TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY - 30 SEPTEMBER 2008

(ORIGINALLY ISSUED IN TURKISH)

CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CONDENSED FINANCIAL STATEMENTS AND SELECTED EXPLANATORY NOTES FOR THE INTERIM PERIOD BETWEEN 1 JANUARY - 30 SEPTEMBER 2008

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CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

BALANCE SHEETS
AT 30 SEPTEMBER 2008 AND 31 DECEMBER 2007
(Amounts expressed in New Turkish Lira ("YTL"), unless otherwise indicated)

	Notes	Not audited 30 September 2008	Restated and audited 31 December 2007
ASSETS			
CURRENT ASSETS		**634.874.490**	**476.674.122**
Cash and cash equivalents	4	25.130.546	48.041.301
Trade receivables			
- Trade receivables	8	238.797.675	177.651.505
- Due from related parties	22	71.222.795	57.473.446
Inventories	9	261.144.842	172.942.465
Other current assets	12	38.578.632	20.565.405
NON-CURRENT ASSETS		**203.915.526**	**130.232.182**
Trade receivables	8	142.043.405	71.019.501
Financial assets	5	6.675.000	4.809.313
Property, plant and equipment	10	39.446.213	41.936.041
Intangible assets	11	4.083.460	2.599.918
Deferred tax assets	20	11.235.670	9.157.545
Other non-current assets	12	431.778	709.864
TOTAL ASSETS		**838.790.016**	**606.906.304**

The condensed interim financial statements prepared for the period ended 30 September 2008 have been approved by the Board of Directors on 27 October 2008.

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

BALANCE SHEETS
AT 30 SEPTEMBER 2008 AND 31 DECEMBER 2007
(Amounts expressed in New Turkish Lira ("YTL"), unless otherwise indicated)

	Notes	Not audited 30 September 2008	Restated and audited 31 December 2007
LIABILITIES			
CURRENT LIABILITIES		**508.565.827**	**221.207.904**
Financial liabilities	6	317.293.280	94.185.750
Other financial liabilities	7	13.495.252	5.201.853
Trade payables			
- Trade payables	8	97.375.230	73.348.459
- Due to related parties	22	30.936.650	18.461.702
Taxation on income	20	4.821.659	3.773.812
Provisions	13	16.792.750	11.408.794
Other current liabilities	12	27.851.006	14.827.534
NON-CURRENT LIABILITIES		**41.950.884**	**82.762.282**
Financial liabilities	6	34.481.532	64.132.500
Other financial liabilities	7	-	11.154.192
Provision for employment termination benefits	14	7.469.352	7.475.590
SHAREHOLDERS' EQUITY		**288.273.305**	**302.936.118**
Share capital	15	53.369.000	53.369.000
Adjustments to share capital	15	39.014.356	39.014.356
Fair value reserves	15	3.760.923	1.988.520
Hedge reserve	7,15	(10.796.201)	(13.084.836)
Merger reserve	15	(5.569.000)	(5.569.000)
Restricted profit reserves	15	56.617.017	47.452.017
Retained earnings	15	76.601.061	87.039.298
Net profit for the period	15	75.276.149	92.726.763
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**838.790.016**	**606.906.304**
Provisions, contingent assets and contingent liabilities	13		

CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CONDENSED STATEMENTS OF INCOME FOR THE INTERIM PERIODS BETWEEN 1 JANUARY - 30 SEPTEMBER 2008 AND 2007

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

	Notes	Not audited 1 January- 30 September 2008	Not audited 1 July- 30 September 2008	Restated and not audited 1 January- 30 September 2007	Restated and not audited 1 July- 30 September 2007
Sales (net)	16	631.511.117	186.639.556	474.792.163	172.598.491
Cost of sales (-)	16	(506.977.989)	(150.642.285)	(359.871.421)	(130.505.577)
GROSS PROFIT		**124.533.128**	**35.997.271**	**114.920.742**	**42.092.914**
Marketing, selling and distribution expenses (-)		(23.219.453)	(7.608.313)	(19.068.460)	(7.362.416)
General administrative expenses (-)		(19.879.078)	(6.272.791)	(15.610.677)	(5.398.533)
Research and development expenses (-)		(2.370.694)	(446.794)	(3.479.081)	(1.309.573)
Other operating income	17	2.177.065	920.233	1.233.001	343.611
Other operating expenses (-)	17	(3.018.658)	(1.039.469)	(4.047.215)	(2.482.531)
OPERATING PROFIT		**78.222.310**	**21.550.137**	**73.948.310**	**25.883.472**
Financial income	18	203.977.008	75.213.379	68.012.563	27.851.587
Financial expenses (-)	19	(188.555.851)	(67.296.497)	(49.673.468)	(22.812.887)
PROFIT BEFORE TAXATION ON INCOME		**93.643.467**	**29.467.019**	**92.287.405**	**30.922.172**
Taxes on income (-)	20	(21.110.885)	(4.936.001)	(21.694.093)	(7.718.016)
Deferred tax income	20	2.743.567	(913.208)	3.179.625	1.844.759
NET PROFIT FOR THE PERIOD		**75.276.149**	**23.617.810**	**73.772.937**	**25.048.915**
Earnings per share (YTL)	21	0,0141	0,0044	0,0138	0,0047

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CONDENSED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE INTERIM PERIOD BETWEEN 1 JANUARY - 30 SEPTEMBER 2008 AND 2007

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

	Share capital	Adjustment to share capital	Fair value reserves	Hedge reserve	Merger reserve	Restricted profit reserves	Retained earnings	Net profit for the period	Total shareholders' equity
1 January 2007 - as previously reported	**47.000.000**	**39.014.356**	**1.988.520**	**-**	**-**	**33.610.118**	**58.075.641**	**113.772.996**	**293.461.631**
Effect of merger (Note 3)	6.369.000	-	-	-	(5.569.000)	3.376.899	30.501.965	2.153.696	36.832.560
1 January 2007 - as restated	**53.369.000**	**39.014.356**	**1.988.520**	**-**	**(5.569.000)**	**36.987.017**	**88.577.606**	**115.926.692**	**330.294.191**
Transfers	-	-	-	-	-	10.465.000	105.461.692	(115.926.692)	-
Dividends paid	-	-	-	-	-	-	(107.000.000)	-	(107.000.000)
Decrease in the fair value of derivative financial instruments	-	-	-	(14.102.918)	-	-	-	-	(14.102.918)
Deferred tax calculated on decrease in fair value of derivative financial instruments	-	-	-	2.820.584	-	-	-	-	2.820.584
Net profit for the period	-	-	-	-	-	-	-	73.772.937	73.772.937
30 September 2007 - restated and not audited	**53.369.000**	**39.014.356**	**1.988.520**	**(11.282.334)**	**(5.569.000)**	**47.452.017**	**87.039.298**	**73.772.937**	**285.784.794**

	Share capital	Adjustment to share capital	Fair value reserves	Hedge reserve	Merger reserve	Restricted profit reserves	Retained earnings	Net profit for the period	Total shareholders' equity
1 January 2008 - as previously reported	**47.000.000**	**39.014.356**	**1.988.520**	**-**	**-**	**44.075.118**	**54.383.637**	**91.066.245**	**277.527.876**
Effect of merger (Note 3)	6.369.000	-	-	(13.084.836)	(5.569.000)	3.376.899	32.655.661	1.660.518	25.408.242
1 January 2008 - restated	**53.369.000**	**39.014.356**	**1.988.520**	**(13.084.836)**	**(5.569.000)**	**47.452.017**	**87.039.298**	**92.726.763**	**302.936.118**
Transfers	-	-	-	-	-	9.165.000	83.561.763	(92.726.763)	-
Dividends paid	-	-	-	-	-	-	(94.000.000)	-	(94.000.000)
Increase in the fair value of available for sale investments	-	-	1.865.687	-	-	-	-	-	1.865.687
Deferred tax calculated on increase in fair value of available for sale investments	-	-	(93.284)	-	-	-	-	-	(93.284)
Increase in the fair value of derivative financial instruments	-	-	-	2.860.793	-	-	-	-	2.860.793
Deferred tax calculated on increase in fair value of derivative financial instruments	-	-	-	(572.158)	-	-	-	-	(572.158)
Net profit for the period	-	-	-	-	-	-	-	75.276.149	75.276.149
30 September 2008- not audited	**53.369.000**	**39.014.356**	**3.760.923**	**(10.796.201)**	**(5.569.000)**	**56.617.017**	**76.601.061**	**75.276.149**	**288.273.305**

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

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CONDENSED STATEMENTS OF CASH FLOWS FOR THE INTERIM PERIODS BETWEEN 1 JANUARY – 30 SEPTEMBER 2008 AND 2007

