**TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.**

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY - 31 MARCH 2009**

**(ORIGINALLY ISSUED IN TURKISH)**

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

**TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.**

**CONDENSED FINANCIAL STATEMENTS AND SELECTED EXPLANATORY NOTES FOR THE INTERIM PERIOD BETWEEN 1 JANUARY - 31 MARCH 2009**

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

**TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.**

**BALANCE SHEETS**
**AT 31 MARCH 2009 AND 31 DECEMBER 2008**
(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

| | Notes | Not Audited 31 March 2009 | Audited 31 December 2008 |
|---|---|---|---|
| **ASSETS** | | | |
| **CURRENT ASSETS** | | **758.736.067** | **721.732.176** |
| Cash and cash equivalents | 4 | 155.003.417 | 115.684.361 |
| Trade receivables | | | |
| - Trade receivables | 8 | 191.078.227 | 193.836.628 |
| - Due from related parties | 22 | 108.545.327 | 84.760.004 |
| Inventories | 9 | 240.208.283 | 275.109.457 |
| Other current assets | 12 | 63.900.813 | 52.341.726 |
| **NON-CURRENT ASSETS** | | **239.858.360** | **241.412.927** |
| Trade receivables | 8 | 180.813.603 | 181.016.360 |
| Financial assets | 5 | 6.541.500 | 6.541.500 |
| Property, plant and equipment | 10 | 38.223.248 | 39.609.588 |
| Intangible assets | 11 | 6.527.328 | 5.655.667 |
| Deferred tax assets | 20 | 7.384.177 | 8.200.194 |
| Other non-current assets | 12 | 368.504 | 389.618 |
| **TOTAL ASSETS** | | **998.594.427** | **963.145.103** |

The condensed interim financial statements prepared for the period ended 31 March 2009 have been approved by the Board of Directors on 29 April 2009.

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

**TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.**

**BALANCE SHEETS**
**AT 31 MARCH 2009 AND 31 DECEMBER 2008**
(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

| | Notes | Not Audited 31 March 2009 | Audited 31 December 2008 |
|---|---|---|---|
| **LIABILITIES** | | | |
| **CURRENT LIABILITIES** | | **603.771.818** | **649.380.378** |
| Financial liabilities | 6 | 479.361.132 | 504.795.652 |
| Other financial liabilities | 7 | - | 6.131.604 |
| Trade payables | | | |
| - Trade payables | 8 | 61.385.740 | 74.433.859 |
| - Due to related parties | 22 | 40.640.326 | 38.094.856 |
| Provisions | 13 | 11.683.888 | 12.360.035 |
| Other current liabilities | 12 | 10.700.732 | 13.564.372 |
| **NON-CURRENT LIABILITIES** | | **130.352.214** | **28.211.920** |
| Financial liabilities | 6 | 124.364.554 | 20.637.929 |
| Provision for employment termination benefits | 14 | 5.987.660 | 7.573.991 |
| **SHAREHOLDERS' EQUITY** | | **264.470.395** | **285.552.805** |
| Share capital | 15 | 53.369.000 | 53.369.000 |
| Adjustments to share capital | 15 | 39.014.356 | 39.014.356 |
| Fair value reserve | 15 | 3.634.098 | 3.634.098 |
| Hedge reserve | 7,15 | - | (4.905.283) |
| Merger reserve | 15 | (5.569.000) | (5.569.000) |
| Restricted profit reserves | 15 | 59.011.780 | 56.617.017 |
| Retained earnings | 15 | 123.919.774 | 76.601.061 |
| Net profit for the period | 15 | (8.909.613) | 66.791.556 |
| **TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES** | | **998.594.427** | **963.145.103** |
| Provisions, contingent assets and contingent liabilities | 13 | | |

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

**TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.**

**CONDENSED STATEMENTS OF INCOME FOR THE INTERIM PERIODS BETWEEN 1 JANUARY - 31 MARCH 2009 AND 2008**
(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

| | Notes | Not Audited 1 January - 31 March 2009 | Reviewed 1 January - 31 March 2008 |
|---|---|---|---|
| Sales (net) | 16 | 155.973.858 | 204.026.972 |
| Cost of sales | 16 | (142.499.050) | (159.770.224) |
| **GROSS PROFIT** | | **13.474.808** | **44.256.748** |
| Marketing, selling and distribution expenses | | (5.484.044) | (8.459.342) |
| General administrative expenses | | (5.212.551) | (7.592.246) |
| Research and development expenses | | (536.566) | (622.974) |
| Other operating income | 17 | 186.897 | 348.912 |
| Other operating expenses | 17 | (64.344) | (498.478) |
| **OPERATING PROFIT** | | **2.364.200** | **27.432.620** |
| Financial income | 18 | 91.672.316 | 65.959.650 |
| Financial expenses | 19 | (103.356.433) | (70.040.703) |
| **PROFIT BEFORE TAXATION ON INCOME** | | **(9.319.917)** | **23.351.567** |
| Taxes on income | 20 | - | (6.590.486) |
| Deferred tax income | 20 | 410.304 | 1.663.201 |
| **NET DÖNEM (ZARARI)/KARI** | | **(8.909.613)** | **18.424.282** |
| **OTHER COMPREHENSIVE INCOME** | | | |
| Change in fair value reserve | 5 | - | - |
| Change in hedge reserve | 7 | 6.131.604 | 12.512.166 |
| Deferred tax | 7 | (1.226.321) | (2.502.433) |
| **OTHER COMPREHENSIVE INCOME (AFTER TAX)** | | **4.905.283** | **10.009.733** |
| **TOTAL COMPREHENSIVE (LOSS)/INCOME** | | **(4.004.330)** | **28.434.015** |
| Earnings per share (TL) | 21 | (0,0017) | 0,0035 |

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

## TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

## CONDENSED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE INTERIM PERIOD BETWEEN 1 JANUARY – 31 MARCH 2009 AND 2008

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

| | **Share capital** | **Adjustment to share capital** | **Fair value reserves** | **Hedge reserve** | **Merger reserve** | **Restricted profit reserves** | **Retained earnings** | **Net profit for the period** | **Total shareholders' equity** |
|---|---|---|---|---|---|---|---|---|---|
| **1 January 2009** | **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** |
| Transfers | - | - | - | - | - | 2.394.763 | 64.396.793 | (66.791.556) | - |
| Dividends paid | - | - | - | - | - | - | (17.078.080) | - | (17.078.080) |
| Increase in the fair value of available for sale investments | - | - | - | - | - | - | - | - | - |
| Deferred tax calculated on increase in fair value of available for sale investments | - | - | - | - | - | - | - | - | - |
| Amortisation of derivative financial instruments | - | - | - | 4.905.283 | - | - | - | - | 4.905.283 |
| Net profit for the period | - | - | - | - | - | - | - | (8.909.613) | (8.909.613) |
| **31 March 2009** | **53.369.000** | **39.014.356** | **3.634.098** | **-** | **(5.569.000)** | **59.011.780** | **123.919.774** | **(8.909.613)** | **264.470.395** |

| | **Share capital** | **Adjustment to share capital** | **Fair value reserves** | **Hedge reserve** | **Merger reserve** | **Restricted profit reserves** | **Retained earnings** | **Net profit for the period** | **Total shareholders' equity** |
|---|---|---|---|---|---|---|---|---|---|
| **1 January 2008 - as previously reported** | **47.000.000** | **39.014.356** | **1.988.520** | **-** | **-** | **44.075.118** | **54.383.637** | **91.066.245** | **277.527.876** |
| Effect of merger (Notes 2.3 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 | - | - | - | - | - | - | 92.726.763 | (92.726.763) | - |
| Dividends paid | - | - | - | - | - | - | - | - | - |
| Increase in the fair value of available for sale investments | - | - | - | - | - | - | - | - | - |
| Deferred tax calculated on increase in | - | - | - | - | - | - | - | - | - |
| fair value of available for sale investments | - | - | - | - | - | - | - | - | - |
| Increase in the fair value of derivative financial instruments | - | - | - | 12.512.166 | - | - | - | - | 12.512.166 |
| Deferred tax calculated on increase in fair value of derivative financial instruments | - | - | - | (2.502.433) | - | - | - | - | (2.502.433) |
| Net profit for the period | | | | | | | | 18.424.282 | 18.424.282 |
| **31 March 2008** | **53.369.000** | **39.014.356** | **1.988.520** | **(3.075.103)** | **(5.569.000)** | **47.452.017** | **179.766.061** | **18.424.282** | **331.370.133** |

