(Convenience translation of financial statements and audit report originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Financial statements as of December 31, 2010 together with report of independent auditors

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Contents

	Page
Independent Auditor's Report	1 - 2
Balance Sheet	3 - 4
Statement of Income	5
Statement of Comprehensive Income	6
Statement of Changes in Equity	7
Statement of Cash Flow	8
Notes to the Financial Statements	9 - 64

(Convenience translation of audit report originally issued in Turkish)

Independent auditor's report

To the Board of Directors of
Ford Otomotiv Sanayi A.Ş:

We have audited the accompanying financial statements of Ford Otomotiv Sanayi A.Ş. (the "Company") which comprise the balance sheet as at December 31, 2010 and the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

The Company's management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting standards accepted by the Capital Markets Board. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Independent auditor's responsibility

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

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

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

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Ford Otomotiv Sanayi A.Ş. as of December 31, 2010, and its financial performance and its cash flows for the year then ended in accordance with the financial reporting standards accepted by the Capital Markets Board.

Other matter

The financial statements of Ford Otomotiv Sanayi A.Ş. prepared in accordance with the financial reporting standards accepted by the Capital Markets Board as of December 31, 2009 had been audited by another audit firm whose independent auditors' report thereon dated February 17, 2010 expressed an unqualified opinion.

Additional paragraph for convenience translation to English:

As described in Note 2 to the accompanying financial statements, accounting principles and standards applied in the accompanying financial statements (CMB financial accounting standards) are based on International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board except for the adoption of an earlier date for discontinuation of application of IAS 29 (Financial Reporting in Hyperinflationary Economies). As per CMB financial accounting standards application of inflation accounting was ceased effective as of January 1, 2005, whereas per IFRS it was ceased effective January 1, 2006.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Erdem Tecer, SMMM
Partner

February 21, 2011
İstanbul, Turkey

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Balance sheet as of December 31, 2010
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	December 31, 2010	December 31, 2009
Assets			
Current assets		**2,229,357,158**	1,566,054,239
Cash and cash equivalents	4	**520,944,034**	371,946,546
Trade receivables			
- Due from related parties	26	**673,117,047**	477,299,932
- Other trade receivables	7	**511,313,401**	362,403,652
Other receivables	8	**6,401,917**	102,397
Inventories	9	**463,925,506**	290,988,535
Other current assets	16	**53,655,253**	63,313,177
Non-current assets		**1,105,722,882**	1,199,276,338
Trade receivables	7	**342,608**	195,636
Financial assets	5	**3,008,822**	2,179,287
Property, plant and equipment	10	**1,058,400,259**	1,144,504,274
Intangible assets	11	**42,299,562**	50,058,825
Other non-current assets	16	**1,671,631**	2,338,316
Total assets		**3,335,080,040**	2,765,330,577

The financial statements were approved for issue by the Board of Directors on 21 February 2011 and signed on behalf of the Board of Directors by Oğuz Toprakoğlu, Assistant General Manager – Chief Financial Officer ("CFO") and Devrim Kılıçoğlu, Finance Director.

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

Ford Otomotiv Sanayi A.Ş.

Balance sheet as of December 31, 2010
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	December 31, 2010	December 31, 2009
Liabilities			
Current liabilities		**1,167,504,598**	784,538,958
Financial liabilities	6	**231,135,070**	186,257,173
Trade payables			
- Due to related parties	26	**176,308,452**	68,527,621
- Other trade payables	7	**508,068,468**	361,526,424
Other payables			
- Due to related parties	26	**5,695,782**	2,849,612
- Other payables	8	**117,075,396**	73,768,731
Current income tax payable	24	**60,498,276**	33,570,900
Provisions	13	**68,723,154**	58,038,497
Non-current liabilities		**412,531,411**	331,147,986
Financial liabilities	6	**297,303,000**	201,510,482
Provision for employee benefits	15	**44,061,805**	30,943,135
Deferred tax liabilities	24	**71,166,606**	98,694,369
Equity	17	**1,755,044,031**	1,649,643,633
Equity attributable to the equity holders of the Company	17	**1,755,044,031**	1,649,643,633
Share capital		**350,910,000**	350,910,000
Adjustment to share capital		**27,920,283**	27,920,283
Share premium		**8,252**	8,252
Value increase funds		**1,907,669**	1,078,134
Restricted reserves		**340,819,480**	302,570,290
Retained earnings		**528,870,084**	633,722,367
Net income for the year		**504,608,263**	333,434,307
Total equity and liabilities		**3,335,080,040**	2,765,330,577

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

Ford Otomotiv Sanayi A.Ş.

Statement of income for the year ended December 31, 2010
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	December 31, 2010	December 31, 2009
Continuing operations			
Sales	18	**7,649,411,637**	5,574,355,948
Cost of sales	18	**(6,664,536,863)**	(4,907,090,313)
Gross profit		**984,874,774**	667,265,635
Sales and marketing expenses	19	**(226,030,795)**	(174,174,201)
General administrative expenses	19	**(98,543,070)**	(75,121,222)
Research and development expenses	19	**(84,729,979)**	(71,610,783)
Other operating income	21	**36,748,197**	47,042,872
Other operating expenses	21	**(2,102,985)**	(3,962,942)
Operating profit		**610,216,142**	389,439,359
Financial income	22	**115,027,870**	106,326,790
Financial expenses	23	**(106,249,773)**	(87,228,761)
Income before tax from continuing operations		**618,994,239**	408,537,388
Income tax from continuing operations		**(114,385,976)**	(75,103,081)
- Taxes on income	24	**(141,913,739)**	(82,106,156)
- Deferred tax income	24	**27,527,763**	7,003,075
Net income for the year		**504,608,263**	333,434,307
Earnings per share with a nominal value of Kr 1	25	**1.44**	0.95

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

Ford Otomotiv Sanayi A.Ş.

Statement of comprehensive income for the year ended December 31, 2010
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	December 31, 2010	December 31, 2009
Net income for the year		**504,608,263**	333,434,307
Other comprehensive income			
Change in revaluation funds of financial assets	17	**829,535**	977,164
Other comprehensive income		**829,535**	977,164
Total comrehensive income		**505,437,798**	334,411,471

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

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Statement of changes in equity for the year ended December 31, 2010
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Share capital	Adjustments to share capital	Share premium	Value increaase funds	Restricted reserves	Retained earnings	Net income	Total equity
Balance at January 1, 2009	350,910,000	27,920,283	8,252	100,970	264,672,010	631,944,669	436,204,278	1,711,760,462
Transfers	-	-	-	-	37,898,280	398,305,998	(436,204,278)	-
Dividends paid	-	-	-	-	-	(396,528,300)	-	(396,528,300)
Total comprehensive income	-	-	-	977,164	-	-	333,434,307	334,411,471
Balance at December 31, 2009	350,910,000	27,920,283	8,252	1,078,134	302,570,290	633,722,367	333,434,307	1,649,643,633
Balance at January 1, 2010	**350,910,000**	**27,920,283**	**8,252**	**1,078,134**	**302,570,290**	**633,722,367**	**333,434,307**	**1,649,643,633**
Transfers	**-**	**-**	**-**	**-**	**38,249,190**	**295,185,117**	**(333,434,307)**	**-**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**(400,037,400)**	**-**	**(400,037,400)**
Total comprehensive income	**-**	**-**	**-**	**829,535**	**-**	**-**	**504,608,263**	**505,437,798**
Balance at December 31, 2010	**350,910,000**	**27,920,283**	**8,252**	**1,907,669**	**340,819,480**	**528,870,084**	**504,608,263**	**1,755,044,031**

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

(Convenience translation of financial statements originally issued in Turkish)

Ford Otomotiv Sanayi A.Ş.

