

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2006
TOGETHER WITH AUDITOR'S REVIEW REPORT**

(ORIGINALLY ISSUED IN TURKISH)

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

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2006

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

1. We have reviewed the accompanying interim balance sheet of Otokar Otobüs Karoseri Sanayi A.Ş. ("the Company") at 30 June 2006 and the related interim 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 be evaluated separately compared to an independent full scope audit report.
2. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not presented fairly in all material respects, in accordance with the accountancy principles issued by the CMB (Note 2).
3. Additional paragraph for convenience translation into English:

As of 30 June 2006, the accounting principles described in Notes 2 (defined as generally accepted accounting standards issued by the CMB) 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 inflation accounting, presentation of the basic 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, 4 August 2006

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

FINANCIAL STATEMENTS AT 30 JUNE 2006

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

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

INTERIM BALANCE SHEETS
AT 30 JUNE 2006 AND 31 DECEMBER 2005

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

	Notes	30 June 2006	31 December 2005
ASSETS			
Current Assets			
Cash and Cash Equivalents	4	2.877.301	8.878.575
Marketable Securities (net)	5	-	-
Trade Receivables (net)	7	112.710.107	89.712.561
Leasing Receivables (net)	8	-	-
Due From Related Parties (net)	9	4.229.197	3.664.554
Other Receivables (net)	10	134.269	1.097.789
Biological Assets (net)	11	-	-
Inventories (net)	12	73.211.465	41.590.109
Construction Contract Receivables (net)	13	-	-
Deferred Tax Assets	14	-	-
Other Current Assets	15	9.216.872	4.841.474
Total Current Assets		202.379.211	149.785.062
Non-current Assets			
Trade Receivables (net)	7	27.978.086	14.671.780
Leasing Receivables (net)	8	-	-
Due From Related Parties (net)	9	-	-
Other Receivables (net)	10	-	-
Financial Assets (net)	16	1.972.851	1.972.851
Goodwill/Negative Goodwill (net)	17	-	-
Investment Property (net)	18	-	-
Property, Plant and Equipment (net)	19	39.403.765	41.397.311
Intangible Assets (net)	20	433.757	508.552
Deferred Tax Assets	14	89.856	-
Other Non-Current Assets	15	-	-
Total Non-Current Assets		69.878.315	58.550.494
TOTAL ASSETS		272.257.526	208.335.556

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

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

INTERIM BALANCE SHEETS
AT 30 JUNE 2006 AND 31 DECEMBER 2005

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

	Notes	30 June 2006	31 December 2005
LIABILITIES			
Current Liabilities			
Financial Liabilities (net)	6	56.521.151	26.962.707
Short-Term Portion of Long-Term Financial Liabilities	6	-	-
Leasing Liabilities (net)	8	-	-
Other Financial Liabilities (net)	10	-	-
Trade Payables (net)	7	55.750.583	34.052.660
Due to Related Parties (net)	9	2.623.936	2.331.613
Advances Received	21	19.103.985	26.911.292
Construction Contracts Progress Payments (net)	13	-	-
Provisions	23	7.983.787	1.379.871
Deferred Tax Liability	14	-	-
Other Liabilities (net)	15	3.951.760	7.173.965
Total Current Liabilities		145.935.202	98.812.108
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	5.764.240	4.932.392
Deferred Tax Liability	14	-	361.856
Other Liabilities (net)	15	-	636.049
Total Non-Current Liabilities		5.764.240	5.930.297
Minority Interest	24	-	-
Shareholders' Equity			
Share Capital	25	24.000.000	24.000.000
Treasury Shares	25	-	-
Capital Reserves	26	63.999.435	63.999.435
Share Premiums		-	-
Share Cancellation Profit		-	-
Revaluation Fund		-	-
Financial Assets Fair Value Reserve		306.322	306.322
Inflation Adjustment to Shareholders Equity		63.693.113	63.693.113
Profit Reserves	27	5.993.716	7.588.011
Legal Reserves		4.544.498	3.208.566
Statutory Reserves		-	-
Extraordinary Reserves		1.449.218	4.379.445
Special Reserves		-	-
Investment and Property Sales Gains to be Added To Capital		-	-
Translation Reserve		-	-
Net Income for the Period		26.564.933	9.355.484
Accumulated Deficit (-)	28	-	(1.349.779)
Total Shareholders' Equity		120.558.084	103.593.151
Total Shareholders' Equity and Liabilities		272.257.526	208.335.556
Commitments and Contingent Liabilities	26		

Financial statements at and for the period ended 30 June 2006 were approved by the Board of Directors on 4 August 2006.

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

INTERIM STATEMENTS OF INCOME
FOR THE PERIODS ENDED 30 JUNE 2006 AND 2005

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

	Notes	1 January 2006 - 30 June 2006	1 April 2006 - 30 June 2006	1 January 2005 - 30 June 2005	1 April 2005 - 30 June 2005
Revenue from Primary Operations					
Sales (net)	36	162.106.617	94.381.062	127.851.895	77.420.226
Cost of Sales (net)	36	(107.421.560)	(60.306.916)	(91.849.680)	(55.342.779)
Service Sales (net)		-	-	-	-
Other Income (Interest, Dividend, Rent) from Primary Operations (net)		-	-	-	-
Gross Profit from Primary Operations		54.685.057	34.074.146	36.002.215	22.077.447
Operating Expense (net)	37	(30.281.158)	(17.237.015)	(26.956.146)	(13.809.297)
Income from Primary Operations		24.403.899	16.837.131	9.046.069	8.268.150
Other Operating Income	38	29.285.879	23.813.545	7.739.864	2.849.084
Other Operating Expense (-)	38	(15.351.317)	(12.127.460)	(11.949.713)	(6.082.443)
Financial Expense (-)	39	(5.533.193)	(5.027.582)	3.526.344	3.005.254
Operating Income		32.805.268	23.495.634	8.362.564	8.040.045
Monetary Loss	40	-	-	-	-
Minority Interest	24	-	-	-	-
Income Before Tax		32.805.268	23.495.634	8.362.564	8.040.045
Taxation on income	41	(6.240.335)	(3.325.428)	(2.439.472)	(2.286.502)
Net Income for the Period		26.564.933	20.170.206	5.923.092	5.753.543
Profit per Share (YKr)	42	0,111	0,084	0,025	0,024

