TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS AT 31 DECEMBER 2008 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

(ORIGINALLY ISSUED IN TURKISH)

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Türk Traktör ve Ziraat Makineleri A.Ş.

1. We have audited the accompanying financial statements of Türk Traktör ve Ziraat Makineleri A.Ş. (the "Company") which comprise the balance sheet as of 31 December 2008 and the statement of income, the statement of changes in equity and the statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

2. Management is responsible for the preparation and fair presentation of these financial statements that have been prepared in accordance with the financial reporting standards issued by the Capital Markets Board ("CMB"). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the auditing standards issued by the CMB. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

   An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

   We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

4. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Türk Traktör ve Ziraat Makineleri A.Ş. as of 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with the financial reporting standards issued by the CMB (Note 2).

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

Murat Sancar, SMMM
Partner

Istanbul, 23 February 2009

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

FINANCIAL STATEMENTS AND EXPLANATORY NOTES AT 31 DECEMBER 2008

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CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

BALANCE SHEETS
AT 31 DECEMBER 2008 AND 2007

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

	Notes	2008	Restated (*) 2007
ASSETS			
CURRENT ASSETS		**721.732.176**	**476.674.122**
Cash and cash equivalents	4	115.684.361	48.041.301
Trade receivables			
- Trade receivables	8	193.836.628	177.651.505
- Due from related parties	23	84.760.004	57.473.446
Inventories	9	275.109.457	172.942.465
Other current assets	12	52.341.726	20.565.405
NON-CURRENT ASSETS		**241.412.927**	**130.232.182**
Trade receivables	8	181.016.360	71.019.501
Financial assets	5	6.541.500	4.809.313
Property, plant and equipment	10	39.609.588	41.936.041
Intangible assets	11	5.655.667	2.599.918
Deferred tax assets	21	8.200.194	9.157.545
Other non-current assets	12	389.618	709.864
TOTAL ASSETS		**963.145.103**	**606.906.304**

(*) Please refer to Notes 2.1 and 3

The financial statements prepared as at and for the year ended 31 December 2008 have been approved and signed by the Board of Directors on 23 February 2009.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

BALANCE SHEETS
AT 31 DECEMBER 2008 AND 2007

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

	Notes	2008	Restated (*) 2007
LIABILITIES			
CURRENT LIABILITIES		**649.380.378**	**221.207.904**
Financial liabilities	6	504.795.652	94.185.750
Other financial liabilities	7	6.131.604	5.201.853
Trade payables			
- Trade payables	8	74.433.859	73.348.459
- Due to related parties	23	38.094.856	18.461.702
Taxation on income	21	-	3.773.812
Provisions	13	12.360.035	11.408.794
Other current liabilities	12	13.564.372	14.827.534
NON-CURRENT LIABILITIES		**28.211.920**	**82.762.282**
Financial liabilities	6	20.637.929	64.132.500
Other financial liabilities	7	-	11.154.192
Provision for employment termination benefits	14	7.573.991	7.475.590
SHAREHOLDERS' EQUITY		**285.552.805**	**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	3.634.098	1.988.520
Hedge reserve	7,15	(4.905.283)	(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 year	15	66.791.556	92.726.763
TOTAL LIABILITIES		**963.145.103**	**606.906.304**

(*) Please refer to Notes 2.1 and 3

Provisions, contingent assets and contingent liabilities	13

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

STATEMENTS OF INCOME FOR THE YEARS ENDED AT 31 DECEMBER 2008 AND 2007

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

	Notes	1 January - 31 December 2008	Restated(*) 1 January - 31 December 2007
Sales (net)	16	787.491.026	640.899.127
Cost of sales (-)	16	(649.306.626)	(492.036.010)
GROSS PROFIT		**138.184.400**	**148.863.117**
Marketing, selling and distribution expenses (-)	17	(34.344.444)	(29.759.411)
General administrative expenses (-)	17	(24.691.311)	(22.930.964)
Research and development expenses (-)	17	(2.930.210)	(3.271.708)
Other operating income	18	1.574.190	1.403.028
Other operating expenses (-)	18	(13.095.054)	(3.150.887)
OPERATING PROFIT		**64.697.571**	**91.153.175**
Financial income	19	239.355.785	95.749.969
Financial expenses (-)	20	(221.349.718)	(71.181.925)
PROFIT BEFORE TAXATION ON INCOME		**82.703.638**	**115.721.219**
Taxes on income (-)	21	(17.086.228)	(25.804.714)
Deferred tax income	21	1.174.146	2.810.258
NET PROFIT FOR THE YEAR		**66.791.556**	**92.726.763**
Earnings per share (YTL)	22	0,0125	0,0174

(*) Please refer to Notes 2.1 and 3

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED AT 31 DECEMBER 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 resrerves	Retained earnings	Net profit for the year	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 (Notes 2.1 and 3)	6.369.000	-	-	-	(5.569.000)	3.376.899	30.501.965	2.153.696	36.832.560
1 January 2007 - 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	-	-	-	(16.356.045)	-	-	-	-	(16.356.045)
Deferred tax calculated on decrease in fair value of derivative financial instruments	-	-	-	3.271.209	-	-	-	-	3.271.209
Net profit for the year	-	-	-	-	-	-	-	92.726.763	92.726.763
31 December 2007 - 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**

	Share capital	Adjustment to share capital	Fair value reserves	Hedge reserve	Merger reserve	Restricted profit resrerves	Retained earnings	Net profit for the year	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 (Notes 2.1 and 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	-	-	1.732.187	-	-	-	-	-	1.732.187
Deferred tax calculated on increase in fair value of available for sale investments	-	-	(86.609)	-	-	-	-	-	(86.609)
Increase in the fair value of derivative financial instruments	-	-	-	10.224.441	-	-	-	-	10.224.441
Deferred tax calculated on increase in fair value of derivative financial instruments	-	-	-	(2.044.888)	-	-	-	-	(2.044.888)
Net profit for the year	-	-	-	-	-	-	-	66.791.556	66.791.556
31 December 2008	**53.369.000**	**39.014.356**	**3.634.098**	**(4.905.283)**	**(5.569.000)**	**56.617.017**	**76.601.061**	**66.791.556**	**285.552.805**

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED AT 31 DECEMBER 2008 AND 2007