Statement of cash flows for the year ended December 31, 2010
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	December 31, 2010	December 31, 2009
Cash flows from operating activities:			
Net income for the year		**504,608,263**	333,434,307
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	10	**156,060,023**	152,595,752
Amortization	11	**19,124,469**	19,101,673
Provision for employee benefits	15	**15,772,496**	10,796,222
Warranty expense provision	13	**86,890,422**	73,475,366
Taxation	24	**114,385,976**	75,103,081
Interest income	22	**(18,654,206)**	(24,867,147)
Interest expense	23	**7,112,253**	14,225,589
Foreign exchange loss incurred from borrowings		**(15,395,034)**	1,497,775
Provision expenses		**13,873,631**	1,423,341
Loss on sale of fixed asset	21	**494,281**	1,640,451
Dividend income	21	**(119,509)**	(42,180)
Net operating profit before changes in operating assets and liabilities		**884,153,065**	658,384,230
(Increase) in accounts receivable		**(344,726,864)**	(378,065,956)
(Increase)/ decrease in inventories		**(176,424,754)**	294,460,786
Decrease in other current assets		**3,358,404**	29,438,149
Increase in accounts payable		**254,322,875**	226,481,894
Increase/(decrease) in other current liabilities		**32,707,080**	(15,999,707)
Income tax paid		**(111,926,457)**	(163,381,698)
Warranty expenses paid	13	**(76,205,765)**	(91,971,906)
Employee benefits paid	15	**(2,653,826)**	(4,433,458)
Net cash generated from operating activities		**462,603,758**	554,912,334
Cash flows used in investing activities:			
Purchase of property, plant and equipment	10	**(74,507,269)**	(86,630,504)
Purchase of intangible assets	11	**(11,365,206)**	(719,398)
Proceeds from sale of property, plant and equipment		**4,056,980**	6,986,645
Decrease in other non-current assets		**519,713**	14,581,535
Interest received		**18,654,206**	25,181,342
Dividends received		**119,509**	42,180
Net cash used in investing activities		**(62,522,067)**	(40,558,200)
Cash flows from financing activities:			
Interest paid		**(7,699,732)**	(17,550,335)
Dividends paid	17	**(400,037,400)**	(396,528,300)
Proceeds from borrowings		**430,033,728**	127,822,500
Payments of borrowings		**(273,380,799)**	(118,614,073)
Net cash used in financing activities		**(251,084,203)**	(404,870,208)
Net increase in cash and cash equivalents		**148,997,488**	109,483,926
Beginning balance of cash and cash equivalents	4	**371,946,546**	262,462,620
End of the year balance of cash and cash equivalents	4	**520,944,034**	371,946,546

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

1. Organization and nature of the operations

Ford Otomotiv Sanayi A.Ş. (the "Company") is incorporated and domiciled in Turkey and manufactures, assemblies and sells motor vehicles, primarily commercial vehicles, imports and sells passenger cars and manufactures and imports and sells spare parts of those vehicles. The Company was established in 1959 and presently operates as a joint venture between Ford Motor Company and the Koç Group of Companies. The Company is listed on the Istanbul Stock Exchange, where 17.92% of its shares are currently quoted.

The Company presently has two plants located in Kocaeli and Eskişehir, has a spare part distribution warehouse in Kartal, Istanbul and a branch in Tübitak Marmara Research Centre, Gebze Campus Technological Free Zone ("TEKSEB") established in 2007 for the purpose of conducting research and development and engineering operations. The light commercial vehicle, "Transit Connect", and Transit vehicles (minibuses, pick-ups and vans) are manufactured in Kocaeli. Ford Cargo trucks and their engines are manufactured in Eskişehir.

In 2010, the Company had a total of 7,988 employees on average, composed of 1,625 white-collar and 6,363 blue-collar workers. The Company had a total of 8,413 employees composed of 1,778 white-collar and 6,635 blue-collar workers as of December 31, 2010. (December 31, 2009: The Company had a total of 7,729 employees on average, composed of 1,416 white-collar and 6,313 blue-collar workers. The Company had a total of 7,593 employees composed of 1,396 white-collar and 6,197 blue-collar workers as of period end.)

The registered office address of the Company is Akpınar Mahallesi, Hasan Basri Cad. No: 2 Sancaktepe, İstanbul.

2. Basis of presentation of financial statements

2.1 Basis of presentation

2.1.1 Financial reporting standards

The Capital Markets Board ("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"). The Communiqué is effective for the annual periods starting from January 1, 2008 and supersedes the Communiqué No: XI-25, "The Accounting 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 the 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 do not contradict with the aforementioned standards shall be applied.

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

2. Financial reporting standards (continued)

As the differences between IAS/IFRS endorsed by the European Union and IAS/IFRS issued by the IASB have not been announced by TASB yet, these financial statements have been prepared within the framework of financial statement communiqué and announcements related with this communiqué in accordance with the CMB Financial Reporting Standards which are based on IAS/IFRS. Financial statements and the related notes to them are presented in accordance with the formats recommended by the CMB, with the announcement dated 17 April 2008 and 9 January 2009, including the compulsory disclosures.

Except for the financial assets carried on fair value, financial statements prepared on cost basis.

The Company financial statements as of December 31, 2010 and December 31, 2009, have been prepared within the framework of Communiqué XI, No: 29 and related promulgations to this Communiqué as accepted by the CMB, in accordance with the CMB's "Financial Reporting Standards" announced on 9 April 2008, which are based on IAS/IFRS.

2.1.2 Going concern

The financial statements of the Company are prepared on the basis of a going concern assumption.

2.1.3 Offsetting

Financial assets and liabilities are offset when there is a legal basis, intention to disclose net amount of related assets and liabilities or the obtaining of an asset follows the settling its of liability.

2.2 Changes in accounting policies

2.2.1 Comparatives and adjustment of prior periods' financial statements

The financial statements of the Company include comparative financial information to enable the determination of the financial position and performance. The balance sheet of the Company at December 31, 2010 has been provided with the comparative financial information of December 31, 2009 and the statement of income, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the period between January 1, 2010 and December 31, 2010 have been provided with the comparative financial information, for the period between Januaty 1, 2009 and December 31, 2009. The balance sheet as at December 31, 2009 has been reclassed in order to conform to the presentation of the current period financial statements. The reclassifications are as follows:

a) Interest accrual amounting to TL 394,743 which was not included in cash flow as of December 31, 2009; have been classified under "Cash and cash equivalents".

b) Prepaid taxes and funds amounting to TL 48,535,256, classified under "Other current assets" as of December 31, 2009, have been classified to "Taxes on current year income" (Note 24).

2. Basis of presentation of financial statements (continued)

2.2.2 Standards, amendments and interpretations to existing standards

a) Changes in accounting policy and disclosures

The accounting policies, which are basis of presentation of financial statements, are consistent with those of the previous financial year except for the new standards and interpretation summarized below. The following new and amended IFRS and IFRIC interpretations are adopted in the periods beginning on January 1, 2010:

- IFRIC 17 Distributions of Non-cash Assets to Owners,
- IAS 39 Financial Instruments: Recognition and Measurement (Amended) – eligible hedged items,
- IFRS 2 Group Cash-settled Share-based Payment Transactions (Amended),
- IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)
- Improvements to IFRSs (May 2008)
- Improvements to IFRSs (April 2009)

Aforementioned new and amended IFRS and IFRIC interpretations do not have any significant impact on financial statements of the Company.

b) Amendments resulting from improvements to IFRSs (April 2009) to the following standards which had or did not have an effect on the accounting policies, financial position or performance of the Company:

- IFRS 2 Share-based Payment
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- IFRS 8 Operating Segment Information
- IAS 1 Presentation of Financial Statements
- IAS 7 Statement of Cash Flows
- IAS 17 Leases
- IAS 18 Revenue
- IAS 36 Impairment of Assets
- IAS 38 Intangible Assets
- IAS 39 Financial Instruments: Recognition and Measurement – Items Accepted as Protected From Financial Risk
- IFRIC 9 Reassessment of Embedded Derivatives
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation

Company, does not expect that interpretation will have any effect on the Company's financial position or performance.

2. Basis of presentation of financial statements (continued)

c) Standards issued but not yet effective and not early adopted

- **IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments**

The interpretation is effective for annual periods beginning on or after 1 July 2010. This interpretation addresses the accounting treatment when there is a renegotiation between the entity and the creditor regarding the terms of a financial liability and the creditor agrees to accept the entity's equity instruments to settle the financial liability fully or partially. IFRIC 19 clarifies such equity instruments are "consideration paid" in accordance with paragraph 41 of IAS 39. As a result, the financial liability is derecognized and the equity instruments issued are treated as consideration paid to extinguish that financial liability. The Company does not expect that this amendment will have an impact on the financial position or performance.

- **IFRIC 14 Prepayments of a Minimum Funding Requirement (Amended)**

The amendment is effective for annual periods beginning on or after January 1, 2011. The purpose of this amendment was to permit entities to recognize as an asset some voluntary prepayments for minimum funding contributions. This Earlier application permitted and must be applied retrospectively. The Company does not expect that this amendment will have an impact on the financial position or performance.

- **IFRS 9 Financial Instruments – Phase 1 financial assets, classification and measurement**

The new standard is effective for annual periods beginning on or after January 1, 2013. Phase 1 of this new IFRS introduces new requirements for classifying and measuring financial assets. Early adoption is permitted. This standard has not yet been endorsed by the EU. The Company does not expect that this amendment will have an impact on the financial position or performance.

- **IAS 32 Classification on Rights Issues (Amended)**

The amendment is effective for annual periods beginning on or after 1 February 2010. This amendment relates to the rights issues offered for a fixed amount of foreign currency which were treated as derivative liabilities by the existing standard. The amendment states that if certain criteria are met, these should be classified as equity regardless of the currency in which the exercise price is denominated. The amendment is to be applied retrospectively. The Company does not expect that this amendment will have an impact on the financial position or performance.