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIODS ENDED 30 JUNE 2006 AND 2005

(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 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	(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 on 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
Balances at 1 January 2006	24.000.000	63.693.113	3.208.566	4.379.445	306.322	(1.349.779)	9.355.484	103.593.151
Transfer to legal reserves	-	-	1.335.932	-	-	8.019.552	(9.355.484)	-
Dividends paid	-	-	-	(2.930.227)	-	(6.669.773)	-	(9.600.000)
Net income for the period	-	-	-	-	-	-	26.564.933	26.564.933
Balances at 30 June 2006	24.000.000	63.693.113	4.544.498	1.449.218	306.322	-	26.564.933	120.558.084

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

**CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44**

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 30 JUNE 2006
(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 952 (31 December 2005: 926).

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 has significant business transactions with the Koç Group companies. The Company has both customer and supplier relationships with several related parties from the Koç Group. The Company is registered with the Capital Markets Board ("CMB") and its shares are quoted on the Istanbul Stock Exchange ("ISE") since 1996. At 30 June 2006, the shares quoted on the ISE are 29,91% of the total shares. At 30 June 2006, 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 OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44**

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 30 JUNE 2006
(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. These financial statements and the related notes have been prepared under the alternative application defined by the CMB as explained above and 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 convention except for the financial assets and liabilities which are expressed with their fair values.

2.2 Financial reporting in hyperinflationary periods

On 17 March 2005, 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

2.3 Consolidation

The Company has no financial assets to consolidate.

**CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44**

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 30 JUNE 2006
(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 the financial position and performance of the Company. The balance sheet of the Company at 30 June 2006 has been presented with the comparative financial information at 31 December 2005 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 2006 have been presented with the comparative financial information for the six month period ended 30 June 2005.

IAS 39 – "Financial Instruments: Regulations and Measurement" has been revised effective from periods 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. The Company changed its accounting policy for available-for-sale investments as required by IAS 39. Accordingly, the Company applied the accounting policy change retrospectively and all related comparative financial information have been restated as if the new accounting policy was applicable also in previous periods.

2.5 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).

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.

**CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44**

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 30 JUNE 2006
(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Management reviews the classification of these financial assets on a regular basis.

Financial assets whose fair value can be reliably estimated are carried at fair value. All other financial assets classified as available-for-sale are carried at cost after the deduction of any impairment. When the Company is not able to make an estimate of the fair values that are sufficiently reliable for certain unlisted financial assets for which the Company has less than 20% ownership, due to the high variability in the range of reasonable estimates and various outcome probabilities to assess the usefulness of a single estimate, these securities are recorded at cost after deduction for any impairment. The 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 (Note 19). The depreciation periods for property and equipment, which approximate the economic useful lives of related assets, are as follows:

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 30 JUNE 2006
(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

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

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 (Note 6).

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.

**CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44**

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 30 JUNE 2006
(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 period 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 to New Turkish Lira at the exchange rates prevailing at period-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 is 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.

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.

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 30 JUNE 2006
(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.16 Dividends

Dividend distribution on ordinary shares are recognised as an appropriation of profit in the period in which they are declared (Note 25).

3.17 Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost (including transaction costs) and are subsequently remeasured at their fair value. Derivative financial instruments of the Company consists of only forward contracts. These derivative financial instruments create an effective economical protection for the Company against risks and are classified as held for trading in compliance with IAS 39 "Financial Instruments – Recognition and Measurement" with fair value gains and losses reported in income.

3.18 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.

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

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 30 JUNE 2006
(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 period-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.

3.19 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 period.

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).

3.20 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:

	30 June 2006	31 December 2005
Bank deposits and cheques (Note 4)	2.877.301	8.878.575
Less: Interest accruals	-	(7.414)
	2.877.301	8.871.161

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 30 JUNE 2006
(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

NOTE 4 - CASH AND CASH EQUIVALENTS

	30 June 2006	31 December 2005
Banks		
- demand deposits	1.556.619	2.830.457
- time deposits	-	4.753.774
Cheques received	1.272.131	1.250.756
Other	48.551	43.588
	2.877.301	8.878.575

Cheques received balance consist of cheques given to banks for collection and have maturities between 1 to 3 days. The Company has blocked bank deposits amounting to YTL1.145 at 30 June 2006 (31 December 2005: YTL1.145).

NOTE 5 - MARKETABLE SECURITIES

None (2005: None).

NOTE 6 - FINANCIAL LIABILITIES

	30 June 2006		
	Interest rate (%)	Amount in original currency	YTL
Short-term borrowings			
YTL Borrowings	0 – 20,10	34.041.717	34.041.717
EUR Borrowings	3,39 - 3,74	7.128.904	14.325.532
USD Borrowings	5,28 – 5,99	5.086.969	8.153.902
Total			56.521.151

	31 December 2005		
	Interest rate (%)	Amount in original currency	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

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 30 JUNE 2006
(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

TRADE RECEIVABLES

	30 June 2006	31 December 2005
Trade receivables	66.712.522	58.959.505
Notes receivables	53.301.009	38.914.907
Deposits and guarantees given	256	256
	120.013.787	97.874.668
Less: Provision for doubtful receivables	(6.486.744)	(6.484.135)
Less: Unearned financial income	(816.936)	(1.677.972)
Short-term trade receivables-(net)	112.710.107	89.712.561
Notes receivables	29.973.390	16.108.466
Deposits and guarantees given	5.256	5.256
Less: Unearned financial income	(2.000.560)	(1.441.942)
Long-term trade receivables-(net)	27.978.086	14.671.780

Movement of the provision for doubtful receivables at 30 June 2006 and 30 June 2005 are as follows:

	30 June 2006	30 June 2005
1 January	6.484.135	691.586
Recoveries	-	(174.508)
Provision for the period (Note 38)	2.609	136.301
30 June	6.486.744	653.379

TRADE PAYABLES

	30 June 2006	31 December 2005
Trade payables	56.757.802	34.506.914
Note payables	51.317	47.242
Less: Unrealised credit finance charges	(1.058.536)	(501.496)
Short-term trade payables-(net)	55.750.583	34.052.660

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 30 JUNE 2006
(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

NOTE 8 - LEASING RECEIVABLES AND PAYABLES

The Company has no outstanding leasing contracts.

