.166
Total	8.717.838	637.166

Due to related parties:

	30 June 2005	31 December 2004
Kofisa Trading Company S.A.	1.311.631	1.954.398
Ram Dış Ticaret A.Ş.	295.930	448.325
Setur A.Ş. Divan Oteli	197.789	-
Ram Sigorta Aracılık Hizmetleri A.Ş.	180.050	56.037
Entek Elektrik Üretimi Otoprodüktör Grubu A.Ş.	151.443	136.114
Beko Ticaret A.Ş.	121.366	118.668
Bos Birleşik Oksijen San.A.Ş.	64.509	45.446
Birmot A.Ş.Küçükyalı Temsilciliği	61.931	34.443
Koçtaş Yapı Marketleri T.A.Ş.	54.323	4.829
Döktaş Döküm San.Tic.A.Ş.	49.560	-
Setur Servis Turistik A.Ş.	46.755	231.136
Oltaş Otomotiv Lastikleri Tevzii A.Ş.	33.185	58.903
Takosan Otomobil San.A.Ş.	28.907	3.491
Koç Sistem Bilgi ile.Hizm.A.Ş.	22.386	13.281
Beldeyama Motorlu Vast.A.Ş.	12.930	-
Koç-Net Haberleşme A.Ş.	10.967	-
Tofaş Türk Otomobil Fabr.A.Ş.	10.071	10.071
Otoyol Sanayi A.Ş.	8.770	89.850
Akpa Dayanıklı Tük.Paz.A.Ş.	4.267	19.535
Koç Holding A.Ş.	-	163.878
Mako Elektrik San. ve Tic. A.Ş.	-	82.292
Diğer	42.312	45.290
	2.709.082	3.515.987
Less: Unrealized credit financial charges	(72.472)	(62.665)
Total	2.636.610	3.453.322

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2005

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 9 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

ii) Sales and purchases with the related parties for the periods ended 30 June:

Product sales:	1 January - 30 June 2005	1 April - 30 June 2005	1 January - 30 June 2004	1 April - 30 June 2004
Ram Dış Ticaret A.Ş.	18.187.422	602.683	12.285.579	11.601.047
Koç Finansal Kiralama A.Ş.	4.806.601	2.449.968	3.778.212	1.973.677
Aygaz A.Ş.	1.846.806	1.836.309	6.414	-
Tofaş Türk Otomobil Fabrikası A.Ş.	94.990	-	-	-
Rmk Marine Gemi San. A.Ş.	10.500	6.000	-	-
Ford Otomotiv Sanayi A.Ş.	-	-	38.785	-
Other	2.502	1.545	10.395	-
Total	24.948.821	4.896.505	16.119.385	13.574.724

Purchases of property plant and equipment:	1 January - 30 June 2005	1 April - 30 June 2005	1 January - 30 June 2004	1 April - 30 June 2004
Koç Sistem Bilgi İle.Hizm.A.Ş.	144.727	38.109	191.556	124.646
Otokoç A.Ş.	23.900	-	-	-
Birmot A.Ş.	-	-	41.028	41.028
Total	168.627	38.109	232.584	165.674

Inventory purchases:	1 January - 30 June 2005	1 April - 30 June 2005	1 January - 30 June 2004	1 April - 30 June 2004
Ram Dış Ticaret A.Ş.	1.545.556	532.925	1.690.450	725.864
Kofisa Trading Company S.A.	1.419.945	402.115	2.549.090	706.492
Bos Birleşik Oksijen San. A.Ş.	246.045	148.829	253.921	122.449
Oltaş Otomotiv Lastikleri Tevzi A.Ş.	232.235	94.709	192.052	110.086
Beko Ticaret A.Ş.	205.454	132.643	-	-
Akpa Dayanıklı Tük.Paz.A.Ş.	80.642	37.925	419.223	211.626
Opet Petrolcülük A.Ş.	71.288	41.497	1.655	1.655
Koçtaş Yapı Mar.A.Ş.	57.272	45.864	-	-
Tek-iz İzolasyon ve Yapı Elemanları San. A.Ş.	25.428	25.428	-	-
Takosan Otomobil Göstergeleri San. ve Tic. A.Ş.	24.593	22.775	15.112	10.327
Migros Türk T.A.Ş.	13.375	10.685	-	-
Beldeyama Motorlu Vasıtalar San. A.Ş.	10.958	10.958	-	-
Sanal Merkez T.A.Ş.	6.895	6.895	-	-
Tekersan Jant Sanayi A.Ş.	-	-	599.545	317.698
Mako Elektrik San. Tic. A.Ş.	-	-	307.612	175.502
Beldesana Otomotiv Yan Sanayii ve Tic. A.Ş.	-	-	16.505	8.573
Other	-	-	8.854	8.854
Total	3.939.686	1.513.248	6.054.019	2.399.126

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2005

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 9 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