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

	Notes	Not audited 30 September 2008	Restated and not audited 30 September 2007
Cash flows from operating activities:			
Profit before taxation on income		93.643.467	92.287.405
Depreciation	10	8.498.648	11.310.965
Amortisation	11	313.210	234.926
Provision for employment termination benefits	14	814.280	1.129.340
Gain from sales of property, plant and equipment - net	17	(1.316.608)	(37.352)
Interest income	18	(5.047.616)	(7.574.598)
Interest expense	19	19.222.489	9.609.755
Provision for impairment of inventory	17	845.727	-
Expense accruals-net		5.383.956	8.250.376
Provision for doubtful receivables	17	1.976.597	2.371.615
Net cash flow before changes in operating assets and liabilities		**124.334.150**	**117.582.432**
Changes in assets and liabilities - net:			
Increase in trade receivables	8	(133.890.947)	(38.057.052)
Increase in due from related parties	22	(13.749.349)	(3.625.717)
Increase in inventories	9	(89.048.104)	(31.794.454)
Increase in other current assets	12	(18.013.227)	(3.427.909)
Decrease in other non-current assets	12	278.086	-
Increase in due to related parties	22	12.474.948	6.597.753
Increase in trade payables	8	24.026.771	15.622.079
Increase in other short-term liabilities	12	13.023.472	1.059.557
Employment termination benefits paid	14	(820.518)	(1.793.870)
Taxes paid	20	(20.063.038)	(18.828.638)
Net cash (used in)/provided by operating activities		**(101.447.756)**	**43.334.181**
Cash flows from investing activities:			
Capital expenditures	10,11	(7.929.563)	(5.077.832)
Sales of property, plant and equipment		1.440.597	131.765
Interest received		5.136.027	8.444.645
Net cash provided by investing activities		**(1.352.939)**	**3.498.578**
Cash flows from financing activities:			
Proceeds from bank borrowings		356.696.270	166.109.062
Repayments of bank borrowings		(167.394.084)	(160.803.861)
Dividends paid		(94.000.000)	(107.000.000)
Interest paid		(15.068.109)	(13.204.599)
Net cash provided by/(used in) financing activities		**80.234.077**	**(114.899.398)**
Net decrease in cash and cash equivalents		(22.566.618)	(68.066.639)
Cash and cash equivalents at the beginning of the period	**4**	**47.651.090**	**106.752.702**
Cash and cash equivalents at the end of the period	**4**	**25.084.472**	**38.686.063**

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

Türk Traktör ve Ziraat Makineleri A.Ş. (the "Company") was established in 1954 in Ankara, as Minneapolis Moline Türk Traktör ve Ziraat Makineleri A.Ş. to undertake the manufacturing and trade of farm tractors, harvesters and other agricultural machinery and equipment. The name of the Company was changed as Türk Traktör Ziraat Makineleri A.Ş. in 1968 upon the purchase of 25% of the shares held by Ege Makina ve Ticaret A.Ş., a group company of the Koç Holding A.Ş. ("Koç Holding"). As of 30 September 2008, major shareholders of the Company are Koç Holding and CNH Global N.V. ("CNH") (Note 15). The number of personnel working within the Company as of 30 September 2008 is 1.643 (31 December 2007: 1.557).

The Company conducts marketing and selling activities in the domestic market, through its 97 sales dealers and 72 spare part dealers.

The Company is registered in Turkey in the following address:

Güvercin Yolu No: 111-112
06560 - Gazi Ankara

The Company has been quoted at İstanbul Stock Exchange ("İSE") and as of 30 September 2008, 22% (31 December 2007: 22%) of the Company shares have been traded in the stock exchange market (Note 15).

The available for sale financial assets of the Company consists of Entek Elektrik Üretimi A.Ş. ("Entek") (Note 5).

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

Principles governing the preparation of financial statements

The Capital Markets Board of Turkey ("CMB") regulated the principles and procedures of preparation, presentation and announcement of financial statements prepared by the entities with the Communiqué No: XI-29, "Principles of Financial Reporting in Capital Markets" ("the Communiqué"). This Communiqué is effective for the annual periods starting from 1 January 2008 and supersedes the Communiqué No: XI–25 "The Financial Reporting Standards in the Capital Markets". According to the Communiqué, entities shall prepare their financial statements in accordance with International Financial Reporting Standards ("IAS/IFRS") endorsed by the European Union. Until the differences of the IAS/IFRS as endorsed by the European Union from the ones issued by the International Accounting Standards Board ("IASB") are announced by Turkish Accounting Standards Board ("TASB"), IAS/IFRS issued by the IASB shall be applied. Accordingly, Turkish Accounting Standards/Turkish Financial Reporting Standards ("TAS/TFRS") issued by the TASB which are in line with the aforementioned standards shall be considered.

With the decision taken on 17 March 2005, the CMB has announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with the accounting and financial reporting principles accepted by the CMB ("CMB Financial Reporting Standards"). Accordingly, the Company did not apply IAS 29 "Financial Reporting in Hyperinflationary Economies" ("IAS 29") issued by IASB in its financial statements for the accounting periods starting 1 January 2005.

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

According to the Communiqué No: XI-29 of CMB, the entities are free to prepare their interim financial statements as a full set or condensed based on the IAS 34 "Interim Financial Reporting" standard. In this respect, the company preferred to prepare condensed financial statements for interim periods and prepared its condensed interim financial statements according to the CMB Financial Reporting Standards.

As the differences of the IAS/IFRS endorsed by the European Union from the ones issued by the IASB has not been announced by TASB as of date of preparation of these financial statements, the condensed financial statements have been prepared within the framework of Communiqué XI, No: 29 and related promulgations to this Communiqué as issued by the CMB in accordance with CMB Financial Reporting Standards which is based on IAS/IFRS .The financial statements and the related notes to them are presented in New Turkish Lira ("YTL") in accordance with the formats recommended by the CMB with the promulgation dated 14 April 2008, including the compulsory disclosures.

Comparatives and restatement of prior period financial statements

The financial statements of the Company include comparative financial information to enable the determination of the financial position and performance. As explained in Note 3, the Company has merged with New Holland Trakmak Traktör ve Ziraat Makinaları A.Ş. ("Trakmak") as of 31 March 2008, through transfer of all the assets and liabilities of Trakmak into the Company as a whole. The comparative balance sheet of the Company as of 31 December 2007 and the statement of income, changes in shareholders' equity, and cash flows and the related explanatory notes for the nine-months period ended at 30 September 2007 have been restated to reflect the effects of combining the financial statements of the Company and Trakmak, prepared in accordance with the financial reporting standards accepted by the CMB.

In addition, the Company has made the necessary reclassifications in the prior period financial statements to comply with the format changes stated in the announcement of CMB related to the financial statements and the explanatory notes prepared in accordance with CMB Communiqué XI, No: 29 "Principles of Financial Reporting in Capital Markets".

Offsetting

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

2.2 Errors and changes in accounting policies/estimations

Material changes in accounting policies or material errors are corrected, retrospectively; restating the prior period financial statements. Effect of changes in accounting estimates affecting current period is recognized in the current period; effect of changes in accounting estimates affecting current and future periods is recognised in the current period and also in future periods.

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

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

2.3 Summary of significant accounting policies

The condensed interim financial statements for the period ended as of 30 September 2008 are prepared in accordance with IAS 34, which is related to interim financial reporting. In addition, the condensed interim financial statements as of 30 September 2008 are prepared by using accounting policies that are consistent with the accounting policies used in preparation of the financial statements for the year ended as of 31 December 2007. Therefore, these interim condensed financial statements shall be considered together with the financial statements for the year ended as of 31 December 2007.

Revenue recognition

Revenues are recognised on an accrual basis at the time the Company sells a product to the customer, the significant risks and rewards of ownership of the goods is transferred to the buyer, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company at the fair value of considerations received or receivable. Net sales represent the invoiced value of trading goods sold less sales returns, discount and commissions (Note 16).

Other revenues such as interest income is recognised on an accrual basis using the effective interest rate method, rent income under operating lease agreements is recognised on an accrual basis and dividend income is recognised when the right to receive dividend is established.

Inventories

Inventories are valued at the lower of cost or net realisable value. Net realisable value is the estimated selling price, less the costs of completion and selling expenses (Note 9). Cost elements included in inventories comprise total purchase costs and other costs incurred in bringing the inventories to their present location and condition. The unit cost of inventories is determined on the weighted average basis.

Property, plant and equipment

Property, plant and equipment acquired before 1 January 2005 are carried at cost in purchasing power of YTL as at 31 December 2004 less accumulated depreciation and impairment losses. Property, plant and equipment acquired after 1 January 2005 are carried at cost less accumulated depreciation and impairment losses. Depreciation is provided on a straight-line basis based on the estimated useful lives of the assets (Note 10). Land is not depreciated as it is deemed to have an indefinite life.

The estimated useful lives for property, plant and equipment are as follows:

	Years
Buildings	25-50 years
Land improvements	10-25 years
Machinery and equipment	4-10 years
Motor vehicles	4-5 years
Furniture and fixtures	5-6 years
Special costs	4-10 years

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

An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. Gain or losses on disposals of property, plant and equipment with respect to their restated net book values are included in the related income and expense accounts (Note 17).

Repair and maintenance expenditures are charged to the income statement as they are incurred. Repair and maintenance expenditures are capitalised if they result in an enlargement or substantial improvement of the respective assets and depreciated over remaining useful life of related asset.

Intangible fixed assets

Intangible fixed assets comprise of rights and computer software. Those acquired before 1 January 2005 are carried at cost in the purchasing power of YTL as at 31 December 2004; less accumulated depreciation and impairment losses. Those acquired after 1 January 2005 are carried at cost less accumulated depreciation and impairment losses and are depreciated using the straight-line method over their useful lives of five and ten years following the acquisition date. Where impairment indicator exists, the carrying amount of any intangible asset is assessed and written down to its recoverable amount (Note 11).

Impairment of assets

Property, plant and equipment and other non-current assets including intangible assets, except deferred tax assets (Note 20), are reviewed for impairment losses at each balance sheet date whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset or any cash generating unit of that asset exceeds its recoverable amount which is the higher of an asset's net selling price and value in use. Impairment losses are accounted for in the statement of income.

Impairment loss on assets can be reversed to the extent of previously recorded impairment losses, in cases where increases in the recoverable value of the asset can be associated with events that occur subsequent to the period when the impairment loss was recorded.

Borrowing cost

Bank borrowings are recognised initially at the proceeds received, net of any transaction costs incurred (Note 6). In subsequent periods, borrowings are restated at amortised cost using the effective yield method. Any proceeds (net of transaction costs) and the redemption value are recognised in the statement of income over the period of the borrowings. Borrowing costs are expensed as incurred (Note 19).