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

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

## TÜRK TRAKTÖR VE ZİRAAT MAKİNELERİ A.Ş.

## CONDENSED STATEMENTS OF CASH FLOWS FOR THE INTERIM PERIODS BETWEEN 1 JANUARY – 31 MARCH 2009 AND 2008

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

| | Notes | Not audited 31 March 2009 | Reviewed 31 March 2008 |
|---|---|---|---|
| **Cash flows from operating activities:** | | | |
| Profit before taxation on income | | (9.319.917) | 23.351.567 |
| Depreciation | 10 | 1.950.382 | 2.886.741 |
| Amortisation | 11 | 201.957 | 101.457 |
| Provision for employment termination benefits | 14 | 3.310.721 | 354.691 |
| Gain from sales of property, plant and equipment - net | 17 | (41.249) | (21.218) |
| Interest income | 18 | (3.637.368) | (2.555.426) |
| Interest expense | 19 | 14.408.569 | 5.115.711 |
| Expense accruals-net | | (676.147) | 1.981.779 |
| Provision for doubtful receivables | 17 | - | 402.274 |
| **Net cash flow before changes in operating assets and liabilities** | | **6.196.948** | **31.617.576** |
| **Changes in assets and liabilities - net:** | | | |
| Decrease/(Increase) in trade receivables | 4,8 | 3.083.452 | (73.272.037) |
| Increase in due from related parties | 22 | (23.785.323) | (35.355.557) |
| Decrease/(Increase) in inventories | 9 | 34.901.174 | (13.305.843) |
| Increase in other current assets | 12 | (11.559.087) | (8.376.607) |
| Decrease in other non-current assets | 12 | 21.114 | 56.891 |
| Increase in due to related parties | 22 | 2.545.470 | 6.485.353 |
| (Decrease)/Increase in trade payables | 8 | (13.048.119) | 30.473.608 |
| (Decrease)/Increase in other short-term liabilities | 12 | (2.863.640) | 13.142.549 |
| Employment termination benefits paid | 14 | (4.897.052) | (291.861) |
| Taxes paid | 20 | - | (5.869.181) |
| **Net cash used in operating activities** | | **(9.405.063)** | **(54.695.109)** |
| **Cash flows from investing activities:** | | | |
| Capital expenditures | 10,11 | (1.829.492) | (2.031.881) |
| Sales of property, plant and equipment | | 233.080 | 28.258 |
| Interest received | | 3.344.081 | 2.113.293 |
| **Net cash provided by investing activities** | | **1.747.669** | **109.670** |
| **Cash flows from financing activities:** | | | |
| Repayments of bank borrowings | | 78.784.645 | 66.121.998 |
| Dividends paid | | (17.078.080) | - |
| Interest paid | | (14.901.109) | (3.430.357) |
| **Net cash provided by financing activities** | | **46.805.456** | **62.691.641** |
| Net increase in cash and cash equivalents | | 39.148.062 | 8.106.202 |
| **Cash and cash equivalents at the beginning of the period** | **4** | **115.448.598** | **47.651.090** |
| **Cash and cash equivalents at the end of the period** | **4** | **154.596.660** | **55.757.292** |

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

## NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

Türk Traktör ve Ziraat Makineleri A.Ş. (the "Company") was established in 1954 in Ankara, as Minneapolis Moline Türk Traktör ve Ziraat Makineleri A.Ş. to undertake the manufacturing and trade of farm tractors, harvesters and other agricultural machinery and equipment. The name of the Company was changed as Türk Traktör Ziraat Makineleri A.Ş. in 1968 upon the purchase of 25% of the shares held by Ege Makina ve Ticaret A.Ş., a group company of the Koç Holding A.Ş. ("Koç Holding"). As of 31 March 2009, 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 March 2009 is 1.013 (31 December 2008: 1.476).

The Company conducts marketing and selling activities in the domestic market, through its 115 sales dealers and 72 spare part dealers.

The Company is registered in Turkey in the following address:

Güvercin Yolu No: 111-112
06560 - Gazi Ankara

The Company has been quoted at İstanbul Stock Exchange ("İSE") and as of 31 March 2009, 22% (31 December 2008: 22%) of the Company shares have been traded in the stock exchange market (Note 15).

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

## NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

### 2.1 Basis of presentation

**Principles governing the preparation of financial statements**

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

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

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

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 period financial statements

The financial statements of the Company include comparative financial information to enable the determination of the financial position and performance. As explained in Note 3, the Company has merged with New Holland Trakmak Traktör ve Ziraat Makinaları A.Ş. ("Trakmak") as of 31 March 2008, through transfer of all the assets and liabilities of Trakmak into the Company as a whole.

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

### 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 April 4, 2007 and No: 2007/11963, the prefix "New" used in the "New Turkish Lira" and the "New Kuruş" will be removed as of January 1, 2009. When the prior currency, New Turkish lira ("YTL"), values are converted into TL and Kr, one YTL (YTL1) and one YKr (YKr1) shall be equivalent to one TL (TL1) and one Kr (Kr1).

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

### 2.2 Errors and changes in accounting policies/estimations

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

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

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

### 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 TL 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 |

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).

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

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

### Impairment of assets

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

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

### Borrowing cost

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

### Related parties

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

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

### 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) Loans and receivables

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

b) Available for sale investments

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, or not classified in any other categories, are classified as available-for -sale; these are included in non-current assets unless management has expressed the intention of holding the investment for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

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

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 TL 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.

### Foreign currency transactions and balances

Transactions in foreign currencies during the period have been translated into TL at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into TL 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 TL at the exchange rates prevailing at the dates of fair value determined.

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

### Earnings per share

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

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

### Subsequent events

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

### Provisions, contingent assets and contingent liabilities

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company are treated as contingent assets or liabilities. The Company does not recognize contingent assets and liabilities. A contingent liability is disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed, where an inflow of economic benefits is probable (Note 13).

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

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

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

### Leases

*(1) The Company - as the lessee*

Financial Leases

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

Operating Leases

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

*(2) The Company - as the lessor*

Operating Leases

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

### Research and development expenses

Research expenditure is recognized as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognized as intangible assets when the following criteria are fulfilled:

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

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

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

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

### Taxes on income

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

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

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

Deferred income tax assets or liabilities are reflected to the financial statements to the extent that they will provide an increase or decrease in the taxes payable for the future periods where the temporary differences will reverse. Deferred income tax liabilities are recognized for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilised. To the extent that deferred income tax assets will not be utilised, the related amounts have been deducted accordingly.

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

### Provision for employment termination benefits

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

### Statement of cash flow

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

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

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

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

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

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 period in which they are declared.