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

	Notes	2008	Restated (*) 2007
Cash flows from operating activities:			
Profit before taxation on income		82.703.638	115.721.219
Depreciation	10	10.410.504	14.744.545
Amortisation	11	413.697	308.262
Provision for employment termination benefits	14	1.384.747	1.221.215
Gain from sales of property, plant and equipment - net	18	(361.094)	(94.175)
Interest income	19	(7.286.889)	(9.022.875)
Interest expense	20	34.519.310	15.828.884
Provision for impairment of inventory		731.907	267.389
Expense accruals-net		951.241	2.465.538
Provision for doubtful receivables	18	12.497.982	1.499.002
Net cash flow before changes in operating assets and liabilities		**135.965.043**	**142.939.004**
Changes in operating assets and liabilities - net:			
Increase in trade receivables	8	(138.550.297)	(52.058.275)
Increase in due from related parties	23	(27.286.558)	(25.630.484)
Increase in inventories	9	(102.898.898)	(40.582.889)
Increase in other current assets	12	(27.648.269)	(8.685.974)
Decrease/(increase) in other non-current assets	12	320.245	(708.840)
Increase in due to related parties	23	19.633.154	3.951.378
Increase in trade payables	8	1.085.400	35.332.281
(Decrease)/increase in other short-term liabilites	12	(1.263.162)	9.889.301
Employment termination benefits paid	14	(1.286.346)	(1.936.866)
Taxes paid	21	(24.988.090)	(26.710.004)
Net cash (used in)/provided by operating activities		**(166.917.778)**	**35.798.632**
Cash flows from investing activities:			
Capital expenditures	10,11	(11.908.167)	(11.734.871)
Gain from sales of property, plant and equipment and intangible assets		715.765	228.137
Interest received		7.311.670	9.874.245
Net cash provided by investing activities		**(3.880.732)**	**(1.632.489)**
Cash flows from financing activities:			
Proceeds from bank borrowings		621.266.882	230.673.906
Repayments of bank borrowings		(262.044.121)	(199.325.124)
Dividends paid		(94.000.000)	(107.000.000)
Interest paid		(26.626.743)	(17.616.537)
Net cash provided by/(used in) financing activities		**238.596.018**	**(93.267.755)**
Net increase/(decrease) in cash and cash equivalents		67.797.508	(59.101.612)
Cash and cash equivalents at the beginning of the year	**4**	**47.651.090**	**106.752.702**
Cash and cash equivalents at the end of the year	**4**	**115.448.598**	**47.651.090**

(*) Please refer to Notes 2.1 and 3

The accompanying notes form an integral part of these 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 31 December 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 31 December 2008 is 1.476 (2007: 1.557).

The Company conducts marketing and selling activities in the domestic market, through its 114 sales dealers and 71 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 31 December 2008, 22% (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 years 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 years starting 1 January 2005.

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

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 accordance with the formats recommended by the CMB with the promulgation dated 14 April 2008, including the compulsory disclosures. Therefore, previous year financial statements restated, where necessary.

Comparatives and restatement of prior year 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 for the year then ended and the related explanatory notes have been restated by combining the financial statements of Trakmak as of 31 December 2007, prepared in accordance with the CMB financial reporting standards.

In addition, the Company has made the necessary reclassifications in the prior year 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".

Turkish Lira

In accordance with the Article 1 of the Law numbered 5083 concerning the "Currency of the Republic of Turkey" and according to the Decision of The Council of Ministers dated 4 April 2007 and No: 2007/11963, the prefix "New" used in the "New Turkish Lira" and the "New Kuruş" will be removed as of 1 January 2009. When the prior currency, New Turkish lira ("YTL"), values are converted into TL and Kr, YTL1 and YKr1 shall be equivalent to TL1 and Kr1, respectively.

All references made to New Turkish Lira or Lira in laws, other legislation, administrative transactions, court decisions, legal transactions, negotiable instruments and other documents that produce legal effects as well as payment and exchange instruments shall be considered to have been made to TL at the conversion rate indicated above. Consequently, effective from 1 January 2009, the TL replaces the YTL as a unit of account in keeping and presenting of books, accounts and financial statements.

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.

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

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

2.2 Errors and changes in accounting policies/estimations

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

2.3 Summary of significant accounting policies

The principal accounting policies, consistently applied with prior years, adopted in the preparation of these financial statements are set out below:

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 21), 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 20).

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

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 23).

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.

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) <u>Loans and receivables</u>

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.

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

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.

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.

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

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 22).

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.

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.

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

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.

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.

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

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.

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 year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of prior years (Note 21).

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 21).

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 21).

Employee benefits/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).

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

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.

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 year 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.

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

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 31 December 2008, since it is probable that future taxable profit will be available against which the temporary differences would be utilised.

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 2.1).

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

NOTE 4 - CASH AND CASH EQUIVALENTS

	2008	2007
Banks		
- YTL denominated demand deposits	2.018.949	1.827.100
- YTL denominated time deposits	72.740.058	45.064.812
- Foreign currency denominated demand deposits	1.805.278	287.726
- Foreign currency denominated time deposits	39.120.076	860.082
- Other	-	1.581
	115.684.361	**48.041.301**

As of 31 December 2008, the weighted average effective annual interest rate for the YTL, U.S. Dollar ("USD") and Euro ("EUR") time deposits is 16,52%, 1,00% and %3,01 (2007: YTL: 18,13%, USD: 3%, EUR: 2,25%). As of 31 December 2008 and 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 31 December 2008 and 2007 are as follows:

	2008	2007
Banks	115.684.361	48.041.301
Less: Interest accruals	(100.032)	(124.812)
Less: Restricted bank deposits	(135.731)	(265.399)
Cash and cash equivalents	**115.448.598**	**47.651.090**

NOTE 5 - FINANCIAL ASSETS

Available for sale financial assets:

	31 December 2008		31 December 2007	
	Share	**YTL**	**Share**	**YTL**
Entek Elektrik Üretimi A.Ş.	2,67%	6.541.500	2,67%	4.809.313

As of 31 December 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 YTL1.732.187 between carrying value and fair value to the fair value reserve account under shareholders' equity. Discounted cash flow method used in the valuation is based on the profit and the balance sheet projections for 10 years and discount rate calculated using the Turkish Euro bond yields.

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

NOTE 6 - FINANCIAL LIABILITIES

a) Short term financial liabilities

Short-term bank borrowings

	Original currency amount		Weighted average effective interest rate p.a. (%)		YTL Eqivalent	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
YTL bank borrowings	164.987.867	13.269.486	23,48	13	164.987.867	13.269.486
EUR bank borrowings	117.059.506	34.703.509	9,06	4,92	250.600.991	59.349.941
					415.588.858	**72.619.427**

Short-term portion of long term bank borrowings

	Original currency amount		Weighted average effective interest rate p.a. (%)		YTL Eqivalent	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
EUR bank borrowings	41.669.840	12.522.438	5,5	4,67	89.206.794	21.415.874
					89.206.794	**21.415.874**

Short-term financial lease obligations

	Original currency amount		YTL Eqivalent	
	2008	**2007**	**2008**	**2007**
YTL	-	108.102	-	108.102
EUR	-	24.761	-	42.347
			-	**150.449**
Total short-term financial liabilities			**504.795.652**	**94.185.750**

b) Long-term financial liabilities

	Original currency amount		Weighted average effective interest rate p.a. (%)		YTL Eqivalent	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
EUR bank borrowings	9.640.288	37.500.000	5,66	5,16	20.637.929	64.132.500
Total long-term financial liabilities					**20.637.929**	**64.132.500**

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

NOTE 6 - FINANCIAL LIABILITIES (Continued)

Redemption schedule of the long term bank borrowings as of 31 December 2008 is as follows:

	2008
January 2010	9.358.731
February 2010	11.279.198
	20.637.929

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

	Carrying value		**Fair value**	
	2008	**2007**	**2008**	**2007**
Bank borrowings	525.433.581	158.318.250	538.869.550	158.466.598

As of 31 December 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 4,32% and 16,26%, respectively (2007: For EUR and YTL bank borrowings 4,66% and 18,13% p.a., respectively).

NOTE 7 - OTHER FINANCIAL LIABILITIES

The Company has obtained forward foreign currency-buy contracts from banks amounting to EUR26.250.000 (2007: EUR44.046.000) in order to manage the foreign currency risk arising from the bank borrowings amounting to EUR26.250.000 as of 31 December 2008 (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 31 December 2008, total contract value of the forward foreign currency-buy transactions is YTL64.343.525 (2007: YTL101.751.859).