Related parties

For the purpose of these financial statements, Company's shareholders, key management personnel and Board members, in each case together with their families and companies controlled by or affiliated with them and associated companies are considered and referred to as related parties (Note 22).

Segment reporting

As the Company operates only in production and trade of agricultural machinery and equipment, in Turkey, segment reporting of the financial information is not disclosed.

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

Business combinations

The Company has merged with Trakmak as of 31 March 2008, through transfer of all the assets and liabilities of Trakmak into the Company as a whole. Before and after the merge, since the merging companies have been controlled by the same shareholders, the merge has been defined as "business combinations involving entities under common control" and it has been decided to apply an accounting policy in line with the "pooling of interest" method. In the accounting of business combinations which occur under common control, assets and liabilities subject to business combination are accounted in the financial statements at their carrying values, and the income statements have been consolidated as of the beginning of the financial year in which the business combination occurred. Financial statements of the prior periods were also restated for comparison purposes. As a result of merge, no goodwill or negative goodwill has been calculated. The difference between the capital increase resulted from merge and the capital of the merging company is accounted in "merger reserve" under shareholders' equity (Note 15).

Financial assets

Financial assets are classified in accordance with the intention at acquisition. Company management determines appropriate classification of its investments at the time of purchase and re-evaluates these classifications in each financial year-end. The Company has classified its financial instruments accordingly:

a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet. Loans and receivables are recognised initially at the proceeds received, net of any transaction costs incurred. In subsequent periods, loans are stated at amortised cost using the effective yield method.

b) Available for sale investments

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, or not classified in any other categories, are classified as available-for -sale; these are included in non-current assets unless management has expressed the intention of holding the investment 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 determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

All financial assets are initially recognized at cost of purchase plus transaction costs, which is the fair value of the asset. If available-for-sale investments have quoted market prices in active markets or their fair values can be reliably measured by use of valuation methodologies they are stated at fair value. However if available-for-sale investments are not quoted in active market, or their fair values cannot be reliably measured through other valuation methods, they are stated at cost restated to the purchasing power of YTL at 31 December 2004 for the investments purchased before 1 January 2005 and stated at cost for the items purchased after 1 January 2005, less a provision for impairment (Note 5). The Company accounts for gains and losses from available-for-sale investments, directly in shareholders' equity until those investments are liquidated.

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

Fair value changes of the available for sale investments are calculated as the difference between the discounted values of these investments and the fair value at the balance sheet date. When the available for sale investments are liquidated, the related gains and losses deferred under shareholders' equity are transferred directly to the statement of income. If there is permanent negative difference between the cost of purchase and the fair value of the investment, this is recognized as loss in the statement of income.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and subsequently are re-measured at their fair value. The derivative instruments of the Company mainly consist of forward foreign currency-buy contracts (Note 7).

These derivative financial instruments, because of providing effective economic hedges under the Company's risk management position and qualifying for hedge accounting under the specific rules in IAS 39 "Financial Instruments: Recognition and Measurement", are treated as cash flow hedge in the accompanying financial statements. Changes in the fair value of derivative financial instruments, as assessed to be effective are recognised in "hedge reserve" under shareholders' equity (Note 7).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting under IAS 39, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the committed or forecasted transaction ultimately is recognised in the statement of shareholder's equity. If the committed or forecasted transaction expected to occur in the future is recorded in the income statement or if does not occur, the cumulative gain or loss is reflected into the financial statements as gain or loss to the statement of income.

Foreign currency transactions and balances

Transactions in foreign currencies during the period have been translated into YTL at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into YTL at the exchange rates prevailing at the balance sheet dates. Foreign exchange gains or losses arising from the settlement of such transactions and from the translation of monetary assets and liabilities are recognised in the statement of income. Non-monetary assets and liabilities, which are recognised at fair value, have been translated into YTL at the exchange rates prevailing at the dates of fair value determined.

Earnings per share

Earnings per share disclosed in the statements of income are determined by dividing net income for the period by the weighted average number of shares that have been outstanding during the period (Note 21).

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings and revaluation surplus. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the period has been adjusted in respect of bonus shares issues without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and for each earlier year.

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

Subsequent events

Events after the balance sheet date are those events, even if those events occur after the public announcement of profit or of other selected financial information, that occur between the balance sheet date and the date when the financial statements are authorised for issue. The Company adjusts the amounts recognized in its financial statements to reflect adjusting events after the balance sheet date. The events that occur subsequent to the balance sheet date and not require a correction to be made are disclosed in accompanying notes, where the decisions of the users of financial statements are affected.

Provisions, contingent assets and contingent liabilities

Possible assets or 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. The Company does not recognize contingent assets and liabilities. A contingent liability is disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed, where an inflow of economic benefits is probable (Note 13).

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are not recognised for future operating losses.

In cases where the time value of money is material, provisions are determined as the present value of expenses required to be made to honor the liability. The rate used to discount provisions to their present values is determined taking into account the interest rate in the related markets and the risk associated with the liability. This discount rate does not consider risks associated with future cash flow estimates and should be pre-tax.

Accounting policies, errors and changes in accounting estimates

Material changes in accounting policies or material errors are corrected, retrospectively; restating the prior period financial statements. Effect of changes in accounting estimates affecting current period is recognized in the current period; effect of changes in accounting estimates affecting current and future periods is recognised in the current period and also in future periods.

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

Leases

(1) The Company - as the lessee

Financial Leases

Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other liabilities and reduced as they are paid. The interest element of the finance cost is charged to the statement of income over the lease period. The property, plant and equipment acquired under finance leases are depreciated over the useful life of the asset (Note 10).

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.

(2) The Company - as the lessor

Operating Leases

In the case of operating lease, the leased properties are classified as property, plant and equipment in the balance sheet and the rent revenues generated during the reporting period are reflected to the income statement on a straight-line basis over the period of the lease.

Research and development expenses

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 the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years (Note 11).

Development assets are tested for impairment annually, in accordance with IAS 36.

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

Taxes on income

Taxes on income included in statement of income comprise current and deferred tax. Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of prior years (Note 20).

Deferred income tax is provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes with the enacted tax rates as of the balance sheet date (Note 20).

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. Tax bases of assets and liabilities reflect the amounts affecting the future tax bases under the current tax legislation. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled .

Deferred income tax assets or liabilities are reflected to the financial statements to the extent that they will provide an increase or decrease in the taxes payable for the future periods where the temporary differences will reverse. Deferred income tax liabilities are recognized for all taxable temporary differences, where 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 utilised. To the extent that deferred income tax assets will not be utilised, the related amounts have been deducted accordingly.

Deferred tax assets and deferred tax liabilities related to income taxes levied by the same taxation authority are offset accordingly, if current tax assets can be offset against current tax liabilities (Note 20).

Provision for employment termination benefits

According to the enacted laws, the Company is required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct, as stated in Labor Law. Provisions for employment termination benefits have been calculated for the net present value of future employment termination benefits and reflected in the financial statements (Note 14).

Statement of cash flow

The statement of cash flows reports cash flows during the year classified by operating, investing and financing activities.

Cash flows from operating activities are derived from the principal revenue producing activities of the Company.

Cash flows related to investing activities represent cash flows generated from and used in the investing activities (fixed assets and financial investments) of the Company.

Cash flows related to financing activities represent cash flows generated from Company's financing activities and re-payment of such generated cash-in flows.

Cash and cash equivalents include cash in hand, bank deposits and other short-term highly liquid investments with maturities of three months or less.

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

Trade receivables and provision for impairment of receivables

Trade receivables that are created by the Company by way of providing service or goods directly to a debtor are carried at amortized cost. Short duration receivables with no stated interest rate are measured at original invoice amount unless the effect of imputing interest is significant.

A 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.

Share capital and dividends

Ordinary shares are classified as capital. Dividends distributed over ordinary shares are recorded by deducting from retained earnings within the period in which they are declared.

2.4 Significant accounting estimates and decisions

Preparation of the financial statements requires the usage of the estimates and judgements affecting the amounts of the assets and liabilities as of the balance sheet date and the income and expenses recorded through the year and explanations of contingent assets and liabilities. Estimations and assumptions can differ from actual results in spite of these estimations and assumptions are based on Company management's best knowledge.

Warranties

Warranty expenses are recorded as a result of repair and maintenance expenses for products produced and sold, authorised services' labour 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 13).

Deferred tax asset

Deferred tax burden is calculated with utmost probability provided that the tax advantage is to be benefited through taxable profit will be derived in future. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The Company has recognised deferred tax assets as of 30 September 2008, since it is probable that future taxable profit will be available against which the temporary differences would be utilised.

2.5 Convenience translation into English of financial statements originally issued in Turkish

CMB Financial Reporting Standards as described in Note 2.1 to these financial statements differ from IFRS issued by the IASB with respect to the application of inflation accounting for the period between 1 January - 31 December 2005. Accordingly, these financial statements are not intended to present the financial position, financial performance and cash flows of the Company in accordance with IFRS.

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

NOTE 3 - BUSINESS COMBINATIONS

In the Ordinary General Assembly meeting held on 27 March 2008 based on the authorization of CMB dated 25 February 2008 and numbered B.02.1.SPK.0.13-276/3197, it was decided to merge the Company and Trakmak, through transfer of all the assets and liabilities of Trakmak into the Company as a whole under the framework of Turkish Commercial Code decree 451 and other related decrees and Articles 18-20 of Corporate Tax Law.

Decision of the Ordinary General Assembly and the merger agreement dated 27 March 2008 are registered by the trade registry offices in Ankara and İzmir on 31 March 2008.