- **IAS 24 Related Party Disclosures (Revised)**

The revision is effective for annual periods beginning on or after January 1, 2011. This revision relates to the judgment which is required so as to assess whether a government and entities known to the reporting entity to be under the control of that government are considered a single customer. In assessing this, the reporting entity shall consider the extent of economic integration between those entities. Early application is permitted and adoption shall be applied retrospectively. The Company does not expect that this amendment will have an impact on the financial position or performance.

- **IAS 12 Deferred Tax: Recovery of Underlying Assets (Amendment)**

The amendments are mandatory for annual periods beginning on or after January 1, 2012, but earlier application is permitted. IAS 12 has been updated to include i) a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale and ii) a requirement that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis. This standard has not yet been endorsed by the EU. The Company does not expect that this amendment will have an impact on the financial position or performance of the Company.

2. Basis of presentation of financial statements (continued)

d) In May 2010 the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. The effective dates of the improvements are various and the earliest is for the financial year beginning 1 July 2010. Early application is permitted in all cases and this annual improvements project has not yet been endorsed by the EU.

IFRS 1 Presentation of Financial Statements, effective for annual periods beginning on or after January 1, 2011. This improvement clarifies that the amendments required after IAS 34: Interim Financial Reporting applied by the companies as the year of they prepare their financial statements under IFRS. In addition, amendment gives right to companies to use fair value stated before the financial statements under IFRS, as the expected value. The amendment expands the content and the rate of expected cost, which are used for tangible and intangible assets, as it includes the activities which regulate it.

IFRS 3 Business Combinations, effective for annual periods beginning on or after 1 July 2010
This improvement clarifies that the amendments to IFRS 7 Financial Instruments: Disclosures, IAS 32 Financial Instruments: Presentation and IAS 39 Financial Instruments: Recognition and Measurement, that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008).Moreover, this improvement limits the scope of the measurement choices (fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets) only to the components of non-controlling interest that are present ownership interests that entitle their holders to a proportionate share of the entity's net assets. Finally, it requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), i.e., split between consideration and post combination expenses.

IFRS 7 Financial Instruments: Disclosures, effective for annual periods beginning on or after January 1, 2011.This improvement gives clarifications of disclosures required by IFRS 7 and emphasises the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments.

IAS 1 Presentation of Financial Statements, effective for annual periods beginning on or after January 1, 2011.This amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

IAS 27 Consolidated and Separate Financial Statements, effective for annual periods beginning on or after 1 July 2010. This improvement clarifies that the consequential amendments from IAS 27 made to IAS 21 "The Effect of Changes in Foreign Exchange Rates", IAS "28 Investments in Associates" and IAS 31 "Interests in Joint Ventures" apply prospectively for annual periods beginning on or after 1 July 2009 or earlier when IAS 27 is applied earlier.

2. Basis of presentation of financial statements (continued)

IAS 34 Interim Financial Reporting, effective for annual periods beginning on or after January 1, 2011. This improvement provides guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements.

IFRIC 13 Customer Loyalty Programmes, effective for annual periods beginning on or after January 1, 2011. This improvement clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.

IFRS 7 Financial Instruments: Disclosures as part of its comprehensive review of off balance sheet activities (Amended) (The amendment is effective for annual periods beginning on or after 1 July 2011).

The purpose of this amendment is to allow users of financial statements to improve their understanding of transfer transactions of financial assets (e.g. securitisations), including understanding the possible effects of any risks that may remain with the entity which transferred the assets. The amendment also requires additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The amendments broadly align the relevant disclosure requirements of IFRSs and US GAAP (United States Generally Accepted Accounting Principles). This amendment has not yet been endorsed by the EU.

The Company does not expect that these amendments will have an impact on the financial position or performance of the Company.

2.3 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

2.3.1 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. Cash and cash equivalents include cash on hand, deposits at banks and highly liquid short-term investments, with maturity periods of less than three months, which has insignificant risk of change in fair value (Note 4).

2.3.2 Trade receivables and valuation allowance

Trade receivables as a result of providing goods or services by the Company directly to a debtor are carried at amortized cost. Short-term receivables with no stated interest rate are measured at the original invoice amount unless the effect of imputing interest is significant.

Provision for doubtful receivables is an estimated amount that management believes to reflect for possible future losses on existing receivables that have collection risk due to current economic conditions. During the impairment test for the receivables, the debtors, other than the key accounts and related parties, are assessed with their prior year performances, their credit risk in the current market, their performance after the balance sheet date up to the issuing date of the financial statements and furthermore, the renegotiation conditions with these debtors are considered.

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

2. Basis of preparation of financial statements (continued)

A credit risk provision for trade receivables is established if there is objective evidence that the Company will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

If the impairment amount decreases due to an event occurring after the write-down, the release of the provision is credited to other income in the current period.

The Company collects most of the receivables from domestic vehicles sales through the "Direct Debit System" (DDS). Within this system which is also named as Direct Collection System; the contracted banks warrant the collection of the receivables within the limits granted to the dealers. Trade receivables are transferred by the contracted banks to the Company's bank accounts at the due dates (Note 7 and 26).

2.3.3 Credit finance income/charges

Credit finance income/charges represent imputed finance income/charges on credit sales and purchases. Such income/charges are recognized as financial income or expenses over the period of credit sales and purchases, and included under financial income and expenses.

2.3.4 Inventories

Inventories are valued at the lower of cost or net realizable value. The cost of inventories is determined on the moving monthly average basis. Cost elements included in inventories are materials, labour and an appropriate amount of factory overheads and exclude the cost of borrowing. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. The allocation of fixed production overheads to the costs of conversion is based on the normal capacity of the production facilities. Idle time expenses arising from the ceases in production other than planned in the factory's annual production plan are not associated with inventories and are recognized as cost of sales (Note 9).

2.3.5 Trade payables

Trade payables are recognized at initial cost and subsequently measured at amortized cost using effective interest rate method (Notes 7 and 26).

2.3.6 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is provided using the straight-line method based on the estimated useful lives of the assets.

The depreciation periods for property and equipment, which approximate the economic useful lives of assets concerned, are as follows:

Land improvements	30 years
Buildings	30 years
Machinery and equipment	5-25 years
Moulds and models	project life
Furniture and fixtures	5-12.5 years
Motor vehicles	9-15 years

2. Basis of preparation of financial statements (continued)

Land is not depreciated as it is deemed to have an indefinite useful life.

Property, plant and equipment are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the asset's net selling price or value in use.

Gains or losses on disposals of property, plant and equipment are determined by comparing proceeds with carrying amounts and are included in other operating income and losses.Repair and maintenance expenses are charged to the statement of income as they are incurred. Repair and maintenance expenditures are capitalized if they result in an enlargement or substantial improvement of the respective asset (Note 10).

2.3.7 Intangible assets

Intangible assets comprise computer software programmes, leasehold improvements and development costs.

Intangible assets are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over a period not exceeding five years. Where an indication of impairment exists, the carrying amount of any intangible asset is assessed and written down immediately to its recoverable amount. The recoverable amount is considered to be the higher of asset's net selling price or value in use. Development costs, comprising of engineering design incurred for the production of new commercial vehicles, are capitalized as discussed in Note 2.3.21 (Note 11).

2.3.8 Impairment of long-lived assets

All assets are reviewed for impairment losses including property, plant and equipment and intangible assets whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. Impairment losses are recognized in the statement of income.

Impairment losses 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.

2.3.9 Loans

When the loan is provided by the Company by providing money directly to a bank, the loan is secured with marketable securities, Turkish government bonds and treasury bills, acquired under reverse repurchase agreements with banks with a predetermined sale price at fixed future dates and is stated at amortized cost. The accrued interest represents the apportionment to the current period of the difference between future sale prices and the amount provided by the Company. Such originated loans where original maturity at the time the money is directly transferred to the bank is less than three months, are considered and classified as cash equivalents for the purposes of cash flow statements.

Loans originated by the Company that have a fixed maturity are measured at amortized cost using the effective interest rate method.

A provision for loan impairment 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 loan at inception.

2. Basis of preparation of financial statements (continued)

2.3.10 Financial investments

Investments intended to be held for an indefinite period of time, and which may be sold in response to a need for liquidity or changes in interest rates are classified as available-for-sale. These are included in non-current assets unless management has the express intention of holding the investments for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets. Management makes the proper classification of such financial instruments at the date they are purchased and monitors this classification regularly.

All financial assets are initially carried at cost including purchasing costs related with investments.The unrealized gains and losses arising from changes in the fair value of available-for-sale securities are recognized in equity (Note 5).

2.3.11 Share premium

Share premium represents differences resulting from the sale of the Company's subsidiaries and associates' shares at a price exceeding the face values of those shares or differences between the face values and the fair value of shares issued for acquired companies.

2.3.12 Share capital and dividends

Ordinary shares are classified as equity. Dividends on ordinary shares are recognized in equity in the period in which they are declared. Dividends payable are recognized as an appropriation of profit in the period in which they are declared (Notes 17 and 21).

