

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
FINANCIAL STATEMENTS
FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2007
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**

**INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE SIX-MONTH INTERIM PERIOD ENDED 30 JUNE 2007**

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

Introduction

1. We have reviewed the accompanying balance sheet of Otokar Otobüs Karoseri Sanayi A.Ş. ("the Company") as of 30 June 2007 and the related statement of income, the statement of changes in equity and the statement of cash flows for the six-month period then ended and the summary of significant accounting policies and other explanatory notes. The Company management is responsible for the preparation and fair presentation of these interim financial statements in accordance with the financial reporting standards issued by the Capital Markets Board. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of review

2. We conducted our review in accordance with the principles and standards on the review of interim financial statements as set out in Section 34 of the Communiqué No: X-22 on the auditing standards issued by the Capital Markets Board. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the auditing standards issued by the Capital Markets Board and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

3. Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements do not present fairly, in all material respects, the financial position of Otokar Otobüs Karoseri Sanayi A.Ş. as of 30 June 2007, and its financial performance and its cash flows for the six-month period then ended in accordance with the financial reporting standards issued by the Capital Markets Board (Note 2).

Emphasis of Matter

Without further qualifying our conclusion, we would like to draw your attention to the following matter:

4. As of 30 June 2007, the financial reporting standards issued by the Capital Market Board differ from International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board with respect to the application of inflation accounting and presentation of the basic financial statements and the notes to them, as described in detail in Note 2 to the accompanying interim financial statements. Accordingly, the accompanying interim financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

Başaran Nas Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A. Ş.
a member of
PricewaterhouseCoopers

Mert Tüten, SMMM
Partner

Istanbul, 2 August 2007

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

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

FINANCIAL STATEMENTS AT 30 JUNE 2007

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

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

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

BALANCE SHEETS AT 30 JUNE 2007 AND 31 DECEMBER 2006

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

	Notes	Reviewed 30 June 2007	31 December 2006
ASSETS			
Current Assets			
Cash and Cash Equivalents	4	3.785.313	637.141
Marketable Securities (net)	5	-	-
Trade Receivables (net)	7	75.126.603	75.701.705
Leasing Receivables (net)	8	-	-
Due From Related Parties (net)	9	12.549.392	584.927
Other Receivables (net)	10	183.192	596.761
Biological Assets (net)	11	-	-
Inventories (net)	12	113.078.343	91.905.121
Construction Contract Receivables (net)	13	-	-
Deferred Tax Assets	14	-	-
Other Current Assets	15	11.681.044	11.679.078
Total Current Assets		216.403.887	181.104.733
Non-current Assets			
Trade Receivables (net)	7	42.074.714	34.603.642
Leasing Receivables (net)	8	-	-
Due From Related Parties (net)	9	-	-
Other Receivables (net)	10	-	-
Financial Assets (net)	16	1.542.712	1.542.712
Goodwill/Negative Goodwill (net)	17	-	-
Investment Property (net)	18	-	-
Property, Plant and Equipment (net)	19	39.836.215	40.129.471
Intangible Assets (net)	20	528.250	611.953
Deferred Tax Assets	14	765.880	-
Other Non-Current Assets	15	-	-
Total Non-Current Assets		84.747.771	76.887.778
TOTAL ASSETS		301.151.658	257.992.511

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.

BALANCE SHEETS AT 30 JUNE 2007 AND 31 DECEMBER 2006

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

	Notes	Reviewed 30 June 2007	31 December 2006
LIABILITIES			
Current Liabilities			
Financial Liabilities (net)	6	33.227.792	46.310.292
Short-Term Portion of Long-Term Financial Liabilities	6	-	-
Leasing Liabilities (net)	8	-	-
Other Financial Liabilities (net)	10	-	-
Trade Payables (net)	7	59.352.735	55.597.235
Due to Related Parties (net)	9	1.858.700	2.056.662
Advances Received	21	74.001.195	3.627.854
Construction Contracts Progress Payments (net)	13	-	-
Provisions	23	10.075.172	1.532.458
Deferred Tax Liability	14	-	-
Other Liabilities (net)	15	10.239.188	7.125.794
Total Current Liabilities		188.754.782	116.250.295
Non-Current Liabilities			
Financial Liabilities (net)	6	-	-
Leasing Liabilities (net)	8	-	-
Other Financial Liabilities (net)	10	-	-
Trade Payables (net)	7	-	-
Due to Related Parties (net)	9	-	-
Advances Received	21	-	-
Provisions	23	5.865.099	5.802.558
Deferred Tax Liability	14	-	1.006.475
Other Liabilities (net)	15	-	-
Total Non-Current Liabilities		5.865.099	6.809.033
Minority Interest	24	-	-
Equity			
Share Capital	25	24.000.000	24.000.000
Treasury Shares	25	-	-
Capital Reserves	26	64.591.476	64.591.476
Share Premiums		-	-
Share Cancellation Profit		-	-
Revaluation Fund		-	-
Financial Assets Fair Value Reserve		898.363	898.363
Inflation Adjustment to Shareholders Equity		63.693.113	63.693.113
Profit Reserves	27	16.341.707	5.993.716
Legal Reserves		8.504.570	4.544.498
Statutory Reserves		-	-
Extraordinary Reserves		7.837.137	1.449.218
Special Reserves		-	-
Investment and Property Sales Gains to be Added To Capital		-	-
Translation Reserve		-	-
Net Income for the Period		1.598.594	41.412.509
Accumulated Deficit (-)	28	-	(1.064.518)
Total Equity		106.531.777	134.933.183
Total Equity and Liabilities		301.151.658	257.992.511
Commitments and Contingent Liabilities	31		

Financial statements as at and for the year ended 30 June 2007 were approved by the Board of Directors on 2 August 2007.

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 SIX-MONTH PERIODS ENDED 30 JUNE 2007 AND 2006

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

	Notes	Reviewed 1 January 2007 - 30 June 2007	Not reviewed 1 April 2007 - 30 June 2007	Reviewed 1 January 2006 - 30 June 2006	Not reviewed 1 April 2006 - 30 June 2006
Revenue from Primary Operations					
Sales (net)	36	149.868.226	82.323.252	162.106.617	94.381.062
Cost of Sales (net)	36 (60.306.916)	(112.601.702)	(62.336.775)	(107.421.560)	
Service Sales (net)		-	-	-	-
Other Income (Interest, Dividend, Rent) from Primary Operations (net)		-	-	-	-
Gross Profit from Primary Operations		37.266.524	19.986.477	54.685.057	34.074.146
Operating Expense (net)	37 (17.237.015)	(34.268.469)	(19.946.708)	(30.281.158)	
Income from Primary Operations		2.998.055	39.769	24.403.899	16.837.131
Other Operating Income	38	6.711.159	4.312.531	29.285.879	23.813.545
Other Operating Expense (-)	38 (12.127.460)	(6.358.951)	(3.896.307)	(15.351.317)	
Financial Expense (-)	39 (5.027.582)	(1.888.095)	(350.704)	(5.533.193)	
Operating Income		1.462.168	105.289	32.805.268	23.495.634
Monetary Loss	40	-	-	-	-
Minority Interest		-	-	-	-
Income Before Tax		1.462.168	105.289	32.805.268	23.495.634
Taxation on income	41 (3.325.428)	136.426	(47.394)	(6.240.335)	