The method adopted in the business combination of the Company and Trakmak, was merger over adjusted equities in accordance with CMB Financial Reporting Standards. Merger ratio based on the equity method was determined as 88,067% by an independent expert firm, and by dividing the previous share capital of the Company amounting to YTL47.000.000 by the merger ratio, share capital after the merger has been determined as YTL53.369.000. The comparative balance sheet of the Company as of 31 December 2007 and the statement of income, changes in shareholders' equity, and cash flows and the related explanatory notes for the nine-months period ended at 30 September 2007 have been restated to reflect the effects of combining the financial statements of the Company and Trakmak, prepared in accordance with the financial reporting standards accepted by the CMB (Note 2).

NOTE 4 - CASH AND CASH EQUIVALENTS

	30 September 2008	**31 December 2007**
Banks		
- YTL denominated demand deposits	5.049.980	1.827.100
- YTL denominated time deposits	14.933.757	45.064.812
- Foreign currency denominated demand deposits	1.548.565	287.726
- Foreign currency denominated time deposits	3.598.244	860.082
- Other	-	1.581
	25.130.546	**48.041.301**

As of 30 September 2008, the weighted average effective annual interest rate for the YTL and Euro ("EUR") time deposits is 17,37% and 4,10% (31 December 2007: YTL: 18,13%, U.S. Dollar ("USD"): 3%, EUR: 2,25%). As of 30 September 2008 and 31 December 2007, remaining time to maturity of time deposits is less than three months.

The cash and cash equivalents included in the statement of cash flows at 30 September 2008 and 2007 are as follows:

	30 September 2008	**31 December 2007**	**30 September 2007**	**31 December 2006**
Banks	25.130.546	48.041.301	38.971.814	107.728.884
Less: Interest accruals	(36.401)	(124.812)	(106.135)	(976.182)
Less: Restricted bank deposits	(9.673)	(265.399)	(179.616)	-
Cash and cash equivalents	**25.084.472**	**47.651.090**	**38.686.063**	**106.752.702**

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

NOTE 5 - FINANCIAL ASSETS

Available for sale financial assets:

	30 September 2008		31 December 2007	
	Share	**YTL**	**Share**	**YTL**
Entek Elektrik Üretimi A.Ş.	%2,67	6.675.000	2,67%	4.809.313

As of 30 June 2008, the fair value of Entek Elektrik Üretimi A.Ş has been determined by using the discounted cash flow method. The available for sale investment of the Company is presented in the financial statements with its fair value by adding the difference amounting to YTL1.865.687 between carrying value and fair value to the fair value reserve account under shareholders' equity. The annual discount rate used in the discounted cash flow model was 22,80% for the first six-months of 2008. This discount rate is estimated to decrease step by step to 17,90% until 2018 since TRLIBOR is estimated to decrease between the years 2008-2018. The growth rate used in the model was determined as 1% p.a. As of 30 September 2008, the Company estimates that there is no significant change in the fair value of such financial asset.

NOTE 6 - FINANCIAL LIABILITIES

a) Short term financial liabilities

Short-term bank borrowings

	Original currency amount		Weighted average effective interest rate p.a. (%)		YTL Equivalent	
	30 September 2008	**31 December 2007**	**30 September 2008**	**31 December 2007**	**30 September 2008**	**31 December 2007**
YTL bank borrowings	119.238.645	13.269.486	16,32	13,00	119.238.645	13.269.486
EUR bank borrowings	78.181.799	34.703.509	5,94	4,92	140.555.238	59.349.941
					259.793.883	**72.619.427**

Short-term portion of long term bank borrowings

	Original currency amount		Weighted average effective interest rate p.a. (%)		YTL Equivalent	
	30 September 2008	**31 December 2007**	**30 September 2008**	**31 December 2007**	**30 September 2008**	**31 December 2007**
EUR bank borrowings	31.960.134	12.522.438	5,09	4,67	57.457.929	21.415.874
					57.457.929	**21.415.874**

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

NOTE 6 - FINANCIAL LIABILITIES (Continued)

Short-term financial lease obligations

	Original currency amount		YTL Equivalent	
	30 September 2008	**31 December 2007**	**30 September 2008**	**31 December 2007**
YTL	24.551	108.102	24.551	108.102
EUR	9.410	24.761	16.917	42.347
			41.468	**150.449**
Total short-term financial liabilities			**317.293.280**	**94.185.750**

b) Long-term financial liabilities

	Original currency amount		Weighted average effective interest rate p.a. (%)		YTL Equivalent	
	30 September 2008	**31 December 2007**	**30 September 2008**	**31 December 2007**	**30 September 2008**	**31 December 2007**
EUR bank borrowings	19.179.849	37.500.000	5,67	5,16	34.481.532	64.132.500
Total long-term financial liabilities					**34.481.532**	**64.132.500**

Redemption schedule of the long term bank borrowings as of 30 September 2008 is as follows:

	30 September 2008
1 October 2009 - 30 September 2010	34.481.532
	34.481.532

As of 30 September 2008 and 31 December 2007, all of the financial liabilities of the Company are composed of financial liabilities with fixed interest rates, thus interest rates do not fluctuate at the interim periods of interest payments.

Carrying values and fair values of the bank borrowings are as shown below:

	Carrying value		Fair value	
	30 September 2008	**31 December 2007**	**30 September 2008**	**31 December 2007**
Bank borrowings	351.774.812	158.167.801	352.782.457	158.466.598

As of 30 September 2008, fair values of the EUR and YTL denominated bank borrowings are determined by using the discounted cash flow method over annual average effective discount rates of 5,13% and 17,58%, respectively (31 December 2007: For EUR and YTL bank borrowings 4,66% and 18,13% p.a., respectively).

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

NOTE 7 - OTHER FINANCIAL LIABILITIES

The Company has obtained forward foreign currency-buy contracts from banks amounting to EUR26.250.000 (31 December 2007: EUR44.046.000) in order to manage the foreign currency risk arising from the bank borrowings amounting to EUR26.250.000 as of 30 September 2008 (31 December 2007: EUR44.046.000). Since these derivative financial instruments are assessed to be effective cash flow hedges, related gains/losses arising from these forward transactions are recognised under shareholders' equity. As of 30 September 2008, total contract value of the forward foreign currency-buy transactions is YTL64.343.525 (31 December 2007: YTL101.751.859).

Derivative financial instruments

	30 September 2008	31 December 2007
Short-term obligations arising from derivative financial instruments	13.495.252	5.251.853
Long-term obligations arising from derivative financial instruments	-	11.154.192
Total obligations arising from derivative financial instruments	**13.495.252**	**16.356.045**

	30 September 2008			31 December 2007		
	Contract value	Fair value	Fair value difference	Contract value	Fair value	Fair value difference
Forward foreign currency-buy transactions	64.343.525	50.848.273	(13.495.252)	101.751.859	85.395.814	(16.356.045)

Movements in the hedge reserve during the period are as shown below:

	2008	2007
1 January	(13.084.836)	-
Increase/(decrease) in the fair value of derivative financial instruments	2.860.793	(14.102.918)
Deferred tax calculated over the increase/(decrease) in the fair value of derivative financial instruments	(572.158)	2.820.584
30 September	**(10.796.201)**	**(11.282.334)**

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

NOTE 8 - TRADE RECEIVABLES AND PAYABLES

	30 September 2008	31 December 2007
Short term trade receivables:		
Customer current accounts	155.649.556	119.948.887
Notes receivable	96.051.924	67.952.904
Cheques received	-	25.318
	251.701.480	187.927.109
Less: Provision for doubtful receivables	(3.592.674)	(1.714.405)
Unearned financial income	(9.311.131)	(8.561.199)
Short term trade receivables	**238.797.675**	**177.651.505**

The Company considers its past experience in collecting receivables when providing provision for doubtful accounts. The management believes that there is no further risk of doubtful receivables except the provision provided.

Movements of the provisions for doubtful receivables for the periods ended 30 September 2008 and 2007 are as shown below:

	2008	2007
1 January	1.714.405	1.070.157
Collections during the period (Note 17)	(98.328)	(563.465)
Increase during the period (Note 17)	1.976.597	2.371.615
30 September	**3.592.674**	**2.878.307**

	30 September 2008	31 December 2007
Long-term trade receivables:		
Notes receivable	171.808.823	86.732.146
Less: Unearned financial income	(29.765.418)	(15.712.645)
Long-term trade receivables	**142.043.405**	**71.019.501**

As of 30 September 2008, weighted average annual effective interest rate for YTL, EUR and USD denominated short-term and long-term trade receivables are 17,94%, 5,26% and 4,00% (31 December 2007: YTL 16,28%, EUR 4,70%, USD 4,63%), respectively.

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

NOTE 8 - TRADE RECEIVABLES AND PAYABLES (Continued)

	30 September 2008	31 December 2007
Trade payables:		
Supplier current accounts	98.213.672	73.963.480
Less: Unincurred financial expense	(838.442)	(615.021)
	97.375.230	**73.348.459**

As of 30 September 2008, weighted average annual effective interest rates for YTL, EUR, USD and Great Britain Pound ("GBP") denominated trade payables are 17,38%, 5,09%, 3,95% and 6,12% (31 December 2007: YTL 16,69%, EUR 4,75%, USD 4,63% and GBP 5,96%), respectively.

NOTE 9 - INVENTORIES

	30 September 2008	31 December 2007
Raw materials	55.463.725	47.612.717
Work in progress	11.326.137	1.500.884
Finished goods	51.490.796	27.529.587
Commercial goods	72.114.926	68.567.151
Spare parts	11.766.487	10.227.324
Goods in transit	60.095.887	17.772.191
	262.257.958	173.209.854
Provision for impairment of inventory	(1.113.116)	(267.389)
	261.144.842	**172.942.465**

The cost of inventories recognised as expense and included in cost of sales in the current period, amounted to YTL441.513.834 (30 September 2007: YTL239.225.260).