2.3.13 Taxes on income

Taxes include current period income taxes and deferred taxes. Current year tax liability consists of tax liability on the taxable income calculated according to currently enacted tax rates and to the effective tax legislation as of balance sheet date.

Deferred income tax is provided, using the liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Tax bases of assets and liabilities comprise of the amounts that will affect the future period tax charges based on the tax legislation. Currently enacted tax rates, which are expected to be effective during the periods when the deferred tax assets will be utilized or deferred tax liabilities will be settled, are used to determine deferred income tax.

Deferred tax liability is calculated on all taxable temporary differences whereas deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporarily differences can be utilized.Carrying values of deferred tax assets are decreased to the extent necessary, if future taxable profits are not expected to be available to utilize deferred tax assets partially or fully.

Deferred tax assets and deferred tax liabilities related to income taxes levied by the same taxation authority are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities (Note 24).

2. Basis of preparation of financial statements (continued)

2.3.14 Revenue recognition

Revenue comprises the invoiced value for the sale of goods and services. Revenue from the sale of goods is recognized when significant risks and rewards of ownership of the goods are transferred to the buyer. For export sales significant risk and rewards are transferred to the buyer on FAS, "Final Assignment to Ship" terms. For domestic vehicle and spare parts sales, significant risk and rewards are transferred to the buyer when goods are delivered and received by the buyer or when the legal title is passed to the buyer. For export service sales, significant risk and rewards are transferred to the buyer when service are given and revenue is determined reasonably .Interest income is recognized on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Company. Net sales represent the invoiced value of goods shipped less sales returns. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognized as interest income on accrual basis (Note 18).

2.3.15 Foreign currency transactions and balances

Transactions in foreign currencies during the year have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into TL at the Central Bank of Turkey (TCB) exchange rates prevailing at the balance sheet dates. Foreign currency exchange gains or losses arising from the settlement of such transactions and from the translation of monetary assets and liabilities are recognized in the statement of income (Notes 22, 23 and 27).

2.3.16 Financial instruments and financial risk management

Credit risk

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. All trade receivables are due mainly from dealers and related parties. The Company has established effective control procedures over its dealers and the credit risk arising from transactions with such dealers is regularly monitored by management and the aggregate risk to any individual counterparty is limited. The Company covered its credit risk from domestic vehicle sales to dealers by setting credit limits for dealers through arranged banks and collects its trade receivables from banks at the due date through the use of Direct Debit System. The use of DDS for receivables from dealers is an effective way to decrease the credit risk.

Collaterals obtained from dealers for the receivables regarding domestic spare part sales is another method in the management of the credit risk (Note 7).

Export sales mainly consist of sales to Ford Motor Company and its subsidiaries. Collection terms and conditions are specified in the business agreements with Ford Motor Company. Receivables from Ford Motor Company are collected in 14 days for the period between January 1, 2010 and November 30, 2010 and it is changed as 30 days as of December 1, 2010. The collection of receivables resulting from export sales to customers other than Ford Motor Company is secured with letter of credit, letter of guarantee or cash payment.

Price risk

The Company is exposed to equity securities price risk because of investments classified on the balance sheet as available-for-sale. The Company limits the available-for-sale financial assets in order to manage the price risk arising from investments in equity securities.

2. Basis of preparation of financial statements (continued)

Liquidity risk

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

The risk of funding current and future debt requirements is managed by having an adequate number of quality loan providers constantly available. The Company management keeps cash, credit commitment and factoring capacity to maintain three weeks cash outflows to manage the liquidity risk. The Company maintains a credit commitment amounting to Euro 70 million and factoring agreement amounting to TL 140 million in case a requirement for use arises.

Interest rate risk

Management uses short-term interest bearing financial assets to manage the maturities of interest bearing assets and liabilities. The Company makes limited use of interest rate swaps, to hedge its floating rate borrowings, if needed.

Funding risk

The ability to fund the existing and prospective debt requirements is managed as necessary by obtaining adequate committed funding lines from high quality lenders.

Foreign exchange risk

The Company is exposed to foreign exchange risk through the impact of rate changes on the translation of foreign currency assets and liabilities into local currency. This risk is monitored by management through Audit Committee and regular Board of Director's meetings.

Excess cash is invested mainly in hard currency to balance the net foreign currency assets and liabilities and in order to minimize the balance sheet foreign exchange exposure. In addition to this, distribution of the amount of the export orientated production and sales in the related months can increase the foreign assets (Note 27).

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 benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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

2. Basis of preparation of financial statements (continued)

The Company monitors capital on the basis of the debt to total capital ratio. This ratio is calculated as total debt divided by total capital. Debt is calculated as total short and long term borrowings, whereas total equity is calculated as equity, as shown in the balance sheet.

	December 31, 2010	December 31, 2009
Total debt	**528,438,070**	387,767,655
Total equity	**1,755,044,031**	1,649,643,633
Debt/Total equity ratio	**0.30**	0.24

2.3.17 Fair value of financial instruments

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

The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value.

Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize 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:

Monetary assets

The fair values of balances denominated in foreign currencies, which are translated using year-end exchange rates, are considered to approximate their carrying value. The fair values of certain financial assets carried at cost, including cash and amounts due from banks and deposits with banks are considered to approximate their respective carrying values due to their short-term nature. The carrying values of trade receivables along with the related allowances for impairment are estimated to be their fair values due to their short-term nature.

Monetary liabilities

The fair values of monetary liabilities are considered to approximate their respective carrying values due to their short-term nature. Long-term borrowings, which are mainly denominated in foreign currencies, are translated at year-end exchange rates and their fair values approximate their carrying values as floating interest is applied on these loans generally.

2.3.18 Borrowings and borrowing costs

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortized cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognized in the statement of income over the period of the borrowings (Note 6). When it comes to the assets which take long time to get ready to usage and sales, borrowing costs related to production or construction are integrated to the cost of the asset.

2. Basis of preparation of financial statements (continued)

2.3.19 Provision for employee benefits

a) Defined benefit plan :

Provision for employee benefits represent the present value of the estimated total reserve of the future probable obligation of the Company arising from the retirement of the employees or reasons except for resignation and behaviors stated in labor law, calculated in accordance with the Turkish Labour Law (Note 15).

(b) Defined contribution plan:

The Company has to compensate the Social Security Contribution of the employees. As long as this is compensated, there is no any other obligation for the Company. Social Security Contributions are classified as personnel expenses as of the accrual date (Note 15).

2.3.20 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. If the provision amount decreases, in the case of an event occurring after the provision is accounted for, the related amount is classified as other income in the current period.

2.3.21 Research and development expenses

Research expenditure is recognized as an expense as incurred. Costs, except for listed below are classified as development expenditures and recognized as expense as incurred.

- If the cost related to the products can be defined and only if the cost can be measured reliably,
- If the technological feasibility can be measured.
- If the good will be sold or will be used within the company.
- If there's a potential market or can be proved that it is used within the company.
- If necessary technological, financial and other resources can be provided to complete the project.

Other research expenditures are recognized as expense as incurred.

Development costs previously recognized as expense are not recognized as an asset in a subsequent period. Development costs that have been capitalized are amortized from the commencement of the commercial production of the product on a straight-line basis over five years (Note 11).

2.3.22 Variable marketing provision

Variable marketing expenses for dealer stocks are accrued for based on the last approved variable marketing programme (Note 8).

2.3.23 Warranty provision expenses

Warranty expenses are recognized on an accrual basis for amounts estimated based on prior periods' realization (Note 13).

2. Basis of preparation of financial statements (continued)

2.3.24 Lease

Leasing - Ford as lessor

Operational Leasing

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

2.3.25 Related parties

Parties are considered related to the company if;

(a) directly, or indirectly through one or more intermediaries, the party:
   (i) controls, is controlled by, or is under common control with, the company (this includes parents, subsidiaries and fellow subsidiaries);
   (ii) has an interest in the company that gives it significant influence over the company; or
   (iii) has joint control over the company;
(b) the party is an associate of the company;
(c) the party is a joint venture in which the company is a venturer;
(d) the party is member of the key management personnel of the company or its parent;
(e) the party is a close member of the family of any individual referred to in (a) or (d);
(f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
(g) the party is a post-employment benefit plan for the benefit of employees of the company, or of any entity that is a related party of the company.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

The Company stated Board Members, General Manager and Assistant General Managers as executive managers (Note 26).

2.3.26 Earnings per share

Earnings per share disclosed in the statement of income are determined by dividing net earnings by the weighted average number of shares that have been outstanding during the related year concerned.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings and the revaluation surplus. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issues without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and for each earlier year (Note 25).

2.3.27 Comparatives

Comparative figures that are material have been reclassified to conform to the changes to be consistent in presentation in the current period.

2. Basis of preparation of financial statements (continued)

2.3.28 Reporting of cash flows

In the statement of cash flows, cash flows during the period are classified under operating, investing or financing activities.