**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 SIX-MONTH PERIODS ENDED 30 JUNE 2007 AND 2006

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

Net Income for the Year		1.598.594	57.895	26.564.933	20.170.206
Profit per Share (YKr)	42	0,007	0,001	0,111	0,084

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 CHANGES IN EQUITY FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2007 AND 2006

(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 period	Total Shareholders' Equity
Balances at 1 January 2006	24.000.000	63.693.113	3.208.566	4.379.445	1.370.840	(2.414.297)	9.355.484	103.593.151
Transfer	-	-	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	1.370.840	(1.064.518)	26.564.933	120.558.084
Balances at 1 January 2007	24.000.000	63.693.113	4.544.498	1.449.218	898.363	(1.064.518)	41.412.509	134.933.183
Transfer	-	-	3.960.072	6.387.919	-	31.064.518	(41.412.509)	-
Dividends paid	-	-	-	-	-	(30.000.000)	-	(30.000.000)
Net income for the period	-	-	-	-	-	-	1.598.594	1.598.594
Balances at 30 June 2007	24.000.000	63.693.113	8.504.570	7.837.137	898.363	-	1.598.594	106.531.777

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 CASH FLOWS FOR THE SIX-MONTH PERIOD ENDED
30 JUNE 2007 AND 2006**

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

	Notes	Reviewed 30 June 2007	Reviewed 30 June 2006
Cash flows from operating activities			
Net income for the period		1.598.594	26.564.933
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortisation	19, 20	1.966.284	3.068.356
Provision for employment termination benefits	23	413.860	610.509
Decrease in deferred tax liabilities	14	(1.772.355)	(451.712)
Gain from tangible assets sales	38	(13.606)	(46.972)
Provision for income taxes	41	1.635.929	6.692.047
Provision for doubtful receivables	7	327.314	2.609
Loss from valuation of derivative financial instruments		-	1.080.061
Interest expense - net	38, 39	3.188.823	962.675
Deferred financial expense/(income) - net		530.310	(876.884)
Foreign currency (gain)/loss on borrowings	39	(1.443.800)	4.294.100
Net cash provided by operating activities before changes in operating assets and liabilities:		6.431.353	41.899.722
Increase in trade receivables		(2.199.786)	(36.004.043)
Increase in balances with related parties		(11.941.009)	(254.894)
Increase in inventories		(21.173.222)	(31.621.356)
Increase in other current assets		411.603	(3.411.878)
Increase in trade payables		3.911.820	22.254.963
Increase in warranty provision	23	626.361	36.712
Increase/(decrease) in other current liabilities		74.048.219	(9.217.579)
Increase in the provision of unused vacation rights		165.282	754.272
Taxes paid		(191.450)	(3.551.586)
Employment termination benefit payments	23	(516.601)	(532.933)
Recovered doubtful receivables	7	1.194	-
Net cash provided by/(used in) operating activities		49.573.764	(19.648.600)
Investing activities:			
Purchase of property, plant and equipment	19	(1.575.136)	(978.663)
Purchase of intangible assets	20	(41.505)	(29.893)
Proceeds from sale of tangible asset		18.571	55.513
Interest received		143.072	283.832
Net cash used in investing activities		(1.454.998)	(669.211)
Financing activities:			
Decrease/(increase) in revolving credits		(27.800.000)	33.995.876
Increase in term borrowings		23.760.700	7.570.200
Repayment of borrowings		(7.724.700)	(16.486.050)
Interest paid		(3.206.594)	(1.054.775)
Dividends paid		(30.000.000)	(9.600.000)
Ödenen vadeli döviz işlemleri zararı		-	(101.300)
Net cash (used in)/provided by financing activities		(44.970.594)	14.323.951
Net increase/(decrease) in cash and cash equivalents		3.148.172	(5.993.860)
Cash and cash equivalents at the beginning of the period		637.141	8.871.161
Cash and cash equivalents at the end of the period		3.785.313	2.877.301

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.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH
PERIOD ENDED 30 JUNE 2007**

(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 the 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 997 (31 December 2006: 958).

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 2007, the shares quoted on the ISE are 29,91% of the total shares. At 30 June 2007, the principal shareholders and their respective shareholdings in the Company are as follows (Note 25):

	%
Koç Holding A.Ş.	44,68
Ünver Holding A.Ş.	24,81
Other	30,51
	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 financial reporting standards issued by the Capital Markets Board (“CMB”), namely “CMB Financial Reporting 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 Financial Reporting Standards.

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

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH
PERIOD ENDED 30 JUNE 2007**

(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 Financial Reporting 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 Company maintains its books of account and prepares its statutory financial statements (“Statutory Financial Statements”) in New Turkish Lira in accordance with the requirements of the Turkish Commercial Code (the “TCC”), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance. 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. These financial statements are based on the statutory records, with adjustments and reclassifications for the purpose of fair presentation in accordance with CMB Financial Reporting Standards.

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”). The Company has ended to apply inflation accounting in its financial statements based on the announcement stated above.

2.3 Consolidation

The Company has no financial assets to consolidate.

2.4 Comparative and restatement of prior periods’ financial statements

When necessary, comparative financial statements have been reclassified in order to ensure consistency with current period 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 2007 has been presented with the comparative financial information at 31 December 2006 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 2007 have been presented with the comparative financial information for the six-month period ended 30 June 2006.

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 recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

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

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH
PERIOD ENDED 30 JUNE 2007**

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

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, highly liquid investments with maturity periods of less than three months and customer cheques with maturities less than three days (Note 4).

3.2 Trade receivables and provision for doubtful receivables

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

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

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH
PERIOD ENDED 30 JUNE 2007**

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 unrealized gains and losses arising from changes in the fair value of available-for-sale securities are recognized in shareholders' equity.

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:

Land improvements	30 years
Buildings	30 years
Machinery and equipment	4-15 years
Vehicles	9 years
Furniture and Fixtures	5-13 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 calculated as the discounted value of the estimated future cash flows the entity expects to receive from the asset. Gains or losses on disposals of property, plant and equipment are included in other income and expense accounts, as appropriate (Note 19).

When there is objective evidence that an available-for-sale security is impaired, the cumulative loss measured as the difference between the acquisition and the current fair value is removed from equity and recognised in the statement of income.

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

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH
PERIOD ENDED 30 JUNE 2007**

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Intangible assets

Intangible assets comprise acquired intellectual property and computer software (Note 20). They are recorded at acquisition cost and amortized 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 recognized as an expense as incurred. Costs incurred on development projects relating to the design and testing of new or improved products are recognized as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility, and only if the cost can be measured reliably. Other development expenditures are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

3.9 Borrowings

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

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

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 Labor Law (Note 23).