NOTE 9 - TRANSACTIONS AND BALANCES WITH 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 2006 and 31 December 2005:

Bank balances:	30 June 2006	31 December 2005
Yapı ve Kredi Bankası A.Ş.		
- Demand deposits	462.933	252.653
Koçbank A.Ş.		
- Demand deposits	263.513	1.991.348
- Time deposits	-	4.753.774
	726.446	6.997.775
Due from related parties:	30 June 2006	31 December 2005
Ram Dış Ticaret A.Ş.	3.688.695	534.761
Ford Otomotiv Sanayi A.Ş.	189.407	2.558.372
Koç Finansal Kiralama A.Ş.	158.308	-
Koç Statoil Gaz A.Ş.	103.206	385.296
Otokoç A.Ş.	80.712	-
Aygaz A.Ş.	-	256.864
Other	92.925	15.077
	4.313.253	3.750.370
Less: Unearned financial income	(84.056)	(85.816)
Total	4.229.197	3.664.554
Borrowings:	30 June 2006	31 December 2005
Koçbank A.Ş.	19.031	-
Yapı ve Kredi Bankası A.Ş.	-	4.051.968
Total	19.031	4.051.968

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 30 JUNE 2006
(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>	30 June 2006	31 December 2005
Kofisa Trading Company S.A.	465.803	919.958
Beko Ticaret A.Ş.	382.134	52.235
Ram Dış Ticaret A.Ş.	343.451	112.228
Koçtaş Yapı Marketleri T.A.Ş.	241.266	136.735
Palmira Turizm Ticaret A.Ş.	200.812	237.943
Ram Sigorta Aracılık Hizmetleri A.Ş.	160.885	128.937
Entek Elektrik Üretimi Otoprodüktör Grubu A.Ş.	156.263	176.139
Otokoç A.Ş.	152.567	-
Birmot A.Ş.Küçükyalı Temsilciliği	131.355	114.287
Koç Holding A.Ş.	113.595	33.997
Setur Servis Turistik A.Ş.	81.286	93.117
Bos Birleşik Oksijen San.A.Ş.	67.763	101.647
Koç Sistem Bilgi ile.Hizm. A.Ş.	43.957	73.964
Other	131.847	183.808
Less: Unrealised credit financial charges	(49.048)	(33.382)
Total	2.623.936	2.331.613

ii) Significant sales and purchase transactions with related parties for the periods ended 30 June:

<u>Product and service sales:</u>	1 January- 30 June 2006	1 April- 30 June 2006	1 January- 30 June 2005	1 April - 30 June 2005
Ram Dış Ticaret A.Ş.	9.299.835	8.263.462	18.187.422	602.683
Koç Finansal Kiralama A.Ş.	4.144.296	3.589.973	4.806.601	2.449.968
Ford Otomotiv Sanayi A.Ş.	478.194	119.218	-	-
Döktaş Ticaret ve San. A.Ş.	152.900	67.704	-	-
Otokoç A.Ş.	68.400	28.044	-	-
Aygaz A.Ş.	62.497	-	1.846.806	1.836.309
Other	113.152	46.306	107.992	7.545
Total	14.319.274	12.114.707	24.948.821	4.896.505
<u>Purchases of property plant and equipment:</u>	1 January- 30 June 2006	1 April- 30 June 2006	1 January- 30 June 2005	1 April - 30 June 2005
Otokoç A.Ş.	139.872	139.872	23.900	-
Koç Sistem Bilgi İle. Hizm. A.Ş.	94.879	51.485	144.727	38.109
Other	9.148	848	-	-
Total	243.899	192.205	168.627	38.109

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 30 JUNE 2006
(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

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

Inventory purchases:	1 January- 30 June 2006	1 April- 30 June 2006	1 January- 30 June 2005	1 April - 30 June 2005
Ram Dış Ticaret A.Ş.	1.389.297	542.969	1.545.556	532.925
Kofisa Trading Company S.A.	979.111	242.843	1.419.945	402.115
Beko Ticaret A.Ş.	794.181	478.034	205.454	132.643
Koçtaş Yapı Mar.A.Ş.	365.217	217.556	57.272	45.864
Bos Birleşik Oksijen San. A.Ş.	280.444	118.468	246.045	148.829
Opet Petrolcülük A.Ş.	114.332	38.098	71.288	41.497
Oltaş Otomotiv Lastikleri Tevzi A.Ş.	74.635	55.103	232.235	94.709
Akpa Dayanıklı Tük.Paz.A.Ş.	61.678	36.388	80.642	37.925
Sanal Merkez T.A.Ş.	47.733	28.215	6.895	6.895
Other	22.025	13.175	49.761	47.071
Total	4.128.653	1.770.849	3.915.093	1.490.473

Services received:	1 January- 30 June 2006	1 April- 30 June 2006	1 January- 30 June 2005	1 April - 30 June 2005
Ram Dış Ticaret A.Ş.	2.194.211	2.153.036	5.051.795	3.951.980
Entek Elektrik Üretimi Otoprodüktör Grubu A.Ş.	718.297	318.767	677.683	378.861
Koç Holding A.Ş.	701.414	414.512	524.439	269.240
Ram Sigorta Aracılık Hizmetleri A.Ş.	560.973	88.109	511.875	69.432
Palmira Turizm Ticaret A.Ş.	530.349	252.051	-	-
Setur Servis Turistik A.Ş.	243.937	135.251	678.899	398.609
Koç Sistem Bilgi İletişim Hizm. A.Ş.	100.515	73.397	33.640	7.093
Koçnet Haberleşme Teknoloji ve İletişim Hizmetleri A.Ş.	60.132	34.391	51.661	25.137
Other	110.670	43.464	138.026	64.543
Total	5.220.498	3.512.978	7.668.018	5.164.895