## 2.4 Significant accounting estimates and decisions

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

### Warranties

Warranty expenses are recorded as a result of repair and maintenance expenses for products produced and sold, authorised services’ labour and material costs for products under the scope of the warranty terms without any charge to the customers, initial maintenance costs and estimated costs based on statistical information for possible future warranty services and returns of products with respect to the products sold during the period (Note 13).

### Deferred tax asset

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

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

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

The Company has recognised deferred tax assets as of 31 March 2009, 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 25 February 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 TL47.000.000 by the merger ratio, share capital after the merger has been determined as TL53.369.000 (Note 2.1).

## NOTE 4 - CASH AND CASH EQUIVALENTS

| | **31 March 2009** | **31 December 2008** |
|---|---|---|
| Banks | | |
| - TL denominated demand deposits | 1.625.173 | 2.018.949 |
| - TL denominated time deposits | 28.618.263 | 72.740.058 |
| - Foreign currency denominated demand deposits | 2.768.339 | 1.805.278 |
| - Foreign currency denominated time deposits | 121.991.642 | 39.120.076 |
| | **155.003.417** | **115.684.361** |

As of 31 March 2009, the weighted average effective annual interest rate for the TL and Euro ("EUR") time deposits is 10,54% and 4,42% (31 December 2008 TL: %16,52, US Dollar ("USD"): %1,00 Eur: %3,01). As of 31 March 2009 and 31 December 2008, 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 March 2009, 31 December 2008, 31 March 2008 and 31 December 2007 are as follows:

| | **31 March 2009** | **31 December 2008** | **31 March 2008** | **31 December 2007** |
|---|---|---|---|---|
| Banks | 155.003.417 | 115.684.361 | 56.531.672 | 48.041.301 |
| Less: Interest accruals | (393.321) | (100.032) | (566.945) | (124.812) |
| Less: Restricted bank deposits | (13.436) | (135.731) | (207.435) | (265.399) |
| **Cash and cash equivalents** | **154.596.660** | **115.448.598** | **55.757.292** | **47.651.090** |

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

## NOTE 5 - FINANCIAL ASSETS

**Available for sale financial assets:**

| | 31 March 2009 | | 31 December 2008 | |
|---|---|---|---|---|
| | Share | TL | Share | TL |
| Entek Elektrik Üretimi A.Ş. | %2,67 | 6.541.500 | %2,67 | 6.541.500 |

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 TL1.732.187 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. As of 31 March 2009, the Company estimates that there is no significant change in the fair value of such financial asset.

## NOTE 6 - FINANCIAL LIABILITIES

**a) Short term financial liabilities**

**Short-term bank borrowings**

| | Original currency amount | | Weighted average effective interest rate p.a. (%) | | TL equivalent | |
|---|---|---|---|---|---|---|
| | 31 March 2009 | 31 December 2008 | 31 March 2009 | 31 December 2008 | 31 March 2009 | 31 December 2008 |
| TL bank borrowings | 178.538.873 | 164.987.867 | 13,96 | 23,48 | 178.538.873 | 164.987.867 |
| Euro bank borrowings | 112.131.346 | 117.059.506 | 9,80 | 9,06 | 249.581.949 | 250.600.991 |
| | | | | | **428.120.822** | **415.588.858** |

**Short-term portion of long term bank borrowings**

| | Original currency amount | | Weighted average effective interest rate p.a. (%) | | TL equivalent | |
|---|---|---|---|---|---|---|
| | 31 March 2009 | 31 December 2008 | 31 March 2009 | 31 December 2008 | 31 March 2009 | 31 December 2008 |
| Euro bank borrowings | 22.980.629 | 41.669.840 | 5,0 | 5,5 | 51.150.283 | 89.206.794 |
| | | | | | **51.150.283** | **89.206.794** |

**Short-term financial lease obligations**

| | Original currency amount | | TL equivalent | |
|---|---|---|---|---|
| | 31 March 2009 | 31 December 2008 | 31 March 2009 | 31 December 2008 |
| TL | 90.027 | - | 90.027 | - |
| | | | **90.027** | **-** |
| **Total short-term financial liabilities** | | | **479.361.132** | **504.795.652** |

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

## NOTE 6 - FINANCIAL LIABILITIES (Continued)

### b) Long-term financial liabilities

**Long-term bank borrowings**

| | Original currency amount | | Weighted average effective interest rate p.a. (%) | | TL equivalent | |
|---|---|---|---|---|---|---|
| | 31 March 2009 | 31 December 2008 | 31 March 2009 | 31 December 2008 | 31 March 2009 | 31 December 2008 |
| Euro bank borrowings | 55.810.371 | 9.640.288 | 7,07 | 5,66 | 124.222.726 | 20.637.929 |
| | | | | | **124.222.726** | **20.637.929** |

**Long-term financial lease obligations**

| | Original currency amount | | TL equivalent | |
|---|---|---|---|---|
| | 31 March 2009 | 31 December 2008 | 31 March 2009 | 31 December 2008 |
| TL | 141.828 | - | 141.828 | - |
| | | | **141.828** | **-** |
| **Total long-term financial liabilities** | | | **124.364.554** | **20.637.929** |

Redemption schedule of the long term bank borrowings as of 31 March 2009 is as follows:

| | 31 March 2009 |
|---|---|
| January 2012 | 124.222.726 |
| | **124.222.726** |

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

| | Carrying value | | Fair value | |
|---|---|---|---|---|
| | 31 March 2009 | 31 December 2008 | 31 March 2009 | 31 December 2008 |
| Bank borrowings | 603.725.686 | 525.433.581 | 590.729.875 | 538.869.550 |

As of 31 December 2008, fair values of the EUR and TL denominated bank borrowings are determined by using the discounted cash flow method over annual average effective discount rates of 7,78% and 16,11%, respectively (31 December 2008: For EUR and TL bank borrowings 4,32% and 16,26% p.a., respectively).

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

## NOTE 7 - OTHER FINANCIAL LIABILITIES

The Company has no other financial liabilities as of 31 March 2009.

The Company has obtained forward foreign currency-buy contracts from banks amounting to EUR26.250.000 in order to manage the foreign currency risk arising from the bank borrowings amounting to EUR26.250.000 as of 31 December 2008. 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 TL64.343.525.

**Derivative financial instruments**

| | 31 March 2009 | 31 December 2008 |
|---|---|---|
| Short-term obligations arising from derivative financial instruments | - | 6.131.604 |
| **Total obligations arising from derivative financial instruments** | **-** | **6.131.604** |

| | 31 March 2009 | | | 31 December 2008 | | |
|---|---|---|---|---|---|---|
| | 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) |

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

| | 2009 | 2008 |
|---|---|---|
| **1 January** | (4.905.283) | (13.084.836) |
| Amortisation of financial instruments | 4.905.283 | - |
| Increase in the fair value account of derivative financial instruments | - | 12.512.166 |
| Deferred tax calculated over the increase in the fair value account of derivative financial instruments | - | (2.502.433) |
| **31 March** | **-** | **(3.075.103)** |

## NOTE 8 - TRADE RECEIVABLES AND PAYABLES

| | 31 March 2009 | 31 December 2008 |
|---|---|---|
| **Short term trade receivables:** | | |
| Customer current accounts | 111.787.730 | 113.600.059 |
| Notes receivable | 93.895.506 | 95.881.467 |
| Protested notes | 9.211.090 | 6.155.799 |
| | 214.894.326 | 215.637.325 |
| Less: Provision for doubtful receivables | (14.114.059) | (14.114.059) |
| Unearned financial income | (9.702.040) | (7.686.638) |
| **Short term trade receivables** | **191.078.227** | **193.836.628** |

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

## NOTE 8 - TRADE RECEIVABLES AND PAYABLES (Continued)

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

Movements of the provisions for doubtful receivables for the periods ended 31 March 2009 and 2008 are as shown below:

| | **2009** | **2008** |
|---|---|---|
| **1 January** | 14.114.059 | 1.714.405 |
| Additions (Note 17) | - | 402.274 |
| **31 March** | **14.114.059** | **2.116.679** |

| | **31 March 2009** | **31 December 2008** |
|---|---|---|
| **Long-term trade receivables:** | | |
| Notes receivable | 197.581.534 | 201.545.324 |
| Less: Unearned financial income | (16.767.931) | (20.528.964) |
| **Long-term trade receivables** | **180.813.603** | **181.016.360** |

As of 31 March 2009, weighted average annual effective interest rate for TL, EUR and USD denominated short-term and long-term trade receivables are 11,12%, 1,41% and 1,06% (31 December 2008: TL 15,83%, EUR 2,68%, USD 0,77%), respectively.