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

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH
PERIOD ENDED 30 JUNE 2007**

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 Foreign currency transactions and translation

Transactions in foreign currencies during the period are translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are 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 are included in the statement of income.

3.13 Revenue recognition

Revenue recognition involves the invoiced value of the goods and service sales. Revenues are recognized 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 realized, 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. Net sales represent the invoiced value of goods shipped less sales returns and commission and excluding sales taxes.

Interest income is recognized on a time proportion basis that takes into account the effective yield on the asset. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognized on an accrual basis as financial income. Dividend income from subsidiaries is recognized when the Company’s right to receive dividend is established.

3.14 Provisions

Provisions are recognized 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 (Note 31).

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

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH
PERIOD ENDED 30 JUNE 2007**

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.16 Share Capital and Dividends

Ordinary shares are classified under Share Capital. Dividend distribution on ordinary shares is recognized as an appropriation of profit in the period in which they are declared (Note 25).

3.17 Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease (Note 8).

3.18 Warranty expenses

Warranty expenses are recorded as a result of repair and maintenance expenses for products produced and sold, authorized services’ labor and material costs for products under the scope of the warranty terms without any charge to the customers, initial maintenance costs and estimated costs based on statistical information for possible future warranty services and returns of products with respect to the products sold during the period (Note 23).

3.19 Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method (Note 7).

3.20 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. These risks are market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Company’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company.

Interest rate risk

As the Group has no significant interest-bearing assets, the Group’s income and operating cash flows are not substantially prone to changes in market interest rates.

The company’s interest rate risk arises from short-term borrowings. Borrowings that the Company has received are fixed rated borrowings and the borrowings that the Company will issue will be affected from future interest rates.

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the Availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions.

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

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

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH
PERIOD ENDED 30 JUNE 2007**

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company has no long-term financial liability as of 30 June 2007 (31 December 2006: None). As of 30 June 2007, the Company’s long-term financial assets are composed of trade receivables, which amounts to YTL42.074.714 (31 December 2006: YTL34.603.642).

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 (excluding related parties) and by receiving guarantees from customers when considered necessary. Credit risk of the Company mainly arises from trade receivables. The Company manages this risk that may arise from its dealers by restricting the credit limits determined for the dealers according the amount of guarantees received, by receiving advance payments or by receiving the pledge of ownership of the vehicles sold to the dealers. Credit limits are regularly monitored by the Company and the customers’ credit quality are constantly evaluated by considering the customer’s financial position, past experiences and other factors. All foreign sales are made after receiving confirmed letter of credit. Trade receivables are evaluated by management depending on their past experiences and current economic condition, and are presented in financial statements net of provision for doubtful receivables (Note 7).

Foreign currency risk

The Company is exposed to the foreign exchange risk through the rate changes at the translation of foreign currency denominated liabilities to local currency. These risks are monitored and limited by analyzing the foreign currency position. Currency risk is followed up and limited by analyzing foreign currency position. The Company follows a policy of diversifying its foreign currency position in order to manage the foreign currency risk that may arise due to future operations and recognized assets and liabilities.

The Company’s net assets are exposed to foreign exchange risk arising from export sales and other sales made in foreign currencies. The Company monitors its foreign exchange position to reduce currency risk. Currency exposure arising from the Company’s assets in foreign currencies are managed primarily by borrowings and trade payables denominated in the relevant foreign currencies (Note 29).

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.

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

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH
PERIOD ENDED 30 JUNE 2007**

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Capital risk management

The Company’s objectives when managing capital are to safeguard the Company’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with other companies the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including borrowings and trade and other payables, as shown in balance sheet) less cash and cash equivalents. Total capital is calculated as equity, as shown in the balance sheet, plus net debt.

	30 June 2007	31 December 2006
Total debt (*)	178.679.610	114.717.837
<u>Less: cash and cash equivalents (Note 4)</u>	<u>3.785.313</u>	<u>637.141</u>
<u>Net debt</u>	<u>174.894.297</u>	<u>114.080.696</u>
<u>Total equity</u>	<u>106.531.777</u>	<u>134.933.183</u>
<u>Total capital</u>	<u>281.426.074</u>	<u>249.013.875</u>
Gearing ratio	%62	%46

(*) At 30 June 2007, total debt includes YTL 74.001.195 of advances received for sales orders. Had this amount been deducted from total debt, calculated gearing ratio would be 49% as of 30 June 2007.

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

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH
PERIOD ENDED 30 JUNE 2007**

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.21 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 is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares (Note 42).

3.22 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 under reverse repurchase agreements with predetermined sale prices at fixed future dates of less than three months.

3.23 Impairment of assets

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

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

When recoverable amount of an asset (or a cash generating unit) is lower than its carrying value, the asset’s carrying value is reduced to its recoverable amount. An impairment loss is recognised immediately in income statement, however if such asset is revalued, the related impairment loss is reduced from the revaluation fund.

An impairment loss recognised in prior periods for an asset is reversed if the subsequent increase in the asset’s recoverable amount is caused by a specific event since the last impairment loss was recognised. Such a reversal amount cannot be higher than the previously recognised impairment and is recognized as income in the financial statements, however when related asset is revalued, reversed impairment loss is added to revaluation fund.

3.24 Changes in accounting polices, accounting estimates and errors

Significant changes in accounting policies and determined significant accounting errors are applied retrospectively and prior period financial statements are restated. If changes in accounting estimates are related to only one period, they are recognised in the period when changes are applied; if changes in estimates are related to future periods, they are recognised both in the period where the change is applied and future periods prospectively.

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

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH
PERIOD ENDED 30 JUNE 2007**

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

NOTE 4 - CASH AND CASH EQUIVALENTS

	30 June 2007	31 December 2006
Banks		
- demand deposits	687.733	239.951
- time deposits	1.605.803	-
Cheques received	1.469.480	370.109
Other	22.297	27.081
	3.785.313	637.141

Cheques received balance consist of cheques given to banks for collection and have maturities between 1 to 3 days. Demand deposit balance as of 30 June 2007 is in US Dollar currency and have maturity less than 1 week with an interest rate of 5%. The Company has blocked bank deposits amounting to YTL1.145 at 30 June 2007 (31 December 2006: YTL1.145).

NOTE 5 - MARKETABLE SECURITIES

None (2006: None).

NOTE 6 - FINANCIAL LIABILITIES

	30 June 2007	
	Interest rate (%)	Amount in original currency YTL
Short-term borrowings		
USD borrowings	5,82-5,99	17.185.868 22.420.684
EUR borrowings	4,73-4,84	6.145.640 10.807.108
Total		33.227.792

	31 December 2006	
	Interest rate (%)	Amount in original currency YTL
Short-term borrowings		
USD borrowings	5,28 - 5,99	5.126.446 7.205.732
EUR borrowings	3,39 - 4,84	6.081.148 11.259.246
YTL borrowings	13,50 - 27,00	27.845.314 27.845.314
Total		46.310.292

The Company has not provided any guarantees for the borrowings received (2006: None).