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

Interest income:	1 January- 30 June 2006	1 April- 30 June 2006	1 January- 30 June 2005	1 April - 30 June 2005
Koçbank A.Ş.	160.365	3.070	34.156	222
Yapı ve Kredi Bankası A.Ş.	1.575	-	(*)	(*)
Total	161.940	3.070	34.156	222

Foreign exchange income:	1 January- 30 June 2006	1 April- 30 June 2006	1 January- 30 June 2005	1 April - 30 June 2005
Yapı ve Kredi Bankası A.Ş.	196.404	104.259	(*)	(*)
Koçbank A.Ş.	164.467	146.975	47.432	24.062
Kofisa Trading Company S.A.	14.511	-	1.569	-
Ram Dış Ticaret A.Ş.	5.394	-	353.388	249.395
Total	380.776	251.234	402.389	273.457

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 30 JUNE 2006
(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

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

Interest expenses:	1 January- 30 June 2006	1 April- 30 June 2006	1 January- 30 June 2005	1 April - 30 June 2005
Yapı ve Kredi Bankası A.Ş.	88.272	35.083	(*)	(*)
Koçbank A.Ş.	279	279	172.518	136.725
Total	88.551	35.362	172.518	136.725

Foreign exchange losses:	1 January- 30 June 2006	1 April- 30 June 2006	1 January- 30 June 2005	1 April - 30 June 2005
Yapı ve Kredi Bankası A.Ş.	550.606	434.765	(*)	(*)
Koçbank A.Ş.	200.481	198.819	144.724	79.785
Kofisa Trading Company S.A.	154.622	128.707	23.547	6.536
Ram Dış Ticaret A.Ş.	61.528	42.734	218.437	214.447
Total	967.237	805.025	386.708	300.768

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

Remuneration of directors and key management personnel for the period ended at 30 June 2006 amounts to YTL1.236.535 (30 June 2005: YTL512.704).

NOTE 10 - OTHER RECEIVABLES AND PAYABLES

Short-term Other Receivables

	30 June 2006	31 December 2005
Receivables from personnel	97.394	20.236
Prepaid corporation tax (Note 41)	-	1.043.074
Other receivables	36.875	34.479
Total	134.269	1.097.789

NOTE 11 - BIOLOGICAL ASSETS

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

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 30 JUNE 2006
(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

NOTE 12 - INVENTORIES

	30 June 2006	31 December 2005
Raw materials	22.880.276	16.521.014
Finished goods	20.503.242	5.003.531
Goods in transit	16.025.361	9.830.307
Semi-finished goods	7.132.625	4.486.746
Trade goods	6.669.961	5.748.511
Total	73.211.465	41.590.109

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

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 future periods under the liability method using a principal tax rate of 20% (31 December 2005: 30%).

Details of cumulative temporary differences and the resulting deferred tax assets/(liabilities) provided at 30 June 2006 and 31 December 2005 using the enacted future tax rates are as follows:

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 30 JUNE 2006
(Amounts expressed in New Turkish lira ("YTL") unless otherwise indicated)

NOTE 14 - DEFERRED TAX ASSETS AND LIABILITIES (Continued)

	<u>Cumulative</u> <u>temporary differences</u>		<u>Deferred tax</u> <u>assets / (liabilities)</u>	
	<u>30 June 2006</u>	<u>31 December 2005</u>	<u>30 June 2006</u>	<u>31 December 2005</u>
Net difference between the tax bases and the carrying amount of:				
Tangible and intangible assets	8.349.496	9.329.606	(1.669.899)	(2.798.882)
Inventory	318.024	68.065	(63.605)	(20.419)
Unrealized credit finance charges	4.354.970	2.471.009	(870.994)	(741.303)
Other	207.518	606.478	(41.504)	(181.944)
Deferred tax liabilities			(2.646.002)	(3.742.548)
Net difference between the tax bases and the carrying amount of:				
Trade receivables	1.515.778	1.557.582	303.156	467.275
Reserve for employment termination benefits	4.484.799	4.407.223	896.960	1.322.167
Expense accruals	3.798.400	2.098.436	759.680	629.531
Unearned financial income	2.901.552	3.205.730	580.310	961.719
Forward contracts (Note 31)	978.761	-	195.752	-
Deferred tax assets			2.735.858	3.380.692
Deferred tax assets-net			89.856	(361.856)

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 30 JUNE 2006
(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 2006	(Charged) / credited to the statement of income	30 June 2006
Deferred income tax assets			
Net difference between the tax bases and the carrying value of:			
Trade receivables	467.275	(164.119)	303.156
Reserve for employment termination benefits	1.322.167	(425.207)	896.960
Unearned financial income	961.719	(381.409)	580.310
Expense accruals	629.531	130.149	759.680
Forward contracts	-	195.752	195.752
Deferred income tax liabilities			
Net difference between the tax bases and the carrying value of:			
Tangible and intangible assets	(2.798.882)	1.128.983	(1.669.899)
Inventory	(20.419)	(43.186)	(63.605)
Unrealized credit finance charges	(741.303)	(129.691)	(870.994)
Other	(181.944)	140.440	(41.504)
Deferred tax liabilities-net	(361.856)	451.712	89.856
<hr/>			
	1 January 2005	(Charged) / credited to the statement of income	30 June 2005
Deferred income tax assets			
Net difference between the tax bases 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 financial income	960.319	(100.220)	860.099
Expense accruals	-	1.188.473	1.188.473
Deferred income tax liabilities			
Net difference between the tax bases and the carrying value of:			
Tangible and intangible assets	(3.270.044)	452.348	(2.817.696)
Inventory	-	(1.110.940)	(1.110.940)
Unrealized credit finance charges	(184.138)	(564.118)	(748.256)
Deferred tax liabilities-net	(1.050.928)	998.111	(52.817)