The cash flows raised from operating activities indicate cash flows due to the Company's operations.

The cash flows due to investing activities indicate the Company cash flows that are used for and obtained from investments (investments in property, plant and equipment and financial investments).

The cash flows due to financing activities indicate the cash obtained from financial arrangements and used in their repayment.Cash and cash equivalents include cash and bank deposits and the investments that are readily convertible into cash and highly liquid assets with less than three months to maturity (Note 4).

2.3.29 Contingent assets and 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 not included in the financial statements and treated as contingent assets or liabilities (Note 13).

2.3.30 Significant accounting estimates and decisions

The preparation of financial statements require management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

a) To calculate the employee benefit provision actuarial assumptions relating to turnover ratio, discount rate and salary increase are used. Calculation details are given in Note 15: Employee benefit
b) To determine the impairment of trade receivables factors such as payee credibility, historical payment performance and debt restructuring is considered.
c) Discounted inventory price list is used to calculate inventory impairment. Where the sales price cannot be predicted, technical personnel's opinion and inventory waiting time is considered. If expected net realizable value is less than cost, the Company should allocate provisions for inventory impairment
d) To calculate the legal case provisions, the possibilities of losing the case and the liabilities that will arise if the case is lost is evaluated by the Company's Legal Counselor and by the Management team taking into account expert opinions. The management determines the amount of the provisions based on the best forecasts
e) To calculate the warranty provisions, the Company considers the historical warranty expenses incurred to estimate the possible warranty expense per vehicle. Provision calculations are realistically performed and based on vehicle quantity, warranty period and historical claims.
f) To determine the recoverable values of fixed assets, the forecasts for the market and profitability based on strategic planning for the future are used. Based on these forecasts. Based on these forecasts. If the cash flow from the using fixed assets is less than the recorded amount, recorded amount can be decreased to the net recoverable amount by allocating impairment provision

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

2. Basis of preparation of financial statements (continued)

2.3.31 Accounting policies, changes in accounting estimates and errors

Material changes in accounting policies or material errors are corrected, retrospectively; by restating the prior period financial statements. The effect of changes in accounting estimates affecting the current period is recognized in the current period; the effect of changes in accounting estimates affecting current and future periods is recognized in the current and future periods. As of December 31, 2010 there's no significant change in accounting estimates and error.

2.3.32 Subsequent events

Subsequent events and announcements related to net profit or even declared after other selective financial information has been publicly announced; include all events that take place between the balance sheet date and the date when the balance sheet is authorized for issue. In the case that events requiring an adjustment to the financial statements occur subsequent to the balance sheet date, the Company makes the necessary corrections on the financial statements (Note 28).

3. Segment reporting

The Company, which is incorporated and domiciled in Turkey, has primary operation of manufacturing, assembling, importing and selling motor vehicles and spare parts. The Company's operating segments, nature and economic characteristics of products, nature of production processes, classification of customers in terms of risk for their products and services and methods used to distribute their products are similar. Furthermore, the Company structure has been organized to operate in one segment rather than separate business segments. Consequently, the business activities of the Company are considered to be in one operating segment and the operating results, resources to be allocated to the segment and assessment of performance are managed in this respect.

4. Cash and cash equivalents

	December 31, 2010	December 31, 2009
Banks - TL time deposits	**314,449,138**	79,365,807
Banks- foreign currency time deposits	**174,602,985**	272,957,923
Banks - TL demand deposits	**31,453,727**	15,233,531
Banks - foreign currency demand deposits	**438,184**	4,389,285
	520,944,034	371,946,546

The maturity period of time deposits is up to three months. The weighted average interest rate for Euro denominated time deposits is 3.62% (December 31, 2009: 2.81%). The weighted average interest rate for USD denominated time deposits is 3.10% (December 31, 2009: 2.50%). The weighted average interest rate for the TL time deposits is 8.32% (December 31, 2009: 9.98%).

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

5. Financial assets

	December 31, 2010		December 31, 2009	
Available-for-sale financial assets:	**Shareholding %**	**Amount**	Shareholding %	Amount
Otokar Otomotiv ve Savunma Sanayi A.Ş. (Otokar) (*)	**0.59**	**3,008,822**	0.59	2,179,287
		3,008,822		2,179,287

(*) The Company's shareholding in Otokar was stated at market value at the stock quotes at the Istanbul Stock Exchange at December 31, 2010 and 2009 which is assumed to approximate its fair value.

6. Financial liabilities

	December 31, 2010		December 31, 2009	
	Effective interest rate %	**TL amount**	Effective interest rate %	TL amount
Short term borrowings:				
- Euro	**1.57**	**29,871,780**	2.32	28,088,221
- TL	**-**	**8,534,887(*)**	-	-
		38.406,667		28,088,221

(*) Loans used for short term purposes with no interest paid.

Short-term portion of long-term borrowings:

	December 31, 2010		December 31, 2009	
	Effective interest rate %	**TL amount**	Effective interest rate %	TL amount
- Euro	**2.63**	**192,509,525**	2.90	127,875,601
- USD	**3.54**	**218,878**	2.78	30,293,351
		192,728,403		158,168,952
Total short term borrowings		**231,135,070**		186,257,173
Long term borrowings:				
- Euro	**2.92**	**266,383,000**	2.21	201,510,482
- USD	**3.54**	**30,920,000**		-
		297,303,000		201,510,482

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

6. Financial liabilities (continued)

The payment schedules of long-term bank borrowings as of December 31, 2010 and 2009 are as follows:

		December 31, 2010		December 31, 2009	
Payment period	**USD denominated TL**	**Euro denominated TL**	**Total TL**	Euro denominated TL	Total TL
2011	**-**	**-**	**-**	50,289,481	50,289,481
2012	**-**	**98,330,188**	**98,330,188**	91,321,773	91,321,773
2013	**30,920,000**	**99,793,831**	**130,713,831**	37,314,273	37,314,273
2014	**-**	**44,840,695**	**44,840,695**	22,584,955	22,584,955
2015	**-**	**23,418,286**	**23,418,286**	-	-
	30,920,000	**266,383,000**	**297,303,000**	201,510,482	201,510,482

The letters of bank guarantee given to financial institutions in connection with the long-term bank borrowings amount to TL 182,205,650 (December 31, 2009: TL 242,376,787).

As of December 31, 2010, borrowings with floating interest rates amount to TL 374,875,644 (December 31, 2009: TL 385,626,092).The exposure of the borrowings to interest rate changes and the contractual repricing dates at the balance sheet dates are as follows:

	December 31, 2010	December 31, 2009
Period		
Up to 6 months	**374,875,644**	385,626,092
	374,875,644	385,626,092

The carrying values of borrowings approximate to their fair values as the effect of the discounting are not significant due to the fact that the applicable financing costs are based on floating interest rates.

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

7. Trade receivables and payables

	December 31, 2010	December 31, 2009
Short term trade receivables:		
Trade receivables	**492,605,273**	343,572,568
Cheques and notes receivable	**20,301,200**	19,121,282
Doubtful receivables	**3,244,537**	3,228,090
Less: Unearned credit finance income	**(1,593,072)**	(290,198)
	514,557,938	365,631,742
Less: Provision for doubtful receivables	**(3,244,537)**	(3,228,090)
	511,313,401	362,403,652

The average due date of trade receivables is 1 month (December 31, 2009: 1 month) and amortized with 0.7% monthly effective interest rate (December 31, 2009: 0.2%).

Export sales are mainly made to Ford Motor Company (Note 26). The collection of receivables resulting from export sales other than Ford Motor Company is under guarantee with letter of credit, letter of guarantee or cash collection.

	December 31, 2010	December 31, 2009
Long term trade receivables:		
Deposits and guarantees given	**342,608**	195,636
	342,608	195,636

	December 31, 2010	December 31, 2009
Trade payables:		
Trade payables	**510,151,746**	361,725,563
Less: Unearned credit finance charges	**(2,083,278)**	(199,139)
	508,068,468	361,526,424

The average turnover days of the Company's trade payables is 45 days (December 31, 2009: 45 days) and amortized with 0.7% monthly effective interest rate (December 31, 2009: 0.2%).