As of 31 March 2009, weighted average annual effective interest rate for TL, EUR and USD denominated notes receivables are 16,08%, 3,01% and 3,05% (31 December 2008: TL 16,08%, EUR 3,01%, USD 3,05%), respectively.

| | **31 March 2009** | **31 December 2008** |
|---|---|---|
| **Trade payables:** | | |
| Supplier current accounts | 61.651.854 | 74.993.571 |
| Less: Unincurred financial expense | (266.114) | (559.712) |
| | **61.385.740** | **74.433.859** |

As of 31 March 2009, weighted average annual effective interest rates for TL, EUR, USD and Great Britain Pound ("GBP") denominated trade payables are 11,13%, 1,41%, 1,07% and 1,56% (31 December 2008: TL 15,83%, EUR 2,84%, USD 1,26% and GBP 2,67%), respectively.

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

## NOTE 9 - INVENTORIES

| | **31 March 2009** | **31 December 2008** |
|---|---|---|
| Raw materials | 65.900.617 | 73.741.003 |
| Work in progress | 4.151.307 | 3.954.714 |
| Finished goods | 24.216.208 | 41.008.605 |
| Commercial goods | 81.497.364 | 79.583.074 |
| Spare parts | 12.216.129 | 11.783.174 |
| Goods in transit | 55.017.280 | 66.038.183 |
| | 242.998.905 | 276.108.753 |
| Provision for impairment of inventory | (2.790.622) | (999.296) |
| | **240.208.283** | **275.109.457** |

The cost of inventories recognised as expense and included in cost of sales in the current period, amounted to TL109.974.799 (31 March 2008: TL142.759.895 ).

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

| | **2009** | **2008** |
|---|---|---|
| **1 January** | (999.296) | (267.389) |
| Charge for the period (Note 17) | (1.791.326) | (39.685) |
| **31 March** | **(2.790.622)** | **(307.074)** |

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

## NOTE 10 - PROPERTY, PLANT AND EQUIPMENT

| | 1 January 2009 | Additions | Disposals | Transfers | 31 March 2009 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Land | 373.095 | - | - | - | 373.095 |
| Land improvements | 4.479.678 | - | - | - | 4.479.678 |
| Buildings | 48.193.297 | 217.495 | - | - | 48.410.792 |
| Machinery and equipment | 313.339.143 | 222.585 | - | - | 313.561.728 |
| Special costs | 2.614.694 | - | - | - | 2.614.694 |
| Motor vehicles | 2.661.564 | 255.026 | (589.612) | - | 2.326.978 |
| Furniture and fixtures | 20.714.636 | 60.768 | (4.047) | - | 20.771.357 |
| Construction in progress | 376.218 | - | - | - | 376.218 |
| | **392.752.325** | **755.874** | **(593.659)** | **-** | **392.914.540** |
| **Accumulated depreciation** | | | | | |
| Land improvements | 2.833.060 | 29.303 | - | - | 2.862.363 |
| Buildings | 30.636.092 | 365.156 | - | - | 31.001.248 |
| Machinery and equipment | 297.594.831 | 961.634 | - | - | 298.556.465 |
| Special costs | 2.487.738 | 12.074 | - | - | 2.499.812 |
| Motor vehicles | 1.429.626 | 375.887 | (399.568) | - | 1.405.945 |
| Furniture and fixtures | 18.161.390 | 206.328 | (2.259) | - | 18.365.459 |
| | **353.142.737** | **1.950.382** | **(401.827)** | **-** | **354.691.292** |
| **Net book value** | **39.609.588** | | | | **38.223.248** |

| | 1 January 2008 | Additions | Disposals | Transfers | 31 March 2008 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Land | 373.095 | - | - | - | 373.095 |
| Land improvements | 4.367.819 | 16.640 | - | - | 4.384.459 |
| Buildings | 47.797.431 | - | - | - | 47.797.431 |
| Machinery and equipment | 317.004.923 | 588 | - | 854.880 | 317.860.391 |
| Special costs | 2.614.694 | - | - | - | 2.614.694 |
| Motor vehicles | 3.124.761 | 100.915 | (65.700) | - | 3.159.976 |
| Furniture and fixtures | 19.693.220 | 257.479 | (28.232) | - | 19.922.467 |
| Construction in progress | 416.300 | 1.054.937 | - | (854.880) | 616.357 |
| | **395.392.243** | **1.430.559** | **(93.932)** | **-** | **396.728.870** |
| **Accumulated depreciation** | | | | | |
| Land improvements | 2.714.198 | 29.497 | - | - | 2.743.695 |
| Buildings | 29.106.848 | 381.874 | - | - | 29.488.722 |
| Machinery and equipment | 300.521.054 | 2.119.843 | - | - | 302.640.897 |
| Special costs | 2.435.776 | 13.611 | - | - | 2.449.387 |
| Motor vehicles | 1.296.845 | 124.147 | (58.725) | - | 1.362.267 |
| Furniture and fixtures | 17.381.481 | 217.769 | (28.167) | - | 17.571.083 |
| | **353.456.202** | **2.886.741** | **(86.892)** | **-** | **356.256.051** |
| **Net book value** | **41.936.041** | | | | **40.472.819** |

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

## NOTE 10 - PROPERTY, PLANT AND EQUIPMENT (Continued)

For the period ended at 31 March 2009, of the total depreciation expense TL1.406.881 (31 March 2008: TL2.330.645) is allocated to cost of sales, TL419.245 (31 March 2008: TL428.994) is allocated to general administrative expenses, TL107.159 (31 March 2008: TL127.102) is allocated to research and development expenses and TL17.097 is allocated to marketting, selling and distribution expenses (31 March 2008: None).

## NOTE 11 - INTANGIBLE ASSETS

| | 1 January 2009 | Additions | Disposals | Transfers | 31 March 2009 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Rights | 4.568.981 | 18.924 | - | - | 4.587.905 |
| Development costs | 2.592.034 | - | - | - | 2.592.034 |
| Devam etmekte olan geliştirme giderleri | 2.627.088 | 1.054.694 | - | - | 3.681.782 |
| | **9.788.103** | **1.073.618** | **-** | **-** | **10.861.721** |
| **Accumulated depreciation** | | | | | |
| Rights | 4.029.857 | 72.355 | - | - | 4.102.212 |
| Development costs | 102.579 | 129.602 | - | - | 232.181 |
| | **4.132.436** | **201.957** | **-** | **-** | **4.334.393** |
| **Net book value** | **5.655.667** | | | | **6.527.328** |

| | 1 January 2008 | Additions | Disposals | Transfers | 31 March 2008 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Rights | 4.350.914 | 40.406 | - | - | 4.391.320 |
| Development costs | 1.967.743 | 560.916 | - | - | 2.528.659 |
| | **6.318.657** | **601.322** | **-** | **-** | **6.919.979** |
| **Accumulated depreciation** | | | | | |
| Rights | 3.718.739 | 75.813 | - | - | 3.794.552 |
| Development costs | - | 25.644 | - | - | 25.644 |
| | **3.718.739** | **101.457** | **-** | **-** | **3.820.196** |
| **Net book value** | **2.599.918** | | | | **3.099.783** |

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.