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

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

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH
PERIOD ENDED 30 JUNE 2007**

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

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

TRADE RECEIVABLES

	30 June 2007	31 December 2006
Trade receivables	41.828.118	23.112.394
Notes receivables	40.507.041	59.708.652
Deposits and guarantees given	576	256
	82.335.735	82.821.302
Less: Provision for doubtful receivables	(6.919.589)	(6.593.469)
Less: Unearned financial income	(289.543)	(526.128)
Short-term trade receivables-(net)	75.126.603	75.701.705
Notes receivables	43.283.251	36.461.480
Deposits and guarantees given	5.445	5.256
Less: Unearned financial income	(1.213.982)	(1.863.094)
Long-term trade receivables-(net)	42.074.714	34.603.642

Guarantees received for trade receivables

The Company’s trade receivables are mainly composed of sales to minibus and midibus dealers, trailer sales and sales of defense vehicles. At 30 June 2007, total amount of receivables from dealers, for which there is no necessity for allowance for doubtful receivables and whose ownership has not been pledged is YTL24.042.832 (2006: YTL28.075.139). This receivable amount is guaranteed with collaterals and mortgages received that amounts to YTL45.749.735 (2006: YTL45.718.590). All of the export sales is made with confirmed letters of credit.

Aging analysis for trade receivables:

As of 30 June 2007, trade receivables of YTL10.722.947 (2006: YTL9.046.458) have not been collected at their due dates. The provision amount for these receivables is YTL6.919.589 (2006: YTL6.593.469). The Company does not estimate a collection risk for the remainder of the past due receivables due to the collaterals obtained for these receivables.

Aging of past due receivables as of 30 June 2007 is as follows:

	30 June 2007	31 December 2006
0-3 months	1.208.157	608.079
3-6 months	738.751	577.232
More than 6 months	8.776.039	7.861.147
	10.722.947	9.046.458

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

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH
PERIOD ENDED 30 JUNE 2007**

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

NOTE 7 - TRADE RECEIVABLES AND PAYABLES (Continued)

Movement of the provision for doubtful receivables for the six-month period ended 30 June 2007 and 2006 are as follows:

	2007	2006
1 January	6.593.469	6.484.135
Recoveries	(1.194)	-
Provision for the period (Note 38)	327.314	2.609
30 June	6.919.589	6.486.744

TRADE PAYABLES

	30 June 2007	31 December 2006
Trade payables	60.209.748	56.325.496
Note payables	56.250	51.034
	60.265.998	56.376.530
Less: Unrealized credit finance charges	(913.263)	(779.295)
Short-term trade payables - (net)	59.352.735	55.597.235

NOTE 8 - LEASING RECEIVABLES AND PAYABLES

The Company rents the office in Küçükyalı / İstanbul through operational lease agreements made with Koç Holding A.Ş., which is a related party. The sum of the minimum lease payment liabilities of the Company due to the operational lease agreement is as follows:

	YTL
Less than a year	86.316

Total rent expense accrued related to the rent contract amounts to YTL86.316 (30 June 2006: YTL78.720) for the six-month period ended 30 June 2007.

The Company also rents vehicles assigned to top management and sales employees with an operational lease from another related party, Otokoç Otomotiv Tic. ve San. A.Ş.. The sum of the minimum lease payment liabilities of the Company due to the above mentioned operational lease agreements are as follows:

	YTL
Less than a year	58.392

Total rent expense accrued related to the contract amounts to YTL58.392 (30 June 2006: YTL 43.194) for the year ended 30 June 2007.

The Company does not have any receivable or payable balance related to the operational leases (2006: None).

The Company does not have any financial lease agreement as of 30 June 2007 (2006: None).

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

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH
PERIOD ENDED 30 JUNE 2007**

(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 and transactions with related parties during the interim period are given below:

i) Balances with the related parties at 30 June 2007 and 2006:

<u>Bank balances:</u>	30 June 2007	31 December 2006
Yapı ve Kredi Bankası A.Ş. - Demand deposits	494.734	121.721
	494.734	121.721
<u>Due from related parties:</u>	30 June 2007	31 December 2006
Ram Dış Ticaret A.Ş.	12.194.602	325.244
Koç Statoil Gaz A.Ş.	539.508	-
Otokoç A.Ş.	-	161.424
Döktaş Ticaret ve San. A.Ş.	-	72.194
Beldeyama Motorlu Vasıtalar San. A.Ş.	-	16.048
Other	67.047	19.664
	12.801.157	594.574
Less: Unearned financial income	(251.765)	(9.647)
Total	12.549.392	584.927

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

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH
PERIOD ENDED 30 JUNE 2007**

(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 2007	31 December 2006
Koç Holding A.Ş.	320.960	46.128
Ram Dış Ticaret A.Ş.	311.288	313.719
Zer Merkezi Hizmetler ve Tic. A.Ş.	277.721	188.960
Setur Servis Turistik A.Ş.	217.053	177.256
Palmira Turizm Ticaret A.Ş.	205.232	255.588
Akpa Day. Tük. LPG ve Akaryakıt Ür. Paz. A.Ş.	120.941	-
Ram Sigorta Aracılık Hizmetleri A.Ş.	106.536	96.635
Birleşik Oksijen Sanayi Gazlar A.Ş.	81.831	76.722
Birmot Birleşik Motor San. ve Tic. A.Ş.	62.865	231.810
Otomotiv Lastikleri Tevzi A.Ş.	53.566	-
Beldeyama Motorlu Vasıtalar Sanayi ve Ticaret A.Ş.	43.640	-
Otokoç Otomotiv Tic. ve San. A.Ş.	23.507	80.203
Koç Sistem A.Ş.	2.082	327.790
Other	55.689	306.762
	1.882.911	2.101.573
Less: Unearned financial expense	(24.211)	(44.911)
Total	1.858.700	2.056.662

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

Product and service sales:

	1 January - 30 June 2007	1 April - 30 June 2007	1 January - 30 June 2006	1 April - 30 June 2006
Ram Dış Ticaret A.Ş.	36.509.285	26.309.072	9.299.835	8.263.462
Koç Statoil Gaz A.Ş.	707.190	707.190	-	-
Aygaz A.Ş.	118.392	64.087	62.497	-
Ford Otomotiv Sanayi A.Ş.	53.074	6.313	478.194	119.218
RMK Gemi Yapım Sanayi A.Ş.	27.459	6.988	40.987	16.812
Koç Finansal Kiralama A.Ş.	-	-	4.144.296	3.589.973
Döktaş Ticaret ve San. A.Ş.	-	-	152.900	67.704
Otokoç Otomotiv Tic. ve San. A.Ş.	-	-	68.400	28.044
Other	11.011	-	72.165	29.494
Total	37.426.411	27.093.650	14.319.274	12.114.707