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

7. Trade receivables and payables (continued)

The maximum exposure of the Company to credit risk as of December 31, 2010 and 2009 is as follows:

	Trade receivables		Other receivables		
December 31, 2010	**Related party**	**Other**	**Related party**	**Other**	**Bank deposits**
The maximum of credit risk exposed at the reporting date (Disclosures 26, 7, 8, 4)	**673,117,047**	**511,313,401**	**-**	**6,401,917**	**520,944,034**
- Credit risk covered by guarantees	**60,000,000**	**368,213,956**	**-**	**-**	**-**
Net carrying value of not overdue and not impaired financial assets	668,818,739	487,006,047	-	6,401,917	520,944,034
The carrying amount of financial assets whose terms have been renegotiated otherwise be past due or impaired	-	20,241,000	-	-	-
Net carrying value of overdue but not impaired assets	4,298,308	4,066,354	-	-	-
- Amount of risk covered by guarantees	-	2,610,645	-	-	-
Net carrying value of impaired assets	-	3,244,537	-	-	-
- Overdue (gross carrying value)	-	3,244,537	-	-	-
- Provision for impairment (-)	-	(3,244,537)	-	-	-
- Amount of risk covered by guarantees	-	-	-	-	-

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

7. Trade receivables and payables (continued

	Trade receivables		Other receivables		
December 31, 2009	**Related party**	**Other**	**Related party**	**Other**	**Bank deposits**
The maximum of credit risk exposed at the reporting date	**477,299,932**	**362,403,652**	**-**	**102,397**	**371,946,546**
- *Credit risk covered by guarantees*	**60,000,000**	**279,808,663**	**-**	**-**	**-**
Net carrying value of not overdue and not impaired financial assets	475,298,822	324,640,366	-	102,397	371,946,546
The carrying amount of financial assets whose terms have been renegotiated otherwise be past due or impaired	-	33,363,878	-	-	-
Net carrying value of overdue but not impaired assets	2,001,110	4,399,408	-	-	-
- Amount of risk covered by guarantees	-	4,322,888	-	-	-
Net carrying value of impaired assets	-	3,228,090	-	-	-
- Overdue (gross carrying value)	-	3,228,090	-	-	-
- Provision for impairment (-)	-	(3,228,090)	-	-	-
- Amount of risk covered by guarantees	-	-	-	-	-

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

7. Trade receivables and payables (continued)

The aging schedule of receivables that are overdue but not impaired is as follows:

		Trade receivables
December 31, 2010	**Related party**	**Other**
1-30 days overdue	**363,204**	**1,803,871**
1-3 months overdue	**368,443**	**1,571,754**
3-12 months overdue	**2,722,602**	**560,814**
1-5 years overdue	**844,059**	**129,915**
	4,298,308	**4,066,354**
Risk covered by guarantees	**-**	**2,610,645**

		Trade receivables
December 31, 2009	Related party	Other
1-30 days overdue	571,539	748,019
1-3 months overdue	611,975	5,910
3-12 months overdue	817,596	4,697
1-5 years overdue	-	3,640,782
	2,001,110	4,399,408
Risk covered by guarantees	-	4,322,888

Movements of the Company's impaired receivables are as follows:

	2010	2009
January 1	**3,228,090**	3,517,060
Provisions during the year (Note 21)	**16,447**	229,384
Collections	**-**	(518,354)
December 31	**3,244,537**	3,228,090

8. Other receivables and payables

	December 31, 2010	December 31, 2009
Other receivables:		
Receivables from personnel	**43,978**	42,773
Other miscellaneous receivables	**6,357,939**	59,624
	6,401,917	102,397

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

8. Other receivables and payables (continued)

	December 31, 2010	December 31, 2009
Other liabilities:		
Taxes and funds payable	**33,354,481**	18,551,459
Payables to personnel and expense provisions	**30,503,702**	20,585,533
Expense accruals	**23,989,741**	11,545,828
Variable marketing provision	**17,305,455**	14,878,104
Other short-term liabilities	**5,010,358**	758,326
Advances received from customers	**3,773,492**	3,382,274
Other	**3,138,167**	4,067,207
	117,075,396	73,768,731

Variable marketing provision is primarily composed of discount accruals as of balance sheet date that dealers earned but not invoiced and expense accruals related with vehicles at stocks at balance sheet date (Note 2.3.22).

9. Inventories

	December 31, 2010	December 31, 2009
Raw materials	**208,533,233**	174,990,586
Inventory in transit	**173,559,089**	27,102,825
Spare parts	**49,498,277**	47,626,740
Finished goods	**19,053,230**	28,041,324
Imported vehicles	**18,431,527**	14,889,127
	469,075,356	292,650,602
Less: Provision for impairment of finished goods and spare parts	**(5,149,850)**	(1,662,067)
	463,925,506	290,988,535

The allocation of fixed production overheads to the costs of conversion is based on the normal capacity of the production facilities. There is no idle time expenses incurred due to unplanned cease of production (December 31 - TL 22,343,655 - Note 18).

Idle time expenses incurred due to unplanned cease of production for 2009 have been classified under cost of sales.

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

10. Property, plant and equipment

	Land	Land improvements	Buildings	Machinery & equipments	Models & moulds	Fixtures furnitures	Vehicles	Construction in progress	Total
December 31, 2009									
Cost	12,009,181	88,982,583	368,487,421	1,411,433,641	601,068,162	69,091,825	10,295,480	3,395,070	2,564,763,363
Accumulated depreciation	-	(24,674,943)	(110,876,453)	(722,659,783)	(513,151,867)	(47,511,182)	(1,384,861)	-	(1,420,259,089)
Net book value	**12,009,181**	**64,307,640**	**257,610,968**	**688,773,858**	**87,916,295**	**21,580,643**	**8,910,619**	**3,395,070**	**1,144,504,274**
For the year ended December 31, 2010									
Opening net book value	12,009,181	64,307,640	257,610,968	688,773,858	87,916,295	21,580,643	8,910,619	3,395,070	1,144,504,274
Additions	-	1,413,316	222,116	18,948,144	17,670,684	7,480,774	4,490,303	24,281,932	74,507,269
Transfers	-	-	34,682	1,036,539	1,643,011	99,652	-	(2,813,884)	-
Disposals	(134,645)	-	-	(1,983,375)	(2,241,428)	(619,471)	(4,634,285)	-	(9,613,204)
Depreciation charge	-	(2,868,261)	(11,505,942)	(77,244,202)	(59,944,181)	(3,495,690)	(1,001,747)	-	(156,060,023)
Disposals from accumulated depreciation	-	-	-	1,645,222	2,241,428	352,454	822,839	-	5,061,943
Closing net book value	**11,874,536**	**62,852,695**	**246,361,824**	**631,176,186**	**47,285,809**	**25,398,362**	**8,587,729**	**24,863,118**	**1,058,400,259**
December 31, 2010									
Cost	11,874,536	90,395,899	368,744,219	1,429,434,949	618,140,429	76,052,780	10,151,498	24,863,118	2,629,657,428
Accumulated depreciation	-	(27,543,204)	(122,382,395)	(798,258,763)	(570,854,620)	(50,654,418)	(1,563,769)	-	(1,571,257,169)
Net book value	**11,874,536**	**62,852,695**	**246,361,824**	**631,176,186**	**47,285,809**	**25,398,362**	**8,587,729**	**24,863,118**	**1,058,400,259**

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

10. Property, plant and equipment (continued)

	Land	Land improvements	Buildings	Machinery & equipments	Models & moulds	Fixtures furnitures	Vehicles	Construction in progress	Total
December 31, 2008									
Cost	12,009,181	86,994,958	368,487,421	1,386,638,987	565,511,202	66,952,433	9,062,519	1,942,482	2,497,599,183
Accumulated depreciation	-	(21,855,021)	(99,373,572)	(656,503,699)	(454,324,886)	(45,003,408)	(1,441,979)	-	(1,278,502,565)
Net book value	**12,009,181**	**65,139,937**	**269,113,849**	**730,135,288**	**111,186,316**	**21,949,025**	**7,620,540**	**1,942,482**	**1,219,096,618**
For the year ended December 31, 2009									
Opening net book value	12,009,181	65,139,937	269,113,849	730,135,288	111,186,316	21,949,025	7,620,540	1,942,482	1,219,096,618
Additions	-	1,661,535	-	34,643,848	35,517,145	3,395,972	5,895,759	5,516,245	86,630,504
Transfers	-	326,090	-	2,413,193	1,324,374	-	-	(4,063,657)	-
Disposals	-	-	-	(12,262,387)	(1,284,559)	(1,256,580)	(4,662,798)	-	(19,466,324)
Depreciation charge	-	(2,819,922)	(11,502,881)	(74,304,735)	(60,007,323)	(3,072,277)	(888,614)	-	(152,595,752)
Disposals from accumulated depreciation	-	-	-	8,148,651	1,180,342	564,503	945,732	-	10,839,228
Closing net book value	**12,009,181**	**64,307,640**	**257,610,968**	**688,773,858**	**87,916,295**	**21,580,643**	**8,910,619**	**3,395,070**	**1,144,504,274**
December 31, 2009									
Cost	12,009,181	88,982,583	368,487,421	1,411,433,641	601,068,162	69,091,825	10,295,480	3,395,070	2,564,763,363
Accumulated depreciation	-	(24,674,943)	(110,876,453)	(722,659,783)	(513,151,867)	(47,511,182)	(1,384,861)	-	(1,420,259,089)
Net book value	**12,009,181**	**64,307,640**	**257,610,968**	**688,773,858**	**87,916,295**	**21,580,643**	**8,910,619**	**3,395,070**	**1,144,504,274**