Movement of provision for impairment of inventory during the period is as follows:

	2008	2007
1 January	267.389	-
Charge for the period (Note 17)	845.727	-
30 September	**1.113.116**	**-**

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

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2008	Additions	Disposals	Transfers	30 September 2008
Cost					
Land	373.095	-	-	-	373.095
Land improvements	4.367.819	111.859	-	-	4.479.678
Buildings	47.797.431	132.139	-	194.104	48.123.674
Machinery and equipment	317.004.923	3.222.782	(10.288.779)	1.054.936	310.993.862
Special costs	2.614.694	-	-	-	2.614.694
Motor vehicles	3.124.761	231.626	(198.662)	-	3.157.725
Furniture and fixtures	19.693.220	720.374	(28.231)	-	20.385.363
Construction in progress	416.300	1.714.031	-	(1.249.040)	881.291
	395.392.243	**6.132.811**	**(10.515.672)**	**-**	**391.009.382**
Accumulated depreciation					
Land improvements	2.714.198	134.863	-	-	2.849.061
Buildings	29.106.848	1.324.145	-	-	30.430.993
Machinery and equipment	300.521.054	5.916.382	(10.288.779)	-	296.148.657
Special costs	2.435.776	39.874	-	-	2.475.650
Motor vehicles	1.296.845	369.916	(74.671)	-	1.592.090
Furniture and fixtures	17.381.481	713.468	(28.231)	-	18.066.718
	353.456.202	**8.498.648**	**(10.391.681)**	**-**	**351.563.169**
Net book value	**41.936.041**				**39.446.213**

	1 January 2007	Additions	Disposals	30 September 2007
Cost				
Land	106.478	-	-	106.478
Land improvements	4.552.737	47.200	-	4.599.937
Buildings	47.753.132	174.100	-	47.927.232
Machinery and equipment	311.181.579	3.189.872	(706.786)	313.664.665
Special cost	2.525.200	88.671	-	2.613.871
Motor vehicles	2.320.317	711.620	(146.389)	2.885.548
Furniture and fixtures	19.076.857	672.749	(329.613)	19.419.993
Construction in progress	9.388	-	-	9.388
	387.525.688	**4.884.212**	**(1.182.788)**	**391.227.112**
Accumulated depreciation				
Land improvements	2.599.420	85.603	-	2.685.023
Buildings	27.485.289	1.183.324	-	28.668.613
Machinery and equipment	289.654.276	9.018.783	(706.786)	297.966.273
Special costs	2.386.213	36.268	-	2.422.481
Motor vehicles	1.172.640	327.490	(57.782)	1.442.348
Furniture and fixtures	16.856.400	659.497	(323.807)	17.192.090
	340.154.238	**11.310.965**	**(1.088.375)**	**350.376.828**
Net book value	**47.371.450**			**40.850.284**

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

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT (Continued)

For the period ended at 30 September 2008, of the total depreciation expense YTL6.627.251 (30 September 2007: YTL9.696.047) is allocated to cost of sales, YTL1.480.064 (30 September 2007: YTL1.309.579) is allocated to general administrative expenses, YTL385.516 (30 September 2007: YTL305.339) is allocated to research and development expenses and YTL5.817 is allocated to marketting, selling and distribution expenses (30 September 2007: None).

NOTE 11 - INTANGIBLE ASSETS

	1 January 2008	Additions	Disposals	30 September 2008
Cost				
Rights	4.350.914	182.030	-	4.532.944
Development costs (*)	512.897	-	-	512.897
Development costs in progress	1.454.846	1.614.722	-	3.069.568
	6.318.657	**1.796.752**	**-**	**8.115.409**
Accumulated amortisation				
Rights	3.718.739	236.275	-	3.955.014
Development costs (*)	-	76.935	-	76.935
	3.718.739	**313.210**	**-**	**4.031.949**
Net book value	**2.599.918**			**4.083.460**

(*) Development costs include internally generated intangible assets. When the development projects are completed, depreciation expense is recognized over the useful lives.

	1 January 2007	Additions	Disposals	30 September 2007
Cost				
Rights	4.026.886	193.620	-	4.220.506
	4.026.886	**193.620**	**-**	**4.220.506**
Accumulated amortisation				
Rights	3.410.479	234.926	-	3.645.405
	3.410.479	**234.926**		**3.645.405**
Net book value	**616.407**			**575.101**

For the period ended at 30 September 2008, of the total amortisation expenses YTL184.374 (30 September 2007: YTL126.722) is allocated to cost of sales, YTL41.176 (30 September 2007: YTL104.212) is allocated to general administrative expenses and YTL87.660 (30 September 2007: YTL3.992) is allocated to research and development expenses.

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

NOTE 12 - OTHER ASSETS AND LIABILITIES

	30 September 2008	31 December 2007
a) Other current assets:		
Refundable value added tax ("VAT")	27.393.768	18.252.827
Deductable VAT	9.995.246	1.696.292
Refundable corporate tax (*)	744.436	-
Prepaid expenses	372.267	565.451
Other	72.915	50.835
	38.578.632	**20.565.405**

(*) Refundable corporate tax amounting to YTL744.436 is related to the corporate tax that Trakmak overpaid for the year 2007 before the merge and asked for the refund from the related tax office.

b) Other non-current assets:

Deposits and guarantees given	430.913	708.999
Prepaid expenses	865	865
	431.778	**709.864**

c) Other short term liabilities:

Deferred income (*)	22.578.469	7.898.250
Taxes and funds payable	3.410.475	3.200.357
Payables to personnel	13.848	1.837.073
Advances received	332.572	311.238
Other	1.515.642	1.580.616
	27.851.006	**14.827.534**

(*) Deferred income amounting to YTL22.578.469 is the sales amount of the tractors for which the invoices are issued but are not yet shipped to customers as of 30 September 2008.

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

NOTE 13 - PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

a) Provisions

	30 September 2008	31 December 2007
Warranty provisions	10.142.591	9.494.108
Provision for lawsuits (*)	1.723.797	1.593.980
Personnel premium provisions	1.668.828	-
Other provisions	3.257.534	320.706
	16.792.750	**11.408.794**

(*) There are various ongoing lawsuits where the Company is either claimant or litigant. These lawsuits are mainly related with the collection of the receivables and labour. As of 30 September 2008, the Company has provided provision for these lawsuits in accordance with the advice of the legal counsel, amounting to YTL1.723.797 in these financial statements.

The movements of provision for warranty expenses during the period are as follows:

	2008	2007
1 January	9.494.108	8.426.593
Released during the period	(6.138.232)	(3.379.809)
Charge for the period	6.786.715	6.546.907
30 September	**10.142.591**	**11.593.691**

The movement of provision for lawsuits during the period is as follows:

	2008	2007
1 January	1.593.980	257.523
Released during the period	-	(257.523)
Charge for the period	129.817	1.520.605
30 September	**1.723.797**	**1.520.605**

The movement of provision for personnel premium during the period is as follows:

	2008	2007
1 January	-	-
Released during the period	-	-
Charge for the period	1.668.828	1.132.500
30 September	**1.668.828**	**1.132.500**

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

NOTE 13 - PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS (Continued)

The movement of other provisions during the period is as follows:

	2008	**2007**
1 January	320.706	257.353
Released during the period	(320.706)	(257.353)
Charge for the period	3.257.534	1.710.474
30 September	**3.257.534**	**1.710.474**

b) Contingent Liabilities

The commitments and contingent liabilities which are not expected to cause material loss or debts by the Company are summarized below:

	30 September 2008	**31 December 2007**
Letters of guarantee given	18.987.301	26.558.170
Letters of bail given (*)	6.379.849	8.054.402
	25.367.150	**34.612.572**

(*) The Company has signed guarantee agreements with Akbank and Denizbank for the bank borrowings amounting to EUR3.548.698 used by one of its customers, Mega Otomotiv Zirai Aletler ve Konfeksiyon San. Tic. Ltd. Şti. ("Mega Otomotiv"). The beneficiary and the obligatory of these bank borrowings is Mega Otomotiv.

c) Contingent Assets

	30 September 2008	**31 December 2007**
Letters of guarantee received	131.536.764	119.375.642
Security bonds	8.351.594	7.541.107
Mortgages	1.335.480	1.517.490
Foreign currency guarantees in cash	9.673	195.877
	141.233.511	**128.630.116**

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

NOTE 14 - PROVISION FOR EMPLOYMENT TERMINATION BENEFITS

	30 September 2008	31 December 2007
Provision for employment termination benefits	7.469.352	7.475.590
	7.469.352	**7.475.590**

Provision for employee termination benefit is recorded in line with the legal arrangements 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 YTL2.173,19 for each year of service as of 30 September 2008 (31 December 2007: YTL2.030,19).

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.

Communiqué 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 September 2008	31 December 2007
Discount rate (%)	5,71	5,71
Turnover rate to estimate the probability of retirement (%)	96,94	97,74

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. The maximum amount of YTL2.173,19 which is effective from 1 July 2008 (1 January 2008: YTL2.087,92) has been taken into consideration in calculating the provision for employment termination benefits of the Company.

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

	2008	2007
1 January	7.475.590	8.191.241
Increase during the period	814.280	1.129.340
Paid during the period	(820.518)	(1.793.870)
30 September	**7.469.352**	**7.526.711**

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

NOTE 15 - SHAREHOLDERS' EQUITY

Share Capital

The Company's registered share capital amounts to YTL250.000.000 (31 December 2007: YTL250.000.000).

Companies in Turkey, may exceed the registered share capital if they issue bonus shares to present shareholders.