Derivative financial instruments

	2008	**2007**
Short-term obligations arising from derivative financial instruments	6.131.604	5.201.853
Long-term obligations arising from derivative financial instruments	-	11.154.192
Total obligations arising from derivative financial instruments	**6.131.604**	**16.356.045**

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

NOTE 7 - OTHER FINANCIAL LIABILITIES (Continued)

	2008			2007		
	Contract value	Fair value	Fair value difference	Contract value	Fair value	Fair value difference
Forward foreign currency-buy transactions	64.343.525	58.211.921	(6.131.604)	101.751.859	85.395.814	(16.356.045)

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

	2008	2007
1 January	(13.084.836)	-
Increase/(decrease) in the fair value account of derivative financial instruments	10.224.441	(16.356.045)
Deferred tax calculated over the increase/(decrease) in the fair value account of derivative financial instruments	(2.044.888)	3.271.209
31 December	**(4.905.283)**	**(13.084.836)**

NOTE 8 - TRADE RECEIVABLES AND PAYABLES

	2008	2007
Short term trade receivables:		
Customer current accounts	113.600.059	119.948.887
Notes receivable	95.881.467	66.702.057
Protested notes	6.155.799	1.250.847
Cheques received	-	25.318
	215.637.325	187.927.109
Less: Provision for doubtful receivables	(14.114.059)	(1.714.405)
Unearned financial income	(7.686.638)	(8.561.199)
Short term trade receivables	**193.836.628**	**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 years ended 31 December 2008 and 2007 are as shown below:

	2008	2007
1 January	1.714.405	1.070.157
Provision cancelled during the year	-	(279.067)
Collections during the year (Note 18)	(98.328)	(575.687)
Increase during the year (Note 18)	12.497.982	1.499.002
31 December	**14.114.059**	**1.714.405**

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

NOTE 8 - TRADE RECEIVABLES AND PAYABLES (Continued)

	2008	2007
Long-term trade receivables:		
Notes receivable	201.545.324	86.732.146
Less: Unearned financial income	(20.528.964)	(15.712.645)
Long-term trade receivables	**181.016.360**	**71.019.501**

As of 31 December 2008, weighted average annual effective interest rate for YTL, EUR and USD denominated short-term and long-term trade receivables are 15,83%, 2,68% and 0,77% (2007: YTL16,28%, EUR 4,70%, USD 4,63%), respectively.

As of 31 December 2008, weighted average annual effective interest rate for YTL, EUR and USD denominated notes receivables are 16,08%, 3,01% and 3,05% (2007: YTL 13,52%, EUR 2,47%, USD 4,75%), respectively.

	2008	2007
Trade payables:		
Supplier current accounts	74.993.571	73.963.480
Less: Unincurred financial expense	(559.712)	(615.021)
	74.433.859	**73.348.459**

As of 31 December 2008, weighted average annual effective interest rates for YTL, EUR, USD and GBP denominated trade payables are 15,83%, 2,84%, 1,26% and 2,67% (31 December 2007: YTL 16,69%, EUR 4,75%, USD 4,63% and GBP 5,96%), respectively.

NOTE 9 - INVENTORIES

	2008	2007
Raw materials	73.741.003	47.612.717
Work in progress	3.954.714	1.500.884
Finished goods	41.008.605	27.529.587
Commercial goods	79.583.074	68.567.151
Spare parts	11.783.174	10.227.324
Goods in transit	66.038.183	17.772.191
	276.108.753	173.209.854
Provision for impairment of inventory	(999.296)	(267.389)
	275.109.457	**172.942.465**

The cost of inventories recognised as expense and included in production costs the current year, amounted to YTL581.443.740 (2007: YTL436.631.734).

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

NOTE 9 - INVENTORIES (Continued)

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

	2008	2007
1 January	(267.389)	-
Charge for the year	(731.907)	(267.389)
31 December	**(999.296)**	**(267.389)**

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2008	Additions	Disposals	Transfers	31 December 2008
Cost					
Land	373.095	-	-	-	373.095
Land improvements	4.367.819	111.859	-	-	4.479.678
Buildings	47.797.431	201.763	-	194.103	48.193.297
Machinery and equipment	317.004.923	5.005.669	(10.288.779)	1.617.330	313.339.143
Special costs	2.614.694	-	-	-	2.614.694
Motor vehicles	3.124.761	231.626	(694.823)	-	2.661.564
Furniture and fixtures	19.693.220	1.116.453	(95.037)	-	20.714.636
Construction in progress	416.300	1.771.351	-	(1.811.433)	376.218
	395.392.243	**8.438.721**	**(11.078.639)**	**-**	**392.752.325**
Accumulated depreciation					
Land improvements	2.714.198	118.862	-	-	2.833.060
Buildings	29.106.848	1.529.244	-	-	30.636.092
Machinery and equipment	300.521.054	7.362.556	(10.288.779)	-	297.594.831
Special costs	2.435.777	51.961	-	-	2.487.738
Motor vehicles	1.296.845	472.934	(340.153)	-	1.429.626
Furniture and fixtures	17.381.480	874.947	(95.037)	-	18.161.390
	353.456.202	**10.410.504**	**(10.723.969)**	**-**	**353.142.737**
Net book value	**41.936.041**				**39.609.588**

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

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2007	Additions	Disposals	31 December 2007
Cost				
Land	373.095	-	-	373.095
Land improvements	4.286.120	81.699	-	4.367.819
Buildings	47.753.132	44.299	-	47.797.431
Machinery and equipment	311.181.579	6.604.815	(781.471)	317.004.923
Special costs	2.525.200	89.494	-	2.614.694
Motor vehicles	2.320.317	1.250.947	(446.503)	3.124.761
Furniture and fixtures	19.076.857	964.932	(348.569)	19.693.220
Construction in progress	9.388	406.912	-	416.300
	387.525.688	**9.443.098**	**(1.576.543)**	**395.392.243**
Accumulated depreciation				
Land improvements	2.599.420	114.778	-	2.714.198
Buildings	27.485.289	1.621.559	-	29.106.848
Machinery and equipment	289.654.276	11.643.099	(776.321)	300.521.054
Special costs	2.386.213	49.564	-	2.435.777
Motor vehicles	1.172.640	447.702	(323.497)	1.296.845
Furniture and fixtures	16.856.400	867.843	(342.763)	17.381.480
	340.154.238	**14.744.545**	**(1.442.581)**	**353.456.202**
Net book value	**47.371.450**			**41.936.041**

For the year ended at 31 December 2008, of the total depreciation expense YTL8.115.353 (2007: YTL12.526.428) is allocated to production costs, YTL1.851.380 (2007: YTL1.755.871) is allocated to general administrative expenses, YTL428.056 (2007: YTL462.246) is allocated to research and development expenses and YTL15.715 is allocated to marketting, selling and distribution expenses (2007: None).