<u>Services received:</u>	1 January - 30 June 2005	1 April - 30 June 2005	1 January - 30 June 2004	1 April - 30 June 2004
Ram Dış Ticaret A.Ş.	5.051.795	3.951.980	2.536.590	2.189.643
Entek Elektrik Üretimi Otoprodüktör Grubu A.Ş.	677.683	378.861	869.884	456.907
Koç Holding A.Ş.	524.439	269.240	416.439	225.706
Ram Sigorta Aracılık Hizmetleri A.Ş.	511.875	69.432	580.286	-
Setur Servis Turistik A.Ş.	678.899	398.609	406.013	290.861
Koçnet Haberleşme Teknoloji ve İletişim Hizmetleri A.Ş.	51.661	25.137	51.728	28.225
Döktaş Ticaret ve San. A.Ş.	42.000	21.000	-	-
Set Oto Ticaret ve Turizm A.Ş.	34.758	19.028	10.758	8.523
Koç Sistem A.Ş.	33.640	7.093	36.942	8.619
Birmot Birleşik Motor Sanayi ve Tic. A.Ş.	23.294	8.669	30.236	30.236
Koç Allianz Sigorta T.A.Ş.	16.326	-	23.301	23.301
Otoyol Sanayi A.Ş.	7.432	7.432	21.134	-
Other	14.216	8.414	36.974	18.915
Total	7.668.018	5.164.895	5.020.285	3.280.936

iii) Financial income and expenses with the related parties for the years ended 30 June:

<u>Interest income:</u>	1 January - 30 June 2005	1 April - 30 June 2005	1 January - 30 June 2004	1 April - 30 June 2004
Koçbank A.Ş.	34.156	222	287.063	54.590
Ram Dış Ticaret A.Ş.	-	-	161.284	161.284
Total	34.156	222	448.347	215.874

<u>Foreign exchange income:</u>	1 January- 30 June 2005	1 April- 30 June 2005	1 January- 30 June 2004	1 April- 30 June 2004
Ram Dış Ticaret A.Ş.	353.388	249.395	-	-
Koçbank A.Ş.	47.432	24.062	371.054	318.466
Kofisa Trading Company S.A.	1.569	-	-	-
Total	402.389	273.457	371.054	318.466

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2005

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 9 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

<u>Interest expenses:</u>	1 January- 30 June 2005	1 April- 30 June 2005	1 January- 30 June 2004	1 April- 30 June 2004
Koçbank A.Ş.	172.518	136.725	-	-
Total	172.518	136.725	-	-

<u>Foreign exchange losses:</u>	1 January- 30 June 2005	1 April- 30 June 2005	1 January- 30 June 2004	1 April- 30 June 2004
Ram Dış Ticaret A.Ş.	218.437	214.447	-	-
Koçbank A.Ş.	144.724	79.785	224.282	30.775
Kofisa Trading Company S.A.	23.547	6.536	-	-
Total	386.708	300.768	224.282	30.775

Remuneration paid to top management by the Company is YTL 512.704 during the six-month period ended 30 June 2005 (30 June 2004: YTL 463.301).

NOTE 10 - OTHER RECEIVABLES AND PAYABLES

	30 June 2005	31 December 2004
Other Receivables		
Receivables form personnel	82.631	2.859
Other	58.990	54.241
Total	141.621	57.100

NOTE 11 - BIOLOGICAL ASSETS

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

NOTE 12 - INVENTORIES

	30 June 2005	31 December 2004
Raw materials	19.009.551	12.776.844
Finished goods	9.279.219	4.428.554
Semi-finished goods	5.777.290	1.502.526
Trade goods	4.943.648	4.071.690
Order advances given	6.318.400	6.852.663
Other	3.628.055	8.205.241
Total	48.956.163	37.837.518

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2005

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 13 - CONSTRUCTION CONTRACT RECEIVABLES AND PROGRESS BILLING

The Company has no construction contract receivables and construction progress billings.

NOTE 14 - DEFERRED TAX ASSETS AND LIABILITIES

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising between their financial statements as reported under CMB Accounting Standards and their statutory tax financial statements.

Deferred income taxes will be calculated on temporary differences that are expected to be realised or settled based on the taxable income in coming years under the liability method using a principal tax rate of 30%.

Detail of cumulative temporary differences and the resulting deferred tax assets / (liabilities) provided at 30 June 2005 and 31 December 2004 using the enacted future tax rates are as follows:

	<u>Cumulative temporary differences</u>		<u>Deferred tax assets / (liabilities)</u>	
	<u>30 June 2005</u>	<u>31 December 2004</u>	<u>30 June 2005</u>	<u>31 December 2004</u>
Net difference between the tax base and the carrying amount of:				
- property, plant and equipment	9.392.319	10.900.148	(2.817.696)	(3.270.044)
- inventory	3.703.134	-	(1.110.940)	-
Unearned credit finance charges	2.494.186	613.792	(748.256)	(184.138)
Deferred tax liabilities			(4.676.892)	(3.454.182)
Net difference between the tax base and the carrying amount of:				
- trade receivables	4.337.095	-	1.301.128	-
- inventory	-	868.697	-	260.609
Reserve for employment termination benefits	4.247.918	3.941.085	1.274.375	1.182.326
Expense accruals	3.961.573	-	1.188.473	-
Unearned credit finance income	2.866.996	3.201.064	860.099	960.319
Deferred tax assets			4.624.075	2.403.254
Deferred tax liabilities-net			(52.817)	(1.050.928)

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2005

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 14 - DEFERRED TAX ASSETS AND LIABILITIES (Continued)