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

## NOTE 11 - INTANGIBLE ASSETS (Continued)

For the period ended at 31 March 2009, of the total amortisation expenses TL145.679 (31 March 2008: TL60.104) is allocated to cost of sales, TL43.412 (31 March 2008: TL38.076) is allocated to general administrative expenses and TL11.096 (31 March 2008: TL3.277) is allocated to research and development expenses, TL1.770 (31 March 2008: None) is allocated to to marketting, selling and distribution expenses.

## NOTE 12 - OTHER ASSETS AND LIABILITIES

| a) **Other current assets:** | **31 March 2009** | **31 December 2008** |
|---|---|---|
| Deferred value added tax ("VAT") | 33.224.410 | 27.844.205 |
| Deductable VAT | 21.447.260 | 19.602.813 |
| Prepaid expenses | 4.607.811 | 160.523 |
| Income accruals (*) | 3.202.330 | - |
| Prepaid taxes | 1.100.610 | 4.128.050 |
| Reclaimed corporate tax (*) | - | 186.951 |
| Other | 318.392 | 419.184 |
| | **63.900.813** | **52.341.726** |

(*) The income accruals amounting to TL3.202.330 represents the price difference for the sales done to CNH between January 2009 - March 2009.

(**) Reclaimed corporate tax amounting to TL186.951 represents the corporate tax that Trakmak overpaid in the year 2007 before the merge and asked for the refund from the related tax office.

| b) **Other non-current assets:** | **31 March 2009** | **31 December 2008** |
|---|---|---|
| Deposits and guarantees given | 363.461 | 389.185 |
| Prepaid expenses | 5.043 | 433 |
| | **368.504** | **389.618** |

| c) **Other short term liabilities:** | **31 March 2009** | **31 December 2008** |
|---|---|---|
| Deferred income (*) | 6.022.242 | 6.087.574 |
| Taxes, funds and other related payable | 1.779.592 | 3.260.609 |
| Payables to personnel | 1.137.690 | 1.666.618 |
| Other | 1.761.208 | 2.549.571 |
| | **10.700.732** | **13.564.372** |

(*) Deferred income amounting to TL6.022.242 is the sales amount of the tractors for which the invoices are issued but are not yet shipped to customers as of 31 March 2009.

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

## NOTE 13 - PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

### a) Provisions

| | 31 March 2009 | 31 December 2008 |
|---|---|---|
| Warranty provisions | 8.701.058 | 9.997.787 |
| Provision for lawsuits (*) | 1.783.840 | 1.754.149 |
| Other provisions | 1.198.990 | 608.099 |
| | **11.683.888** | **12.360.035** |

(*) 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 March 2009, the Company has provided provision for these lawsuits in accordance with the advice of the legal counsel, amounting to TL1.783.840 (31 March 2008: TL1.624.001) in these financial statements.

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

| | 31 March 2009 | 31 March 2008 |
|---|---|---|
| **1 January** | 9.997.787 | 9.494.108 |
| Released during the period | (106.308) | (1.306.959) |
| Charge for the period | (1.190.421) | 1.904.274 |
| **31 March** | **8.701.058** | **10.091.423** |

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

| | 31 March 2009 | 31 March 2008 |
|---|---|---|
| **1 January** | 1.754.149 | 1.593.980 |
| Charge for the period (Note 17) | 29.691 | 30.021 |
| **31 March** | **1.783.840** | **1.624.001** |

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

| | 31 March 2009 | 31 March 2008 |
|---|---|---|
| **1 January** | 608.099 | 320.706 |
| Released during the period | (608.099) | (320.706) |
| Charge for the period | 1.198.990 | 1.675.149 |
| **31 March** | **1.198.990** | **1.675.149** |

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

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

### b) Contingent Liabilities

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

| | 31 March 2009 | 31 December 2008 |
|---|---|---|
| Letters of guarantee given | 18.103.383 | 11.355.505 |
| Letters of bail given (*) | 7.631.594 | 7.340.155 |
| | **25.734.977** | **18.695.660** |

(*) The Company has signed guarantee agreements with Akbank T.A.Ş. and Denizbank A.Ş. for the bank borrowings amounting to EUR3.428.697(31 December 2008: 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

| | 31 March 2009 | 31 December 2008 |
|---|---|---|
| Letters of guarantee received | 136.534.527 | 139.435.262 |
| Security bonds | 1.500.000 | 1.550.000 |
| Mortgages | 1.335.480 | 1.335.480 |
| Foreign currency guarantees in cash | 13.436 | 11.960 |
| | **139.383.443** | **142.332.702** |

## NOTE 14 - PROVISION FOR EMPLOYMENT TERMINATION BENEFITS

| | 31 March 2009 | 31 December 2008 |
|---|---|---|
| Provision for employment termination benefits | 5.987.660 | 7.573.991 |
| | **5.987.660** | **7.573.991** |

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 TL2.260,05 for each year of service as of 31 March 2009 (31 December 2008: TL2.173,19). 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.

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

## NOTE 14 - PROVISION FOR EMPLOYMENT TERMINATION BENEFITS (Continued)

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:

| | 31 March 2009 | 31 December 2008 |
|---|---|---|
| Discount rate (%) | 6,26 | 6,26 |
| Turnover rate to estimate the probability of retirement (%) | 97,16 | 96,84 |

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 TL2.260,05 which is effective from 1 January 2009 has been taken into consideration in calculating the provision for employment termination benefits of the Company.

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

| | 31 March 2009 | 31 March 2008 |
|---|---|---|
| **1 January** | 7.573.991 | 7.475.590 |
| Increase during the period | 3.310.721 | 354.691 |
| Paid during the period | (4.897.052) | (291.861) |
| **31 March** | **5.987.660** | **7.538.420** |

## NOTE 15 - SHAREHOLDERS' EQUITY

### Share Capital

The Company's registered share capital amounts to TL250.000.000 (31 December 2008: TL250.000.000).

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 March 2009 and 31 December 2008 are as follows:

| | 31 March 2009 | | 31 December 2008 | |
|---|---|---|---|---|
| | Participation (%) | Amount (TL) | Participation (%) | Amount (TL) |
| 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** |

## NOTE 15 - SHAREHOLDERS' EQUITY (Continued)

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

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

As of 3-4 June 2004, the Company has been quoted to İstanbul Stock Exchange ("İSE") and its shares started to be traded in the stock exchange market. As of 31 March 2009, 22% (31 December 2008: 22%) of the Company shares have been quoted in the İSE. The Company owned 5.336.900.000 units of shares with a face value of 1 Kuruş ("Kr") each.

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 TL47.000.000 to TL53.369.000 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 Kr 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.

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

**NOTE 15 - SHAREHOLDERS' EQUITY (Continued)**

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

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

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

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

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

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

Based on the CMB Decree dated 9 January 2009, the minimum profit distribution rate is determined to be 20% (31 December 2008: 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 2008. Accordingly, the decision of dividend payment amounting to TL17.078.080, taken in the Company's General Assembly dated 26 March 2009.