NOTE 11 - INTANGIBLE ASSETS

	1 January 2008	Additions	Disposals	Transfers	31 December 2008
Cost					
Rights	4.350.914	218.067	-	-	4.568.981
Development costs	512.897	-	-	2.079.137	2.592.034
Development costs in progress	1.454.846	3.251.379	-	(2.079.137)	2.627.088
	6.318.657	**3.469.446**	**-**	**-**	**9.788.103**
Accumulated amortisation					
Rights	3.718.739	311.118	-	-	4.029.857
Development costs	-	102.579	-	-	102.579
	3.718.739	**413.697**	**-**	**-**	**4.132.436**
Net book value	**2.599.918**				**5.655.667**

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

NOTE 11 - INTANGIBLE ASSETS (Continued)

	1 January 2007	Additions	Disposals	31 December 2007
Cost				
Rights	4.026.886	324.030	-	4.350.916
Development costs in progress	-	1.967.743	-	1.967.743
	4.026.886	**2.291.773**	**-**	**6.318.659**
Accumulated amortisation				
Rights	3.410.479	308.262	-	3.718.741
	3.410.479	**308.262**	**-**	**3.718.741**
Net book value	**616.407**			**2.599.918**

Development costs includes intangible assets constitute by the Company. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use. The amortisation is not calculated for the development costs in progress.

For the year ended at 31 December 2008, of the total amortisation expenses YTL242.527 (2007: YTL166.425) is allocated to production costs, YTL55.798 (2007: YTL135.695) is allocated to general administrative expenses and YTL115.372 (2007: YTL6.142) is allocated to research and development expenses.

NOTE 12 - OTHER ASSETS AND LIABILITIES

	2008	2007
a) Other current assets:		
Deferred value added tax ("VAT")	27.844.205	18.252.827
Deductable VAT	19.602.813	1.696.292
Prepaid taxes	4.128.050	-
Reclaimed corporate tax (*)	186.951	-
Prepaid expenses	160.523	565.451
Other	419.184	50.835
	52.341.726	**20.565.405**

(*) Reclaimed corporate tax amounting to YTL186.951 represents the corporate tax that Trakmak overpaid in the year 2007 before the merge and asked for the refund from the related tax office.

	2008	2007
b) Other non-current assets:		
Deposits and guarantees given	389.185	708.999
Prepaid expenses	433	865
	389.618	**709.864**

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

NOTE 12 - OTHER ASSETS AND LIABILITIES (Continued)

	2008	**2007**
c) Other short term liabilities:		
Deferred income (*)	6.087.574	7.898.250
Taxes, funds and other related payable	3.260.609	3.200.357
Payables to personnel	1.666.618	1.837.073
Advances received	-	311.238
Other	2.549.571	1.580.616
	13.564.372	**14.827.534**

(*) Deferred income amounting to YTL6.087.574 is the sales amount of the tractors for which the invoices are issued but are not yet shipped to customers as of 31 December 2008.

NOTE 13 - PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

a) Provisions

	2008	**2007**
Warranty provisions	9.997.787	9.494.108
Provision for lawsuits (*)	1.754.149	1.593.980
Other provisions	608.099	320.706
	12.360.035	**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 31 December 2008, the Company has provided provision for these lawsuits in accordance with the advice of the legal counsel, amounting to YTL1.754.149 in these financial statements.

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

	2008	**2007**
1 January	9.494.108	8.426.593
Charge for the year	503.679	1.067.515
31 December	**9.997.787**	**9.494.108**

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

	2008	**2007**
1 January	1.593.980	257.523
Released during the year	-	(257.523)
Charge for the year (Note 18)	160.169	1.593.980
31 December	**1.754.149**	**1.593.980**

(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 year is as follows:

	2008	2007
1 January	320.706	257.353
Released during the year	(320.706)	(257.353)
Charge for the year	608.099	320.706
31 December	**608.099**	**320.706**

b) Contingent Liabilities

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

	2008	2007
Letters of guarantee given	11.355.505	26.558.170
Letters of bail given (*)	7.340.155	8.054.402
	18.695.660	**34.612.572**

(*) The Company has signed guarantee agreements with Akbank T.A.Ş. and Denizbank A.Ş. for the bank borrowings amounting to EUR3.428.697 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

	2008	2007
Letters of guarantees received	139.435.262	119.375.642
Security bonds	1.550.000	7.541.107
Mortgages	1.335.480	1.517.490
Foreign currency guarantees in cash	11.960	195.877
	142.332.702	**128.630.116**

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

NOTE 14 - PROVISION FOR EMPLOYMENT TERMINATION BENEFITS

	2008	**2007**
Provision for employment termination benefits	7.573.991	7.475.590
	7.573.991	**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 31 December 2008 (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:

	2008	**2007**
Discount rate (%)	6,26	5,71
Turnover rate to estimate the probability of retirement (%)	96,84	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 YTL2.260,05 which is effective from 1 January 2009 (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 year are as follows:

	2008	**2007**
1 January	7.475.590	8.191.241
Increase during the year (Note 17)	1.384.747	1.221.215
Paid during the year	(1.286.346)	(1.936.866)
31 December	**7.573.991**	**7.475.590**

(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 (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 31 December 2008 and 2007 are as follows:

	2008		2007	
	Participation (%)	**Amount (YTL)**	**Participation (%)**	**Amount (YTL)**
Koç Holding	37,7	20.132.794	37,7	20.132.794
CNH Trade N.V. ("CNH")	37,5	20.013.375	37,5	20.013.375
Temel Ticaret A.Ş.	2,1	1.114.575	2,1	1.114.575
Public quotation	22,0	11.747.963	22,0	11.747.963
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 and cash equivalent 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 31 December 2008, 22% (2007: 22%) of the Company shares have been quoted in the İSE.

NOTE 15 - SHAREHOLDERS' EQUITY (Continued)

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 YKr each.

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 years, 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 year, if any, undistributed prior year 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.

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

NOTE 15 - SHAREHOLDERS' EQUITY (Continued)

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

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% (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 year, 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 31 December 2008 and 2007 is as follows:

	2008	**2007**
Share capital	53.369.000	53.369.000
Adjustments to share capital	39.014.356	39.014.356
Fair value reserves	3.634.098	1.988.520
Hedge reserve	(4.905.283)	(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 year	66.791.556	92.726.763
Total shareholders' equity	**285.552.805**	**302.936.118**

NOTE 16 - SALES AND COST OF SALES

	1 January - 31 December 2008	**1 January - 31 December 2007**
Domestic sales	533.150.083	526.650.005
Export sales	316.816.734	186.739.794
	849.966.817	713.389.799
Less : Discounts and returns	(62.475.791)	(72.490.672)
Net sales	**787.491.026**	**640.899.127**
Cost of sales	(649.306.626)	(492.036.010)
Gross profit	**138.184.400**	**148.863.117**

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

NOTE 17 - RESARCH AND DEVELOPMENT EXPENSES, MARKETING, SELLING AND DISTRIBUTION EXPENSES, GENERAL ADMINISTRATIVE EXPENSES

	1 January - 31 December 2008	1 January - 31 December 2007
Marketing, selling and distribution expenses:		
Warranty expenses	11.266.733	11.275.139
Personnel expenses	9.032.349	7.264.907
Service expenses	3.220.313	1.711.688
Travel expenses of sales personnel	2.620.995	2.307.692
Advertisement expenses	2.496.786	1.794.641
Transportation expenses	1.997.797	1.548.698
Fair expenses	1.172.347	1.340.260
Outsource expenses	995.450	1.351.841
Rent expenses	967.006	904.357
Remuneration of key management personnel (Note 23.v) (*)	400.591	109.753
Depreciation and amortisation (Note 10,11)	15.715	-
Provision for employment termination benefits expenses (**)	(122.541)	-
Other	280.903	150.435
	34.344.444	**29.759.411**