The composition of the Company's statutory share capital at 30 September 2008 and 31 December 2007 are as follows:

	30 September 2008		31 December 2007	
	Participation (%)	**Amount (YTL)**	**Participation (%)**	**Amount (YTL)**
Koç Holding	37,7	20.132.794	37,7	20.132.794
CNH	37,5	20.013.375	37,5	20.013.375
Public quotation	22,0	11.747.963	22,0	11.747.963
Temel Ticaret A.Ş.	2,1	1.114.575	2,1	1.114.575
Other	0,7	360.293	0,7	360.293
	100,0	**53.369.000**	**100,0**	**53.369.000**
Adjustments to share capital		**39.014.356**		**39.014.356**
		92.383.356		**92.383.356**

Adjustments to share capital represent the difference between the total amounts of cash additions to share capital which are adjusted for inflation and not adjusted for inflation.

As of 28 November 2005, the shares of the Company are dematerialized and in accordance with the Communiqué No: IV-28 regarding "Principles and Procedures for the Recording of Dematerialized Capital Market Instruments", shares paid to the bearer were made shares paid to the name. The Company's shares were organized as A, B and C Groups. A and B Group shares are privilege shares, and the Board members are selected from the privilege share owners.

As of 3-4 June 2004, the Company has been quoted to İstanbul Stock Exchange ("İSE") and its shares started to be traded in the stock exchange market. As of 30 September 2008, 22% (31 December 2007: 22%) of the Company shares have been quoted in the İSE.

The method adopted in the business combination of the Company and Trakmak, was merger over the adjusted equities in accordance with CMB Financial Reporting Standards. The capital structure of the Company is rearranged accordingly (Note 3) and the share capital of the Company was increased from YTL47.000.000 to YTL53.369.000 after the merger by considering the relative ratios of shareholders' equity and nominal capitals of these two companies. The Company owned 5.336.900.000 units of shares with a face value of 1 New Kuruş ("YKr") each.

NOTE 15 - SHAREHOLDERS' EQUITY (Continued)

Retained Earnings, Restricted Profit Reserves, Fair Value Reserves, and Other Capital Reserves

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. These amounts are classified as "Restricted profit reserves" according to the CMB Financial Reporting Standards.

In accordance with the CMB requirements effective in the previous periods, the inflation adjustment differences arising at the initial application of inflation accounting which are recorded under "accumulated losses" could be netted off from the profit to be distributed based on CMB profit distribution regulations. In addition, the aforementioned amount recorded under "accumulated losses" could be netted off with net income for the period, if any, undistributed prior period profits, and inflation adjustment differences of extraordinary reserves, legal reserves and capital, respectively.

In addition, in accordance with the CMB regulations effective until 1 January 2008, "Capital, Share Premiums, Legal Reserves, Special Reserves and Extraordinary Reserves" were recorded at their statutory carrying amounts and the inflation adjustment differences related to such accounts were recorded under "inflation adjustment differences" at the initial application of inflation accounting. "Equity inflation adjustment differences" could have been utilised in issuing bonus shares and offsetting accumulated losses, carrying amount of extraordinary reserves could have been utilised in issuing bonus shares, cash dividend distribution and offsetting accumulated losses.

In accordance with the Communiqué No:XI-29 and related announcements of CMB, effective from 1 January 2008, "Share capital", "Restricted Reserves" and "Share Premiums" shall be carried at their statutory amounts. The valuation differences (such as inflation adjustment differences) shall be disclosed as follows:

- If the difference is due to the inflation adjustment of "share capital" and not yet been transfered to capital should be classified under "Adjusments to Share Capital";

- If the difference is due to the inflation adjustment of "Restricted Reserves" and "Share Premium" and the amount has not been utilised in dividend distribution or capital increase yet, it shall be classified under "Retained Earnings".

Other equity items shall be carried at the amounts calculated based on CMB Financial Reporting Standards.

Capital adjustment differences have no other use other than being transferred to share capital.

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

NOTE 15 - SHAREHOLDERS' EQUITY (Continued)

Based on the CMB Decree 4/138 dated 8 January 2008 and effective from 1 January 2008, the minimum profit distribution rate is determined to be 20% (31 December 2007: 20%) for the quoted entities at the stock exchange. The above mentioned distribution, in accordance with the decision of the General Assembly, can be made as cash or as bonus shares or as a combination of a certain percentage of cash and bonus shares. It is also permitted to retain this amount in the Company reserves if the first dividend amount is below 5% of the paid in/issued capital; however if the Company has increased its paid-in capital without dividend distribution in the previous period, it is mandatory to make the first dividend distribution in cash for the companies that will make profit distribution out of the net distributable profit of the year 2007.

The Company's shareholders' equity as of 30 September 2008 and 31 December 2007 is as follows:

	30 September 2008	31 December 2007
Share capital	53.369.000	53.369.000
Adjustments to share capital	39.014.356	39.014.356
Fair value reserves	3.760.923	1.988.520
Hedge reserve	(10.796.201)	(13.084.836)
Merger reserve	(5.569.000)	(5.569.000)
Restricted profit reserves	56.617.017	47.452.017
Retained earnings	76.601.061	87.039.298
Net profit for the period	75.276.149	92.726.763
Total shareholders' equity	**288.273.305**	**302.936.118**

NOTE 16 - SALES AND COST OF SALES

	1 January- 30 September 2008	1 July- 30 September 2008	1 January- 30 September 2007	1 July- 30 September 2007
Domestic sales	458.804.862	141.347.659	381.050.641	142.356.036
Export sales	223.695.963	59.139.936	136.749.449	49.446.315
	682.500.825	**200.487.595**	**517.800.090**	**191.802.351**
Less : Discounts and returns	(50.989.708)	(13.848.039)	(43.007.927)	(19.203.860)
Net sales	**631.511.117**	**186.639.556**	**474.792.163**	**172.598.491**
Cost of sales	(506.977.989)	(150.642.285)	(359.871.421)	(130.505.577)
Gross profit	**124.533.128**	**35.997.271**	**114.920.742**	**42.092.914**

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

NOTE 17 - OTHER OPERATING INCOME/EXPENSES

	1 January-30 September 2008	1 July-30 September 2008	1 January-30 September 2007	1 July-30 September 2007
Gain on sales of property, plant and equipment	1.318.023	575.833	39.283	2.901
Commission income	176.905	-	-	-
Termination of provision for doubtful receivables (Note 8)	98.328	56.480	563.465	26.140
Other various income	583.809	287.920	630.253	314.570
Other operating income	**2.177.065**	**920.233**	**1.233.001**	**343.611**

	1 January-30 September 2008	1 July-30 September 2008	1 January-30 September 2007	1 July-30 September 2007
Provision for allowance for doubtful receivables (Note 8)	(1.976.597)	(164.075)	(2.371.615)	(976.555)
Provision for lawsuits (Note 13)	(129.817)	(69.774)	(1.520.605)	(1.520.605)
Provision for impairment of inventory (Note 9)	(845.727)	(806.042)	-	138.099
Loss on sales of property, plant and equipment	(1.415)	-	(1.931)	(706)
Other	(65.102)	422	(153.064)	(122.764)
Other operating expenses	**(3.018.658)**	**(1.039.469)**	**(4.047.215)**	**(2.482.531)**

NOTE 18 - FINANCIAL INCOME

	1 January-30 September 2008	1 July-30 September 2008	1 January-30 September 2007	1 July-30 September 2007
Foreign exchange gain	125.797.385	52.512.567	24.325.014	13.545.811
Financial income from credit sales	73.132.007	22.222.287	36.112.951	13.815.355
Interest income	5.047.616	478.525	7.574.598	490.421
Financial income	**203.977.008**	**75.213.379**	**68.012.563**	**27.851.587**

NOTE 19 - FINANCIAL EXPENSES

	1 January-30 September 2008	1 July-30 September 2008	1 January-30 September 2007	1 July-30 September 2007
Foreign exchange loss	(126.527.136)	(49.430.199)	(18.289.814)	(10.157.915)
Financial expense on credit purchases	(42.305.146)	(10.144.422)	(20.476.751)	(7.451.722)
Interest expenses of bank borrowings	(19.222.489)	(7.587.034)	(9.609.755)	(5.109.287)
Other	(501.080)	(134.842)	(1.297.148)	(93.963)
Financial expenses	**(188.555.851)**	**(67.296.497)**	**(49.673.468)**	**(22.812.887)**

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

NOTE 20 - TAXES ON INCOME

	30 September 2008	31 December 2007
Corporation and income taxes payable	21.110.885	25.804.714
Less: Prepaid taxes	(16.289.226)	(22.030.902)
Total tax payable - net	**4.821.659**	**3.773.812**

	1 January- 30 September 2008	1 July- 30 September 2008	1 January- 30 September 2007	1 July- 30 September 2007
Current period corporate tax expense	(21.110.885)	(4.936.001)	(21.694.093)	(7.718.016)
Deferred tax income	2.743.567	(913.208)	3.179.625	1.844.759
Tax expense	**(18.367.318)**	**(5.849.209)**	**(18.514.468)**	**(5.873.257)**

The Corporate Tax Law was amended by Law No.5520 dated 13 June 2006. Most of the articles of the new Corporate Tax Law in question, No.5520, has come into force effective from 1 January 2006. Corporation tax is payable, at a rate of 20% (2007: 20%) on the total income of the Company and its Subsidiaries registered in Turkey after adjusting for certain disallowable expenses, exempt income and investment and other allowances (e.g. R&D allowance). No further tax is payable unless the profit is distributed (except for withholding tax at the rate of 19,8%, calculated on an exemption amount if an investment allowance is granted in the scope of Income Tax Law temporary article 61).

