

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
FINANCIAL STATEMENTS AT 31 DECEMBER 2005
TOGETHER WITH AUDITOR'S REPORT**

(ORIGINALLY ISSUED IN TURKISH)

**CONVENIENCE TRANSLATION INTO ENGLISH OF
INDEPENDENT AUDITOR'S REPORT
ORIGINALLY ISSUED IN TURKISH
SEE NOTE 44**

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

**INDEPENDENT AUDITOR'S REPORT
FOR THE PERIOD BETWEEN 1 JANUARY AND 31 DECEMBER 2005**

To the Board of Directors of
Otokar Otobüs Karoseri Sanayi A.Ş.

1. We have audited the accompanying balance sheet of Otokar Otobüs Karoseri Sanayi A.Ş. (the "Company") at 31 December 2005 and the related statement of income for the year then ended. Our audit was made in accordance with generally accepted auditing standards issued by the Turkish Capital Market Board ("CMB") and accordingly included such tests of the accounting records and other auditing procedures as we considered necessary under the circumstances.
2. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Otokar Otobüs Karoseri Sanayi A.Ş. at 31 December 2005 and the results of its operations for the year then ended in accordance with generally accepted accounting principles issued by the CMB.

Without qualifying our opinion we draw your attention to the following matter:

3. The accounting principles described in Note 2 (defined as CMB Accounting Standards) to the accompanying financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of International Accounting Standards ("IAS") 29 – "Financial Reporting in Hyperinflationary Economies" and IAS 1 – "Presentation of Financial Statements" and the notes to them. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

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

Zeynep Uras, SMMM
Partner

Istanbul, 16 March 2006

**CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT
AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44**

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

FINANCIAL STATEMENTS AT 31 DECEMBER 2005 AND 2004

CONTENTS	PAGE
BALANCE SHEETS.....	1-2
STATEMENTS OF INCOME	3
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY.....	4
NOTES TO THE FINANCIAL STATEMENTS	5-44
NOTE 1 ORGANISATION AND NATURE OF OPERATIONS.....	5
NOTE 2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS	5-8
NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	8-14
NOTE 4 CASH AND CASH EQUIVALENTS.....	14
NOTE 5 MARKETABLE SECURITIES	14
NOTE 6 FINANCIAL LIABILITIES	15
NOTE 7 TRADE RECEIVABLES AND PAYABLES	15-16
NOTE 8 LEASING RECEIVABLES AND PAYABLES	16
NOTE 9 TRANSACTIONS AND BALANCES WITH RELATED PARTIES	17-20
NOTE 10 OTHER RECEIVABLES AND LIABILITIES.....	21
NOTE 11 BIOLOGICAL ASSETS	21
NOTE 12 INVENTORIES.....	21
NOTE 13 CONSTRUCTION CONTRACT RECEIVABLES AND PROGRESS BILLING.....	21
NOTE 14 DEFERRED TAX ASSETS AND LIABILITIES.....	22-23
NOTE 15 OTHER CURRENT/NON-CURRENT ASSETS AND OTHER CURRENT / NON-CURRENT LIABILITIES.....	24
NOTE 16 FINANCIAL ASSETS	24
NOTE 17 GOODWILL/NEGATIVE GOODWILL	24
NOTE 18 INVESTMENT PROPERTY	24
NOTE 19 PROPERTY, PLANT AND EQUIPMENT.....	25-26
NOTE 20 INTANGIBLE ASSETS.....	27
NOTE 21 ADVANCES RECEIVED.....	27
NOTE 22 RETIREMENT PLANS	27
NOTE 23 PROVISIONS.....	28-29
NOTE 24 MINORITY INTEREST.....	29
NOTE 25 CAPITAL/ADJUSTMENT TO SHARE CAPITAL	30
NOTE 26 CAPITAL RESERVES	30-32
NOTE 27 PROFIT RESERVES.....	30-32
NOTE 28 RETAINED EARNINGS	30-32
NOTE 29 FOREIGN CURRENCY POSITION	33-34
NOTE 30 GOVERNMENT GRANTS	34-35
NOTE 31 PROVISIONS, COMMITMENTS AND CONTINGENT LIABILITIES	35
NOTE 32 BUSINESS COMBINATIONS.....	35
NOTE 33 SEGMENT REPORTING	35
NOTE 34 SUBSEQUENT EVENTS.....	35
NOTE 35 DISCONTINUED OPERATIONS.....	35
NOTE 36 OPERATING INCOME.....	36
NOTE 37 OPERATING EXPENSES.....	37-38
NOTE 38 OTHER INCOME/EXPENSES AND PROFIT/LOSSES.....	38-39
NOTE 39 FINANCIAL EXPENSES.....	39
NOTE 40 NET MONETARY POSITION PROFIT/LOSS	39
NOTE 41 TAXES ON INCOME.....	40-42
NOTE 42 EARNINGS PER SHARE.....	42
NOTE 43 STATEMENTS OF CASH FLOWS	43
NOTE 44 OTHER MATTERS	44

**CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT
AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44**

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

**BALANCE SHEETS
AT 31 DECEMBER 2005 AND 2004**

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

	Notes	2005	Restated 2004
ASSETS			
Current Assets			
Cash and Cash Equivalents	4	8.878.575	4.900.809
Marketable Securities (net)	5	-	-
Trade Receivables (net)	7	89.712.561	107.065.027
Leasing Receivables (net)	8	-	-
Due From Related Parties (net)	9	3.664.554	2.887.849
Other Receivables (net)	10	1.097.789	374.378
Biological Assets (net)	11	-	-
Inventories (net)	12	41.590.109	37.837.518
Construction Contract Receivables (net)	13	-	-
Deferred Tax Assets	14	-	-
Other Current Assets	15	4.841.474	672.544
Total Current Assets		149.785.062	153.738.125
Non-current Assets			
Trade Receivables (net)	7	14.671.780	14.048.200
Leasing Receivables (net)	8	-	-
Due From Related Parties (net)	9	-	-
Other Receivables (net)	10	-	-
Financial Assets (net)	16	1.972.851	2.630.592
Goodwill/Negative Goodwill (net)	17	-	-
Investment Property (net)	18	-	-
Property, Plant and Equipment (net)	19	41.397.311	44.010.175
Intangible Assets (net)	20	508.552	449.119
Deferred Tax Assets	14	-	-
Other Non-Current Assets	15	-	-
Total Non-Current Assets		58.550.494	61.138.086
TOTAL ASSETS		208.335.556	214.876.211

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT
AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44**

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

**BALANCE SHEETS
AT 31 DECEMBER 2005 AND 2004**

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

	Notes	2005	Restated 2004
LIABILITIES			
Current Liabilities			
Financial Liabilities (net)	6	26.962.707	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	34.052.660	32.072.551
Due to Related Parties (net)	9	2.331.613	3.371.030
Advances Received	21	26.911.292	12.470.510
Construction Contracts Progress Payments (net)	13	-	-
Provisions	23	1.379.871	1.430.622
Deferred Tax Liability	14	-	-
Other Liabilities (net)	15	7.173.965	4.491.725
Total Current Liabilities		98.812.108	100.173.230
Non-Current Liabilities			
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	4.932.392	3.941.085
Deferred Tax Liability	14	361.856	1.050.928
Other Liabilities (net)	15	636.049	499.050
Total Non-Current Liabilities		5.930.297	5.491.063
Minority Interest	24	-	-
Shareholders' Equity			
Share Capital	25	24.000.000	24.000.000
Treasury shares	25	-	-
Capital Reserves	26	63.999.435	64.573.686
Share Premiums		-	-
Share Cancellation Profit		-	-
Revaluation Fund		-	-
Financial Assets Fair Value Reserve		306.322	880.573
Inflation Adjustment to Shareholders Equity		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 and Property Sales Gains to be Added To Capital		-	-
Translation Reserve		-	-
Net Income for the Year		9.355.484	20.739.415
Accumulated deficit (-)	28	(1.349.779)	(931.883)
Total Shareholders' Equity		103.593.151	109.211.918
Total Shareholders' Equity and Liabilities		208.335.556	214.876.211
Commitments and Contingent Liabilities	26		

Financial statements at and for the year ended 31 December 2005 were approved by the Board of Directors at 16 March 2006.