	1 January - 31 December 2008	1 January - 31 December 2007
General administrative expenses:		
Personnel expenses	7.302.523	5.244.350
Repair, maintenance and energy expenses	2.686.349	2.361.595
Service expenses paid to shareholders	2.453.131	1.681.973
Taxes and other legal expense	2.155.105	1.797.237
Depreciation and amortisation (Note 10,11)	1.907.178	1.891.566
Remuneration of key management personnel (Note 23.v) (*)	1.609.545	2.307.088
Outsource expenses	1.174.300	859.390
Donations and aids	1.029.740	2.104.025
Service expenses	870.011	728.768
Provision expense for lawsuits	746.908	941.409
Provision for employment termination benefits expenses (**)	586.023	397.514
Representation and travel expenses	544.116	675.695
Colsultancy and training expenses	330.697	313.035
Other	1.295.685	1.627.319
	24.691.311	**22.930.964**

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

NOTE 17 - RESARCH AND DEVELOPMENT EXPENSES, MARKETING, SELLING AND DISTRIBUTION EXPENSES, GENERAL ADMINISTRATIVE EXPENSES (Continued)

Research and development expenses:

	1 January - 31 December 2008	1 January - 31 December 2007
Personnel expenses	1.215.323	1.552.350
Depreciation and amortisation (Note 10,11)	543.428	444.113
Remuneration of key management personnel (Note 23.v) (*)	175.746	803.798
Project expenses	116.697	101.189
Material expenses	115.999	55.219
Provision for employment termination benefits expenses (**)	30.714	2.571
Travel expenses	16.175	102.113
Service expenses	13.668	24.735
Other	702.460	185.620
	2.930.210	**3.271.708**

(*) The amount of renumeration of key management personnel allocated to production costs is YTL1.316.415 (2007: YTL842.962).

(**) The amount of provision for employment termination benefit expenses allocated to production costs is YTL890.551(2007: YTL821.130).

NOTE 18 - OTHER OPERATING INCOME/EXPENSES

	1 January - 31 December 2008	1 January - 31 December 2007
Gain on sales of property, plant and equipment	362.721	94.594
Commission income	176.905	-
Termination of provision for doubtful receivables (Note 8)	98.328	575.687
Other various income	936.236	732.747
Other operating income	**1.574.190**	**1.403.028**
Provision for allowance for doubtful receivables (Note 8)	(12.497.982)	(1.499.002)
Provision for lawsuits (Note 13)	(160.169)	(1.593.980)
Loss on sales of property, plant and equipment	(1.627)	(419)
Other	(435.276)	(57.486)
Other operating expenses	**(13.095.054)**	**(3.150.887)**

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

NOTE 19 - FINANCIAL INCOME

	1 January - 31 December 2008	1 January - 31 December 2007
Foreign exchange gain	148.764.518	32.710.523
Financial income from credit sales	83.304.378	54.016.571
Interest income	7.286.889	9.022.875
Financial income	**239.355.785**	**95.749.969**

NOTE 20 - FINANCIAL EXPENSES

	1 January - 31 December 2008	1 January - 31 December 2007
Foreign exchange loss	(155.571.788)	(30.322.792)
Financial expense on credit purchases	(30.449.763)	(23.459.806)
Interest expenses of bank borrowings	(34.519.310)	(15.828.884)
Other	(808.857)	(1.570.443)
Financial expenses	**(221.349.718)**	**(71.181.925)**

NOTE 21 - TAX ASSETS AND LIABILITIES

	31 December 2008	31 December 2007
Corporation and income taxes payable	17.086.228	25.804.714
Less: Prepaid taxes	(17.086.228)	(22.030.902)
Total tax payable - net	**-**	**3.773.812**

	1 January - 31 December 2008	1 January - 31 December 2007
Current year corporate tax expense	(17.086.228)	(25.804.714)
Deferred tax income	1.174.146	2.810.258
Tax expense	**(15.912.082)**	**(22.994.456)**

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 companies 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).

NOTE 21 - TAX ASSETS AND LIABILITIES (Continued)

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.

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% (2007: 20%).

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

NOT 21 - TAX ASSETS AND LIABILITIES (Continued)

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

	Temporary differences		Deferred tax assets/(liabilities)	
	2008	**2007**	**2008**	**2007**
Net differences between carrying amounts and tax bases of property, plant and equipment and intangible assets	807.674	188.234	(161.535)	(37.647)
Unearned finance income on due from related parties	(404.540)	(1.127.868)	80.908	225.574
Provision for employment termination benefits	(7.573.991)	(7.475.590)	1.514.798	1.495.118
Capitalized unincurred financial expense on inventory	(622.126)	(804.519)	124.425	160.903
Fair value differences on financial assets	3.825.359	2.093.179	(191.268)	(104.659)
Warranty provision	(9.997.787)	(9.494.108)	1.999.557	1.898.822
Provision for lawsuits	(1.754.149)	(1.593.980)	350.830	318.796
Unearned finance income on trade receivables	(6.492.122)	(6.457.631)	1.298.424	1.291.526
Provision for doubtful receivables	(7.988.958)	(1.529.171)	1.597.792	305.834
Derivative financial instruments fair value differences	(6.131.604)	(16.356.045)	1.226.321	3.271.209
Retailers premiums	(280.031)	-	56.006	-
Provision for impairment of inventory	(999.296)	(267.389)	199.859	53.479
Other provisions	(608.099)	(320.706)	121.619	64.141
Elemination of profit margin of the sales to free zone branch	(1.500.021)	(1.855.965)	300.006	371.193
Other	1.587.742	783.720	(317.548)	(156.744)
Deferred tax assets			**8.200.194**	**9.157.545**

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

	2008	**2007**
1 January	9.157.545	3.076.078
Deferred tax income	1.174.146	2.810.258
Charged to fair value reserve	(86.609)	-
Charged to hedge reserve	(2.044.888)	3.271.209
31 December	**8.200.194**	**9.157.545**

NOTE 22 - 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 year.

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.

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

NOTE 22 - EARNINGS PER SHARE (Continued)

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 - 31 December 2008	**1 January - 31 December 2007**
Net profit for the year	66.791.556	92.726.763
Weighted average number of the ordinary shares	5.336.900.000	5.336.900.000
Earnings per share (in full YTL per share)	0,0125	0,0174

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

NOTE 23 - RELATED PARTY EXPLANATIONS

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

	2008	**2007**
a) Bank deposits		
Yapı ve Kredi Bankası A.Ş. ("Yapı Kredi")	39.504.246	14.918.839
	39.504.246	**14.918.839**
b) Due from related parties		
CNH Trade N.V. ("CNH")	81.404.378	52.596.471
Yapı Kredi Finansal Kiralama A.O. ("Yapı Kredi Finansal Kiralama")	986.264	2.744.572
Fiat India PVT. LTD	907.154	-
CNH Italy SPA ("CNH Italy")	730.003	786.797
CNH France S.A ("CNH France")	338.710	234.526
Harranova Besi ve Tarım A.Ş.	241.400	216.761
New Holland India Ag	133.987	111.456
Fiat Group Purchasing SRL	124.290	-
Otokoç Otomotiv Tic ve San A.Ş. ("Otokoç")	53.980	109.056
Beldeyama Motorlu Vasıtalar Sanayi ve Ticaret A.Ş. ("Beldeyama")	-	804.041
Other	244.378	166.761
	85.164.544	**57.770.441**
Less: Unaccrued financial income	(404.540)	(296.995)
	84.760.004	**57.473.446**

As of 31 December 2008, weighted average annual effective interest rates for YTL, EUR and USD due from related party balances are 15,83%, 2,69% and 0,77% (2007: YTL 16,28%, EUR 4,39%, USD 4,63%), respectively and their maturity is 2 months (2007: 2 months) on average.