The Company's shareholders' equity as of 31 March 2009 and 31 December 2008 is as follows:

| | **31 March 2009** | **31 December 2008** |
|---|---|---|
| Share capital | 53.369.000 | 53.369.000 |
| Adjustments to share capital | 39.014.356 | 39.014.356 |
| Fair value reserves | 3.634.098 | 3.634.098 |
| Hedge reserve | - | (4.905.283) |
| Merger reserve | (5.569.000) | (5.569.000) |
| Restricted profit reserves | 59.011.780 | 56.617.017 |
| Retained earnings | 123.919.774 | 76.601.061 |
| Net profit for the period | (8.909.613) | 66.791.556 |
| **Total shareholders' equity** | **264.470.395** | **285.552.805** |

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

## NOTE 16 - SALES AND COST OF SALES

| | 1 January - 31 March 2009 | 1 January - 31 March 2008 |
|---|---|---|
| Domestic sales | 56.078.478 | 148.367.881 |
| Export sales | 105.699.196 | 72.361.993 |
| | **161.777.674** | **220.729.874** |
| Less : Discounts and returns | (5.803.816) | (16.702.902) |
| **Net sales** | **155.973.858** | **204.026.972** |
| Cost of sales | (142.499.050) | (159.770.224) |
| **Gross profit** | **13.474.808** | **44.256.748** |

## NOTE 17 - OTHER OPERATING INCOME/EXPENSES

| | 1 January - 31 March 2009 | 1 January - 31 March 2008 |
|---|---|---|
| Gain on sales of property, plant and equipment | 63.204 | 22.633 |
| Commission income | - | 176.905 |
| Other various income | 123.693 | 149.374 |
| **Other operating income** | **186.897** | **348.912** |
| Provision for lawsuits | (29.691) | (30.021) |
| Loss on sales of property, plant and equipment | (21.955) | (1.415) |
| Provision for allowance for doubtful receivables (Note 8) | - | (402.274) |
| Other | (12.698) | (64.768) |
| **Other operating expenses** | **(64.344)** | **(498.478)** |

## NOTE 18 - FINANCIAL INCOME

| | 1 January - 31 March 2009 | 1 January - 31 March 2008 |
|---|---|---|
| Foreign exchange gain | 78.069.755 | 38.334.444 |
| Financial income from credit sales | 9.965.193 | 25.069.780 |
| Interest income | 3.637.368 | 2.555.426 |
| **Financial income** | **91.672.316** | **65.959.650** |

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

## NOTE 19 - FINANCIAL EXPENSES

| | **1 January - 31 March 2009** | **1 January - 31 March 2008** |
|---|---|---|
| Foreign exchange loss | (84.008.539) | (47.377.797) |
| Interest expenses of bank borrowings | (14.408.569) | (5.115.711) |
| Financial expense on credit purchases | (3.097.999) | (17.364.442) |
| Other | (1.841.326) | (182.753) |
| **Financial expenses** | **(103.356.433)** | **(70.040.703)** |

## NOTE 20 - TAX ASSETS AND LIABILITIES

| | **31 March 2009** | **31 December 2008** |
|---|---|---|
| Corporation and income taxes payable | - | (17.086.228) |
| Less: Prepaid taxes | - | 1.174.146 |
| **Total tax payable - net** | **-** | **(15.912.082)** |

| | **1 January - 31 March 2009** | **1 January - 31 March 2008** |
|---|---|---|
| Current year corporate tax expense | - | (6.590.486) |
| Deferred tax income | 410.304 | 1.663.201 |
| **Tax expense** | **410.304** | **(4.927.285)** |

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% (31 December 2008: 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).

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% (31 December 2008: 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% (31 Decmebre 2008: 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.

**NOT 20 - TAX ASSETS AND LIABILITIES (Continued)**

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.

**<u>Deferred Taxes:</u>**

The Company recognizes deferred income tax based on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements prepared in accordance with the Communiqué, using the currently enacted tax rates. The currently enacted tax rate for temporary differences is 20% (31 December 2008: 20%).

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

## NOT 20 - TAX ASSETS AND LIABILITIES (Continued)

The breakdown of cumulative temporary differences and the resulting deferred tax assets/(liabilities) at 31 March 2009 and 31 December 2008 are as follows:

| | Temporary differences | | Deferred tax assets/(liabilities) | |
|---|---|---|---|---|
| | 31 March 2009 | 31 December 2008 | 31 March 2009 | 31 December 2008 |
| Net differences between carrying amounts and tax bases of property, plant and equipment and intangible assets | 266.130 | 807.674 | (53.226) | (161.535) |
| Unearned finance income on due from related parties | (276.400) | (404.540) | 55.280 | 80.908 |
| Provision for employment termination benefits | (5.987.660) | (7.573.991) | 1.197.532 | 1.514.798 |
| Capitalized unincurred financial expense on inventory | (555.345) | (622.126) | 111.069 | 124.425 |
| Fair value differences on financial assets | 3.825.359 | 3.825.359 | (191.268) | (191.268) |
| Warranty provision | (8.701.058) | (9.997.787) | 1.740.212 | 1.999.557 |
| Provision for lawsuits | (1.783.840) | (1.754.149) | 356.768 | 350.830 |
| Unearned finance income on trade receivables | (7.623.822) | (6.492.122) | 1.524.764 | 1.298.424 |
| Provision for doubtful receivables | (7.988.958) | (7.988.958) | 1.597.792 | 1.597.792 |
| Derivative financial instruments fair value differences | - | (6.131.604) | - | 1.226.321 |
| Retailers premiums | (773.659) | (280.031) | 154.732 | 56.006 |
| Provision for impairment of inventory | (2.790.622) | (999.296) | 558.124 | 199.859 |
| Other provisions | (1.198.990) | (608.099) | 239.798 | 121.619 |
| Elemination of profit margin of the sales to free zone branch | (1.370.464) | (1.500.021) | 274.094 | 300.006 |
| Other | 907.466 | 1.587.742 | (181.494) | (317.548) |
| **Deferred tax assets** | | | **7.384.177** | **8.200.194** |

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

| | 31 March 2009 | 31 March 2008 |
|---|---|---|
| **1 January** | 8.200.194 | 9.157.545 |
| Deferred tax income | 410.304 | 1.663.201 |
| Charged to hedge reserve | (1.226.321) | (2.502.433) |
| **31 March** | **7.384.177** | **8.318.313** |

## NOTE 21 - EARNINGS PER SHARE

Earnings per share stated in the income statement is calculated by dividing the net income to the weighted average number of ordinary shares outstanding during the 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 Turkish Lira ("TL"), unless otherwise indicated)

**NOTE 21 - 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 March 2009 | 1 January - 31 March 2008 |
|---|---|---|
| Net profit for the period | (8.909.613) | 18.424.282 |
| Weighted average number of the ordinary shares | 5.336.900.000 | 5.336.900.000 |
| Earnings per share (in full TL per share) | (0,0017) | 0,0035 |

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

**NOTE 22 - RELATED PARTY EXPLANATIONS**

**i) Balances with related parties as of 31 March 2009 and 31 December 2008:**

| | 31 March 2009 | 31 December 2008 |
|---|---|---|
| **a) Bank deposits** | | |
| Yapı ve Kredi Bankası A.Ş. ("Yapı Kredi") | 34.582.423 | 39.504.246 |
| | **34.582.423** | **39.504.246** |
| **b) Due from related parties** | | |
| CNH International SA ("CNH International") | 104.774.934 | 81.404.378 |
| CNH Italy SPA ("CNH Italy") | 1.489.798 | 730.003 |
| Yapı Kredi Finansal Kiralama A.O. ("Yapı Kredi Finansal Kiralama") | 1.038.987 | 986.264 |
| CNH France S.A ("CNH France") | 353.384 | 338.710 |
| New Holland Fiat India Pvt. Ltd.(*) | 262.334 | 907.154 |
| Otokoç Otomotiv Tic ve San A.Ş. ("Otokoç") | 249.056 | 53.980 |
| Fiat Group Purchasing SRL | 129.225 | 124.290 |
| Harranova Besi ve Tarım A.Ş. | 126.433 | 241.400 |
| New Holland India Ag | 20.131 | 133.987 |
| Other | 377.445 | 244.378 |
| | **108.821.727** | **85.164.544** |
| Less: Unaccrued financial income | (276.400) | (404.540) |
| | **108.545.327** | **84.760.004** |

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

(*) Fiat India Pvt. Ltd.'s business title changed as New Holland Fiat India Pvt. Ltd. as of 1 January 2009.