Purchases of property plant and equipment:

	1 January - 30 June 2007	1 April - 30 June 2007	1 January - 30 June 2006	1 April - 30 June 2006
Koç Sistem A.Ş.	146.084	69.305	94.879	51.485
Otokoç Otomotiv Tic. ve San. A.Ş.	-	-	139.872	139.872
Other	2.728	-	9.148	848
Total	148.812	69.305	243.899	192.205

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

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH
PERIOD ENDED 30 JUNE 2007**

(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 2007	1 April - 30 June 2007	1 January - 30 June 2006	1 April - 30 June 2006
Ram Dış Ticaret A.Ş.	1.953.437	1.004.843	1.389.297	542.969
Zer Merkezi Hizmetler ve Tic. A.Ş.	807.390	491.413	794.181	478.034
Birleşik Oksijen Sanayi Gazlar A.Ş.	304.157	158.229	280.444	118.468
Akpa Day. Tük. LPG ve Akaryakıt Ür. Paz. A.Ş.	264.001	186.295	61.678	36.388
Otomotiv Lastikleri Tevzi A.Ş.	123.601	56.382	74.635	55.103
Opet Petrolcülük A.Ş.	106.992	58.149	114.332	38.098
Koçtaş Yapı Marketleri San. ve Tic. A.Ş.	65.725	35.120	365.217	217.556
Sanal Merkez Ticaret A.Ş.	18.389	6.291	47.733	28.215
Kofisa S.A.	-	-	979.111	242.843
Other	88	88	22.025	13.175
Total	3.643.780	1.996.810	4.128.653	1.770.849

Services received:

	1 January - 30 June 2007	1 April - 30 June 2007	1 January - 30 June 2006	1 April - 30 June 2006
Ram Dış Ticaret A.Ş.	5.495.375	730.243	2.194.211	2.153.036
Koç Holding A.Ş.	635.702	300.899	701.414	414.512
Palmira Turizm Ticaret A.Ş.	595.246	328.832	530.349	252.051
Setur Servis Turistik A.Ş.	436.269	262.355	243.937	135.251
Koç Sistem A.Ş.	85.590	35.855	100.515	73.397
Ram Sigorta Aracılık Hizmetleri A.Ş.	639.746	108.345	560.973	88.109
Koçnet Haberleşme Teknoloji ve İletişim Hizmetleri A.Ş.	85.161	42.010	60.132	34.391
Otokoç Otomotiv Tic. ve San. A.Ş.	59.499	31.110	29.010	6.452
Otoyol Sanayi A.Ş.	53.565	4.240	15.336	4.265
Birmot Birleşik Motor San. ve Tic. A.Ş.	37.296	19.716	29.616	21.894
Entek Elektrik Üretimi A.Ş.	-	-	718.297	318.767
Other	67.776	43.783	36.708	10.853
Total	8.191.225	1.907.388	5.220.498	3.512.978

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

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH
PERIOD ENDED 30 JUNE 2007**

(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 periods ended 30 June:

Interest income:

	1 January - 30 June 2007	1 April - 30 June 2007	1 January - 30 June 2006	1 April - 30 June 2006
Yapı ve Kredi Bankası A.Ş.	-	-	161.940	3.070
Total	-	-	161.940	3.070

Foreign exchange income:

	1 January - 30 June 2007	1 April - 30 June 2007	1 January - 30 June 2006	1 April - 30 June 2006
Yapı ve Kredi Bankası A.Ş.	79.740	4.585	360.871	104.259
Ram Dış Ticaret A.Ş.	31.328	10.201	5.394	146.975
Kofisa S.A.	-	-	14.511	-
Total	111.068	14.786	380.776	251.234

Interest expenses:

	1 January - 30 June 2007	1 April - 30 June 2007	1 January - 30 June 2006	1 April - 30 June 2006
Yapı ve Kredi Bankası A.Ş.	695	317	88.551	35.362
Total	695	317	88.551	35.362

Foreign exchange losses:

	1 January - 30 June 2007	1 April - 30 June 2007	1 January - 30 June 2006	1 April - 30 June 2006
Yapı ve Kredi Bankası A.Ş.	45.375	39.496	751.087	633.584
Ram Dış Ticaret A.Ş.	4.044	3.462	61.528	42.734
Kofisa S.A.	-	-	154.622	128.707
Total	49.419	42.958	967.237	805.025

Benefits provided to executive management amount to YTL 1.001.670 (2006: YTL 1.236.535).

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

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH
PERIOD ENDED 30 JUNE 2007**

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

NOTE 10 - OTHER RECEIVABLES AND PAYABLES

Short-term Other Receivables

	30 June 2007	31 December 2006
Receivables from personnel	124.970	689
Prepaid corporation tax (Note 41)	-	580.036
Other receivables	58.222	16.036
Total	183.192	596.761

NOTE 11 - BIOLOGICAL ASSETS

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

NOTE 12 - INVENTORIES

	30 June 2007	31 December 2006
Raw materials	21.820.449	16.498.564
Semi-finished goods	15.744.375	4.372.913
Finished goods	19.898.931	25.057.886
Trade goods	8.645.684	7.832.917
Goods in transit	27.477.689	12.430.745
Stock advances	19.491.215	25.712.096
Total	113.078.343	91.905.121

NOTE 13 - CONSTRUCTION CONTRACT RECEIVABLES AND PROGRESS BILLING

The Company has no construction contract receivables and construction progress billings at 30 June 2007 and 31 December 2006.

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 Financial Reporting 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% (2006: 20%). This rate is 5% for the temporary differences occurred in land and available-for-sale financial assets.

Details of cumulative temporary differences and the resulting deferred tax assets/(liabilities) provided at 30 June 2007 and 31 December 2006 using the enacted future tax rates are as follows:

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

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH
PERIOD ENDED 30 JUNE 2007

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

NOTE 14 - DEFERRED TAX ASSETS AND LIABILITIES (Continued)

	Cumulative		Deferred tax	
	temporary differences		assets / (liabilities)	
	30 June 2007	31 December 2006	30 June 2007	31 December 2006
Net difference between the tax bases and the carrying amount of:				
Tangible assets	13.708.720		13.522.045	(2.117.676)
Unrealized credit finance charges	4.745.555	4.930.275	(949.111)	(986.055)
Trade receivable	2.170.169	-	(434.034)	-
Inventory	1.491.323	-	(298.265)	-
Financial assets	846.754	846.754	(42.338)	(42.338)
Prepaid expenses	9.044	43.960	(1.809)	(8.792)
Deferred tax liabilities			(3.843.233)	(3.117.526)
Net difference between the tax bases and the carrying amount of:				
Expense accruals	9.932.349	2.882.314	1.986.470	576.463
Deferred income	6.851.659	-	1.370.332	-
Reserve for employment termination benefits	4.506.265	4.609.006	901.253	921.801
Unearned financial income	1.755.290	2.398.870	351.058	479.774
Inventory	-	665.065	-	133.013
Deferred tax assets			4.609.113	2.111.051
Deferred tax assets/(liabilities), net			765.880	(1.006.475)
Deferred tax assets, net:				
			2007	2006
1 January			(1.006.475)	(361.856)
Income for the period			1.772.355	451.712
30 June			765.880	89.856