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

NOTE 23 - RELATED PARTY EXPLANATIONS (Continued)

	2008	2007
c) Due to related parties		
CNH	33.779.543	14.817.987
Zer Merkezi Hizmetler ve Ticaret A.Ş. ("Zer")	2.171.539	403.679
Koç Holding	933.923	614.128
Opet Petrolcülük A.Ş. ("Opet")	712.487	741.804
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. ("Koç Sistem")	315.164	77.442
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	134.838	39.610
Setur Servis Turistik A.Ş. ("Setur")	105.162	28.874
Otokoç	62.650	25.666
Koçtaş Yapı Marketleri A.Ş.	60.652	47.851
Palmira Turizm Ticaret A.Ş. ("Palmira")	42.858	227.124
Koç Net Haberleşme Teknolojileri ve İletişim Hizmetleri A.Ş. ("Koç Net")	41.877	52.582
Koç Allianz Sigorta A.Ş. ("Koç Allianz Sigorta")	16.333	9.511
CNH Italy	4.605	557.165
Ram Sigorta Aracılık Hiz. A.Ş. ("Ram Sigorta")	-	357.050
Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş. ("Akpa")	-	72.603
Aygaz A.Ş.	-	17.768
Ford Otomotiv Sanayi A.Ş. ("Ford Otomotiv")	-	80.716
Other	67.518	499.598
	38.449.149	**18.671.158**
Less: Unaccrued financial expenses	(354.293)	(209.456)
	38.094.856	**18.461.702**

As of 31 December 2008, weighted average annual effective interest rates for YTL and EUR due to related party balances are 15,83% and 2,91% (2007: YTL 16,28%, EUR 4,39%), respectively and their maturity is 3 months (2007 : 3 months) on average.

ii) Significant sales and purchases transactions with related parties for the periods between 1 January - 31 December 2008 and 2007

	1 January- 31 December 2008	1 January- 31 December 2007
a) Product sales to related parties		
CNH	302.218.299	180.870.882
CNH Italy	5.122.203	4.687.370
Yapı Kredi Finansal Kiralama	2.946.119	19.164.061
Zer	873.410	-
Beldeyama	30.996	2.722.028
Other	8.786.162	2.245.536
	319.977.189	**209.689.877**

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

NOTE 23 - RELATED PARTY EXPLANATIONS (Continued)

	1 January- 31 December 2008	**1 January- 31 December 2007**
b) Other income from related parties		
CNH	297.293	32.702
Palmira	42.928	56.763
Other	39.991	90.117
	380.212	**179.582**
c) Product purchases from related parties		
CNH	49.800.931	70.768.261
Opet	7.502.714	4.928.440
Akpa	1.786.591	682.698
CNH Italy	1.077.513	2.751.239
CNH France	649.127	115.985
Koç Sistem	494.425	610.719
Ford Otomotiv	111.191	1.264.573
Bos Oksijen (*)	-	97.309
Other	1.309.716	714.882
	62.732.208	**81.934.106**

(*) 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.

	1 January- 31 December 2008	**1 January- 31 December 2007**
d) Service purchases from related parties		
Ram Sigorta	4.863.879	919.768
Zer	4.502.839	2.230.213
Setur	2.090.250	1.900.845
Koç Holding	1.556.812	1.388.066
Otokoç (*)	1.339.046	1.226.098
CNH Italy	1.201.089	1.189.016
Palmira	1.139.882	1.398.047
Vehbi Koç Vakfı	1.000.000	2.051.515
Koç Holding Emekli Sandığı ve Vakfı	738.137	1.853.510
Opet	558.530	566.169
Koç Net	542.489	536.799
Koç Sistem	321.089	336.559
Koç Allianz Sigorta	64.777	139.638
Other	273.542	382.878
	20.192.361	**16.119.121**

(**) 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.

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

NOTE 23 - RELATED PARTY EXPLANATIONS (Continued)

iii) Financial income and expenses arising from transactions with related parties for the periods between 1 January - 31 December 2008 and 2007:

	1 January- 31 December 2008	1 January- 31 December 2007
Interest Income		
Yapı Kredi	1.773.099	2.222.170

	1 January- 31 December 2008	1 January- 31 December 2007
Interest expense		
Yapı Kredi	719.175	-

iv) Dividends paid to related parties:

	1 January - 31 December 2008	1 January - 31 December 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**

v) Other income and expenses arising from transactions with related parties for the periods between 1 January - 31 December 2008 and 2007:

	1 January- 31 December 2008	1 January- 31 December 2007
Renumeration of Board of Directors and key management personnel	3.502.297	4.063.601

NOTE 24 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS

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 with the foreign companies. These risks are monitored regularly and limited by analyses of the foreign currency position. The Company also utilizes derivative financial instruments to the extent necessary, to minimize the foreign currency risk.

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

NOTE 24 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

The amounts of foreign currency assets, liabilities and YTL equivalents of the Company as of 31 December 2008 and 2007 are as follows:

	2008						
	YTL Equivalent	**USD**	**EUR**	**GBP**	**DKK**	**CHF**	**JPY**
Trade Receivables	172.883.415	1.494.152	79.685.885	10.382	33.083	-	-
Monetary Financial Assets (Including cash, banks accounts)	40.925.354	10.776.237	11.504.321	-	-	-	-
Non-monetary Financial Assets	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Current Assets	213.808.769	12.270.389	91.190.206	10.382	33.083	-	-
Trade Receivables	165.051.139	68.040	77.049.814	-	-	-	-
Monetary Financial Assets	-	-	-		-	-	-
Non-monetary Financial Assets	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Non-current Assets	165.051.139	68.040	77.049.814	-	-	-	-
Total Assets	**378.859.908**	**12.338.429**	**168.240.020**	**10.382**	**33.083**	**-**	**-**
Trade Payables	97.475.377	10.258.246	38.168.051	60.989	160.874	1.143	4.189.906
Financial Liabilities	345.939.389	-	161.593.510	-	-	-	-
Other Monetary Liabilities	560.703	158.802	136.428	12.991	-	-	-
Other Non-monetary Liabilities	-	-	-	-	-	-	-
Short-term Liabilities	443.975.469	10.417.048	199.897.989	73.980	160.874	1.143	4.189.906
Trade Payables	-	-	-	-	-	-	-
Financial Liabilities	20.637.929	-	9.640.288	-	-	-	-
Other Monetary Liabilities	-	-	-	-	-	-	-
Other Non-monetary Liabilities	-	-	-	-	-	-	-
Long-term Liabilities	20.637.929	-	9.640.288	-	-	-	-
Total Liabilities	**464.613.398**	**10.417.048**	**209.538.277**	**73.980**	**160.874**	**1.143**	**4.189.906**
Total Amount of Hedged Assets	56.196.000	-	26.250.000	-	-	-	-
Total Amount of Hedged Liabilities	-	-	-	-	-	-	-
Net Asset/(Liability) Position of Off-balance Sheet Derivative Instruments	**56.196.000**	**-**	**26.250.000**	**-**	**-**	**-**	**-**
Net Foreign Currency Asset/(Liability) Position	**(29.557.490)**	**1.921.381**	**(15.048.257)**	**(63.598)**	**(127.791)**	**(1.143)**	**(4.189.906)**
Net Monetary Foreign Currency Asset/(Liability) Position	**(85.753.490)**	**1.921.381**	**(41.298.257)**	**(63.598)**	**(127.791)**	**(1.143)**	**(4.189.906)**