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT
AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44**

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

**STATEMENTS OF INCOME
FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004**

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

	Notes	2005	Restated 2004
Revenue from Main Operations			
Sales (net)	36	284.012.522	289.746.692
Cost of Sales (net)		(214.731.013)	(223.209.825)
Service Sales (net)		-	-
Other Income (Interest, Dividend, Rent) from Primary Operations (net)		-	-
Gross Profit from Primary Operations		69.281.509	66.536.867
Operating Expenses (net)	37	(53.071.424)	(40.665.642)
Income from Primary Operations		16.210.085	25.871.225
Other Operating Income	38	26.291.544	27.420.610
Other Operating Expenses (-)	38	(28.489.122)	(18.376.507)
Financial Expenses (-)	39	(1.722.937)	(2.925.290)
Operating Income		12.289.570	31.990.038
Monetary Loss	40	-	(2.331.914)
Minority Interest		24	-
Income Before Tax		12.289.570	29.658.124
Taxation on income	41	(2.934.086)	(8.918.709)
Net Income For the Year		9.355.484	20.739.415
Profit Per Share (YKr)		42	0,039
		0,039	0,086

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

CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT
AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

	Share Capital	Inflation Adjustment to Shareholders Equity	Legal Reserves	Extraordinary Reserves	Financial Assets Fair Value Reserve	Accumulated Deficit	Net Income for the Year	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 2.5)	-	-	-	-	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
Elimination of accumulated losses (Note 27)	-	(10.241.259)	(2.042.848)	(8.525.974)	-	20.810.081	-	-
Fair value decrease on available-for-sale investments (Note 2.5)	-	-	-	-	(51.310)	-	-	(51.310)
Net income for the year	-	-	-	-	-	-	20.739.415	20.739.415
Balances at 31 December 2004	24.000.000	63.693.113	830.700	-	880.573	(931.883)	20.739.415	109.211.918
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 2.5)	-	-	-	-	880.573	(931.883)	51.310	-
Balances at 1 January 2005								
- As restated	24.000.000	63.693.113	830.700	-	880.573	(931.883)	20.739.415	109.211.918
Transfer to legal and extraordinary reserves	-	-	2.377.866	4.379.445	-	13.982.104	(20.739.415)	-
Dividends paid	-	-	-	-	-	(14.400.000)	-	(14.400.000)
Fair value decrease on available-for-sale investments	-	-	-	-	(574.251)	-	-	(574.251)
Net income for the year	-	-	-	-	-	-	9.355.484	9.355.484
Balances at 31 December 2005	24.000.000	63.693.113	3.208.566	4.379.445	306.322	(1.349.779)	9.355.484	103.593.151

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT
AUDITOR’S REPORT ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44**

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 31 DECEMBER 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 the Turkish Commercial Code. The Company operates in automotive industry. Land Rover 4x4 land vehicles, armoured vehicles, minibuses and midibuses, trailers, semi-trailers and cross-country the majority of its production. The number of the personnel in the Company is 988 (31 December 2004: 869).

The registered addresses of the Company are as follows:

Head Quarter:

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 31 December 2005, the shares quoted on the ISE are approximately 29,91% of the total shares. At 31 December 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
Other	32,27
	100,00

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Accounting standards

The 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” (the “Communiqué”). 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 to the CMB Accounting Standards.

**CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT
AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44**

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 31 DECEMBER 2005

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

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

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 the 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 reporting format required by the CMB with the announcement dated 20 December 2004.

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

2.2 Financial reporting in hyperinflationary periods

The financial statements and related notes as at 31 December 2005 have been expressed in terms of the purchasing power of YTL at 31 December 2004. On 17 March 2005 the CMB announced that companies operating in Turkey and preparing financial statements in accordance with generally accepted accounting principles issued by the CMB should not apply inflation accounting for the periods beginning after 1 January 2005.

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:

- Based on the CMB announcement regarding to cease of inflation accounting, current period financial statements are not stated in terms of the measuring unit current at the balance sheet date, and the corresponding figures for previous periods are restated in the terms of the measuring unit at 31 December 2004.

**CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT
AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44**

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 31 DECEMBER 2005

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

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

- During the hyperinflationary periods, historical amounts of non-monetary assets and liabilities and components of shareholders' equity have been restated by applying the relevant monthly conversion factors. As the application of inflation accounting ceased, restated amounts as of 1 January 2005 of non-monetary assets, liabilities and components of shareholders' equity are considered as their opening balances.
- Comparative financial statements are restated using general inflation indices at the purchasing power of the latest reporting date when inflation accounting had been applied.

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, the 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 considered to be equal 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 the keeping and presenting of the books, accounts and financial statements.

As stated in the announcement of Capital Markets Board dated 30 November 2004, financial statements for the period ending 31 December 2005, including the prior period financial data to be used for comparison purposes, are demonstrated in YTL, and prior period financial statements are presented in YTL currency for comparative purposes only.

2.4 Consolidation

The Company has no financial assets to consolidate.

2.5 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 31 December 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 year ended 31 December 2005 include the comparative financial information for the year ended 31 December 2004.

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT
AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44**

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 31 DECEMBER 2005

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

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

The Company changed 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 was applicable also in previous periods.

Effects of the revised standard mentioned above on the balance sheets at 31 December 2003 and 31 December 2004 and the income statement for the year ended 31 December 2004 are as follows:

	31 December 2004	31 December 2003
Increase in the financial assets revaluation fund	880.573	931.883
Increase in the accumulated loss	(880.573)	(931.883)
Change in the share capital	-	-
		31 December 2004
Increase in the other expenses		51.310
Change in the current year's income		51.310
Weighted average number of shares distributed		24.000.000.000
Change in the profit per share (YKr)		0,0002

2.6 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 offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized 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).

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AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44**

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 31 DECEMBER 2005

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Trade receivables and provision for impairment

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 (Note 7).

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).

3.4 Inventories

Inventories are valued at their 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 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 equity securities 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 unrealised gains and losses arising from changes in the fair value of available-for-sale securities are recognised in shareholders' equity (Note 16).

**CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT
AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44**

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 31 DECEMBER 2005

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 recognised 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).

3.7 Intangible assets

Intangible assets comprise acquired intellectual property and computer software (Note 20). 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 are incurred.

**CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT
AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44**

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 31 DECEMBER 2005

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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. Deferred tax assets and liabilities have been classified as non-current in the balance sheet (Note 14).

3.11 Reserve for employment termination benefits

Reserve for employment termination benefits represents 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).

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

Revenue recognition involves the invoiced value of the goods and service sales. Revenues are recognised on an accrual basis at the time deliveries of the goods and services or acceptances are made, the risks are transferred and benefits related to good are realised, 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 the consideration received or receivable. The significant risks and benefits in sales are transferred when the goods are delivered or legal proprietorship is transferred to the customer. Interest income and expenses are recognised in the income statement on an accrual basis. Net sales represent the invoiced value of goods shipped less sales returns and commission and excluding sales taxes. 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 recognised on an accrual basis as financial income.

3.14 Provisions

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT
AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44**

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 31 DECEMBER 2005

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 programme 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.

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 counterparties may be unable to meet the terms of their agreements. These risks are monitored by limiting the aggregate risk from any individual counterparty and taking collaterals against the risks.

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.

**CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT
AUDITOR’S REPORT ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44**

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 31 DECEMBER 2005

(Amounts expressed in New Turkish lira (“YTL”) unless otherwise indicated)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 could realise 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 uncollectibility 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.

3.18 Earnings per share

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

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares (“Bonus Shares”) to existing shareholders from retained earnings. For the purpose of earnings per share computations, bonus shares are not considered in the weighted average number of shares calculation.

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).

**CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT
AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44**

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 31 DECEMBER 2005

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.19 Reporting of cash flows

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

Balances related to cash flow statement are as follows:

	2005	2004
Bank deposits and cheques (Note 4)	8.878.575	4.900.809
Less: Interest Accruals	(7.414)	(1.919)
	8.871.161	4.898.890

NOTE 4 - CASH AND CASH EQUIVALENTS

	2005	2004
Banks		
- demand deposits	2.830.457	2.014.956
- time deposits	4.753.774	2.851.920
Cheques received	1.250.756	23.292
Other	43.588	10.641
	8.878.575	4.900.809

The interest rate for YTL denominated time deposit is 14,5% as of 31 December 2005. According to the contract signed with Koçbank A.Ş., the GBP denominated demand deposit of the Company are subject to 1,5% interest rate. Cheques received at year-end have maturities between 1 to 3 days. The Company has blocked bank deposits amounting to YTL1.145 (31 December 2004: YTL1.145).

NOTE 5 - MARKETABLE SECURITIES

None (2004: None).

**CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT
AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44**

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 31 DECEMBER 2005

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

NOTE 6 - FINANCIAL LIABILITIES

		2005	
	Interest rate (%)	Original Amount	YTL
Short-term borrowings			
EUR Borrowings	3,39 - 3,47	8.621.517	13.686.658
USD Borrowings	5,28	5.030.664	6.750.145
YTL Borrowings	0 - 14,00	6.525.904	6.525.904
Total			26.962.707

		2004	
	Interest rate (%)	Original amount	YTL
Short-term borrowings			
EUR 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

	2005	2004
Trade receivables	58.959.505	70.294.646
Cheques and notes receivables	38.914.907	38.574.351
Deposits and guarantees given	256	256
	97.874.668	108.869.253
Less: Unearned financial income	(1.677.972)	(1.112.640)
Less: Provision for doubtful receivables	(6.484.135)	(691.586)
Short-term trade receivables-(net)	89.712.561	107.065.027
Cheques and notes receivables	16.108.466	16.039.879
Deposits and guarantees given	5.256	4.066
Less: Unearned financial income	(1.441.942)	(1.995.745)
Long-term trade receivables-(net)	14.671.780	14.048.200

**CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT
AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44**

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 31 DECEMBER 2005

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

NOTE 7 - TRADE RECEIVABLES AND PAYABLES (Continued)

Movement of the provision for doubtful receivables at 31 December 2005 and 31 December 2004 are as follows:

	2005	2004
1 January	691.586	553.914
Recoveries	(436.241)	(75.693)
Provision for the year (Note 38)	6.228.790	282.574
Monetary gain	-	(69.209)
31 December	6.484.135	691.586

The Company has started execution proceedings against one of its dealers and provision is recorded for the amount of receivables from the dealer (Note 38).

TRADE PAYABLES

	2005	2004
Trade payables	34.506.914	32.577.175
Note payables	47.242	40.228
Other	-	6.275
Less: Unrealised credit finance charges	(501.496)	(551.127)
Short-term trade payables-(net)	34.052.660	32.072.551

NOTE 8 - LEASING RECEIVABLES AND PAYABLES

The Company has no outstanding leasing contracts.

**CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT
AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44**

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 31 DECEMBER 2005

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

NOTE 9 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Due to and due from related parties as of the year-end-date and transactions with related parties during the year are given below:

i) Balances with the related parties at 31 December:

<u>Bank balances:</u>	2005	2004
Koçbank A.Ş.		
- Demand deposits	1.991.348	961.142
- Time deposits	4.753.774	2.850.000
Yapı ve Kredi Bankası A.Ş.		
- Demand deposits	252.653	(*)
	6.997.775	3.811.142
<u>Due from related parties:</u>	2005	2004
Ford Otomotiv Sanayi A.Ş.	2.558.372	-
Ram Dış Ticaret A.Ş.	534.761	2.915.103
Koç Statoil Gaz A.Ş.	385.296	-
Aygaz A.Ş.	256.864	-
Rmk Marine Gemi Sanayi A.Ş.	15.077	1.770
Koç Finansal Kiralama A.Ş.	-	63.655
	3.750.370	2.980.528
Less: Unearned financial income	(85.816)	(92.679)
Total	3.664.554	2.887.849
<u>Borrowings:</u>	2005	2004
Yapı ve Kredi Bankası A.Ş.	4.051.968	(*)
Koçbank A.Ş.	-	637.166
Total	4.051.968	637.166

(*) Yapı ve Kredi Bankası is treated as a related party of the Company after 30 September 2005.

**CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT
AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44**

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 31 DECEMBER 2005

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

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

<u>Due to related parties:</u>	2005	2004
Kofisa Trading Company S.A. ("Kofisa")	919.958	1.954.398
Palmira Turizm Ticaret A.Ş.	237.943	-
Entek Elektrik Üretimi Otoprodüktör Grubu A.Ş.	176.139	136.114
Koçtaş Yapı Marketleri T.A.Ş.	136.735	4.829
Ram Sigorta Aracılık Hizmetleri A.Ş.	128.937	56.037
Birmot A.Ş.Küçükyağlı Temsilciliği	114.287	34.443
Ram Dış Ticaret A.Ş.	112.228	448.325
Bos Birleşik Oksijen San.A.Ş.	101.647	45.446
Setur Servis Turistik A.Ş.	93.117	231.136
Koç Sistem Bilgi ile.Hizm. A.Ş.	73.964	13.281
Otoyol Sanayi A.Ş.	58.876	89.850
Otomotiv Lastikleri Tevzi A.Ş.	54.130	58.903
Beko Ticaret A.Ş.	52.235	118.668
Koç Holding A.Ş.	33.997	163.878
Opet Petrolcülük A.Ş.	25.948	5.207
Tofaş Türk Otomobil Fabrikası A.Ş.	10.071	10.071
Other	34.783	63.109
Less: Unrealised credit financial charges	(33.382)	(62.665)
Total	2.331.613	3.371.030

ii) Sales and purchases with the related parties for the periods ended 31 December:

<u>Product and service sales:</u>	2005	2004
Ram Dış Ticaret A.Ş.	22.165.822	16.689.875
Koç Finansal Kiralama A.Ş.	6.155.996	12.878.820
Ford Otomotiv Sanayi A.Ş.	5.046.147	37.300
Aygaz A.Ş.	2.079.361	567.669
Koç Statoil Gaz A.Ş.	409.847	-
Tofaş Türk Otomobil Fabrikası A.Ş.	94.990	-
Palmira Turizm Ticaret A.Ş.	60.488	-
Rmk Marine Gemi San. A.Ş.	37.740	6.287
Other	2.501	7.683
Total	36.052.892	30.187.634

**Purchases of property plant
and equipment:**

	2005	2004
Koç Sistem Bilgi İletişim Hizm. A.Ş.	303.876	249.190
Otokoç A.Ş.	44.100	80.168
Koçtaş Yapı Mar. A.Ş.	20.750	-
Birmot A.Ş.	13.751	53.813
Other	-	1.158
Total	382.477	384.329

**CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT
AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44**

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 31 DECEMBER 2005

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

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

<u>Inventory purchases:</u>	2005	2004
Ram Dış Ticaret A.Ş.	3.134.608	3.834.948
Kofisa Trading Company S.A.	2.156.607	9.751.145
Bos Birleşik Oksijen San. A.Ş.	581.579	471.870
Beko Ticaret A.Ş.	433.775	150.760
Opet Petrolcülük A.Ş.	407.400	11.525
Oltaş Otomotiv Lastikleri Tevzi A.Ş.	377.389	556.481
Koçtaş Yapı Mar.A.Ş.	282.634	34.270
Akpa Dayanıklı Tük.Paz.A.Ş.	160.597	563.817
Migros Türk T.A.Ş.	45.701	25.342
Takosan Otomobil Göstergeleri San. ve Tic. A.Ş.	37.801	22.507
Sanal Merkez T.A.Ş.	39.888	-
Tek-iz İzolasyon ve Yapı Elemanları San. A.Ş.	25.428	61.220
Ford Otosan A.Ş.	19.247	-
Beldeyama Motorlu Vasıtalar San. A.Ş.	11.078	-
Tekersan Jant Sanayi	(**)	1.135.374
Mako Elektrik San. Tic. A.Ş.	(**)	597.858
Beldesan Otomotiv Yan Sanayii ve Tic. A.Ş.	-	33.373
Other		8.905
Total	7.713.732	17.259.395

(**) These companies are not classified as related parties as they were not related parties during 2005.

<u>Services received:</u>	2005	2004
Ram Dış Ticaret A.Ş.	7.035.195	4.398.201
Entek Elektrik Üretimi Otoprodüktör Grubu A.Ş.	1.486.342	1.607.151
Koç Holding A.Ş.	1.115.692	968.105
Setur Servis Turistik A.Ş.	945.458	1.137.209
Ram Sigorta Aracılık Hizmetleri A.Ş.	786.356	720.258
Palmira Turizm Ticaret A.Ş.	567.219	-
Koçnet Haberleşme Teknoloji ve İletişim Hizmetleri A.Ş.	102.748	109.143
Döktaş Ticaret ve San. A.Ş.	84.000	6.660
Birmot Birleşik Motor Sanayi ve Tic. A.Ş.	78.387	118.479
Set Oto Ticaret ve Turizm A.Ş.	75.228	41.954
Otoyol Sanayi A.Ş.	60.958	52.137
Koç Sistem A.Ş.	53.376	72.576
Karsan Otomotiv Sanayi ve Ticaret A.Ş.	18.706	38.539
Koç Allianz Sigorta T.A.Ş.	16.326	22.236
Other	59.308	44.817
Total	12.485.299	9.337.465

**CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT
AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44**

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 31 DECEMBER 2005

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

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

iii) Financial income and expenses with related parties for the years ended 31 December:

<u>Interest income:</u>	2005	2004
Koçbank A.Ş.	98.851	342.880
Yapı ve Kredi Bankası A.Ş.	4.852	(*)
Ram Dış Ticaret A.Ş.	-	231.171
Total	103.703	574.051
<u>Foreign exchange income:</u>	2005	2004
Ram Dış Ticaret A.Ş.	366.593	3.588.298
Koçbank A.Ş.	654.687	377.680
Yapı ve Kredi Bankası A.Ş.	46.147	(*)
Kofisa Trading Company S.A.	2.763	248.104
Total	1.070.190	4.214.082
<u>Interest expenses:</u>	2005	2004
Koçbank A.Ş.	256.291	514.566
Yapı ve Kredi Bankası A.Ş.	51.396	(*)
Total	307.687	514.566
<u>Foreign exchange losses:</u>	2005	2004
Ram Dış Ticaret A.Ş.	224.687	3.463.415
Koçbank A.Ş.	456.880	330.732
Kofisa Trading Company S.A.	25.471	369.014
Yapı ve Kredi Bankası A.Ş.	51.351	(*)
Total	758.389	4.163.161

(*) Yapı ve Kredi Bankası is treated as a related party of the Company after 30 September 2005.

Remuneration of directors and key management personnel amounts to YTL3.073.466 (2004: YTL2.241.144).

**CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT
AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44**

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 31 DECEMBER 2005

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

NOTE 10 - OTHER RECEIVABLES AND PAYABLES

Short-term Other Receivables

	2005	2004
Prepaid corporate tax (Note 41)	1.043.074	317.279
Receivables from personnel	20.236	2.859
Other various receivables	34.479	54.240
Total	1.097.789	374.378

NOTE 11 - BIOLOGICAL ASSETS

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

NOTE 12 - INVENTORIES

	2005	2004
Raw materials	16.521.014	12.776.844
Finished goods	5.003.531	4.428.554
Semi-finished goods	4.486.746	1.502.526
Trade goods	5.748.511	4.071.690
Goods in transit	9.830.307	15.057.904
Total	41.590.109	37.837.518

NOTE 13 - CONSTRUCTION CONTRACT RECEIVABLES AND PROGRESS BILLING

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT
AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44**

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 31 DECEMBER 2005

(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

NOTE 14 - DEFERRED TAX ASSETS AND LIABILITIES

Deferred Taxes

The Company recognises 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% (31 December 2004: 30%).