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

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH
PERIOD ENDED 30 JUNE 2007**

(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 2007	31 December 2006
Value Added Tax (VAT) receivables	7.537.595	5.889.798
Deductible taxes and funds	2.990.257	5.433.036
Prepaid expenses	1.153.192	356.244
Total	11.681.044	11.679.078

b) Other current liabilities:	30 June 2007	31 December 2006
Deferred income	6.851.659	941.270
Social security premiums payable	1.075.026	1.672.782
Deferred Special Consumption Tax	1.065.877	209.846
Taxes and funds payable	598.959	1.811.390
Payables to personnel	551.235	1.690.199
Deferred payables to government	-	636.049
Other	96.432	164.258
Total	10.239.188	7.125.794

NOTE 16 - FINANCIAL ASSETS

	<u>30 June 2007</u>		<u>31 December 2006</u>	
	YTL	%	YTL	%
Available-for-sale investments				
Entek Elektrik Üretimi Otoprodüktör Grubu A.Ş.	1.542.712	0,86%	1.542.712	0,86%
	1.542.712		1.542.712	

NOTE 17 - GOODWILL/NEGATIVE GOODWILL

None (2006: None).

NOTE 18 - INVESTMENT PROPERTY

The Company has no investment property.

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

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2007

(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 interim period ended 30 June 2007 is as follows:

	1 January 2007	Additions	Disposals	Transfers	30 June 2007
Cost:					
Land	5.370.676	-	-	-	5.370.676
Land improvements	4.410.668	-	-	-	4.410.668
Buildings	31.720.900	-	-	-	31.720.900
Machinery and equipment	76.506.513	774.623	-	72.435	77.353.571
Motor vehicles	3.575.380	101.000	(54.535)	-	3.621.845
Furniture and fixtures	16.304.439	250.877	(17.786)	-	16.537.530
Leasehold improvements	1.094.689	-	-	-	1.094.689
Construction-in-progress	58.130	448.636	-	(72.435)	434.331
Advances given	22.352	-	(22.352)	-	-
	139.063.747	1.575.136	(94.673)	-	140.544.210
Accumulated depreciation:					
Land improvements	1.626.600	68.628	-	-	1.695.228
Buildings	13.903.956	451.424	-	-	14.355.380
Machinery and equipment	64.587.381	1.161.640	-	-	65.749.021
Motor vehicles	2.816.148	52.093	(49.570)	-	2.818.671
Furniture and fixtures	14.910.135	106.897	(17.787)	-	14.999.245
Leasehold improvements	1.090.056	394	-	-	1.090.450
	98.934.276	1.841.076	(67.357)	-	100.707.995
Net book value	40.129.471				39.836.215

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

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2007

(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 interim 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 INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44**

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH
PERIOD ENDED 30 JUNE 2007**

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

NOTE 19 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Current year depreciation expense has been allocated to cost of sales by YTL1.291.198 (30 June 2006: YTL2.161.943), to research and development expenses by YTL308.530 (30 June 2006: YTL280.760), to general administrative expenses by YTL295.607 (30 June 2006: YTL556.981) and to sales and marketing expenses by YTL70.949 (30 June 2006: YTL68.674).

NOTE 20 - INTANGIBLE ASSETS

Movement in intangible assets and related accumulated amortisation during the interim period ended 30 June 2007 is as follows:

	1 January 2007	Additions	Disposals	Transfers	30 June 2007
Cost:					
Intangible assets	2.325.767	41.505	-	-	2.367.272
Accumulated amortisation:					
Intangible assets	(1.713.814)	(125.208)	-	-	(1.839.022)
Net book value	611.953				528.250

Movement in intangible assets and related accumulated amortisation during the interim 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

NOTE 21 - ADVANCES RECEIVED

	30 June 2007	31 December 2006
Advances received	74.001.195	3.627.854
Total	74.001.195	3.627.854

Advances received constitute of advance payments received from customers for future sales.

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

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH
PERIOD ENDED 30 JUNE 2007**

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

NOTE 22 - RETIREMENT PLANS

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

NOTE 23 - PROVISIONS

	30 June 2007	31 December 2006
Short-term provisions		
Sales expense provision	6.104.455	-
Warranty provision	2.117.060	1.490.699
Provision for taxes and legal reserves, net (Note 41)	1.444.479	-
Provision for employee bonus	352.000	-
Other	57.178	41.759
Total	10.075.172	1.532.458
Long-term provisions		
Provision for employment termination benefits	4.506.265	4.609.006
Provision for unused vacation of employees	1.358.834	1.193.552
Total	5.865.099	5.802.558

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).

The amount payable consists of one month's salary limited to a maximum of YTL1.960,69 for each year of service as of 30 June 2007 (31 December 2006 : YTL1.857,44).

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 Financial Reporting Standards require actuarial valuation methods to be developed to estimate the enterprises' obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	30 June 2007	31 December 2006
Discount rate (%)	5,71	5,71
Turnover rate to estimate the probability of retirement (%)	6	5

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

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH
PERIOD ENDED 30 JUNE 2007**

(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 YTL2.030,19, which is effective from 1 July 2007 (1 January 2006: YTL1.960,69) has been taken into consideration in calculations.

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

	30 June 2007	30 June 2006
1 January	4.609.006	4.407.223
Increase during the period	413.860	610.509
Paid during the period	(516.601)	(532.933)
	4.506.265	4.484.799

Provision for sales expense

Provision for sales expense is set for the expenses estimated to occur for the exports made by the balance sheet date.

Provision for warranty expense

The Company provides one year warranty for minibuss and Land Rover vehicles and two years warranty for midi-busses sold. The Company has no warranty commitments for armoured vehicles and trailers. Therefore, warranty expense provision has been recorded only for the vehicles under guarantee as of the balance sheet date. The movement of the warranty expense provision is as follows:

	30 June 2007	30 June 2006
1 January	1.490.699	1.375.203
Increase during the period (Note 37)	3.510.897	2.365.987
Paid during the period	(2.884.536)	(2.329.275)
	2.117.060	1.411.915

NOTE 24 - MINORITY INTEREST

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

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

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH
PERIOD ENDED 30 JUNE 2007**

(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 2007 and 31 December 2006 is as follows:

Shareholders	30 June 2007		31 December 2006	
	YTL	%	YTL	%
Koç Holding A.Ş.	10.722.750	44,68	10.300.952	42,92
Ünver Holding A.Ş.	5.954.944	24,81	5.954.944	24,81
Other	7.322.306	30,51	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 INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH - SEE NOTE 44**

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH
PERIOD ENDED 30 JUNE 2007**

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

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

Net income of the financial statements prepared in accordance with Communiqué must be distributed as a minimum of 20% of total distributable profit. This distribution may be made either as cash, as a pro-rata shares amounting minimum of 20% of distributable profit or as a combination of both, depending on the decision taken at the General Assembly of the Company.