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

10. Property, plant and equipment (continued)

The carrying amounts of fully depreciated property, plant and equipment still in use are as follows:

	December 31, 2010	December 31, 2009
Moulds and models	**346,052,054**	168,578,311
Machinery and equipment	**92,285,713**	90,669,879
Furniture and fixtures	**26,443,208**	26,474,358
Buildings	**5,529,499**	5,529,499
Land improvements	**237,300**	237,300
Vehicles	**137,275**	137,275
	470,685,049	291,626,622

The allocation of depreciation expense as of December 31, 2010 and 2009 is as follows:

	December 31, 2010	December 31, 2009
Cost of production (Note 18)	**149,549,190**	146,650,368
Research and development expenses (Note 19)	**1,984,907**	1,659,284
General administrative expenses (Notes 19)	**1,751,075**	1,598,075
Selling and marketing expenses (Note 19)	**1,603,185**	1,546,855
Construction in progress	**1,171,666**	1,141,170
Current year depreciation charge	**156,060,023**	152,595,752

11. Intangible assets

December 31, 2009	**Rights**	**Development costs**	**Other**	**Total**
Cost	**19,066,880**	**421,719,418**	**1,626,476**	**442,412,774**
Accumulated amortization	**(16,950,114)**	**(374,340,280)**	**(1,063,555)**	**(392,353,949)**
Net book value	**2,116,766**	**47,379,138**	**562,921**	**50,058,825**
For the year ended December 31, 2010				
Opening net book value	**2,116,766**	**47,379,138**	**562,921**	**50,058,825**
Additions	**2,610,790**	**7,151,851**	**1,602,565**	**11,365,206**
Amortization charge	**(979,833)**	**(17,936,491)**	**(208,145)**	**(19,124,469)**
Closing net book value	**3,747,723**	**36,594,498**	**1,957,341**	**42,299,562**
December 31, 2010				
Cost	**21,677,670**	**428,871,269**	**3,229,041**	**453,777,980**
Accumulated amortization	**(17,929,947)**	**(392,276,771)**	**(1,271,700)**	**(411,478,418)**
Net book value	**3,747,723**	**36,594,498**	**1,957,341**	**42,299,562**

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

11. Intangible assets (continued)

December 31, 2008	**Rights**	**Development costs**	**Other**	**Total**
Cost	18,382,008	421,719,418	1,591,950	441,693,376
Accumulated amortization	(15,840,840)	(356,522,986)	(888,450)	(373,252,276)
Net book value	2,541,168	65,196,432	703,500	68,441,100
For the year ended December 31, 2009				
Opening net book value	2,541,168	65,196,432	703,500	68,441,100
Additions	684,872	-	34,526	719,398
Amortization charge	(1,109,274)	(17,817,294)	(175,105)	(19,101,673)
Closing net book value	2,116,766	47,379,138	562,921	50,058,825
December 31, 2009				
Cost	19,066,880	421,719,418	1,626,476	442,412,774
Accumulated amortization	(16,950,114)	(374,340,280)	(1,063,555)	(392,353,949)
Net book value	2,116,766	47,379,138	562,921	50,058,825

Development expenses classified under intangible assets are mainly comprised of Transit and Cargo truck engine projects.

The allocation of amortization charges relating to December 31, 2010 and 2009 is as follows:

	December 31, 2010	December 31, 2009
Cost of production (Note 18)	**17,936,491**	17,817,294
General administrative expenses (Notes 19)	**906,125**	1,069,326
Research and development expenses (Note 19)	**281,853**	215,053
Current year amortization charge	**19,124,469**	19,101,673

12. Government Incentives and grants

The research and development support received and certainly receivable from Tübitak as of December 31, 2010 is amounting to TL 6,799,454 (December 31, 2009: TL 14,035,168) has been classified under other operating income (Note 21).

The Company received two investment incentives both greater than TL 250 million in 4th quarter of 2010, under the scope of the Council of Minister's decision with number of 2009/15199 and dated 14/07/2009. Based on this decision, the Company can deduct 30% of its fixed assets expenditures related with new investments, from the tax base, at the time investment is completed and the revenue is started to be earned. Accordingly, in 2010, fixed asset expenditures amounting to TL 15,087,152 have been realized and tax advantages amounting to TL 4,526,146 had been created to be used in future periods (Note 24).

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

13. Provision, contingent assets and liabilities

The Company provides 2-3 years of warranty for the vehicles sold by dealers for malfunctions described in the sales agreements. Warranty expense provision is estimated by considering vehicles under warranty as of the balance sheet date and warranty claims of vehicles sold in previous years on a model basis.

Provisions:

	December 31, 2010	December 31, 2009
Warranty expense provision	**68,723,154**	58,038,497
	68,723,154	58,038,497

Movements in the warranty expense provision during the year are as follows:

	2010	2009
January 1	**58,038,497**	76,535,037
Paid during the year	**(76,205,765)**	(91,971,906)
Additions during the year (Note 19)	**86,890,422**	73,475,366
December 31	**68,723,154**	58,038,497

Letters of guarantee and letters of credit	**December 31, 2010**	December 31, 2009
Letters of guarantee given to banks	**182,205,650**	242,376,787
Letters of guarantee given to customs	**20,596,269**	29,610,303
Other letter of guarantees given to other parties	**13,367,372**	-
Open letters of credit commitments	**-**	3,681,090
	216,169,291	275,668,180

As of December 31, 2010, total amount of the collaterals, deposits and mortgages obtained by the Company is TL 189,261,120 (December 31, 2009 – TL 215,498,546).

Collaterals

	December 31, 2010		December 31, 2009	
	Original currency	**TL**	Original currency	TL
TL	**188,379,520**	**188,379,520**	214,641,346	214,641,346
Euro	**306,123**	**627,277**	339,546	733,522
USD	**164,504**	**254,323**	82,140	123,678
		189,261,120		215,498,546

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

13. Provision, contingent assets and liabilities (continued)

The allocation of provision, contingent assets and liabilities relating to December 31, 2010 and 2009 is as follows:

Provision, contingent assets and liabilities given by company	**December 31, 2010**	December 31, 2009
Total amount of the collaterals/deposits/mortgages given for its own legal entity	**216,169,291**	275,668,180

Letters of guarantee given	**December 31, 2010**		December 31, 2009	
	Original currency	**TL**	Original currency	TL
Euro	**98,982,053**	**202,824,125**	123,499,321	266,795,583
TL	**13,325,068**	**13,325,068**	7,142,995	7,142,994
USD	**13,000**	**20,098**	424,197	638,713
GBP	**-**	**-**	456,592	1,090,890
		216,169,291		275,668,180

Except for the provision, contingent assets and liabilities given for corporate itself, there's no provision, contingent assets and liabilities given for 3rd parties.

Tax Matters:

Fiscal Administration, imposed tax amount related to fuel consumption of export vehicles for the years between 2005 and 2009, amounting to TL 17,630,956 which also includes the Special Consumption Tax, tax penalty and related interest. As a result of consultations with their advisors, the Company filed an appeal lawsuit at the court. The Company won the lawsuit relating to one of them with an amounting of TL 11,776,387. For the remaining amount of TL 5,854,569, the Company made the payment and applied to the Council of State.

14. Commitments

The Commitments given for the bank credits to the related banks by the Company are as follows:

a) Regarding the credit agreements made by the Company in 2007, the Company is required to ensure that its export proceeds up to an amount equal to Euro 20,000,000 via Garanti Bankası A.Ş. ("Garanti Bankası"), Euro 25,000,000 via İş Bankası A.Ş. and Euro 49,000,000 via Akbank T.A.Ş. be received into deposit accounts for the year 2010 in these banks. The Company fulfilled export commitments as of December 31, 2010.

b) Regarding the credit agreements made by the Company in 2010 which is amounting to Euro 70,000,000 with Garanti Bankası A.Ş., the Company is required to ensure that its export proceeds up to an amount equal to Euro 150,000,000 via Garanti Bankası be received into deposit accounts for the year 2010 in this bank. The Company fulfilled export commitments as of December 31, 2010.

c) Regarding the other credit agreements made by the Company in 2010 which is amounting to Euro 14,578,000 with Türkiye İhracat Kredi Bankası A.Ş., the Company is required to ensure that its export proceeds up to an amount equal to Euro 14,800,000 via Türkiye İhracat Kredi Bankası A.Ş.

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

14. Commitments (continued)

Operational lease commitments

The allocation of operational lease commitments relating to December 31, 2010 is as follows:

Operational lease commitments	**2010**
Up to 1 year	1,311,274
Between 1 year to 5 years	3,606,005
More than 5 years	-
	4,917,279

There is no operational lease commitment for the year 2009.

15. Employee benefits

Long-term provisions:

	2010	2009
Provision for employee benefits	**44,061,805**	30,943,135
	44,061,805	30,943,135

Provision for employee benefits:

There are no agreements for pension commitments other than the legal requirement as explained below.