## NOTE 22 - RELATED PARTY EXPLANATIONS (Continued)

As of 31 March 2009, weighted average annual effective interest rates for TL and EUR due from related party balances are 11,12% and 1,41% (31 December 2008: TL 15,83%, EUR 2,69%, USD 0,77%), respectively and their maturity is 2 months (31 December 2008: 2 months) on average.

| | 31 March 2009 | 31 December 2008 |
|---|---|---|
| **c) Due to related parties** | | |
| CNH International | 19.062.342 | 33.779.543 |
| Koç Holding | 6.906.601 | 933.923 |
| CNH Global N.V. | 6.404.280 | - |
| Public quotation | 3.759.348 | - |
| Zer Merkezi Hizmetler ve Ticaret A.Ş. ("Zer") | 1.701.324 | 2.171.539 |
| Opet Petrolcülük A.Ş. ("Opet") | 1.432.948 | 712.487 |
| Ram Sigorta Aracılık Hiz. A.Ş. ("Ram Sigorta") | 437.851 | - |
| Otokoç | 173.124 | 62.650 |
| Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş. | 147.179 | 134.838 |
| Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş. ("Akpa") | 74.154 | - |
| Koçtaş Yapı Marketleri A.Ş. | 71.876 | 60.652 |
| Setur Servis Turistik A.Ş. ("Setur") | 29.319 | 105.162 |
| Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. ("Koç Sistem") | 10.601 | 315.164 |
| Aygaz A.Ş. | 7.934 | - |
| Koç Net Haberleşme Teknolojileri ve İletişim Hizmetleri A.Ş. ("Koç Net") | 6.195 | 41.877 |
| Palmira Turizm Ticaret A.Ş. ("Palmira") | 285 | 42.858 |
| Koç Allianz Sigorta A.Ş. ("Koç Allianz")(*) | - | 16.333 |
| CNH Italy | - | 4.605 |
| Other | 568.613 | 67.518 |
| | **40.793.974** | **38.449.149** |
| Less: Unaccrued financial expenses | (153.648) | (354.293) |
| | **40.640.326** | **38.094.856** |

(*) The Company has excluded Koç Allianz A.Ş. from due to related parties classification following Koç Holding's sale of its Koç Allianz A.Ş. shares to Allianz AG on April 2008.

As of 31 March 2009, weighted average annual effective interest rates for TL and EUR due to related party balances are 11,12% and 1,55% (31 December 2008: TL 15,83%, EUR 2,91%), respectively and their maturity is 3 months (31 December 2008 : 3 months) on average.

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

## NOTE 22 - RELATED PARTY EXPLANATIONS (Continued)

**ii) Significant sales and purchases transactions with related parties for the periods between 1 January - 31 March 2009 and 2008**

| | 1 January - 31 March 2009 | 1 January - 31 March 2008 |
|---|---|---|
| **a) Product sales to related parties** | | |
| CNH International | 105.239.131 | 55.421.305 |
| CNH Italy | 1.310.184 | 1.146.890 |
| Yapı Kredi Finansal Kiralama | - | 1.382.962 |
| Beldeyama Motorlu Vasıtalar Sanayi ve Ticaret A.Ş. | - | 9.982 |
| Other | 845.525 | 309.159 |
| | **107.394.840** | **58.270.298** |

| | 1 January - 31 March 2009 | 1 January - 31 March 2008 |
|---|---|---|
| **b) Other income from related parties** | | |
| CNH International | 9.929 | 21.988 |
| Palmira | - | 10.117 |
| Other | 5.173 | 28.619 |
| | **15.102** | **60.724** |
| **c) Product purchases from related parties** | | |
| CNH International | 15.273.241 | 15.588.166 |
| Opet | 1.269.435 | 1.013.806 |
| Akpa | 189.446 | 599.357 |
| Koç Sistem | 85.438 | 79.484 |
| CNH France | 2.911 | 417.245 |
| CNH Italy | - | 804.486 |
| Ford Otomotiv Sanayi A.Ş. | - | 9.538 |
| Other | 759.449 | 138.642 |
| | **17.579.920** | **18.650.724** |

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

**NOTE 22 - RELATED PARTY EXPLANATIONS (Continued)**

| | 1 January - 31 March 2009 | 1 January - 31 March 2008 |
|---|---|---|
| **d) Service purchases from related parties** | | |
| Koç Holding (*) | 2.324.597 | 397.263 |
| Ram Sigorta | 786.358 | 667.811 |
| Zer | 507.576 | 575.814 |
| Otokoç | 195.809 | 279.772 |
| Setur | 186.234 | 1.064.095 |
| Koç Sistem | 80.473 | 93.003 |
| Koç Net | 80.057 | - |
| Opet | 73.783 | 153.383 |
| Palmira | 284 | 589.426 |
| CNH Italy (*) | 95 | 137.616 |
| Koç Holding Emekli Sandığı ve Vakfı | - | 175.947 |
| Koç Allianz | - | 58.776 |
| Other | 5.319 | 311.353 |
| | **4.240.585** | **4.504.259** |

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

**iii) Financial income and expenses arising from transactions with related parties for the periods between 1 January - 31 March 2009 and 2008:**

| | 1 January - 31 March 2009 | 1 January - 31 March 2008 |
|---|---|---|
| **Interest Income** | | |
| Yapı Kredi | 1.418.821 | 448.472 |

| | 1 January - 31 March 2009 | 1 January - 31 March 2008 |
|---|---|---|
| **Interest expense** | | |
| Yapı Kredi | 378.137 | 996.410 |

**iv) Other income and expenses arising from transactions with related parties for the periods between 1 January - 31 March 2009 and 2008:**

| | 1 January - 31 March 2009 | 1 January - 31 March 2008 |
|---|---|---|

| | | |
|---|---|---|
| Renumeration of Board of Directors and key management personnel | 518.963 | 556.494 |

## NOTE 23 - 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 TL 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 Turkish Lira ("TL"), unless otherwise indicated)