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 30 JUNE 2006
(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 2006	31 December 2005
Value Added Tax (VAT) receivables	7.623.633	2.636.359
Deductible taxes and funds	1.005.806	1.285.493
Prepaid expenses	587.433	919.622
Total	9.216.872	4.841.474
b) Other current liabilities:	30 June 2006	31 December 2005
Forward contracts (Note 31)	978.761	-
Social security premiums payable	839.843	1.602.133
Deferred payables to government	645.808	1.144.858
Taxes and funds payable	520.243	1.878.066
Payables to personnel	494.335	2.399.641
Deferred Special Consumption Tax	238.332	-
Other	234.438	149.267
Total	3.951.760	7.173.965
c) Other non-current liabilities:	30 June 2006	31 December 2005
Deferred payables to government	-	636.049
Total	-	636.049

NOTE 16 - FINANCIAL ASSETS

	30 June 2006		31 December 2005	
	YTL	%	YTL	%
Available-for-sale investments				
Entek Elektrik Üretimi				
Otoprodüktör Grubu A.Ş.	1.972.851	0,86%	1.972.851	0,86%
Total	1.972.851		1.972.851	

NOTE 17 - GOODWILL/NEGATIVE GOODWILL

None (2005: None).

NOTE 18 - INVESTMENT PROPERTY

The Company has no investment property.

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 30 JUNE 2006

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

NOTE 19 - PROPERTY, PLANT AND EQUIPMENT

Movement in property, plant and equipment and related accumulated depreciation during the period ended 30 June 2006 is as follows:

	1 January 2006	Additions	Disposals	Transfers	30 June 2006
Cost:					
Land	5.370.676	-	-	-	5.370.676
Land improvements	4.287.615	-	-	-	4.287.615
Buildings	31.345.034	-	-	-	31.345.034
Machinery and equipment	74.582.892	347.558	(147.627)	273.353	75.056.176
Motor vehicles	3.469.758	198.372	(266.477)	-	3.401.653
Furniture and fixtures	15.940.809	111.281	-	-	16.052.090
Leasehold improvements	1.089.375	-	-	3.943	1.093.318
Construction-in-progress	43.118	233.520	-	(202.811)	73.827
Advances given	8.127	87.932	-	(74.485)	21.574
	136.137.404	978.663	(414.104)	-	136.701.963
Accumulated depreciation:					
Land improvements	1.471.753	87.927	-	-	1.559.680
Buildings	12.830.852	626.901	-	-	13.457.753
Machinery and equipment	61.711.400	1.905.627	(147.627)	-	63.469.400
Motor vehicles	3.106.097	89.517	(257.936)	-	2.937.678
Furniture and fixtures	14.537.616	249.293	-	-	14.786.909
Leasehold improvements	1.082.375	4.403	-	-	1.086.778
	94.740.093	2.963.668	(405.563)	-	97.298.198
Net book value	41.397.311				39.403.765

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 30 JUNE 2006

(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 2005 is 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
Leasehold improvements	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
Leasehold improvements	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

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 30 JUNE 2006

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

NOTE 20 - INTANGIBLE ASSETS

Intangible assets comprise acquired intellectual property and computer software. Movement in intangible assets and related accumulated amortisation during the period ended 30 June 2006 is as follows:

	1 January 2006	Additions	Disposals	Transfers	30 June 2006
Cost:					
Intangible assets	2.007.437	29.893	-	-	2.037.330
Accumulated amortisation:					
Intangible assets	(1.498.885)	(104.688)	-	-	(1.603.573)
Net book value	508.552				433.757

Movement in intangible assets and related accumulated amortisation during the period ended 30 June 2005 is as follows:

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

NOTE 21 - ADVANCES RECEIVED

	30 June 2006	31 December 2005
Other advances received	19.103.985	26.911.292
Total	19.103.985	26.911.292

NOTE 22 - RETIREMENT PLANS

The Company does not sponsor any retirement plans, as such, financial statement do not include any liability on retirement plans.

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 30 JUNE 2006

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

NOTE 23 – PROVISIONS

	30 June 2006	31 December 2005
Short-term provisions		
Taxes and legal liabilities	3.140.461	-
Sales commissions provision	2.720.383	-
Warranty provision	1.411.915	1.375.203
Employee benefits	480.000	-
Other	231.028	4.668
Total	7.983.787	1.379.871
Long-term provisions		
Provision for employment termination benefits	4.484.799	4.407.223
Provision for unused vacation of employees	1.279.441	525.169
Total	5.764.240	4.932.392

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 YTL1.770,62 for each year of service as of 30 June 2006 (31 December 2005 : YTL1.727,15).

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:

	30 June 2006	31 December 2005
Discount rate (%)	5,49	5,49
Turnover rate to estimate the probability of retirement (%)	4	4

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 30 JUNE 2006

(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 YTL1.815,30, which is effective from 1 July 2006 (1 January 2006: YTL1.770,62) has been taken into consideration in calculations.

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

	30 June 2006	30 June 2005
1 January	4.407.223	3.941.085
Increase during the period	610.509	712.966
Paid during the period	(532.933)	(406.133)
	4.484.799	4.247.918

Provision for warranty expense

The Company provides one year warranty for the Land Rover vehicles and two years warranty for midi-busses sold. The Company has no commitments for armoured vehicles and trailers. 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:

	30 June 2006	30 June 2005
1 January	1.375.203	1.193.967
Increase during the period (Note 37)	2.365.987	1.107.432
Paid during the period	(2.329.275)	(938.294)
	1.411.915	1.363.105

NOTE 24 - MINORITY INTEREST

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

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 30 JUNE 2006

(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 30 June 2006 and 31 December 2005 is as follows:

Shareholders	30 June 2006		31 December 2005	
	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	

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 OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 30 JUNE 2006

(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 Communiqué must be distributed as a minimum of 30% of total distributable profit. This distribution may be made either as cash, as a 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 YTL9.600.000 from prior period income during 2006.