For the purposes of profit distribution in accordance with related CMB regulations, items of statutory 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 equity cumulatively as *inflation adjustments to equity*.

Restatement difference of 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 2007 and 31 December 2006, the details of equity, based on which the dividend will be distributed is as follows:

	30 June 2007	31 December 2006
Share capital	24.000.000	24.000.000
Legal reserves	8.504.570	4.544.498
Extraordinary reserves	7.837.137	1.449.218
Financial assets fair value reserve	898.363	898.363
Inflation adjustments to equity	63.693.113	63.693.113
Net income for the period	1.598.594	41.412.509
Accumulated loss	-	(1.064.518)
Total equity	106.531.777	134.933.183

At 30 June 2007 and 31 December 2006, the restated amounts and the equity restatement differences of the aforementioned nominal values are as follows:

	30 June 2007		
	Historical value	Restated value	Restatement difference
Share capital	24.000.000	76.743.030	52.743.030
Legal reserves	8.504.570	19.454.653	10.950.083
Total	32.504.570	96.197.683	63.693.113

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

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH
PERIOD ENDED 30 JUNE 2007

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

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

	31 December 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

Historical amounts of legal and extraordinary reserves in the statutory financial statements are as below:

	30 June 2007	31 December 2006
Legal reserves	11.338.147	7.378.075
Extraordinary reserves	30.179.910	26.911.996
Total	41.518.057	34.290.071

Dividends distributed during year based on previous period's net income per statutory financial statements	30.000.000	9.600.000
---	------------	-----------

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 2007 and 31 December 2006 are as follows:

	30 June 2007	31 December 2006
Assets	98.689.854	82.045.842
Liabilities	(102.031.118)	(64.257.432)
Net foreign currency position	(3.341.264)	17.788.410

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

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH
PERIOD ENDED 30 JUNE 2007

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

NOTE 29 - FOREIGN CURRENCY POSITION (Continued)

	Foreign Currency	30 June 2007		31 December 2006	
		Foreign currency amount	YTL	Foreign currency amount	YTL
Assets:					
Cash and cash equivalents	USD	1.240.504	1.618.362	10.251	14.408
	EUR	263.583	463.511	89.723	166.123
	GBP	39.776	103.919	6.303	17.378
		2.185.792		197.909	
Trade receivables	USD	68.284	89.083	1.889.508	2.655.892
	EUR	27.933.697	49.121.407	23.965.702	44.372.498
	GBP	7.933	20.726	151.482	417.621
		49.231.216		47.446.011	
Due from related parties	GBP	5.393.207	14.090.293	117.975	325.244
	EURO	306.800	539.508	-	-
		14.629.801		325.244	
Other receivables-(net)	EUR	-	-	6.446	11.935
	GBP	-	-	1.399	3.857
				15.792	
Long-term trade receivables	EUR	18.563.005	32.643.045	18.396.374	34.060.886
		32.643.045		34.060.886	
Total foreign currency assets		98.689.854		82.045.842	

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

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH
PERIOD ENDED 30 JUNE 2007

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

NOTE 29 - FOREIGN CURRENCY POSITION (Continued)

	Foreign currency	30 June 2007		31 December 2006	
		Foreign currency amount	YTL	Foreign currency amount	YTL
Liabilities:					
Short-term borrowings	USD	17.185.868	22.420.684	5.126.446	7.205.732
	EUR	6.145.640	10.807.108	6.081.148	11.259.246
		33.227.792		18.464.978	
Trade payables	USD	1.219.396	1.590.824	2.326.923	3.270.724
	EUR	6.597.835	11.602.293	5.541.462	10.260.018
	GBP	10.262.322	26.811.343	10.392.055	28.649.858
	SEK	7.848.180	1.483.855	-	-
		41.488.315		42.180.600	
Advances received	USD	20.296.300	26.478.553		2.547.309
	EUR	272.650	479.455	16.935	31.356
		26.958.008		3.611.854	
Other liabilities	EUR	5.334	9.379	-	-
	GBP	133.057	347.624	-	-
		357.003		-	
Total foreign currency liabilities			102.031.118	64.257.432	
Net foreign currency position			(3.341.264)	17.788.410	

At 30 June 2007, had the US Dollar, Euro and British pound strengthened by 10% against YTL, with all other variables held constant, net income for the period would have been YTL185.745 lower (31 December 2006: net income would be higher by YTL1.778.855), as a result of gains/losses on translation of financial assets and liabilities denominated in these foreign currencies.

At 30 June 2007, had the US Dollar strengthened by 10% against YTL, with all other variables held constant, net income for the period would have been YTL4.878.264 lower (31 December 2006: YTL1.138.661), as a result of foreign exchange gains/losses on translation of US denominated financial assets and liabilities. Net income is more sensitive to movement in US Dollar exchange rates in the current period compared to 2006 due to increase in US Dollar denominated borrowings and advances received.

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

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH
PERIOD ENDED 30 JUNE 2007**

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

NOTE 29 - FOREIGN CURRENCY POSITION (Continued)

At 30 June 2007, had the Euro strengthened by 10% against YTL, with all other variables held constant, net income for the period would have been YTL5.986.921 higher (31 December 2006: YTL5.706.087), as a result of foreign exchange gains/losses on translation of Euro denominated financial assets and liabilities.

At 30 June 2007, had the British Pound strengthened by 10% against YTL, with all other variables held constant net income for the period would have been YTL 1.294.406 lower (31 December 2006: net profit: YTL 2.788.571), mainly as a result of foreign exchange gains/losses on translation of British pound denominated financial assets and liabilities. Net income is less sensitive to movement in British Pound exchange rates in current period compared to 2006 due to increase in British Pound denominated trade receivables.

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 2007, the Company earned an incentive amounting to YTL 4.299.345 (30 June 2006: YTL2.725.321) calculated as 40% of the period's research and development expenditures of YTL1.719.738 (30 June 2006: YTL1.090.128) 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. The Company has no unused investment allowances as of 30 June 2007 (2006: None).

NOTE 31 - PROVISIONS, COMMITMENTS AND CONTINGENT LIABILITIES

a) Guarantees given at 30 June 2007 and 31 December 2006 are as follows:

	30 June 2007	31 December 2006
Letters of guarantees	170.326.582	80.041.965

b) Guarantees received as of 30 June 2007 and 31 December 2006 are as follows:

	30 June 2007	31 December 2006
Letters of guarantees	36.395.088	34.254.062
Guarantee notes	8.505.000	8.662.528
Mortgages received	7.963.000	7.663.000
Guarantee cheques	180.000	130.000
	53.043.088	50.709.590

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

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH
PERIOD ENDED 30 JUNE 2007**

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

NOTE 32 - BUSINESS COMBINATIONS

None (2006: None).