Movements in deferred taxes can be analysed as follows:

	1 January 2005	Charged/(credited) to statement of income	30 June 2005
Deferred income tax assets			
Net difference between the tax base and the carrying value of:			
- inventory	260.609	(260.609)	-
- trade receivables	-	1.301.128	1.301.128
Reserve for employment termination benefits	1.182.326	92.049	1.274.375
Unearned credit finance income	960.319	(100.220)	860.099
Expense accruals	-	1.188.473	1.188.473
Deferred income tax liabilities			
Net difference between the tax base and the carrying value of:			
- property, plant and equipment	(3.270.044)	452.348	(2.817.696)
- inventory	-	(1.110.940)	(1.110.940)
Unearned credit finance charges	(184.138)	(564.118)	(748.256)
Deferred tax liabilities-net	(1.050.928)	998.111	(52.817)
	1 January 2004	Charged/(credited) to the statement of income	30 June 2004
Deferred income tax assets			
Net difference between the tax base and the carrying value of:			
- inventory	-	126.160	126.160
Reserve for employment termination benefits	1.017.919	113.641	1.131.560
Unearned credit finance income	731.721	286.020	1.017.741
Deferred income tax liabilities			
Net difference between the tax base and the carrying value of:			
- property, plant and equipment	(3.764.280)	476.760	(3.287.520)
Unearned credit finance charges	(144.494)	(49.583)	(194.077)
Deferred tax liabilities-net	(2.159.134)	952.998	(1.206.136)

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2005

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 15 - OTHER CURRENT-NON CURRENT ASSETS AND OTHER CURRENT-NON CURRENT LIABILITIES

a) Other current assets

	30 June 2005	31 December 2004
Value Added Tax (VAT) receivable	4.211.879	29.848
Taxes and funds deductible	1.032.435	310.022
Prepaid expenses	462.064	271.530
Other	-	61.143
Total	5.706.378	672.543

b) Other current liabilities

	30 June 2005	31 December 2004
Deferred payable to government	1.144.858	713.443
Social security premiums payable	766.905	701.565
Payable to personnel	489.613	1.390.472
Taxes and funds payable	423.182	1.271.833
Other	123.194	97.133
Total	2.947.752	4.174.446

c) Other non-current liabilities

	30 June 2005	31 December 2004
Deferred payable to government	636.049	499.050
Total	636.049	499.050

NOTE 16 - FINANCIAL ASSETS

	30 June 2005		31 December 2004	
	YTL	%	YTL	%
Investments				
Entek Elektrik Üretimi Otoprodüktör Grubu A.Ş.	2.505.092	0,86%	2.630.592	0,90%
	2.505.092		2.630.592	

The Company's investment share on Entek Elektrik Üretimi Otoprodüktör Grubu A.Ş. has been diluted from 0.90% to 0.86% in 2005. As such, the Company has decreased the fair value of this investment by YTL 125,500 in these financial statements. This decrease has been recorded to the statement of income and shareholders' equity by YTL 83,490 and YTL 42,010, respectively, at and for the period ended 30 June 2005.

NOTE 17 - GOODWILL / NEGATIVE GOODWILL

None (2004: None).

NOTE 18 - INVESTMENT PROPERTY

The Company does not have any investment property.

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2005

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 19 - PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment and related accumulated depreciation during the period ended 30 June 2005 are as follows:

	1 January 2005	Additions	Disposals	Transfers	30 June 2005
Cost:					
Land	5.370.676	-	-	-	5.370.676
Land improvements	4.263.645	-	-	-	4.263.645
Buildings	31.309.606	-	-	-	31.309.606
Machinery and equipment	87.334.042	522.034	(16.066.343)	-	71.789.733
Motor vehicles	3.370.861	23.900	-	-	3.394.761
Furniture and fixtures	15.357.504	194.872	-	-	15.552.376
Special costs	1.089.375	-	-	-	1.089.375
Construction-in-progress	-	148.149	-	-	148.149
Advances given	60.831	78.298	(96.703)	-	42.426
	148.156.540	967.253	(16.163.046)	-	132.960.747
Accumulated depreciation:					
Land improvements	1.296.583	87.489	-	-	1.384.072
Buildings	11.578.350	626.192	-	-	12.204.542
Machinery and equipment	73.167.382	2.318.606	(16.064.762)	-	59.421.226
Motor vehicles	3.029.106	69.025	-	-	3.098.131
Furniture and fixtures	14.046.150	254.919	-	-	14.301.069
Special costs	1.028.794	41.401	-	-	1.070.195
	104.146.365	3.397.632	(16.064.762)	-	91.479.235
Net book value	44.010.175				41.481.512

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2005

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 19 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Movements in property, plant and equipment and related accumulated depreciation during the period ended 30 June 2004 are as follows:

	1 January 2004	Additions	Disposals	Transfers	30 June 2004
Cost:					
Land	5.370.676	-	-	-	5.370.676
Land improvements	4.097.283	-	-	-	4.097.283
Buildings	29.633.777	-	-	-	29.633.777
Machinery and equipment	84.841.679	543.160	-	161.143	85,545,982
Motor vehicles	3.510.124	74,153	(26,009)	-	3.558.268
Furniture and fixtures	14.901.456	280.482	(277.494)	-	14.904.444
Special costs	1.089.375	-	-	-	1.089.375
Construction in progress	-	361.300	-	-	361.300
Advances given	169.292	978.090	-	(161.143)	986.239
	143.613.662	2.237.185	(303.503)	-	145.547.344
Accumulated depreciation:					
Land improvements	1.127.786	84.122	-	-	1.211.908
Buildings	10.387.412	592.676	-	-	10.980.088
Machinery and equipment	69.985.106	2.271.084	-	-	72.256.190
Motor vehicles	3.109.887	88.884	(9.754)	-	3.189.017
Furniture and fixtures	13.177.601	692.242	(266.272)	-	13.603.571
Special costs	1.028.794	13.801	-	-	1.042.595
	98.816.586	3.742.809	(276.026)	-	102.283.369
Net book value	44.797.076				43.263.975

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NOTES TO INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2005

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 20 - INTANGIBLE ASSETS

Movements in intangible assets and related accumulated amortization during the period ended 30 June 2005 are as follows:

	1 January 2005	Additions	Disposals	30 June 2005
Cost:				
Intangible assets	1.777.784	6.626	-	1.784.410
Accumulated amortization:				
Intangible assets	(1.328.665)	(40.220)	-	(1.368.885)
Net book value	449.119	(33.594)		415.525

Movements in intangible assets and related accumulated amortization during the period ended 30 June 2004 are as follows:

	1 January 2004	Additions	Disposals	30 June 2004
Cost:				
Intangible assets	1.434.534	39.488	-	1.474.022
Accumulated amortization:				
Intangible assets	(1.181.345)	(60.971)	-	(1.242.316)
Net book value	253.189	(21.483)	-	231.706

NOTE 21 - ADVANCES RECEIVED

	30 June 2005	31 December 2004
Advances received from customers	5.039.069	12.470.510
Total	5.039.069	12.470.510

NOTE 22 - RETIREMENT PLANS

The Company does not have or sponsor any retirement plans.

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2005

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 23 - PROVISIONS

Short-term provisions	30 June 2005	31 December 2004
Taxes payable	2.283.536	-
Sales Commissions provision	2.073.299	234.884
Warranty provision	1.363.105	1.193.967
Employee benefits	480.000	-
Other	39.821	1.771
Total	6.239.761	1.430.622

Long-term provisions

	30 June 2005	31 December 2004
Provision for employment termination benefits	4.247.918	3.941.085
Provision for unused vacation	525.169	-
Total	4.773.087	3.941.085

PROVISION FOR EMPLOYMENT TERMINATION BENEFITS

There are no agreements for pension commitments other than the legal requirement 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). Since the legislation was changed on 23 May 2002 there are certain transitional provisions relating to the length of service prior to retirement.

The amount payable consists of one month's salary limited to a maximum of YTL 1.648,90 for each year of service as of 30 June 2005 (31 December 2004: YTL 1.574,74).

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.

IFRS 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:

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2005

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 23 - PROVISIONS (Continued)

	30 June 2005	31 December 2004
Discount rate (%)	5,45	5,45
Turnover rate to estimate the probability of retirement (%)	5	5

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 reserve for employment termination benefits in every six months the maximum amount of YTL 1.727,15 which is effective from 1 July 2005 (1 January 2005: YTL 1.648,9) has been taken into consideration in calculations.

Movements in the provision for employment termination benefits during the period are as follows:

	30 June 2005	31 December 2004
Balance at 1 January	3.941.085	3.393.066
Increase during the year	712.966	888.786
Monetary gain	-	(65.393)
Paid during the year	(406.133)	(275.374)
	4.247.918	3.941.085

NOTE 24 - MINORITY INTEREST

None (2004: None).

NOTE 25 - CAPITAL/ADJUSTMENT TO SHARE CAPITAL

The composition of the Company's statutory paid-in capital at 30 June 2005 and 31 December 2004 are as follows:

Shareholders	30 June 2005		31 December 2004	
	YTL	Share %	YTL	Share %
Koç Holding A.Ş.	10.300.952	42,92	10.300.952	42,92
Ünver Holding A.Ş.	5.954.944	24,81	5.954.944	24,81
Other	7.744.104	32,27	7.744.104	32,27
Total	24.000.000	100.00	24.000.000	100.00
Adjustment to share capital	52.743.030		52.743.030	
Total	76.743.030		76.743.030	

Adjustment to share capital represents the restatement effect of the cash contributions to share capital. Registered capital of the Company is YTL 25.000.000, divided to 2.500.000 shares each representing Ykr 1 nominal value.

At the Board of Directors meeting held on 14th of March 2005 and Decision No:2005/4, nominal value of shares that was formerly TL 1000 was changed to Ykr 1 in accordance with the Turkish Commercial Code numbered 5274. As a result of this change, the total number of shares will decrease as a new share valued Ykr 1 will be given for 10 old shares with nominal values of TL 1.000.

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2005

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 26 - 27 - 28 CAPITAL RESERVES, PROFIT RESERVES, RETAINED EARNINGS

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.

Quoted 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 deductive 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.