## NOTE 23 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

The amounts of foreign currency assets, liabilities and TL equivalents of the Company as of 31 March 2009 and 31 December 2008 are as follows:

| | 31 March 2009 | | | | | | |
|---|---|---|---|---|---|---|---|
| | **TL Equivalent** | **USD** | **Euro** | **GBP** | **DKK** | **CHF** | **YEN** |
| Trade Receivables | 208.849.681 | 273.783 | 93.608.068 | 10.382 | 33.083 | - | - |
| Monetary Financial Assets (Including cash, banks accounts) | 124.759.981 | 261.129 | 55.853.714 | - | - | - | - |
| Non-monetary Financial Assets | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - |
| Current Assets | 333.609.662 | 534.912 | 149.461.782 | 10.382 | 33.083 | - | - |
| Trade Receivables | 171.381.978 | 68.040 | 76.946.323 | - | - | - | - |
| Monetary Financial Assets | - | - | - | - | - | - | - |
| Non-monetary Financial Assets | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - |
| Non-current Assets | 171.381.978 | 68.040 | 76.946.323 | - | - | - | - |
| **Total Assets** | **504.991.640** | **602.952** | **226.408.105** | **10.382** | **33.083** | **-** | **-** |
| Trade Payables | 72.363.556 | 71.693 | 32.443.979 | 12.021 | - | - | - |
| Financial liabilities | 300.732.232 | - | 135.111.975 | - | - | - | - |
| Other Monetary Liabilities | 79.176 | 7.199 | 30.112 | - | - | - | - |
| Other Non-monetary Liabilities | - | - | - | - | - | - | - |
| Short-term Liabilities | 373.174.964 | 78.892 | 167.586.066 | 12.021 | - | - | - |
| Trade Payables | - | - | - | - | - | - | - |
| Financial liabilities | 124.222.726 | - | 55.810.371 | - | - | - | - |
| Other Monetary Liabilities | - | - | - | - | - | - | - |
| Other Non-monetary Liabilities | - | - | - | - | - | - | - |
| Long-term Liabilities | 124.222.726 | - | 55.810.371 | - | - | - | - |
| **Total Liabilities** | **497.397.690** | **78.892** | **223.396.437** | **12.021** | **-** | **-** | **-** |
| Total Amount of Hedged Assets | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| Total Amount of Hedged Liabilities | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Net Asset/(Liability) Position of Off-balance Sheet Derivative Instruments** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Net Foreign Currency Asset/(Liability) Position** | **7.593.949** | **524.060** | **3.011.668** | **(1.639)** | **33.083** | **-** | **-** |
| **Net Monetary Foreign Currency Asset/(Liability) Position** | **7.593.949** | **524.060** | **3.011.668** | **(1.639)** | **33.083** | **-** | **-** |

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

## NOTE 23 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

| | 31 December 2008 | | | | | | |
|---|---|---|---|---|---|---|---|
| | TL Equivalent | USD | Avro | GBP | DKK | CHF | YEN |
| 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 Turkish Lira ("TL"), unless otherwise indicated)

## NOTE 23 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

The import and export amounts of the Company for the periods ended on 31 March 2009 and 31 December 2008 are as follows:

| | 1 January - 31 March 2009 | 1 January - 31 March 2008 |
|---|---|---|
| Total export amount | 105.699.196 | 72.361.939 |
| Total import amount | 39.167.527 | 51.698.442 |

As of 31 March 2009 and 31 December 2008, percentage of hedging of total foreign currency liabilities through receivables from derivative financial assets are as follows:

| | 31 March 2009 | 31 December 2008 |
|---|---|---|
| Percentage of hedging of total foreign currency liabilities | - | %12 |

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 March 2009 and 2008 under the assumption of the appreciation and depreciation of TL against other currencies by 5% with all other variables held constant, is as follows:

| | 31 March 2009 | | | |
|---|---|---|---|---|
| | Profit/Loss | | Shareholders' Equity | |
| | Appreciation of foreign currency | Depreciation of foreign currency | Appreciation of foreign currency | Depreciation of foreign currency |
| **Had TL appreciate/(depreciate) by 5% against USD** | | | | |
| Profit/(loss) from USD net asset position | 22.191 | (22.191) | - | - |
| Hedged amount against USD risk (-) | - | - | - | - |
| **Net Effect of USD** | **22.191** | **(22.191)** | **-** | **-** |
| **Had TL appreciate/(depreciate) by 5% against EUR** | | | | |
| Profit/(loss) from EUR net liability position | (5.880.791) | 5.880.791 | - | - |
| Hedged amount against EUR risk (-) | - | - | - | - |
| **Net Effect of EUR** | **(5.880.791)** | **5.880.791** | **-** | **-** |
| **Total Net Effect** | **(5.858.600)** | **5.858.600** | **-** | **-** |

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

## NOTE 23 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

| | 31 March 2008 | | | |
|---|---|---|---|---|
| | Profit/Loss | | Shareholders' Equity | |
| | **Appreciation of foreign currency** | **Depreciation of foreign currency** | **Appreciation of foreign currency** | **Depreciation of foreign currency** |
| **Had TL appreciate/(depreciate) by 5% against USD** | | | | |
| Profit/(loss) from USD net asset position | (16.782) | 16.782 | - | - |
| Hedged amount against USD risk (-) | - | - | - | - |
| **Net Effect of USD** | **(16.782)** | **16.782** | **-** | **-** |
| **Had TL appreciate/(depreciate) by 5% against EUR** | | | | |
| Profit/(loss) from EUR net liability position | (1.781.167) | 1.781.167 | - | - |
| Hedged amount against EUR risk (-) | - | - | 3.582.326 | (3.582.326) |
| **Net Effect of EURO** | **(1.781.167)** | **1.781.167** | **3.582.326** | **(3.582.326)** |
| **Total Net Effect** | **(1.797.949)** | **1.797.949** | **3.582.326** | **(3.582.326)** |

*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 Turkish Lira ("TL"), unless otherwise indicated)

## NOTE 23 - 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 March 2009 and 31 December 2008 is as follows:

| | 31 March 2009 | | | | | | |
|---|---|---|---|---|---|---|---|
| | 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 | 107.646.414 | 313.775.406 | - | - | 155.003.417 | - | - |
| Net book value of restructured financial assets, otherwise that will be considered as due dated or impaired | - | 23.854.857 | - | - | - | - | - |
| Net book value of due dated but not impaired assets | 898.913 | 23.140.326 | - | - | - | - | - |
| Net book value of impaired assets | - | 11.121.241 | - | - | - | - | - |
| - Due dated (Gross book value) | - | 25.235.300 | - | - | - | - | - |
| - Provision (-) | - | (14.114.059) | - | - | - | - | - |
| - Undue (Gross book value) | - | - | - | - | - | - | - |
| - Provision (-) | - | - | - | - | - | - | - |
| Off-balance sheet items exposed to credit risk | - | - | - | - | - | - | 25.734.977 |
| **Amount exposed to maximum credit risk (**)** | **108.545.327** | **371.891.830** | **-** | **-** | **155.003.417** | **-** | **25.734.977** |

(*) 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 March 2009, the guarantee amount of the maximum exposure to credit risk is TL139.383.443(Note 13c).. Besides, the guarantee amount of the assets which are due but not impaired and are impaired are TL61.245.367 and TL8.721.000, respectively.

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

## NOTE 23 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

### b) Credit risk (Continued)

| | 31 December 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 | - | - | - | - | - | - | 18.695.660 |
| **Amount exposed to maximum credit risk (**)** | **84.760.004** | **374.852.988** | **-** | **-** | **115.684.361** | **-** | **18.695.660** |

(*) 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 TL142.332.702(Note 13c). Besides, the guarantee amount of the assets which are due but not impaired and are impaired are TL70.052.980 and TL8.721.000, respectively.

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

## NOTE 23 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

### 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.

**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 March 2009 and 31 December 2008 are as follows:

| | 31 March 2009 | 31 December 2008 |
|---|---|---|
| Total payables | 716.452.484 | 651.526.668 |
| Less: Cash and cash equivalents (Note 4) | (154.596.660) | (115.448.598) |
| **Net debt** | **561.855.824** | **536.078.070** |
| Total shareholders' equity | 264.470.395 | 285.552.805 |
| **Total capital** | **826.326.219** | **821.630.875** |
| **Net debt/capital** | **%68** | **%65** |

## NOTE 23 - FINANCIAL INSTRUMENTS AND NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

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.

*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 24 – SUBSEQUENT EVENTS

The Company made the payment of the dividend amounting to TL17.078.080 at 15 April 2009, which disclosed in "due to related parties"(Note 22) as of 31 March 2009.

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