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

	Cumulative temporary differences		Deferred tax assets / (liabilities)	
	2005	2004	2005	2004
Net difference between the tax bases and the carrying amount of:				
- tangible and intangible assets	9.329.606	10.900.148	(2.798.882)	(3.270.044)
- inventory	68.065	-	(20.419)	-
Unrealized credit finance charges	2.471.009	613.792	(741.303)	(184.138)
Other	606.478	-	(181.944)	-
Deferred tax liabilities			(3.742.548)	(3.454.182)
Net difference between the tax bases and the carrying amount of:				
- inventory	-	868.697	-	260.609
- trade receivables	1.557.582	-	467.275	-
Reserve for employment termination benefits	4.407.223	3.941.085	1.322.167	1.182.326
Expense accruals	2.098.436	-	629.531	-
Unearned financial income	3.205.730	3.201.064	961.719	960.319
Deferred tax assets			3.380.692	2.403.254
Deferred tax liabilities-net			(361.856)	(1.050.928)

**CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT
AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44**

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 31 DECEMBER 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 the statement of income	31 December 2005
Deferred income tax assets			
Net difference between the tax bases and the carrying value of:			
- inventory	260.609	(260.609)	-
- trade receivables	-	467.275	467.275
Reserve for employment termination benefits	1.182.326	139.841	1.322.167
Unearned financial income	960.319	1.400	961.719
Expense accruals	-	629.531	629.531
Deferred income tax liabilities			
Net difference between the tax bases and the carrying value of:			
- tangible and intangible assets	(3.270.044)	471.162	(2.798.882)
- inventory	-	(20.419)	(20.419)
Unrealized credit finance charges	(184.138)	(557.165)	(741.303)
Other	-	(181.944)	(181.944)
Deferred tax liabilities-net	(1.050.928)	689.072	(361.856)
<hr/>			
	1 January 2004	Charged/(credited) to the statement of income	31 December 2004
Deferred income tax assets			
Net difference between the tax bases and the carrying value of:			
- inventory	-	260.609	260.609
Reserve for employment termination benefits	1.017.920	164.406	1.182.326
Unearned financial income	731.720	228.599	960.319
Deferred income tax liabilities			
Net difference between the tax bases and the carrying value of:			
- tangible and intangible assets	(3.764.280)	494.236	(3.270.044)
Unrealized credit finance charges	(144.494)	(39.644)	(184.138)
Deferred tax liabilities-net	(2.159.134)	1.108.206	(1.050.928)

**CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT
AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44**

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 31 DECEMBER 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:	2005	2004
Value Added Tax (VAT) receivables	2.636.359	29.848
Deductible taxes and funds	1.285.493	310.021
Prepaid expenses	919.622	271.530
Other	-	61.145
Total	4.841.474	672.544
b) Other current liabilities:	2005	2004
Payables to personnel	2.399.641	1.390.472
Taxes and funds payable	1.878.066	1.589.112
Social security premiums payable	1.602.133	701.565
Deferred payables to government	1.144.858	713.443
Other	149.267	97.133
Total	7.173.965	4.491.725
c) Other non-current liabilities:	2005	2004
Deferred payables to government	636.049	499.050
Total	636.049	499.050

NOTE 16 - FINANCIAL ASSETS

	2005		2004	
	YTL	%	YTL	%
Available-for-sale investments				
Entek Elektrik Üretimi Otoprodüktör Grubu A.Ş.	1.972.851	0,86%	2.630.592	0,90%
	1.972.851		2.630.592	

Decrease in the Company's share in its investment, Entek Elektrik Üretimi Otoprodüktör Grubu A.Ş. ("Entek") and decrease in the fair value of Entek resulted in decrease of available-for-sale investments by YTL657.741. The portion of decrease amounting to YTL574.251 has been charged to the financial assets value increase fund in shareholders equity and the remaining YTL83.490 resulting from the decrease of the shareholding from 0,90% to 0,86% has been charged to the current year income.

NOTE 17 - GOODWILL/NEGATIVE GOODWILL

None (2004: None).

NOTE 18 - INVESTMENT PROPERTY

The Company has no investment property.

**CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT
AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH SEE NOTE 44**

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

DRAFT

NOTES TO FINANCIAL STATEMENTS AT 31 DECEMBER 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 year ended 31 December 2005 are as follows:

	1 January 2005	Additions	Disposals	Transfers	31 December 2005
Cost:					
Land	5.370.676	-	-	-	5.370.676
Land improvements	4.263.645	23.970	-	-	4.287.615
Buildings	31.309.606	-	-	35.428	31.345.034
Machinery and equipment	87.334.042	1.509.954	(16.066.343)	1.805.239	74.582.892
Motor vehicles	3.370.862	170.091	(71.195)	-	3.469.758
Furniture and fixtures	15.357.504	492.328	-	90.977	15.940.809
Special costs	1.089.375	-	-	-	1.089.375
Construction-in-progress	-	1.026.116	-	(982.998)	43.118
Advances given	60.831	915.472	-	(968.176)	8.127
	148.156.541	4.137.931	(16.137.538)	(19.530)	136.137.404
Accumulated depreciation:					
Land improvements	1.296.583	175.170	-	-	1.471.753
Buildings	11.578.350	1.252.502	-	-	12.830.852
Machinery and equipment	73.167.383	4.608.779	(16.064.762)	-	61.711.400
Motor vehicles	3.029.107	137.480	(60.490)	-	3.106.097
Furniture and fixtures	14.046.149	491.467	-	-	14.537.616
Special costs	1.028.794	53.581	-	-	1.082.375
	104.146.366	6.718.979	(16.125.252)	-	94.740.093
Net book value	44.010.175				41.397.311

**CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT
AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH SEE NOTE 44**

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

DRAFT

NOTES TO FINANCIAL STATEMENTS AT 31 DECEMBER 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 year ended 31 December 2004 are as follows:

	1 January 2004	Additions	Disposals	Transfers	31 December 2004
Cost:					
Land	5.370.676	-	-	-	5.370.676
Land improvements	4.097.283	-	-	166.362	4.263.645
Buildings	29.633.777	-	-	1.675.829	31.309.606
Machinery and equipment	84.841.679	1.372.726	(1.321.912)	2.441.549	87.334.042
Motor vehicles	3.510.124	163.507	(302.769)	-	3.370.862
Furniture and fixtures	14.901.457	724.124	(277.494)	9.417	15.357.504
Special costs	1.089.375	-	-	-	1.089.375
Construction in progress	-	2.538.567	(203.500)	(2.335.067)	-
Advances given	169.293	1.959.053	(109.425)	(1.958.090)	60.831
	143.613.664	6.757.977	(2.215.100)	-	148.156.541
Accumulated depreciation:					
Land improvements	1.127.787	168.796	-	-	1.296.583
Buildings	10.387.413	1.190.937	-	-	11.578.350
Machinery and equipment	69.985.106	4.504.189	(1.321.912)	-	73.167.383
Motor vehicles	3.109.888	159.052	(239.833)	-	3.029.107
Furniture and fixtures	13.177.601	1.134.816	(266.268)	-	14.046.149
Special costs	1.028.794	-	-	-	1.028.794
	98.816.589	7.157.790	(1.828.013)	-	104.146.366
Net book value	44.797.075				44.010.175

**CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT
AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44**

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 31 DECEMBER 2005

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

NOTE 20 - INTANGIBLE ASSETS

Movements in intangible assets and related accumulated amortisation during the year ended 31 December 2005 are as follows:

	1 January 2005	Additions	Disposals	Transfers	31 December 2005
Cost:					
Intangible assets	1.777.784	210.123	-	19.530	2.007.437
Accumulated amortisation:					
Intangible assets	(1.328.665)	(170.220)	-	-	(1.498.885)
Net book value	449.119				508.552

Movements in intangible assets and related accumulated amortisation during the year ended 31 December 2004 are as follows:

	1 January 2004	Additions	Disposals	Transfers	31 December 2004
Cost:					
Intangible assets	1.434.534	343.250	-	-	1.777.784
Accumulated amortisation:					
Intangible assets	(1.181.345)	(147.320)	-	-	(1.328.665)
Net book value	253.189				449.119

NOTE 21 - ADVANCES RECEIVED

	2005	2004
Advances received from customers	26.911.292	12.470.510
Total	26.911.292	12.470.510

NOTE 22 - RETIREMENT PLANS

The Company does not sponsor and has no retirement plans.

**CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT
AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44**

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 31 DECEMBER 2005

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

NOTE 23 – PROVISIONS

	2005	2004
Short-term provisions		
Warranty provision	1.375.203	1.193.967
Sales commissions provision	-	234.884
Other	4.668	1.771
Total	1.379.871	1.430.622
Long-term provisions		
Provision for employment termination benefits	4.407.223	3.941.085
Provision for unused vacation	525.169	-
Total	4.932.392	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 YTL1.727,15 for each year of service as of 31 December 2005 (31 December 2004: YTL1.574,74).

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.

The CMB requires 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:

	2005	2004
Discount rate (%)	5,49	5,45
Turnover rate to estimate the probability of retirement (%)	4	5

**CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT
AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44**

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 31 DECEMBER 2005

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

NOTE 23 - PROVISIONS (Continued)

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Since the Company calculates provision for employment termination benefits every six months, the maximum amount of YTL1.770,62 which is effective from 1 January 2006 (1 January 2005: YTL1.648,9) has been taken into consideration in calculations.

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

	2005	2004
1 January	3.941.085	3.393.066
Increase during the year	1.371.060	888.786
Monetary gain	-	(65.393)
Paid during the year	(904.922)	(275.374)
	4.407.223	3.941.085

Provision for warranty expense

The Company provides one year warranty for the Land Rover vehicles and two years warranty for midi-busses sold. Therefore, warranty expense provision has been recorded for the vehicles under guarantee as of the balance sheet date. The movement of the warranty expense provision is as follows:

	2005	2004
1 January	1.193.967	1.629.130
Increase during the year (Note 37)	3.168.782	2.496.813
Monetary gain	-	(681.484)
Paid during the year	(2.987.546)	(2.250.492)
	1.375.203	1.193.967

NOTE 24 - MINORITY INTEREST

As the Company does not prepare consolidated financial statements, there is no minority interest.

**CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT
AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44**

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 31 DECEMBER 2005

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

NOTE 25 - CAPITAL/ADJUSTMENT TO SHARE CAPITAL

CAPITAL

The shareholding structure of the Company at 31 December 2005 and 2004 is as follows:

Shareholders	2005		2004	
	YTL	%	YTL	%
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 YTL25.000.000, divided into 2.500.000.000 shares each representing YKr 1 nominal value.

At the Board of Directors meeting held on 14 March 2005 and Decision No:2005/4, the nominal value of shares that was formerly TL1000 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 TL1.000. This change has not been realized by 31 December 2005.

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 deductible when computing the distributable profit. The accumulated deficit will first be netted-off from net income and retained earnings, and the remaining amount of deficit from extraordinary reserves, legal reserves and adjustment to share capital.

**CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT
AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44**

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 31 DECEMBER 2005

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

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

Effective from 1 January 2004, net income of the financial statements prepared in accordance with CMB Accounting Standards 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, depending on the decision taken at the General Assembly of the Company.

The Company distributed dividends amounting to YTL14.400.000 from prior period income during 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 cumulatively 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 increases; whereas extraordinary reserves can be netted-off against prior years' losses, and used in distribution of bonus shares and dividends to shareholders.

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

	2005	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	306.322	880.573
Inflation adjustments to shareholders' equity	63.693.113	63.693.113
Net income for the year	9.355.484	20.739.415
Accumulated loss	(1.349.779)	(931.883)
Total shareholders' equity	103.593.151	109.211.918

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, accordingly:

IFRS net income for 2003	8.120.714
Extraordinary reserves	8.525.974
Legal reserves	2.042.848
Restatement differences of shareholders' equity	7.711.254
	26.400.790

**CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT
AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44**

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 31 DECEMBER 2005

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

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

At 31 December 2005 and 2004, the restated amounts and the shareholders' equity restatement differences of the aforementioned nominal values are as follows:

	2005		
	Historical value	Restated value	Restatement difference
Share capital	24.000.000	76.743.030	52.743.030
Legal reserves	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	31.588.011	95.281.124	63.693.113
	2004		
	Historical value	Restated value	Restatement difference
Share capital	24.000.000	76.743.030	52.743.030
Legal reserves	830.700	945.671	114.971
Offsetting difference (*)	-	10.835.112	10.835.112
Total	24.830.700	88.523.813	63.693.113

(*) 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 31 December 2005:

	2005	2004
Legal reserves	3.208.566	830.700
Extraordinary reserves	4.379.445	-
Accumulated losses	(1.349.779)	(931.883)
Total	6.238.232	(101.183)

Historical amounts of dividends
distributed during year from previous period's net
income per statutory financial statements

14.400.000	-
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**CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT
AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44**

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 31 DECEMBER 2005

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

NOTE 29 - FOREIGN CURRENCY POSITION

The following table illustrates the Company's foreign currency risk as a result of foreign currency position. Assets and liabilities denominated in foreign currency at 31 December 2005 and 31 December 2004 are as follows:

		2005		2004	
		Foreign currency amount	YTL	Foreign currency amount	YTL
Assets		67.772.606		62.796.003	
Liabilities		(69.965.849)		(80.478.167)	
Net foreign currency position		(2.193.243)		(17.682.164)	
	Foreign Currency	2005		2004	
		Foreign currency amount	YTL	Foreign currency amount	YTL
Assets:					
Cash and cash equivalents	USD	29.601	39.719	432.399	580.323
	EUR	336.607	534.364	535.713	978.641
	GBP	146.527	338.785	166.664	429.410
		912.868		1.988.374	
Trade receivables	USD	10.886.995	14.608.170	53.475	71.769
	EUR	17.615.724	27.964.961	14.708.973	26.870.353
	GBP	3.739.056	8.645.071	6.635.755	17.097.022
		51.218.202		44.039.144	
Due from related parties	GBP	231.288	534.761	1.064.882	2.743.669
		534.761		2.743.669	
Other receivables-(net)	EUR	17.501	27.782	17.750	23.822
	GBP	351.399	812.470	12.119	22.139
		840.252		45.961	
Long-term trade receivables	EUR	8.986.786	14.266.523	6.030.270	11.016.097
	GBP	-	-	1.149.916	2.962.758
		14.266.523		13.978.855	
Total foreign currency assets		67.772.606		62.796.003	

**CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT
AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44**

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 31 DECEMBER 2005

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

NOTE 29 - FOREIGN CURRENCY POSITION (Continued)

	Foreign currency	2005		2004	
		Foreign currency amount	YTL	Foreign currency amount	YTL
<u>Liabilities:</u>					
Short-term borrowings	USD	5.030.664	6.750.145	5.668.960	7.608.311
	EUR	8.621.517	13.686.658	15.788.526	28.842.478
	GBP	-	-	3.589.690	9.248.837
			20.436.803		45.699.626
Trade payables	USD	545.697	732.217	292.039	391.946
	EUR	718.310	1.140.317	1.271.211	2.322.248
	GBP	7.451.111	17.227.713	6.846.280	17.639.440
			19.100.247		20.353.634
Due to related parties	EUR	579.501	919.958	1.069.848	1.954.398
			919.958		1.954.398
Advances received	USD	21.900.190	29.385.674	8.672.657	11.639.573
	EUR	77.585	123.167	454.859	830.936
			29.508.841		12.470.509
Total foreign currency liabilities			69.965.849		80.478.167
Net foreign currency position			(2.193.243)		(17.682.164)

NOTE 30 - GOVERNMENT GRANTS

Capital expenditures, with some exceptions, over YTL10.000 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 utilised 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 information research made by the Company itself with effect from 31 July 2004 are exempt from corporate tax. Such exemptions are not subject to withholding taxes.

**CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT
AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44**

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 31 DECEMBER 2005

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

NOTE 30 - GOVERNMENT GRANTS (Continued)

In 2005, the Company earned an investment incentive amounting to YTL1.050.722, calculated as 40% of the period capital expenditure of YTL2.626.804, which will be deducted from the tax base without any withholding tax impact.

There is no unutilized investment incentive allowance as of 31 December 2005 (2004: None).

NOTE 31 - PROVISIONS, COMMITMENTS AND CONTINGENT LIABILITIES

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

	2005	2004
Letters of guarantees	51.068.259	25.291.542

b) Guarantees received as of 31 December 2005 and 2004 are as follows:

	2005	2004
Letters of guarantees	23.906.563	19.460.862
Guarantee notes	5.832.150	439.921
Mortgages received	2.563.000	113.000
Guarantee cheques	130.000	430.000
	32.431.713	20.443.783

NOTE 32 - BUSINESS COMBINATIONS

None (2004: None).

NOTE 33 - SEGMENT REPORTING

None (2004: None).

NOTE 34 - SUBSEQUENT EVENTS

No significant events occurred subsequent to the balance sheet date.

NOTE 35 - DISCONTINUED OPERATIONS

None (2004: None).

**CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT
AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44**

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 31 DECEMBER 2005

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

NOTE 36 - OPERATING INCOME

NET SALES

	2005	2004
Domestic sales	179.289.394	254.678.319
Foreign sales	105.249.811	35.249.568
Gross Sales	284.539.205	289.927.887
Less: Discounts	(526.683)	(181.195)
Net sales	284.012.522	289.746.692

COST OF SALES

	2005	2004
Cost of finished goods sold	202.978.342	216.072.674
Cost of merchandise goods sold	11.752.671	7.137.151
Cost of sales	214.731.013	223.209.825

Sales of the Company in quantities are as follows:

	2005	2004
Trailer	1.155	1.157
Land Rover 4X4	1.101	563
Midibus	747	1.108
Minibus	569	1.416
Armoured vehicles 4X4	178	127
	3.750	4.371

**CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT
AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44**

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 31 DECEMBER 2005

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

NOTE 37 - OPERATING EXPENSE

RESEARCH AND DEVELOPMENT EXPENSES

	2005	2004
Personnel expenses	2.350.669	1.778.960
Material expenses	1.586.244	1.030.274
Outsourced service expenses	1.050.183	824.447
Depreciation	503.831	226.079
Other	379.603	299.326
Total	5.870.530	4.159.086

SALES AND MARKETING EXPENSES

	2005	2004
Sales commissions	7.165.255	5.972.372
Sales campaign expenses	5.570.409	5.474.084
Insurance expenses	4.361.179	978.327
Personnel expenses	3.940.345	3.357.075
Warranty expenses (Note 23)	3.168.782	2.496.813
Royalty expenses	1.176.428	1.077.413
Commissions for letters of credit	1.056.013	247.390
Collateral expenses	872.589	291.525
Exhibition expenses	709.700	645.473
Spare parts provided for foreign sales	562.019	239.042
Travel expenses	413.810	312.544
Advertising expenses	341.612	407.800
Depreciation expenses	144.729	163.366
Other	2.532.514	2.613.725
Total	32.015.384	24.276.949

**CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT
AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44**

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 31 DECEMBER 2005

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

NOTE 37 - OPERATING EXPENSES (Continued)

GENERAL ADMINISTRATIVE EXPENSES

	2005	2004
Personnel expenses	6.931.108	5.025.451
Employee termination benefits	1.371.060	673.915
Depreciation expenses	1.101.494	1.492.576
Tax, fees and penalties	908.713	233.764
Services received	891.562	804.437
Consultancy expenses	645.720	405.069
Donations	423.067	836.295
Repair, maintenance and energy expenses	409.021	344.745
Transportation expenses	375.677	274.115
Telecommunications expenses	332.449	366.736
Subscriptions	274.310	268.653
Mechanisation expenses	242.552	223.987
Rent expenses	161.678	178.023
Insurance expenses	103.189	124.100
Other	1.013.910	977.741
Total	15.185.510	12.229.607
TOTAL OPERATING EXPENSES	53.071.424	40.665.642

NOTE 38 - OTHER INCOME/EXPENSES AND PROFIT/LOSSES

	2005	2004
Other income:		
Foreign exchange gain	19.836.386	17.849.098
Due date charges	3.016.927	4.773.289
Research and development income	1.708.320	-
Interest income	606.497	2.558.390
Reversed provisions	436.240	75.694
Guarantee returns	176.781	1.000.537
Engineering service income	120.393	6.287
Income from charges to costumers	55.955	631.656
Dividend income	51.424	131.864
Income from sale of tangible assets	28.525	100.161
Other	254.096	293.634
Total	26.291.544	27.420.610

**CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT
AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44**

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 31 DECEMBER 2005

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

NOTE 38 - OTHER INCOME/EXPENSES AND PROFIT/LOSSES

	2005	2004
Other Expense:		
Foreign exchange losses	20.992.568	16.670.025
Doubtful provision expense (Note 7)	6.228.790	282.574
Provision of unused vacation	525.169	-
Bank commissions	656.465	292.538
Impairment of available-for-sale investments	83.490	-
Impairment of inventory	-	1.116.585
Loss from sales of tangible assets	-	10.111
Other	2.640	4.674
Total	28.489.122	18.376.507

The Company has started execution proceedings against one of its dealers and a provision has been recorded (Note 7).

NOTE 39 - FINANCIAL EXPENSES

	2005	2004
Financial Expenses:		
Interest expense from bank deposits	1.722.937	2.925.290
	1.722.937	2.925.290

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 companies operating in Turkey during 2005 (Note 2).

Since inflation accounting has not been performed during 2005, there is no gain/loss on net monetary position for the year ended 31 December 2005.

**CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT
AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44**

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 31 DECEMBER 2005

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

NOTE 41 - TAXES ON INCOME

	2005	2004
Corporation taxes payable	3.623.158	9.569.157
Less: Prepaid taxes	(4.666.232)	(9.886.436)
Prepaid taxes-net (Note 10)	(1.043.074)	(317.279)

Corporation tax is payable at a rate of 30% for the year 2005 (2004: 33%). This rate is applied 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. (Except for withholding tax at the rate of 19,8% based on the exemption amount in cases where investment allowances granted are in the scope of Income Tax Law temporary article 61).

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.