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 30 June 2006 and 31 December 2005, the shareholders' equity schedule, based on which the dividend will be distributed is as follows:

	30 June 2006	31 December 2005
Share capital	24.000.000	24.000.000
Legal reserves	4.544.498	3.208.566
Extraordinary reserves	1.449.218	4.379.445
Financial assets fair value reserve	306.322	306.322
Inflation adjustments to shareholders' equity	63.693.113	63.693.113
Net income for the period	26.564.933	9.355.484
Accumulated loss	-	(1.349.779)
Total shareholders' equity	120.558.084	103.593.151

At 30 June 2006 and 31 December 2005, the restated amounts and the shareholders' equity restatement differences of the aforementioned nominal values are as follows:

	30 June 2006		
	Historical value	Restated value	Restatement difference
Share capital	24.000.000	76.743.030	52.743.030
Legal reserves	4.544.498	15.494.581	10.950.083
Total	28.544.498	92.237.611	63.693.113

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 30 JUNE 2006

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

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

	31 December 2005		
	Historical value	Restated value	Restatement difference
Share capital	24.000.000	76.743.030	52.743.030
Legal reserves	3.208.566	14.158.649	10.950.083
Total	27.208.566	90.901.679	63.693.113

Composition of prior periods' earnings and dividends (per statutory financial statements and not adjusted for inflation) at 30 June 2006 and 31 December 2005:

	30 June 2006	31 December 2005
Legal reserves	7.378.075	6.042.143
Extraordinary reserves	26.911.996	27.929.290
Total	34.290.071	33.971.433

Historical amounts of dividends distributed during year from previous period's net income per statutory financial statements	9.600.000	14.400.000
--	-----------	------------

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 30 June 2006 and 31 December 2005 are as follows:

	30 June 2006	31 December 2005
Assets	117.608.200	67.772.606
Liabilities	(88.646.505)	(69.965.849)
Net foreign currency position	28.961.695	(2.193.243)

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 30 JUNE 2006

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

NOTE 29 - FOREIGN CURRENCY POSITION (Continued)

	Foreign Currency	30 June 2006		31 December 2005	
		Foreign currency amount	YTL	Foreign currency amount	YTL
Assets:					
Cash and cash equivalents	USD	95.412	152.935	29.601	39.719
	EUR	495.698	996.106	336.607	534.364
	GBP	136.520	396.809	146.527	338.785
		1.545.850		912.868	
Trade receivables	USD	18.347.924	29.409.888	10.886.995	14.608.170
	EUR	19.748.363	39.684.336	17.615.724	27.964.961
	GBP	5.726.950	16.645.953	3.739.056	8.645.071
		85.740.177		51.218.202	
Due from related parties	EUR	117.130	235.373	-	-
	GBP	1.269.312	3.689.381	231.288	534.761
		3.924.754		534.761	
Other receivables-(net)	EUR	6.232	12.523	17.501	27.782
	GBP	1.399	4.066	351.399	812.470
		16.589		840.252	
Long-term trade receivables	EUR	13.128.057	26.380.830	8.986.786	14.266.523
		26.380.830		14.266.523	
Total foreign currency assets		117.608.200		67.772.606	

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 30 JUNE 2006

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

NOTE 29 - FOREIGN CURRENCY POSITION (Continued)

	Foreign currency	30 June 2006		31 December 2005	
		Foreign currency amount	YTL	Foreign currency amount	YTL
Liabilities:					
Short-term borrowings	USD	5.086.969	8.153.902	5.030.664	6.750.145
	EUR	7.128.904	14.325.532	8.621.517	13.686.658
		22.479.434		20.436.803	
Trade payables	USD	1.129.356	1.810.245	545.697	732.217
	EUR	318.212	639.448	718.310	1.140.317
	GBP	12.771.034	37.120.287	7.451.111	17.227.713
		39.569.980		19.100.247	
Due to related parties	EUR	231.800	465.803	579.501	919.958
		465.803		919.958	
Advances received	USD	8.580.009	13.752.896	21.900.190	29.385.674
	EUR	16.669	33.497	77.585	123.167
	GBP	5.341	15.523	-	-
		13.801.916		29.508.841	
Provisions	USD	5.010	8.031	-	-
	GBP	90.945	264.341	-	-
		272.372		-	
Derivative financial instruments	EURO	6.000.000	12.057.000	-	-
		12.057.000		-	
Total foreign currency liabilities		88.646.505		69.965.849	
Net foreign currency position		28.961.695		(2.193.243)	

**CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44**

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 30 JUNE 2006

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

NOTE 30 - GOVERNMENT GRANTS

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.

In 2006, the Company earned an incentive amounting to YTL1.090.128, calculated as 40% of the period's research and development expenditures of YTL2.725.321, which will be deducted from the tax base without any withholding tax payment.

The exemption for investment incentive allowance that has been in effect for several years, and with the latest regulation, calculated as 40% of corporate tax payers' capital expenditures exceeding a certain amount, has been abolished with Corporate Income Tax Law No.5479 dated 30 March 2006.

There is no unutilized investment incentive allowance as of 30 June 2006.

NOTE 31 - PROVISIONS, COMMITMENTS AND CONTINGENT LIABILITIES

a) Guarantees given at 30 June 2006 and 31 December 2005 are as follows:

	30 June 2006	31 December 2005
Letters of guarantees	29.659.541	51.068.259

b) Guarantees received as of 30 June 2006 and 31 December 2005 are as follows:

	30 June 2006	31 December 2005
Letters of guarantees	31.993.500	23.906.563
Guarantee notes	8.377.150	5.832.150
Mortgages received	7.113.000	2.563.000
Guarantee cheques	130.000	130.000
	47.613.650	32.431.713

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 30 JUNE 2006

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

NOTE 31 - PROVISIONS, COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

c) Derivative financial instruments:

30 June 2006

Derivative financial instruments	Notional amount	Fair values Liabilities
Forward contracts	12.057.000	(978.761)
Total		(978.761)

At 30 June 2006, the derivative financial instruments include forward contact to convert EUR6.000.000 to YTL with contracted fixed exchange rates.

At 30 June 2006, the maturity detail of derivative financial instruments is as follows:

	Up to 1 month	1-6 months	Total
Forward contracts	2.009.500	10.047.500	12.057.000

At 31 December 2005, the Company did not have any derivative financial instruments.

NOTE 32 - BUSINESS COMBINATIONS

None (2005: None).

NOTE 33 - SEGMENT REPORTING

None (2005: None).

NOTE 34 - SUBSEQUENT EVENTS

No significant events occurred subsequent to the balance sheet date.