Effective from 1 January 2004, the IFRS net income computed in accordance with Communiqué No: XI-25 must be distributed in the ratio of a minimum of 30% of total distributable profit. This distribution may be made either as cash, as pro-rata shares or as a combination of both.

The Company distributed dividend of YTL 14.400.000 from prior period income during year 2005.

For the purposes of profit distribution in accordance with related CMB regulations, items of statutory shareholders' 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 shareholders' equity in total as restatement difference.

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

In accordance with the Communiqué No: XI-25, at 30 June 2005 and 31 December 2004, the shareholders' equity schedule, based on which the dividend will be distributed is as follows:

	30 June 2005	31 December 2004
Share capital	24.000.000	24.000.000
Legal reserves	3.208.566	830.700
Extraordinary reserves	4.379.445	-
Financial assets fair value reserve	838.563	880.573
Inflation adjustments to shareholders' equity	63.693.113	63.693.113
Net income for the year	5.923.092	20.688.105
Income from previous years	(1.349.779)	(880.573)
Total shareholders' equity	100.693.000	109.211.918

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NOTES TO INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2005

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 26 - 27 - 28 CAPITAL RESERVES, PROFIT RESERVES, RETAINED EARNINGS (Continued)

In accordance with the Extraordinary General Assembly decision dated 15 April 2004, the Company agreed to offset the accumulated deficit amounting to YTL26.400.790, expressed in the purchasing power of Turkish Lira at 31 December 2003, in the following way:

IFRS net income for 2003	8.120.714
Extraordinary reserves	8.525.974
Legal reserves	2.042.848
Restatement differences on shareholders' equity	<u>7.711.254</u>

26.400.790

At 30 June 2005, the restated amounts and the shareholders' equity restatement differences of the aforementioned nominal values are as follows:

	Historical values	Restated amounts	Restatement differences
Share capital	24.000.000	76.743.030	52.743.030
Legal reserves (remaining after offset)	3.208.566	3.323.537	114.971
Extraordinary reserves	4.379.445	4.379.445	-
Offsetting difference (*)	-	10.835.112	10.835.112
Total			<u>63.693.113</u>

(*) Inflation correction differences amounting to YTL10.835.112 which is the remaining balance of equity accounts zeroed by offsetting is shown under "Restatement Differences of Shareholders' Equity" account.

Composition of prior periods' earnings and dividends (per statutory financial statements and not adjusted for inflation) at 30 June 2005:

	30 June 2005	31 December 2004
Legal reserves	3.208.566	830.700
Extraordinary reserves	4.379.445	-
Accumulated profits / (losses)	-	-
	<u>7.588.011</u>	<u>830.700</u>

Historical amounts of dividends distributed during year from previous period's net income per statutory financial statements	14.400.000	-
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NOTES TO INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2005

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 29 - FOREIGN CURRENCY POSITION

Assets and liabilities denominated in foreign currency at 30 June 2005 and 31 December 2004 are in as follows:

		30 June 2005		31 December 2004	
Assets		69.288.075		62.796.003	
Liabilities		74.270.049		80.478.167	
Net foreign currency position		(4.981.974)		(17.682.164)	
		30 June 2005		31 December 2004	
<u>Assets:</u>	Foreign currency type	Foreign currency amount	YTL	Foreign currency amount	YTL
Cash and cash equivalents	USD\$	199.866	268.080	432.399	580.323
	EURO	496.090	802.028	535.713	978.641
	GBP	140.994	342.473	166.664	429.410
		1.412.581		1.988.374	
Trade receivables	USD\$	16.211.337	21.744.266	53.475	71.769
	EURO	15.115.428	24.437.113	14.708.973	26.870.353
	GBP	5.331.149	12.949.362	6.635.755	17.097.022
		59.130.741		44.039.144	
Due from related parties	GBP	85.309	207.215	1.064.882	2.743.669
		207.215		2.743.669	
Other receivables-(net)	USD\$	12.359	16.577	17.750	23.822
	EURO	12.643	20.440	12.119	22.139
		37.017		45.961	
Long-term trade receivables	EURO	4.934.512	7.977.626	6.030.270	11.016.097
	GBP	215.272	522.895	1.149.916	2.962.758
		8.500.521		13.978.855	
		69.288.075		62.796.003	

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NOTES TO INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2005

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 29 - FOREIGN CURRENCY POSITION (Continued)

<u>Liabilities:</u>	Foreign currency type	<u>30 June 2005</u>		<u>31 December 2004</u>	
		Foreign currency amount	YTL	Foreign currency amount	YTL
Short-term borrowings	USD\$	8.045.540	10.791.483	5.668.960	7.608.311
	EURO	18.879.284	30.522.139	15.788.526	28.842.478
	GBP	3.713.613	9.020.366	3.589.690	9.248.837
		50.333.988		45.699.626	
Trade payables	USD\$	1.403.036	1.881.892	292.039	391.946
	EURO	629.223	1.017.264	1.271.211	2.322.248
	GBP	5.897.548	14.325.143	6.846.280	17.639.440
		17.224.299		20.353.634	
Due to related parties	EURO	811.301	1.311.631	1.069.848	1.954.398
	GBP	62.463	151.723	-	-
		1.463.354		1.954.398	
Advances received	USD\$	3.244.657	4.352.059	8.672.657	11.639.573
	EURO	424.946	687.010	454.859	830.936
		5.039.069		12.470.509	
Provisions	USD\$	5.010	6.720	-	-
	EURO	12.256	19.815	-	-
	GBP	75.259	182.804	-	-
		209.339		-	
		74.270.049		80.478.167	