In accordance with Tax Law No.5024 "Law Related to Changes in Tax Procedural Law, Income Tax Law and Corporate Tax Law" that was published in 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 are required to 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. In accordance with the aforementioned law, the cumulative inflation rate for the last 36 months and inflation rate for the last 12 months must exceed 100% and 10% respectively (increase rate of Wholesale Price Index published by the State Institute of Statistics) to apply inflation accounting. Since these conditions were not fulfilled in year 2005, no inflation adjustment has been performed.

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.

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.

**CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT
AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44**

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 31 DECEMBER 2005

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

NOTE 41 - TAXES ON INCOME (Continued)

There are several exemptions provided in Corporate Tax Law. Those concerning the Company are explained below:

Investment income exception:

Income earned from investment in another company shares is an exception in the calculation of the corporate tax (Dividend income gained related to the participation in investment funds and investment trust shares is excluded).

Capital gains on the sale of equity investments exception:

Capital gains derived from the sale of equity investments and immovable held for not less than two years are exempt from corporate tax, if such gains are added to paid-in capital until the end of second calendar year following the year in which the sale was realized.

On the other hand, institutions other than resident capital companies and non-resident companies, adding such gains to capital is not required, these gains are held in a special fund account. In the event that such gains added to capital or held in a fund account are withdrawn from the entity with in five years in any way, transferred by non-resident corporations to abroad, or the entity liquidates (except by merger or acquisition), these gains are considered as gains of that year and are subject to tax.

Investment Allowance Exception:

Capital expenditures, with some exceptions, over YTL10.000 are eligible for an investment incentive allowance of 40%, which is deductible from taxable income prior to the calculation of corporate income tax, without the requirement of an investment incentive certificate. The amount of allowance is not subject to withholding tax. If the investment allowance exceeds taxable income of the Company, it is transferred to the following years. Investment allowances utilized within the scope of investment incentive certificates granted prior to 24 April 2003 in the scope of temporary article 61 of Income Tax Law, are subject to withholding tax at the rate of 19,8%, irrespective of profit distribution.

Therefore, in the calculation of corporate tax, the matters mentioned have been taken into consideration for the determination of the tax base of the Company.

In addition to the exceptions above, exceptions according to the Corporate Tax Law No.14 and Tax Law No.40 are also valid in calculating the corporation tax base.

The taxation on income for the years ended 31 December 2005 and 2004 are summarised as follows:

	2005	2004
- Current year corporation tax	3.623.158	10.026.915
- Deferred tax income	(689.072)	(1.108.206)
Total taxation on income	2.934.086	8.918.709

**CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT
AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44**

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 31 DECEMBER 2005

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

NOTE 41 - TAXES ON INCOME (Continued)

Reconciliation of net income before tax to corporate taxation expense is as follows:

Income before tax **12.289.570**

The effect of the adjustments made on the statutory

financials in accordance with the CMB Accounting Standards

Current year impact of inflation adjustment on the non-monetary items made in the previous periods	1.691.291
Provision for employee termination benefits	(985.086)
Impairment of available-for-sale assets	83.490
Rediscount expense – net	39.881
Provision for unused vacation	525.169
Adjustment on sales	503.960
Increase in prepaid expenses	(606.478)

Total effect of calculations **1.252.227**

Income before tax: **13.541.797**

Disallowable expenses 2.908.576

Deductions (3.322.456)

Investment incentive utilised during the year (1.050.722)

Corporate tax base: **12.077.195**

Current year corporation tax (30%): **3.623.158**

NOTE 42 - EARNINGS PER SHARE

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

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. Bonus shares are not considered in the weighted average number of shares computations.

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

	2005	2004
Net profit for the period (YTL)	9.355.484	20.739.415
Weighted average number of shares	24.000.000.000	24.000.000.000
Earnings per share (YKr)	0,039	0,086

**CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT
AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44**

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 31 DECEMBER 2005

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

NOTE 43 - STATEMENTS OF CASH FLOWS

	Notes	2005	Restated 2004
Cash flows from operating activities			
Net income		9.355.484	20.739.415
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortisation	19, 20	6.889.199	7.305.110
Provision for employment termination benefits	23	1.371.060	888.786
Increase in deferred tax liabilities	14	(689.072)	(1.108.206)
Gain from tangible assets sales	38	(28.524)	(90.050)
Provision for income taxes	41	3.623.158	9.569.157
Provision for doubtful receivables	7	6.228.790	282.574
Impairment of inventory	38	-	1.116.585
Interest expense - net	38, 39	1.116.440	366.900
Deferred financial expense - net		637.383	1.159.660
Impairment of available-for-sales investments	16	83.490	-
Foreign currency (loss)/gain on borrowings		(4.482.050)	1.685.517
Inflation effect on non-operating activities		-	147.837
Net cash provided by operating activities before changes in operating assets and liabilities:		24.105.358	42.063.285
Decrease/(increase) in trade receivables	7	9.498.521	(26.665.345)
(Increase)/ decrease in the due from related parties	9	(769.842)	11.901.343
Increase in inventories	12	(3.752.591)	(17.505.990)
Increase in other current assets	15	(4.640.131)	1.317.320
Increase in trade payables	7	1.930.478	7.219.007
Decrease in the due to related parties	9	(1.068.700)	(1.743.930)
Increase/(decrease) in warranty provision	23	181.236	(435.163)
Increase in other current liabilities	15	17.934.109	7.282.449
Increase in deferred government payables	15	136.999	266.095
Increase in the unused vacation provision	23	525.169	-
Taxes paid	41	(4.666.232)	(14.284.216)
Recovered doubtful receivables	7	436.241	75.693
Employment termination benefit payments	23	(904.922)	(275.374)
Inflation effect on operating activities		-	(953.594)
Net cash provided by operating activities		38.945.693	8.261.580
Investing activities:			
Purchase of property, plant and equipment	19	(4.118.401)	(6.757.977)
Purchase of intangible assets	19	(229.653)	(343.250)
Proceeds from sale of tangible asset		40.811	477.136
Interest received		601.002	2.559.414
Net cash used in investing activities		(3.706.241)	(4.064.677)
Financing activities:			
(Decrease)/increase in revolving credits	6	(611.262)	113.198
Increase in term borrowings		68.977.050	44.260.650
Repayment of borrowings		(82.506.950)	(44.645.500)
Interest paid		(2.726.019)	(2.586.179)
Dividends paid		(14.400.000)	-
Inflation effect on financing activities		-	(7.202.322)
Net cash used in financing activities		(31.267.181)	(10.060.153)
Inflation effect on cash and cash equivalents		-	1.010.467
Net increase/(decrease) in cash and cash equivalents		3.972.271	(5.863.250)
Cash and cash equivalents at the beginning of the year		4.898.890	9.751.673
Cash and cash equivalents at the end of the year		8.871.161	4.898.890

**CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT
AUDITOR’S REPORT ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44**

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 31 DECEMBER 2005

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

NOTE 44 - OTHER MATTERS

Convenience translation into English

The accounting principles described in Note 2 (defined as CMB Accounting Standards) to the accompanying financial statements differ from International Financial Reporting Standards issued by the International Accounting Standards Board with respect to the application of IAS 29 – “Financial Reporting in Hyperinflationary Economies” and IAS 1 – “Presentation of Financial Statements” and the notes to them. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

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