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15% (2007: 15%). An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

Corporations are required to pay advance corporation tax quarterly at the rate of 20% (2007: 20%) on their corporate income. Advance tax is payable by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. If, despite offsetting, there remains a paid advance tax amount, it may be refunded or offset against other liabilities to the government.

There is no such application for the reconciliation of payable taxes with the tax authority. Corporate tax returns are submitted to the related tax office by the 25th day of the fourth month following the month when the accounting year ends.

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.

According to Turkish tax legislation, financial losses on the returns can be offset against period income for up to 5 years. However, financial losses cannot be offset against previous years' profits.

NOTE 20 - TAXES ON INCOME (Continued)

There are many exemptions in Corporate Tax Law regarding corporations. Those concerning the Company are explained as follows:

Dividends obtained from Turkish resident corporations except dividends from investment funds participation certificates and investment partnerships shares are exempt from corporate tax.

75% of the gains derived from 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 the liabilities and it must not be withdrawn from the entity for a period of 5 years. The cost of the sale has to be collected up until the end of the second calendar year following the year the sale was realized.

Brokerage houses and real estate companies who are dealing with trading and leasing of real estate can not benefit from this exemption.

Accordingly, gains with the above nature which are in the profit/loss figures are taken into consideration, in the calculation of corporate tax.

Apart from the above mentioned exceptions in the determination of the corporate tax base, allowances cited in the articles 8, 9 and 10 of Corporate Tax Law and article 40 of Income Tax Law are taken into consideration.

Deferred Taxes:

The Company recognizes deferred income tax based on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements prepared in accordance with the Communiqué, using the currently enacted tax rates. The currently enacted tax rate for temporary differences is 20% (31 December 2007: 20%).

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

NOTE 20 - TAXES ON INCOME (Continued)

The breakdown of cumulative temporary differences and the resulting deferred tax assets/(liabilities) at 30 September 2008 and 31 December 2007 are as follows:

	Temporary differences		Deferred tax assets/(liabilities)	
	30 September 2008	**31 December 2007**	**30 September 2008**	**31 December 2007**
Net differences between carrying amounts and tax bases of property, plant and equipment and intangible assets	(1.574.161)	188.234	314.832	(37.647)
Unearned finance income on due from related parties	(599.337)	(1.127.868)	119.867	225.574
Due from related parties adjustment differences	7.487.629	-	(1.497.526)	-
Provision for employment termination benefits	(7.469.352)	(7.475.590)	1.493.870	1.495.118
Capitalized unincurred financial expense on inventory	(8.116.292)	(2.927.874)	1.623.258	585.575
Fair value differences on financial assets	3.958.866	2.093.179	(197.943)	(104.659)
Warranty provision	(10.142.591)	(9.494.108)	2.028.518	1.898.822
Provision for lawsuits	(1.723.797)	(1.593.980)	344.759	318.796
Unearned finance income on trade receivables	(10.575.393)	(6.457.631)	2.115.079	1.291.526
Provision for doubtful receivables	(3.378.471)	(1.529.171)	675.694	305.834
Derivative financial instruments fair value differences	(13.495.252)	(16.356.045)	2.699.050	3.271.209
Elimination of foreign currency differences over the notes receivables	145.208	-	(29.042)	-
Retailers premiums	(1.824.808)	-	364.962	-
Personnel premium provisions	(1.668.828)	-	333.766	-
Other provisions	(3.257.534)	(320.706)	651.507	64.141
Other	(975.088)	783.720	195.019	(156.744)
Deferred tax assets			**11.235.670**	**9.157.545**

Movements of deferred tax assets during the period are as follows:

	2008	**2007**
1 January	9.157.545	3.076.079
Deferred tax income	2.743.567	3.179.625
Charged to fair value reserve	(93.284)	-
Charged to hedge reserve	(572.158)	2.820.583
30 September	**11.235.670**	**9.076.287**

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

NOTE 21 - EARNINGS PER SHARE

Earnings per share stated in the income statement is calculated by dividing the net income to the weighted average number of ordinary shares outstanding during the period.

Companies can increase their share capital by making a pro-rata distribution of shares ("Bonus Shares") to existing shareholders from statutory retained earnings and statutory revaluation surplus. For the purpose of earnings per share computations, the weighted average number of shares in existence during the year has been adjusted in respect of bonus share issues without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and each earlier year.

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

	1 January- 30 September 2008	1 July- 30 September 2008	1 January- 30 September 2007	1 July- 30 September 2007
Net profit for the period	75.276.149	23.617.810	73.772.937	25.048.915
Weighted average number of the ordinary shares	5.336.900.000	5.336.900.000	5.336.900.000	5.336.900.000
Earnings per share (in full YTL per share)	0,0141	0,0044	0,0138	0,0047

There is no difference between basic and diluted earnings per share in any periods.

NOTE 22 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

i) Balances with related parties as of 30 September 2008 and 31 December 2007:

a) Bank deposits

	30 September 2008	31 December 2007
Yapı ve Kredi Bankası A.Ş. ("Yapı Kredi")	15.822.880	14.918.839
	15.822.880	**14.918.839**

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

NOTE 22 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

b) Due from related parties

	30 September 2008	31 December 2007
CNH Trade N.V. ("CNH Trade")	67.676.962	52.596.471
CNH Italy SPA ("CNH Italy")	1.427.562	786.797
New Holland India Ag	907.051	111.456
Yapı Kredi Finansal Kiralama A.O. ("Yapı Kredi Finansal Kiralama")	827.911	2.744.572
CNH France S.A ("CNH France")	284.117	234.526
Harranova Besi ve Tarım A.Ş.	-	216.761
Beldeyama Motorlu Vasıtalar Sanayi ve Ticaret A.Ş. ("Beldeyama")	-	804.041
Otokoç Otomotiv Tic ve San A.Ş. ("Otokoç")	266.695	109.056
Other	431.834	166.761
	71.822.132	**57.770.441**
Less: Unaccrued financial income	(599.337)	(296.995)
	71.222.795	**57.473.446**

As of 30 September 2008, weighted average annual effective interest rates for YTL, EUR and USD due from related party balances are 17,60%, 5,14% and 4,01% (31 December 2007: YTL 16,28%, EUR 4,39%, USD 4,63%), respectively and their maturity is 3 months (31 December 2007: 2 months) on average.

c) Due to related parties

CNH Trade	28.180.569	14.817.987
CNH Italy	667.889	557.165
Koç Allianz Sigorta A.Ş. ("Koç Allianz Sigorta")	600.468	9.511
Zer Merkezi Hizmetler ve Ticaret A.Ş. ("Zer")	525.082	403.679
Koç Holding	438.959	614.128
Otokoç	178.614	25.666
Ram Sigorta Aracılık Hiz. A.Ş. ("Ram Sigorta")	169.988	357.050
Setur Servis Turistik A.Ş. ("Setur")	119.463	28.874
Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş. ("Akpa")	96.031	72.603
Opet Petrolcülük A.Ş. ("Opet")	94.390	741.804
Koç Net Haberleşme Teknolojileri ve İletişim Hizmetleri A.Ş. ("Koç Net")	71.622	52.582
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. ("Koç Sistem")	53.170	77.442
Koçtaş Yapı Marketleri A.Ş.	47.314	47.851
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	35.914	39.610
Aygaz A.Ş.	13.282	17.768
Palmira Turizm Ticaret A.Ş. ("Palmira")	-	227.124
Ford Otomotiv Sanayi A.Ş. ("Ford Otomotiv")	-	80.716
Other	41.436	499.598
	31.334.191	**18.671.158**
Less: Unaccrued financial expenses	(397.541)	(209.456)
	30.936.650	**18.461.702**

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

NOTE 22 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

As of 30 September 2008, weighted average annual effective interest rates for YTL and EUR due to related party balances are 17,38% and 5,20% (31 December 2007: YTL 16,28%, EUR 4,39%), respectively and their maturity is 3 months (31 December 2007 : 3 months) on average.

ii) Significant sales and purchases transactions with related parties for the interim period between 1 January - 30 September 2008 and 2007

	1 January- 30 September 2008	1 July- 30 September 2008	1 January- 30 September 2007	1 July- 30 September 2007
a) Product sales to related parties				
CNH Trade	218.493.090	64.913.564	132.403.642	47.898.852
Yapı Kredi Finansal Kiralama	2.946.119	363.550	13.370.453	4.617.609
CNH Italy	2.314.661	453.779	3.431.005	1.176.175
Zer	683.478	556.192	-	-
Beldeyama	30.996	-	2.721.953	889.643
Other	2.574.570	1.482.953	1.588.770	644.021
	227.042.914	**67.770.038**	**153.515.823**	**55.226.300**
b) Other income from related parties				
CNH Italy	-	-	219.969	218.869
CNH Trade	266.011	27.123	24.221	9.652
Palmira	42.928	7.619	43.199	13.066
Other	39.991	7.103	-	-
	348.930	**41.845**	**287.389**	**241.587**
c) Product purchases from related parties				
CNH Trade	34.989.360	13.038.790	100.130.958	58.181.005
Opet	6.798.500	2.537.752	3.716.172	1.207.559
Akpa	1.392.039	353.424	441.305	171.577
CNH Italy	1.262.183	457.697	-	-
CNH France	650.531	233.286	-	-
Koç Sistem	214.193	49.511	299.894	126.590
Ford Otomotiv	37.984	28.446	1.021.534	391.910
Bos Oksijen (*)	-	-	153.193	55.884
Other	483.580	131.025	325.407	91.863
	45.828.370	**16.829.931**	**106.088.463**	**60.226.388**

(*) The Company has excluded purchases from Bos Oksijen from purchases from related parties classification following Koç Holding's sale of its Bos Oksijen shares to Linde Group on 17 July 2007.