NOTE 30 - GOVERNMENT GRANTS

Capital expenditures, with some exceptions, over YTL10 thousand are eligible for investment incentive allowance of 40%, which is deductible from taxable income prior to calculation of the corporate income tax, without the requirement of an investment incentive certificate, and the amount of allowance is not subject to withholding tax. Investment allowances utilized within the scope of investment incentive certificates granted prior to 24 April 2003 are subject to withholding tax at the rate of 19.8%, irrespective of profit distribution.

In accordance with the Tax Law 5228 item 28.9 dated 16 July 2004, 40% of the research and development expenditures on technology and knowledge research made by the Company itself with effect from 31 July 2004 are exempted from corporate tax. Such exemptions are not subject to withholding taxes.

In 2005, the Company earned investment incentive amounting to YTL 139.332, calculated as 40% of the period capital expenditure of YTL 348.331, which will be deducted from tax base without any withholding tax impact.

There is no investment incentive allowance earned but not yet utilized by the Company as of 30 June 2005.

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NOTES TO INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2005

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 31 - PROVISIONS, COMMITMENTS AND CONTINGENT LIABILITIES

a) Guarantees given at 30 June 2005 and 31 December 2004 are as follows:

	30 June 2005	31 December 2004
Letters of guarantees	54.580.498	25.291.542
	54.580.498	25.291.542

b) Guarantees received as of 30 June 2005 and 31 December 2004 is as follows:

	30 June 2005	31 December 2004
Letters of guarantees	23.463.516	19.460.862
Guarantee notes	433.551	439.921
Guarantee cheques	257.000	430.000
Mortgages received	63.000	113.000
	24.217.067	20.443.783

NOTE 32 - BUSINESS COMBINATIONS

None (2004: None)

NOTE 33 - SEGMENT REPORTING

None (2004: None)

NOTE 34 - SUBSEQUENT EVENTS

There are no significant events occurred subsequent to the balance sheet date.

NOTE 35 - DISCONTINUED OPERATIONS

None (2004: None)

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NOTES TO INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2005

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 36 - OPERATING INCOME

	1 January 2005 - 30 June 2005	1 April 2005 - 30 June 2005	1 January 2004 - 30 June 2004	1 April 2004 - 30 June 2004
Domestic sales	72.237.388	45.097.774	128.511.160	68.942.409
Foreign sales	55.515.410	31.767.090	18.596.573	14.868.129
Gross Sales	127.752.798	76.864.864	147.107.733	83.810.538
Less: Discounts	(184.231)	(52.977)	(40.253)	(25.638)
Total net operating income	127.568.567	76.811.887	147.067.480	83.784.900

Unit sales of the Company are as follows:

	1 January 2005 - 30 June 2005	1 January 2004 - 30 June 2004
Minibus	207	633
Bus	220	727
Land Rover	814	135
Land Rover - Armored	44	70
Trailer	534	607
	1.819	2.172

NOTE 37 - OPERATING EXPENSE

RESEARCH AND DEVELOPMENT EXPENSES

	1 January 2005 - 30 June 2005	1 April 2005 - 30 June 2005	1 January 2004 - 30 June 2004	1 April 2004 - 30 June 2004
Material expenses	1.140.813	377.558	391.440	240.647
Personnel expense	1.123.199	562.820	768.588	452.286
Outsourced service expenses	256.449	192.758	370.778	364.628
Depreciation expense	236.361	111.243	116.570	51.291
Other	200.614	103.492	134.514	48.698
Total	2.957.436	1.347.871	1.781.890	1.157.550

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NOTES TO INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2005

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOTE 37 - OPERATING EXPENSES (Continued)

SALES AND MARKETING EXPENSES

	1 January 2005 - 30 June 2005	1 April 2005 - 30 June 2005	1 January 2004 - 30 June 2004	1 April 2004 - 30 June 2004
Sales commissions	6.244.718	1.859.240	3.806.048	3.515.330
Insurance expenses	3.184.074	2.820.389	528.164	259.800
Personnel expense	1.840.851	905.507	1.600.712	783.223
Sales campaign expenses	1.806.072	1.078.667	1.708.063	832.730
Warranty expenses	1.107.432	335.934	1.250.630	837.043
Export Expenses	720.402	446.025	392.615	138.213
Royalty expenses	552.943	339.627	585.501	408.846
Collateral expenses	363.159	182.438	224.699	74.753
Advertising expenses	180.846	124.524	413.651	186.249
Exhibition expenses	172.523	147.681	804.778	433.545
Travel expense	128.754	81.762	-	-
Other	1.387.205	815.509	423.928	197.841
Total	17.688.979	9.137.303	11.738.789	7.667.573