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

NOTE 24 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

	2007				
	YTL Equivalent	**USD**	**EUR**	**GBP**	**JPY**
Trade Receivables	100.322.946	524.376	58.304.412	-	-
Monetary Financial Assets (Including cash, banks accounts	1.147.808	319.910	453.286	-	-
Non-monetary Financial Assets	-	-	-	-	-
Other	-	-	-	-	-
Current Assets	101.470.754	844.286	58.757.698	-	-
Trade Receivables	65.057.930	-	38.041.124	-	-
Monetary Financial Assets	-	-	-	-	-
Non-monetary Financial Assets	-	-	-	-	-
Other	-	-	-	-	-
Non-current Assets	65.057.930	-	38.041.124	-	-
Total Assets	**166.528.684**	**844.286**	**96.798.822**	**-**	**-**
Trade Payables	65.980.200	148.215	38.380.027	66.424	1.510.200
Financial liabilities	86.010.015	-	50.292.372	-	-
Other Monetary Liabilities	11.346	-	6.634	-	-
Other Non-monetary Liabilities	-	-	-	-	-
Short-term Liabilities	152.001.561	148.215	88.679.033	66.424	1.510.200
Trade Payables	-	-	-	-	-
Financial Liabilities	75.286.692		44.022.156		
Other Monetary Liabilities	-	-	-	-	-
Other Non-monetary Liabilities	-	-	-	-	-
Long-term Liabilities	75.286.692	-	44.022.156	-	-
Total Liabilities	**227.288.253**	**148.215**	**132.701.189**	**66.424**	**1.510.200**
Total Amount of Hedged Assets	75.327.470	-	44.046.000	-	-
Total Amount of Hedged Liabilities	-	-	-	-	-
Net Asset/(Liability) Position of Off-balance Sheet Derivative Instruments	**75.327.470**	**-**	**44.046.000**	**-**	**-**
Net Foreign Currency Asset/(Liability) Position	**14.567.901**	**696.071**	**8.143.633**	**(66.424)**	**(1.510.200)**
Net Monetary Foreign Currency Asset/(Liability) Position	**(60.759.569)**	**696.071**	**(35.902.367)**	**(66.424)**	**(1.510.200)**

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

NOTE 24 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

The import and export amounts of the Company for the years ended on 31 December 2008 and 2007 are as follows:

	1 January - 31 December 2008	1 January - 31 December 2007
Total export amount	316.816.734	186.739.794
Total import amount	226.293.539	209.677.722

As of 31 December 2008 and 2007, percentage of hedging of total foreign currency liabilities through receivables from derivative financial assets are as follows:

	2008	2007
Percentage of hedging of total foreign currency liabilities	12%	35%

The Company is exposed to foreign exchange risk primarily with respect to EUR and USD. The effect of the Company's EUR and USD foreign currency position as of 31 December 2008 and 2007 under the assumption of the appreciation and depreciation of YTL against other currencies by 5% with all other variables held constant, is as follows:

	2008			
	Profit/Loss		Shareholders' Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Had YTL appreciate/(depreciate) by 5% against USD				
Profit/(loss) from USD net asset position	145.285	(145.285)	-	-
Hedged amount against USD risk (-)	-	-	-	-
Net Effect of USD	**145.285**	**(145.285)**	**-**	**-**
Had YTL appreciate/(depreciate) by 5% against EUR				
Profit/(loss) from EUR net liability position	(4.114.001)	4.114.001	-	-
Hedged amount against EUR risk (-)	-	-	2.809.800	(2.809.800)
Net Effect of EUR	**(4.114.001)**	**4.114.001**	2.809.800	(2.809.800)
Total Net Effect	**(3.968.716)**	**3.968.716**	**2.809.800**	**(2.809.800)**

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

NOTE 24 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

	2007			
	Profit/Loss		Shareholders' Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Had YTL appreciate/(depreciate) by 5% against USD				
Profit/(loss) from USD net asset position	40.536	(40.536)	-	-
Hedged amount against USD risk (-)	-	-	-	-
Net Effect of USD	**40.536**	**(40.536)**	**-**	**-**
Had YTL appreciate/(depreciate) by 5% against EUR				
Profit/(loss) from EUR net liability position	(3.070.011)	3.070.011	-	-
Hedged amount against EUR risk (-)	-	-	3.039.538	(3.039.538)
Net Effect of EUR	**(3.070.011)**	**3.070.011**	**3.039.538**	**(3.039.538)**
Total Net Effect	**(3.029.475)**	**3.029.475**	**3.039.538**	**(3.039.538)**

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 by offsetting interest rate sensitive assets and liabilities.

b) Credit Risk

Financial assets are in hand carrying the risk of the inability of fulfilling the requirements of the agreements by the counter parties. . The Company management manages these risks by limiting the average risk to any individual counterparty, by obtaining guarantees where necessary. The Company limits these risks that may arise from its dealers, by restricting the credit limits determined for the dealers according to the amount of the guarantees received, by updating the guarantee amounts regularly and by receiving the pledge of ownership of the tractors sold. Credit limits are regularly monitored by the Company and the customers' credit quality are regularly evaluated by considering the customers' financial position, past experiences and other factors. Trade receivables are evaluated by the management of the Company depending on their past experiences and current economic conditions and are presented in financial statements net of provision for doubtful receivables (Note 8).

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

NOTE 24 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

b) Credit risk (Continued)

The Company's maximum exposure to credit risk as of 31 December 2008 and 2007 is as follows:

	2008						
	Trade Receivables		**Other Receivables**				
	Related Party	**Third Party**	**Related Party**	**Third Party**	**Bank Deposits**	**Derivative Instruments**	**Other (*)**
Net book value of financial assets which are undue and not impaired	56.522.358	314.471.183	-	-	115.684.361	-	-
Net book value of restructured financial assets, otherwise that will be considered as due dated or impaired	-	28.818.408	-	-	-	-	-
Net book value of due dated but not impaired assets	28.237.646	23.497.446	-	-	-	-	-
Net book value of impaired assets	-	8.065.951	-	-	-	-	-
- Due dated (Gross book value)	-	22.180.010	-	-	-	-	-
- Provision (-)	-	(14.114.059)	-	-	-	-	-
- Undue (Gross book value)	-	-	-	-	-	-	-
- Provision (-)	-	-	-	-	-	-	-
Off-balance sheet items exposed to credit risk	-	-	-	-	-	-	18.693.659
Amount exposed to maximum credit risk (**)	**84.760.004**	**374.852.988**	**-**	**-**	**115.684.361**	**-**	**18.693.659**

(*) Other includes the letters of guarantee and bails given by the Company (Note 13b).
(**) The factors, increasing the credit reliability and the guarantees received are not taken into consideration during the calculation of the amount.