NOTE 35 - DISCONTINUED OPERATIONS

None (2005: None).

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 30 JUNE 2006

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

NOTE 36 - OPERATING INCOME

NET SALES

	1 January - 30 June 2006	1 April - 30 June 2006	1 January - 30 June 2005	1 April - 30 June 2005
Domestic sales	72.057.912	43.869.593	72.520.716	45.706.113
Foreign sales	90.154.596	50.555.601	55.515.410	31.767.090
Gross sales	162.212.508	94.425.194	128.036.126	77.473.203
Less: Discounts	(105.891)	(44.132)	(184.231)	(52.977)
Net sales	162.106.617	94.381.062	127.851.895	77.420.226

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

	1 January - 30 June 2006	1 January - 30 June 2005
Minibus	229	207
Midibus	355	220
Land Rover 4X4	352	814
Armoured vehicles 4X4	280	44
Trailer	630	534
	1.846	1.819

COST OF SALES

	1 January - 30 June 2006	1 April - 30 June 2006	1 January - 30 June 2005	1 April - 30 June 2005
Cost of finished goods sold	97.531.501	54.306.541	88.658.930	53.501.715
Cost of trade goods sold	9.890.059	6.000.375	3.190.750	1.841.064
Cost of sales	107.421.560	60.306.916	91.849.680	55.342.779

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 30 JUNE 2006

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

NOTE 37 - OPERATING EXPENSE

	1 January - 30 June 2006	1 April - 30 June 2006	1 January - 30 June 2005	1 April - 30 June 2005
Sales and marketing expenses	20.123.260	12.058.046	17.688.979	9.137.303
General administrative expenses	7.308.075	3.549.358	6.309.731	3.324.123
Research and development expenses	2.849.823	1.629.611	2.957.436	1.347.871
Total operating expenses	30.281.158	17.237.015	26.956.146	13.809.297

NOTE 38 - OTHER INCOME/EXPENSE AND PROFIT/LOSS

	1 January - 30 June 2006	1 April - 30 June 2006	1 January - 30 June 2005	1 April - 30 June 2005
Foreign exchange gain	24.900.909	21.014.673	6.042.931	2.204.440
Due date charges	3.192.977	2.279.517	800.248	190.965
Grants received for research and development projects	343.198	343.198	-	-
Interest income	276.418	63.073	342.994	114.297
Income from sale of tangible assets	46.972	37.566	4.576	4.576
Income from service charges to customers	36.712	-	274.923	146.928
Reversed provisions	-	-	174.507	174.507
Dividend income	-	-	51.424	51.424
Other	488.693	75.518	48.261	(38.053)
Total	29.285.879	23.813.545	7.739.864	2.849.084

	1 January - 30 June 2006	1 April - 30 June 2006	1 January - 30 June 2005	1 April - 30 June 2005
Foreign exchange losses	13.455.433	10.542.761	11.109.310	5.486.474
Fair value loss on derivative instruments	1.080.061	1.080.061	-	-
Provision for unused vacation	754.272	469.879	525.169	525.169
Doubtful provision expense (Note 7)	2.609	2.609	136.301	136.301
Impairment of available-for-sale investments	-	-	83.490	(112.084)
Other	58.942	32.150	95.443	46.583
Total	15.351.317	12.127.460	11.949.713	6.082.443

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 30 JUNE 2006

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

NOTE 39 - FINANCIAL EXPENSE

	1 January - 30 June 2006	1 April - 30 June 2006	1 January - 30 June 2005	1 April - 30 June 2005
Foreign exchange losses/(income)				
arisen on bank loans	4.294.100	4.019.800	(4.680.147)	(3.682.447)
Interest expense	1.239.093	1.007.782	1.153.803	677.193
Total	5.533.193	5.027.582	(3.526.344)	(3.005.254)

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 since 1 January 2005, there is no gain/loss on net monetary position for the period ended 30 June 2006.

NOTE 41 - TAXES ON INCOME

	30 June 2006	31 December 2005
Corporation taxes payable	6.692.047	3.623.158
Less: Prepaid taxes	(3.551.586)	(4.666.232)
Corporation taxes payable/(Prepaid taxes)-net (Note 23)	3.140.461	(1.043.074)

Corporate Income Tax Law has been changed with the law numbered 5520 dated 13 June 2006. The Corporate Income Tax Law numbered 5520 has come into effect starting from 1 January 2006. The corporation tax rate of the fiscal year 2006 is 20% (2005: 30%). Corporation tax is payable at a rate of 20% on the total income of the Company after adjusting for certain disallowable expenses, exempt income (exemption for participation in subsidiaries, exemption for investment incentive allowance and etc.) and allowances (such as research and development expenditure allowances). No other tax liabilities arise other than the event of dividend distribution (except for the 19,8% withholding taxes paid in the event of the utilization of investment incentive allowance within the scope of Income Tax Law 61st temporary clause).

Dividends paid to non-resident corporations, which have a representative office in Turkey and resident corporations are not subject to withholding taxes. Otherwise, dividends paid are subject to withholding tax at a rate of 10%. An increase in capital via issuing bonus shares is not considered as a profit distribution.

Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their corporate income. Advance tax is declared by 10th and 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.

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 30 JUNE 2006

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

NOTE 41 – TAXES ON INCOME (Continued)

In accordance with Tax Law No.5024 “Law Related to Changes in Tax Procedure Law, Income Tax Law and Corporate Tax Law” 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, 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. In accordance with the Law in question, the cumulative inflation rate for the last 36 months and the inflation rate for the last 12 months must exceed 100% and 10% respectively (SIS WPI increase rate). The Company has not applied restatement for inflation in its statutory financial statements as of 30 June 2006 in accordance with Tax Procedure Law since the due requirements for restatement for inflation have not been materialised.

In Turkey, there is no procedure for final and definitive agreement on tax assessment. Companies file their tax returns within the 25th of the fourth month following the close of the financial year to which they relate.

In tax reviews, authorized bodies can review the accounting records for the past five years and if errors are detected, tax amounts may change due to tax assessment.

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

There are numerous exemptions in the Corporate Tax Law concerning the corporations.