GENERAL ADMINISTRATIVE EXPENSES

	1 January 2005 - 30 June 2005	1 April 2005 - 30 June 2005	1 January 2004 - 30 June 2004	1 April 2004 - 30 June 2004
Personnel expense	2.588.461	1.332.572	2.284.940	1.124.500
Employee termination benefit	712.966	464.643	776.089	532.919
Depreciation expense	523.173	245.082	598.013	365.462
Services received	448.934	231.612	337.052	185.997
Consultancy expenses	295.058	162.537	191.752	86.976
Donations	250.218	99.358	384.253	188.090
Telecommunications expense	151.777	84.926	200.114	106.985
Subscriptions	147.081	65.484	127.705	61.419
Repair, maintenance and energy expenses	144.364	65.928	108.414	55.252
Mechanization expenses	119.169	51.229	108.983	51.004
Fees and penalties	112.427	55.609	106.630	53.950
Transportation expense	103.244	59.694	124.942	67.934
Rent expense	72.697	36.755	80.158	40.435
Insurance expense	61.482	31.436	61.249	32.483
Collateral expense	10.075	3.305	18.331	6.144
Other	568.605	333.953	597.641	371.725
Total	6.309.731	3.324.123	6.106.266	3.331.275

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NOTES TO INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2005

(Amounts expressed in New Turkish Lira (YTL) unless otherwise indicated)

NOT 38 - OTHER INCOME/EXPENSES AND PROFIT/LOSSES

	1 January - 30 June 2005	1 April - 30 June 2005	1 January - 30 June 2004	1 April - 30 June 2004
Other income:				
Guarantee returns	274.923	146.928	1.193.558	996.064
Reversed provisions	174.507	174.507	75.694	71.031
Dividend income	51.424	51.424	66.336	32.354
Income from sale of tangible assets	4.576	4.576	1.126	1.126
Other	48.261	(38.053)	51.393	31.355
Total	553.691	339.382	1.388.107	1.131.930
Other expenses:				
Provision for unused vacation	525.169	525.169	-	-
Doubtful provision expense	136.301	136.301	111.668	111.668
Losses from sales of tangible assets	-	-	3.419	3.419
Other	2.640	2.640	31.933	24.608
Total	664.110	664.110	147.020	139.695

NOTE 39 - FINANCIAL EXPENSES

	1 January - 30 June 2005	1 April - 30 June 2005	1 January - 30 June 2004	1 April - 30 June 2004
Financial income:				
Foreign exchange gains	13.160.857	7.044.627	13.729.503	9.633.949
Finance income from credit sales	800.248	190.965	2.349.392	990.829
Interest income	342.994	114.297	1.486.924	484.059
	14.304.099	7.349.889	17.565.819	11.108.837
Financial expense:				
Foreign exchange losses	13.263.761	6.035.875	14.743.861	8.591.495
Interest expense	1.153.803	677.193	181.586	132.699
Fair value decrease in available- for-sale investments	83.490	(112.084)	-	-
Other financial expense	92.803	43.943		
	14.593.857	6.644.927	14.925.447	8.724.194
Financial (expense)/income - net	(289.758)	704.962	2.640.372	2.384.643

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NOTES TO INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2005

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NOTE 40 - NET MONETARY POSITION PROFIT/LOSSES

With the decision taken on 17 March 2005, the CMB has announced that the application of inflation accounting is no longer required for the companies operating in Turkey (Note 2).

Consequently, since inflation adjustment is not made for the period beginning on or after 1 January 2005, there is no monetary gain / loss for 2005.

NOTE 41 - TAXES ON INCOME

	30 June 2005	31 December 2004
Corporation taxes payable	3.437.583	9.569.157
Less: Prepaid taxes	(1.154.047)	(9.886.436)
Tax (receivable)/payable-net	2.283.536	(317.279)

Corporation tax rate of the fiscal year 2005 is 30%. Corporation tax is payable at a rate of 30% on the total income of the Company after adjusting for certain disallowable expenses, exempt income and investment and other allowances. No further tax is payable unless the profit is distributed.

In accordance with Tax Law No: 5024 “Law Related to Changes in Tax Procedure Law, Income Tax Law and Corporate Tax Law” that was published on the Official Gazette on 30 December 2003 to amend the tax base for non-monetary assets and liabilities, effective from 1 January 2004, the income and corporate taxpayers will prepare the statutory financial statements by adjusting the non-monetary assets and liabilities for the changes in the general purchasing power of the Turkish Lira. Corporate taxpayers are obliged to prepare the opening balance sheets restated for inflation at 31 December 2003.

Corporate taxpayers who prepare their financial statements in accordance with CMB’s accounting principles related to hyperinflation accounting are not required to prepare their financial statements in accordance with Tax Law No: 5024. However, the accumulated depreciation disclosed in the opening balance sheet restated for inflation at 31 December 2003 should conform to the depreciation periods set out in the Tax Procedure Law.

During the preparation of the balance sheets at 31 December 2004 and 30 June 2005, the Company applied adjustment procedures as set out in Law No.5024 and 5228 with Tax Procedure Law circulars No.8, 9, 10 and 11 and Tax Procedure Law General Communiqué No.337, 338 and 339. In the Tax Procedure Law circulars No.18 and 19 dated 19 April 2005 and 15 July 2005, it as been announced that no inflation accounting application is required advance corporation.