NOTE 33 - SEGMENT REPORTING

The Company operates in one product segment (manufacturing and wholesale of motor vehicles) and in one geographic segment. Accordingly, segment reporting is not applicable for the Company.

NOTE 34 - SUBSEQUENT EVENTS

No significant events occurred subsequent to the balance sheet date.

NOTE 35 - DISCONTINUED OPERATIONS

None (2006: None).

NOTE 36 - OPERATING INCOME

NET SALES

	1 January - 30 June 2007	1 April - 30 June 2007	1 January - 30 June 2006	1 April - 30 June 2006
Domestic sales	87.744.080	46.934.475	72.057.912	43.869.593
Foreign sales	62.285.699	35.426.896	90.154.596	50.555.601
Gross sales	150.029.779	82.361.371	162.212.508	94.425.194
Less: Discounts	(161.553)	(38.119)	(105.891)	(44.132)
Net sales	149.868.226	82.323.252	162.106.617	94.381.062

Sales of the Company in terms of the of vehicles sold are as follows:

	1 January - 30 June 2007	1 January - 30 June 2006
Land Rover 4X4	631	352
Trailer	554	630
Midibus	540	355
Minibus	167	229
Armoured vehicles	99	280
	1.991	1.846

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

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH
PERIOD ENDED 30 JUNE 2007**

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

NOTE 36 - OPERATING INCOME (Continued)

COST OF SALES

	1 January - 30 June 2007	1 April - 30 June 2007	1 January - 30 June 2006	1 April - 30 June 2006
Cost of finished goods sold	107.947.664	59.680.188	97.531.501	54.306.541
Cost of trade goods sold	4.654.038	2.656.587	9.890.059	6.000.375
Cost of sales	112.601.702	62.336.775	107.421.560	60.306.916

NOTE 37 - OPERATING EXPENSES

	1 January - 30 June 2007	1 April - 30 June 2007	1 January - 30 June 2006	1 April - 30 June 2006
Sales and marketing expenses	21.819.811	14.283.130	20.123.260	12.058.046
General administrative expenses	7.946.346	3.087.440	7.308.075	3.549.358
Research and development expenses	4.502.312	2.576.138	2.849.823	1.629.611
Total operating expenses	34.268.469	19.946.708	30.281.158	17.237.015

Personnel expenses totalling YTL 22.528.710 (30 June 2006: YTL19.158.799) have been allocated to cost of sales by YTL13.317.895 (30 June 2006: YTL12.251.729), to sales and marketing expenses by YTL2.709.984 (30 June 2006: YTL 2.199.866), to general administrative expenses by YTL4.201.479 (30 June 2006: YTL3.342.301 YTL) and to research and development expenses by YTL2.299.352 (30 June 2006: YTL1.364.903 YTL).

NOTE 38 - OTHER INCOME/EXPENSE AND PROFIT/LOSS

	1 January - 30 June 2007	1 April - 30 June 2007	1 January - 30 June 2006	1 April - 30 June 2006
Other Income:				
Foreign exchange gain	3.613.753	1.792.147	24.900.909	21.014.673
Due date charges	2.683.602	2.226.869	3.192.977	2.279.517
Interest income	143.072	73.750	276.418	63.073
Income from sale of tangible assets	13.606	-	46.972	37.566
Grants received for research and development projects	-	-	343.198	343.198
Other	257.126	219.765	525.405	75.518
Total	6.711.159	4.312.531	29.285.879	23.813.545

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

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH
PERIOD ENDED 30 JUNE 2007

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

NOTE 38 - OTHER INCOME/EXPENSE AND PROFIT/LOSS (Continued)

Other Expense

	1 January - 30 June 2007	1 April - 30 June 2007	1 January - 30 June 2006	1 April - 30 June 2006
Foreign exchange losses	5.802.024	3.707.027	13.455.433	10.542.761
Doubtful provision expense (Note 7)	327.314	385	2.609	2.609
Provision for unused vacation	165.282	165.282	754.272	469.879
Fair value loss on derivative instruments	-	-	1.080.061	1.080.061
Other	64.331	23.613	58.942	32.150
Total	6.358.951	3.896.307	15.351.317	12.127.460

NOTE 39 - FINANCIAL EXPENSE

	1 January - 30 June 2007	1 April - 30 June 2007	1 January - 30 June 2006	1 April - 30 June 2006
Interest expense on borrowings	3.331.895	1.587.804	1.239.093	1.007.782
Foreign exchange (income)/loss on bank loans	(1.443.800)	(1.237.100)	4.294.100	4.019.800
Total	1.888.095	350.704	5.533.193	5.027.582

NOTE 40 - NET MONETARY POSITION PROFIT/LOSSES

None (2006: None).

NOTE 41 - TAXES ON INCOME

	30 June 2007	31 December 2006
Prepaid taxes	191.450	9.849.360
Less: Corporation taxes payable	(1.635.929)	(9.269.324)
Corporation Taxes Payable (Note 23)/ Prepaid taxes-net (Note 10)	(1.444.479)	580.036

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

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH
PERIOD ENDED 30 JUNE 2007**

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

NOTE 41 - TAXES ON INCOME (Continued)

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 starting from 1 January 2006. The corporation tax rate of the fiscal year 2007 is 20% (2006: 20%). 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 15%. 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.

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 2007 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.

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

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH
PERIOD ENDED 30 JUNE 2007**

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

NOTE 41 - TAXES ON INCOME (Continued)

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,

- a) 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,
- b) 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 2006 (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 interim periods ended 30 June 2007 and 2006 are summarised as follows:

	30 June 2007	30 June 2006
Total taxation on income		
- Current period corporation tax	1.635.929	6.692.047
- Deferred tax income	(1.772.355)	(451.712)
Total taxation on income	(136.426)	6.240.335

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

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH
PERIOD ENDED 30 JUNE 2007**

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

NOTE 41 - TAXES ON INCOME (Continued)

Reconciliation of taxation on income and profit before tax is stated below:

	30 June 2007	30 June 2006
Profit before tax	1.462.168	32.805.268
Expected tax expense (%20) (2006: %20)	292.434	6.561.054
Effect on the change in tax rate	-	(241.237)
Discounts and exceptions	(345.242)	(270.935)
Disallowable charges	189.234	191.453
Total income tax expense	(136.426)	6.240.335

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 2007	30 June 2006
Net profit for the period (YTL)	1.598.594	26.564.933
Weighted average number of shares	24.000.000.000	24.000.000.000
Earnings per share (YKr)	0,007	0,111

NOTE 43 - STATEMENTS OF CASH FLOWS

Statement of cash flows has been presented within primary financial statements.

NOTE 44 - OTHER MATTERS

Convenience translation into English

The accounting principles described in Note 2 (defined as CMB Financial Reporting Standards) to these financial statements differ from IFRS issued by the IASB 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, these accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.