As of 31 December 2008, the guarantee amount of the maximum exposure to credit risk is YT142.332.702. Besides, the guarantee amount of the assets which are due but not impaired and are impaired are YTL70.052.980 and YTL8.721.000, respectively.

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

NOTE 24 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

b) Credit risk (Continued)

	2007						
	Trade Receivables		Other Receivables				
	Related Party	Third Party	Related Party	Third Party	Bank Deposits	Derivative Instruments	Other (*)
Net book value of financial assets which are undue and not impaired	56.364.993	222.782.697	-	-	48.041.301	-	-
Net book value of restructured financial assets, otherwise that will be considered as due dated or impaired	-	-	-	-	-	-	-
Net book value of due dated but not impaired assets	3.108.453	21.372.914	-	-	-	-	-
Net book value of impaired assets	-	4.515.395	-	-	-	-	-
- Due dated (Gross book value)	-	6.229.800	-	-	-	-	-
- Provision (-)	-	(1.714.405)	-	-	-	-	-
- Undue (Gross book value)	-	-	-	-	-	-	-
- Provision (-)	-	-	-	-	-	-	-
Off-balance sheet items exposed to credit risk	-	-	-	-	-	-	34.612.572
Amount exposed to maximum credit risk (**)	**59.473.446**	**248.671.006**	**-**	**-**	**48.041.301**	**-**	**34.612.572**

(*) Other includes the letters of gurantee and bails given by the Company (Note 13b).
(**) The factors, increasing the credit reliability and the guarantees received are not taken into consideration during the calculation of the amount.

As of 31 December 2007, the guarantee amount of the maximum exposure to credit risk is YTL128.630.116. Besides, the guarantee amount of the assets which are due but not impaired and are impaired are YTL69.306.623 and YTL12.371.861, respectively.

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

NOTE 24 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

b) Credit risk (Continued)

The aging of assets that are past due but not impaired as of 31 December 2008 and 2007 are as follows:

	2008				
	Receivables				
	Trade Receivables	Other Receivables	Bank Deposits	Derivative Instruments	Other
Past due between 1-30 days	7.304.323	-	-	-	-
Past due between 1-3 months	62.535.734	-	-	-	-
Past due between 3-12 months	10.713.443	-	-	-	-
Past due between 1-5 years	-	-	-	-	-
Past due over 5 years	-	-	-	-	-
Total past due balance	**80.553.500**	**-**	**-**	**-**	**-**
Amount secured by collaterals (*)	**103.518.076**				

	2007				
	Receivables				
	Trade Receivables	Other Receivables	Bank Deposits	Derivative Instruments	Other
Past due between 1-30 days	10.165.251	-	-	-	-
Past due between 1-3 months	11.384.197	-	-	-	-
Past due between 3-12 months	2.931.919	-	-	-	-
Past due between 1-5 years	-	-	-	-	-
Past due over 5 years	-	-	-	-	-
Total past due balance	**24.481.367**	**-**	**-**	**-**	**-**
Amount secured by collaterals (*)	**69.306.623**	**-**	**-**	**-**	**-**

(*) Collaterals consist of the guarantee letters received from customers, security bonds and mortgages.

c) Liquidity Risk

Liquidity risk is managed by mainintaining cash and marketable securities, the availability of funding through an adequate amount of committed credit lines and the ability to close out market positions.

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, in order to ensure continous liquidity, 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 need by the Company.

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

NOTE 24 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

The undiscounted cash flows of liabilities into relevant maturity groupings as of 31 December 2008 and 2007 are disclosed as follows:

	2008					
	Book value	**Up to 3 months**	**3 months to 1 year**	**1 year to 5 years**	**No maturity**	**Total contractual cash outflows**
Financial liabilities	525.433.581	305.437.347	218.390.885	26.063.731	-	549.891.963
Trade payables	74.433.859	74.993.571	-	-	-	74.993.571
Trade payables due to related parties	38.094.856	38.449.149	-	-	-	38.449.149
Provisions	12.360.035	2.362.248	9.997.787	-	-	12.360.035
Provision for employment termination benefits	7.573.991	-	-	-	7.573.991	7.573.991
Other financial liabilities	6.131.604	6.131.604	-	-	-	6.131.604
Other current liabilities	13.564.372	13.564.362	-	-	-	13.564.362
Financial liabilities other than derivatives	**677.592.298**	**440.938.281**	**228.388.672**	**26.063.731**	**7.573.991**	**702.964.675**
Cash inflow from derivative instruments	56.196.000	58.013.832	-	-	-	58.013.832
Cash outflow from derivative instruments	62.327.604	64.343.525	-	-	-	64.343.525
Financial liabilities from derivative instruments	**6.131.604**	**6.329.693**	**-**	**-**	**-**	**6.329.693**

	2007					
	Book value	**Up to 3 months**	**3 months to 1 year**	**1 year to 5 years**	**No maturity**	**Total contractual cash outflows**
Financial liabilities	158.318.250	29.349.274	64.691.743	70.986.533	-	165.027.550
Trade payables	73.348.459	73.963.480	-	-	-	73.963.480
Trade payables due to related parties	18.461.702	18.671.158	-	-	-	18.671.158
Provisions	11.408.794	1.914.686	9.494.108	-	-	11.408.794
Provision for employment termination benefits	7.475.590	-	-	-	7.475.590	7.475.590
Other financial liabilities	16.356.045	4.681.452	520.401	11.154.192	-	16.356.045
Other current liabilities	18.601.346	18.601.346	-	-	-	18.601.346
Financial liabilities other than derivatives	**303.970.186**	**147.181.396**	**74.706.252**	**70.986.533**	**7.475.590**	**311.503.963**
Cash inflow from derivative instruments	75.327.470	14.838.057	17.144.279	51.538.336	-	83.520.672
Cash outflow from derivative instruments	91.683.515	17.887.400	19.520.934	64.343.525	-	101.751.859
Financial liabilities from derivative instruments	**16.356.045**	**3.049.343**	**2.376.655**	**12.805.189**	**-**	**18.231.187**

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

NOTE 24 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (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 31 December 2008 and 2007 are as follows:

	2008	**2007**
Total payables	651.526.668	268.729.757
Less: Cash and cash equivalents (Note 4)	(115.448.598)	(47.651.090)
Net debt	**536.078.070**	**221.078.667**
Total shareholders' equity	285.552.805	302.936.118
Total capital	**821.630.875**	**524.014.785**
Net debt/capital	**65%**	**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 year-end exchange rates, are considered to approximate carrying value.

The fair values of cash and cash equivalent are considered to approximate their respective carrying values due to their short-term nature.

The discounted 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.

NOTE 24 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

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.

NOTE 25 - EXPLANATION ADDED FOR CONVENIENCE TRANSLATION INTO ENGLISH

As of 31 December 2008, the financial reporting standards (defined as 'CMB Financial Reporting Standards') differ from International Financial Reporting Standards (''IFRS'') issued by the International Accounting Standards Board with respect to the application of inflation accounting and presentation of the basic financial statements and the notes to them. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

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