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 10%. An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

Corporations are required to pay advance corporation tax quarterly at the rate of 30% on their corporate income. Advance tax is payable by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to set off against other liabilities to the government.

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NOTE 41 - TAXES ON INCOME (Continued)

Exception for participation share and property sales profit which took part in Corporation Tax Law temporary Articles 28 and 29 has been ended. However, this arrangement has been added to Corporation Tax Law article 8 as permanent exception with 5281 numbered law dating from 1 January 2005.

According to this, profit of corporations' participation share and property sales which has taken part in assets at least for two years-dependent on corporation capital addition commitment in definite conditions- will be exempted from Corporation Tax. The two year commitment will not be required when debtors of the banks and their guarantors transfer their property and participation shares as a compensation for the debt.

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to 5 years. Tax losses cannot be carried back to offset profits from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 15th of the fourth month following the close of the financial year to which they relate. Tax returns are open for 5 years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

The taxation on income for the six-month period ended 30 June 2005 and 2004 is summarized as follows:

	30 June 2005	30 June 2004
- Current tax	3.437.583	7.842.730
- Deferred tax (expense)/income (Note 14)	(998.111)	(952.997)
Total taxation on income	2.439.472	6.889.733

Calculation of current period income tax is as follows:

Income before tax:	11.465.094
Disallowable expenses	1.623.598
Deductions	(1.490.749)
Investment incentive utilized	(139.332)
Corporate tax base:	11.458.611
Temporary tax calculated (30%):	3.437.583

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NOTE 42 - EARNINGS PER SHARE

Earnings per share disclosed in these statements of income are determined by dividing net profit by the weighted average number of shares that have been outstanding during the weighted average number of shares that have been outstanding during the year concerned.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("Bonus Shares") to existing shareholders from retained earnings and revaluation surplus. For the purpose of earnings per share computations, such Bonus Share issuances are regarded as issued shares. Accordingly the weighted average number of shares used in earnings per share computations is derived by giving retroactive effect to the issuances of the shares per share computations is derived by giving retroactive effect to the issuances of the shares without consideration.

Basic earnings per share are calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue.

	30 June 2005	30 June 2004
Net profit for the period (YTL)	5.923.092	12.787.358
Weighted average number of shares with face value of Ykr 1 each	24.000.000.000	24.000.000.000
Earnings per share with face value of Ykr 1 each	0.02 Ykr	0.05 Ykr

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NOTES TO INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2005

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NOTE 43 - STATEMENT OF CASH FLOW

	Notes	30 June 2005	30 June 2004
CASH PROVIDED FROM OPERATING ACTIVITIES			
Net income		5.923.092	12.787.358
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	19	3.437.855	3.803.780
Increase in reserve for employment termination benefits	23	712.966	642.615
Increase in deferred tax liabilities	14	(998.111)	(952.997)
(Gain)/loss from tangible assets sold		(4.576)	2.293
Provision for income taxes	41	3.437.583	7.842.730
Provision for doubtful receivables	7	(38.206)	5.769
Increase in vacation accruals	23	525.169	-
Interest expense-net		810.809	(181.586)
Deferred financial income		(479.912)	(2.896.824)
Fair value decrease of available for sale investments	16	83.490	-
Inflation effect on non-operating activities		-	(132.638)
Net cash provided by operating activities before changes in operating assets and liabilities:			
Decrease / (increase) in trade receivables	7	13.926.722	(5.012.027)
Decrease in related party balances	9	1.379.764	7.954.259
Increase in inventories	12	(11.118.645)	(8.899.384)
Increase in other current assets	15	(5.118.356)	(869.196)
Decrease in other non-current assets	15	-	348
Decrease in trade payables	7	(5.637.752)	(1.039.997)
Increase/ (decrease) in other current liabilities	15	3.436.623	(2.615.624)
Increase in other non-current liabilities	15	136.999	(292.421)
Taxes paid		(10.723.204)	(7.155.785)
Employment termination benefits	23	(406.133)	(133.473)
Inflation effect on operating activities		-	(71.479)
Net cash provided by operating activities		(713.823)	3.370.563
Investing activities:			
Purchase of property, plant and equipment	19	(967.253)	(2.276.675)
Purchase of intangible assets	19	(6.626)	-
Dividends paid		(14.400.000)	-
Interest received		342.993	1.486.924
Net cash used in investing activities		(15.030.886)	(789.751)
Financing activities:			
Decrease in borrowings	6	13.348.515	(9.417.451)
Interest paid		(941.887)	(197.920)
Inflation effect on financing activities		-	(578.991)
Net cash used in financing activities		12.406.628	(10.194.362)
Inflation effect on cash and cash equivalents		-	677.945
Net (decrease)/ increase in cash and cash equivalents		(3.338.081)	(6.935.605)
Cash and cash equivalents at the beginning of the year		4 4.900.810	9.754.617
Cash and cash equivalents at the end of the year		4 1.562.729	2.819.012

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NOTE 44 - OTHER MATTERS

These financial statements are prepared and presented in accordance with the accounting and reporting principles issued by the CMB, which are different from the accounting principles generally accepted in the countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards (“IFRS”). The effects of such differences have not been quantified. Accordingly, these financial statements are not intended to present the financial position, results of operations and changes in the financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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