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

NOTE 22 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

d) Service purchases from related parties

	1 January-30 September 2008	1 July-30 September 2008	1 January-30 September 2007	1 July-30 September 2007
Setur	1.735.770	268.315	830.109	64.909
Ram Sigorta	2.619.322	1.007.414	885.877	14.264
Zer	2.181.831	907.118	1.233.287	308.096
Palmira	1.255.147	113.825	830.154	206.107
Koç Holding	1.058.314	315.253	1.015.265	396.376
Koç Holding Emekli Sandığı	738.137	302.684	664.617	226.032
Otokoç (*)	683.911	299.638	433.810	159.563
Koç Net	404.798	84.342	274.234	66.798
Opet	407.503	155.957	347.901	134.340
CNH Italy	877.209	739.593	670.992	133.133
Koç Sistem	193.058	56.650	145.608	58.507
Koç Allianz Sigorta	61.875	-	96.097	33.506
Birmot Birleşik Motor San. ve Tic. A.Ş. ("Birmot") (*)	-	-	327.195	125.937
Other	249.500	100.358	464.542	255.812
	12.466.375	**4.351.147**	**8.219.688**	**2.183.380**

(*) Otokoç and Birmot merged under the commercial name Otokoç Otomotiv Ticaret ve Sanayi A.Ş. on 30 November 2007.

Service rendered from Koç Holding and CNH Italy is related with human resources, strategy development and consultancy.

iii) Financial income and expenses arising from transactions with related parties for the interim periods between 1 January - 30 September 2008 and 2007:

	1 January-30 September 2008	1 July-30 September 2008	1 January-30 September 2007	1 July-30 September 2007
Interest income				
Yapı Kredi	898.154	376.983	1.476.688	297.810

iv) Dividends paid to related parties:

	1 January - 30 September 2008	1 January - 30 September 2007
Koç Holding	35.460.335	40.125.000
CNH	35.250.000	40.125.000
Public quotation	20.691.948	26.745.364
Temel Ticaret A.Ş.	1.963.126	-
Other	634.591	4.636
	94.000.000	**107.000.000**

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

NOTE 22 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

v) Other income and expenses arising from transactions with related parties for the interim periods between 1 January - 30 September 2008 and 2007:

	1 January- 30 September 2008	1 July- 30 September 2008	1 January- 30 September 2007	1 July- 30 September 2007
Renumeration of Board of Directors and key management personnel	2.924.676	585.632	2.706.724	367.680

NOTE 23 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

Risk management is carried out in accordance with the program set by the Board of Directors of the Company.

a) Market Risk

Foreign currency risk

The Company is exposed to foreign exchange risks through the impact of rate changes on translation into YTL of foreign currency denominated assets and liabilities, resulted from the commercial activities in foreign companies. These risks are monitored and limited by analyses of the foreign currency position. Due to these risks the Company also utilizes derivative financial instruments.

As of 30 September 2008, had the New Turkish Lira devalued by 5% against USD with all other variables held constant, the current period net income would have decreased by YTL369.051 (30 September 2007: increased by YTL245.713) mainly as a result of foreign exchange gains/losses on translation of USD denominated cash and cash equivalents, trade receivables, trade payables and bank borrowings. As the foreign currency position of the Company is mainly composed of EUR denominated receivables and payables, devaluation of YTL against USD does not have significant affect over the net income of the Company for the first nine months of 2007 and 2008.

As of 30 September 2008, had the New Turkish Lira devalued by 5% against the EUR with all other variables held constant, the current period net income would have decreased by YTL2.494.257 (30 September 2007: decreased by YTL2.177.408) mainly as a result of foreign exchange gains/losses on translation of EUR denominated cash and cash equivalents, trade receivables, due to/from related parties and bank borrowings.

NOTE 23 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

The company has obtained forward foreign currency-buy contracts from banks in order to minimize its foreign currency risk exposure sourcing from its EUR denominated liabilities (Note 7). Had the YTL devalued by 5% against EUR with all other variables held constant, the hedge reserve of the Company accounted under shareholders' equity would increase at an amount of YTL2.359.613 as of 30 September 2008 (30 September 2007: YTL3.762.850).

Price Risk

As the equity investments classified under financial assets of the Company are not quoted in an active market, the Company is not exposed to price risk.

Cash flow and fair value interest rate risk

As the Company has no interest-bearing debt with a variable interest rate, the Company is not exposed to cash flow interest rate risk. However, borrowings issued at fixed rates expose the Company to fair value interest rate risk and these exposures are managed by using natural hedges arising from offsetting interest rate sensitive assets and liabilities.

b) Credit Risk

Credit risk arises from cash and cash equivalents and deposits with banks, as well as credit exposures to customers, including outstanding receivables and committed transactions. The Company assesses the credit quality of the customers by assessing the financial position of the customers, past experiences and other factors as a part of its credit risk management programme. The Company management manages these risks by limiting the average risk to any individual counterparty, by obtaining guarantees where necessary and management does not expect any losses from non-performance by any counterparty as of the balance sheet date (Note 8).

c) Liquidity Risk

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

Funding risk of the current and future liabilities is managed by providing sustainability of the access to sufficient high quality creditors and the sustainability of the sufficient cash flows obtained from operating activities. The Company management closely follows up the timely collection of receivables, allocates high intensity focus to prevent any financial burden sourcing from late collections and determines cash and non-cash credit limits to be activated in case of any need demanded by the Company.

Total amount of financial liabilities of the Company with maturities over than one year is YTL34.481.532 (31 December 2007: YTL75.286.692) and the amount of financial assets of the Company with maturities over than one year is YTL148.718.405 (31 December 2007: YTL75.828.814) as of 30 September 2008.

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

NOTE 23 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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 others in the industry, the Company monitors capital on the basis of the net debt/capital (gearing) ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total payables (including borrowings and trade and other payables, as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as equity, as shown in the balance sheet, plus net debt. The gearing ratios at 30 September 2008 and 31 December 2007 are as follows:

	30 September 2008	**31 December 2007**
Total payables	512.759.357	268.729.757
Less: Cash and cash equivalents (Note 4)	(25.084.472)	(47.651.090)
Net debt	**487.674.885**	**221.078.667**
Total equity	288.273.305	302.936.118
Total capital	**775.948.190**	**524.014.785**
Net debt/capital	**63%**	**42%**

Fair value of financial assets

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realise in a current market exchange.

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

Financial assets

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

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

NOTE 23 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

The fair values of certain financial assets carried at amortised cost, including cash and cash equivalent are considered to approximate their respective carrying values due to their short-term nature.

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

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Company is the current bid price.

Financial liabilities

The fair values of short-term and long-term bank borrowings are presented in Note 6.

Trade payables, which are measured at amortised cost, are considered to approximate their carrying value.

Foreign currency position

The amounts of foreign currency assets and liabilities owned by the Company as of 30 September 2008 and 31 December 2007 are as follows:

	30 September 2008	31 December 2007
Assets	320.734.904	241.856.153
Liabilities	(330.729.393)	(210.932.207)
Net foreign currency position	**(9.994.489)**	**30.923.946**

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

NOTE 23 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

YTL equivalents of the foreign currency amounts are as below:

		30 September 2008		31 December 2007	
	Original currency	**Original amounts**	**YTL**	**Original amounts**	**YTL**
Assets:					
Cash and cash equivalents	EUR	2.818.231	5.066.615	453.286	775.210
	USD	61.935	76.279	319.910	372.598
	GBP	1.730	3.915	-	-
			5.146.809		1.147.808
Short-term trade receivables	EUR	35.224.491	63.326.589	25.526.046	43.654.644
	USD	222.814	274.418	296.694	345.560
			63.601.007		44.000.204
Due from related parties	EUR	38.082.614	68.464.924	32.778.366	56.057.561
	USD	1.805.718	2.223.922	227.682	265.181
			70.688.846		56.322.742
Long-term trade receivables	EUR	74.532.351	133.994.261	38.041.124	65.057.930
	USD	90.720	111.731	-	-
			134.105.992		65.057.930
			273.542.654		**166.528.684**
Off balance sheet items					
Receivables from derivative financial instruments	EUR	26.250.000	47.192.250	44.046.000	75.327.469
Total foreign currency assets			**320.734.904**		**241.856.153**
Liabilities:					
Short-term bank borrowings	EUR	110.141.933	198.013.167	47.225.947	80.765.815
Short-term finance lease obligations	EUR	9.410	16.917	24.761	42.347
Trade payables	EUR	33.027.837	59.377.445	29.387.363	50.258.268
	USD	8.083.495	9.955.632	148.215	172.627
	DKK	100.826	24.292	-	-
	GBP	5.281	11.951	66.424	154.495
	JPY	-	-	1.510.200	15.556
			69.369.320		50.600.946
Due to related parties	EUR	16.046.533	28.848.457	8.992.664	15.379.254
Other short-term liabilities	EUR	-	-	6.634	11.345
Long-term bank borrowings	EUR	19.179.849	34.481.532	37.500.000	64.132.500
Total foreign currency liabilities			**330.729.393**		**210.932.207**

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

NOTE 23 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

The import and export amounts of the Company for the nine months periods ending in 30 September 2008 and 2007 is as follows:

	1 January- 30 September 2008	1 July- 30 September 2008	1 January- 30 September 2007	1 July- 30 September 2007
Total export amount	223.695.963	59.139.936	136.749.449	49.446.315
Total import amount	167.216.329	54.701.516	162.650.089	46.586.370

As of 30 September 2008 and 31 December 2007, percentage of hedging of total foreign currency liabilities through receivables from financial asset derivatives is as follows:

	30 September 2008	31 December 2007
Percentage of hedging of total foreign currency liabilities	14%	36%

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