Exemption for gain on participation in domestic subsidiaries

Dividends obtained from Turkish resident corporations and dividends received by founders’ shares and bonus shares (dividends from investment fund participation certificates are excluded), and investment partnership shares are exempt from corporate tax.

Exemption for gain on sale of investment equity and real property

75% portion of the gains arisen on the sale of preferential rights, usufruct shares and founding shares from investment equity and real property which has remained in assets for more than two full years are exempt from corporate tax. To be entitled to the exemption, the relevant gain is required to be held in a fund account in shareholder’s equity and must not be withdrawn for a period of 5 years. The sales proceeds should be collected within 2 years after the date of sale.

Exemption for investment incentive allowance

The exemption for investment incentive allowance that has been applied for several years and latest calculated as 40% of corporate tax payers’ capital expenditures exceeding a certain amount, has been abolished with Corporate Income Tax Law No.5479 dated 30 March 2006. On the other hand, according to the law and the temporary clause number 69 added to Income Tax Law,

- unused investment incentive allowance related to the ongoing projects at 31 December 2005,

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 30 JUNE 2006

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

NOTE 41 – TAXES ON INCOME (Continued)

- investment started after 1 January 2006, within the scope of investment incentive share certificates granted prior to 24 April 2003 in accordance with the appendices 1,2,3,4,5, and 6 of Income Tax Law numbered 193 prior to the change with the law numbered 4842 dated 9 April 2003,

- investment allowances being granted before 1 January 2006, which presents an economic and technical integrity with the investments, in accordance with the Income Tax Law numbered 193 abolished article No.19 of Corporate Income Tax Law numbered 193

can be utilised for the income generated in the years 2006, 2007 and 2008 in accordance with the articles valid on 31 December 2005 (including the corporate tax rate in accordance with Corporation Tax Law numbered 5422 and the related articles of Income Tax Law).

Once one of the above alternatives has been chosen, the application cannot be changed. Corporations that choose to utilise this right will be subject to the previous legislation's tax rates.

In addition to exemptions explained above, tax deductions specified in Corporation Tax Law articles 14, and Income Tax Law article 40, are also considered in the assessment of the corporation tax base.

The taxation on income for the periods ended 30 June 2006 and 2005 are summarised as follows:

	2006	2005
Total taxation on income		
- Current year corporation tax	6.692.047	3.437.583
- Deferred tax income	(451.712)	(998.111)
Total taxation on income	6.240.335	2.439.472

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 30 JUNE 2006

(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	32.805.268
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	944.347
Provision for employee termination benefits	(478.198)
Derivative financial instruments	978.761
Rediscount income – net	(3.044.707)
Provision of unused vacation rights	754.272
Adjustment on sales	(287.788)
Other	430.749
Total effect of adjustments	(702.564)
Statutory income before tax	32.102.704
Disallowable expenses	2.458.731
Deductions	(11.069)
Research and development incentive utilised during the period	(1.090.128)
Corporate tax base	33.460.238
Current period corporation tax (20%):	6.692.047

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.

	30 June 2006	30 June 2005
Net profit for the period (YTL)	26.564.933	5.923.092
Weighted average number of shares	24.000.000.000	24.000.000.000
Earnings per share (YKr)	0,111	0,025

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 30 JUNE 2006

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

NOTE 43 - STATEMENTS OF CASH FLOWS

	Notes	30 June 2006	30 June 2005
Cash flows from operating activities			
Net income		26.564.933	5.923.092
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortisation	19, 20	3.068.356	3.437.852
Provision for employment termination benefits	23	610.509	712.966
Decrease in deferred tax liabilities	14	(451.712)	(998.111)
Gain from tangible assets sales	38	(46.972)	(4.576)
Provision for income taxes	41	6.692.047	3.437.583
Provision for doubtful receivables	7	2.609	136.301
Loss from valuation of derivative financial instruments	31	1.080.061	-
Interest expense - net	38, 39	962.675	810.809
Deferred financial expense - net		(876.884)	(479.912)
Impairment of available-for-sales investments	16	-	83.490
Foreign currency loss / (gain) on borrowings	39	4.294.100	(4.680.147)
Net cash provided by operating activities before changes in operating assets and liabilities:		41.899.722	8.379.347
(Increase) / decrease in trade receivables	7	(36.004.043)	13.714.705
(Increase) / decrease in balances with related parties	9	(254.894)	1.379.764
Increase in inventories	12	(31.621.356)	(11.118.645)
Increase in other current assets	10, 15	(3.411.878)	(5.118.356)
Increase / (decrease) in trade payables	7	22.254.963	(5.637.752)
Increase in warranty provision	23	36.712	169.138
(Decrease) / increase in other current liabilities	15	(9.217.579)	3.267.485
Increase in the provision of unused vacation rights	23	754.272	525.169
Taxes paid	41	(3.551.586)	(10.723.204)
Employment termination benefit payments	23	(532.933)	(406.133)
Recovered doubtful receivables	7	-	174.508
Net cash used in operating activities		(19.648.600)	(5.393.974)
Investing activities:			
Purchase of property, plant and equipment	19	(978.663)	(967.253)
Purchase of intangible assets	19	(29.893)	(6.626)
Proceeds from sale of tangible asset		55.513	6.157
Interest received		283.832	342.994
Net cash used in investing activities		(669.211)	(624.728)
Financing activities:			
Increase in revolving credits	6	33.995.876	8.922.365
Increase in term borrowings		7.570.200	34.297.943
Repayment of borrowings		(16.486.050)	(25.197.800)
Interest paid		(1.054.775)	(941.887)
Dividends paid		(9.600.000)	(14.400.000)
Paid valuation losses of derivative financial instruments		(101.300)	-
Net cash provided by financing activities		14.323.951	2.680.621
Net decrease in cash and cash equivalents		(5.993.860)	(3.338.081)
Cash and cash equivalents at the beginning of the period		8.871.161	4.900.810
Cash and cash equivalents at the end of the period		2.877.301	1.562.729

**CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44**

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO FINANCIAL STATEMENTS AT 30 JUNE 2006

(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.

.....