Under the Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who is called up for military service, dies or retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men).

The amount payable consists of one month's salary limited to a maximum of TL 2,517.01 for each year of service as of December 31, 2010 (December 31, 2009 – TL 2,365.16).

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.

IFRS requires actuarial valuation methods to be developed to estimate the enterprises' obligation under defined benefit plans, accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	2010	2009
Discount rate (%)	**4.66**	5.92
Turnover rate to estimate the probability of retirement (%)	**5**	5

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

15. Employee benefits (continued)

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Since the Company calculates the reserve for employee benefits every six months, the maximum amount of TL 2,623.23 which is effective from January 1, 2011 (January 1, 2010 - TL 2,427,04) has been taken into consideration in the calculations.

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

	2010	2009
January 1	**30,943,135**	24,580,371
Interest cost	**1,441,950**	1,455,158
Actuarial loss	**8,834,728**	5,310,478
Paid during the year	**(2,653,826)**	(4,433,458)
Current year service cost	**5,495,818**	4,030,586
	44,061,805	30,943,135

16. Other current assets

	December 31, 2010	December 31, 2009
Other current assets:		
VAT to be deductible	**42,175,402**	33,374,336
Prepaid taxes and stoppage	**3,052,712**	3,682,919
Prepaid expenses	**2,482,222**	4,112,304
Premiums for research and development support earned	**677,169**	3,784,187
VAT to be transferred	**-**	16,553,841
Other	**5,267,748**	1,805,590
	53,655,253	63,313,177

	December 31, 2010	December 31, 2009
Other non-current assets:		
Advances given for investments	**1,671,631**	2,338,316
	1,671,631	2,338,316

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

17. Equity

The composition of the Company's paid-in capital at December 31, 2010 and 2009 is as follows:

Shareholders	December 31, 2010	Shareholder's percentage (%)	December 31, 2009	Shareholder's percentage (%)
Koç Holding A.Ş.	**134,953,357**	**38.46**	134,953,357	38.46
Vehbi Koç Vakfı	**3,428,592**	**0.98**	3,428,592	0.98
Koç Holding Emekli Yardım Sandığı Vakfı	**3,259,202**	**0.93**	3,259,202	0.93
Temel Ticaret A.Ş.	**2,355,885**	**0.67**	2,355,885	0.67
Total Koç Group	**143,997,036**	**41.04**	143,997,036	41.04
Ford Motor Company	**143,997,036**	**41.04**	143,997,036	41,04
Other (Publicly held)	**62,915,928**	**17.92**	62,915,928	17.92
Total	**350,910,000**	**100.00**	350,910,000	100.00
Adjustments to share capital	**27,920,283**		27,920,283	
Inflation adjusted paid in capital	**378,830,283**		378,830,283	

Adjustment to share capital represents the restatement effect of cash and cash equivalent contributions to share.

There are 35,091,000,000 unit of shares (December 31, 2009 - 35,091,000,000 unit) with a nominal value of Kr 1 each.

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.

In accordance with Corporate Tax Law No, 5520, dated 13 June 2006, Exemption for Sale of Participation Shares and Property, 75% portion of corporations' profits arising from the sale of subsidiary shares which shares that have been carried at least for two years on the balance sheet and the profits from the sale of which are not withdrawn within five years are followed in special reserves. The Company has reserves amounting to TL 20,670,398 related to this exemption in its tax financial statements (December 31, 2009 - TL 20,670,398).

In accordance with CMB Financial Reporting Standards, the Company classified the above mentioned amounts under "Restricted reserves", the amount of restricted reserves is TL 340,819,480 as of December 31, 2010 (December 31, 2009 – TL 302,570,290).

17. Equity (continued)

In accordance with the Communiqué No:XI-29 and related announcements of CMB, effective from January 1, 2008, "Share Capital", "Restricted Reserves" and "Share Premiums" shall be carried at their statutory amount. The valuation differences shall be classified as follows:

- the difference arising from the "Paid-in Capital" and not been transferred to capital yet, shall be classified under the "Inflation Adjustment to Share Capital";

- the difference due to the inflation adjustment of "Restricted reserves" and "Share premium" and the amount has not been utilized in dividend distribution or capital increase yet, shall be classified under "Retained earnings",

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

Adjustment to share capital has no use other than being transferred to paid-in share capital.

Companies quoted on the Istanbul Stock Exchange, are authorised by the CMB to distribute dividends regarding the clauses below:

In accordance with the Capital Market Board Communiqué IV, Nr: 27, article 5th, in the listed companies, the first dividend shall not be below 20% of the distributable profit after deducting the accumulated losses. Based on their decisions taken in the ordinary general boards, listed joint-stock companies have their right to distribute dividends in cash, in share certificates, in partial distribution within cash or share certificates while retaining a portion in the partnership.

Based on the CMB decision numbered 7/242 taken on February 25, 2005; distributable profit - calculated upon the regulations of CMB related with the dividend distribution- shall be fully distributed if the amount is adequate to be provided by the distributable profits with respect to the statutory books, otherwise, all of the net distributable amount in the statutory books shall be distributed. No profit distribution shall be made in the case of tax loss is met in either local books or the financial statements prepared in accordance with CMB regulations.

Based on the decision of CMB dated January 27, 2010, it is decided not to determine any minimum dividend payment distribution requirement for publicly held companies.

Inflation adjustments to issued capital and historical amount of extraordinary reserves can be used for in kind capital increase, dividend distribution in cash or the net loss deduction. In case inflation adjustment to issued capital is used as dividend distribution in cash, it is subject to corporation tax.

Company's 2010 profit distribution amount will be calculated with CMB's distributable profit amount since it is lower than statuary accounts.

At General Shareholders Meeting, the Company decided to pay dividend from the net profit of the year 2009 at 74%, that is, gross Kr 74 (net Kr 62,90) per TL 1 share, amounting to TL 259,673,400 in total, and the dividend was paid in April 2010. The Company had also decided to pay dividend from the net profit of the year 2009 at 40%, that is, gross Kr 40 (net Kr 36,8784) per TL 1 share, amounting to TL 140,364,000 in total, at the Extraordinary General Shareholders Meeting, held on 26 October 2010 and the dividend was paid in October 2010.

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

17. Equity (continued)

Reserves, retained earnings and net income for the year ended December 31, 2010 and 2009 according to statutory books are as follows:

	According to CMB	According to statuary accounts
Income for the year	618,994,239	708,287,230
Taxes payable (-)	(114,385,976)	(141,913,739)
Net income for the year	**504,608,263**	**566,373,491**
Distributable net profit	**504,608,263**	**566,373,491**
Donations made during the year (Note 19)	12,595,086	
Distributable net current year income including donations	**517,203,349**	

In accordance with Communiqué No: XI-29, the equity schedules at December 31, 2010 and 2009 are as follows:

	December 31, 2010	December 31, 2009
Share capital	**350,910,000**	350,910,000
Adjustment to share capital	**27,920,283**	27,920,283
Financial assets fair value reserve	**8,252**	8,252
Share premium	**1,907,669**	1,078,134
Restricted reserves	***340,819,480***	*302,570,290*
- Legal reserves	**320,149,080**	281,899,890
- Special reserves	**20,670,400**	20,670,400
Retained earnings	***528,870,084***	*633,722,367*
- Inflation adjustment to equity	**428,301,244**	428,301,244
- Retained earnings	**-**	56,202,458
- Extraordinary reserves	**100,568,840**	149,218,665
Net income for the year	**504,608,263**	333,434,307
Total equity	**1,755,044,031**	1,649,643,633

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

17. Equity (continued)

Reserves, retained earnings and net income for the year ended December 31, 2010 and 2009 according to statutory books are as follows:

December 31, 2010:	**Historical values**	**Readjusted amounts**	**Equity Inflation adjustment differences**
Share capital	**350,910,000**	**378,830,283**	**27,920,283**
Legal reserves	**320,149,080**	**378,901,684**	**58,752,604**
Extraordinary reserves	**-**	**369,145,016**	**369,145,016**
Share premium	**8,252**	**361,733**	**353,481**
Special reserves	**20,670,400**	**20,720,543**	**50,143**
	691,737,732	**1,147,959,259**	**456,221,527**

December 31, 2009:	Historical values	Readjusted amounts	Equity Inflation adjustment differences
Share capital	350,910,000	378,830,283	27,920,283
Legal reserves	281,899,890	340,652,494	58,752,604
Extraordinary reserves	56,202,458	425,347,474	369,145,016
Share premium	8,252	361,733	353,481
Special reserves	20,670,400	20,720,543	50,143
	709,691,000	1,165,912,527	456,221,527

Inflation adjustment difference in equity can be utilized in issuing bonus shares and in offsetting accumulated losses; the carrying amount of extraordinary reserves could have been utilized in issuing bonus shares, cash dividend distribution and offsetting accumulated losses.

Otokar shares which are publicly traded in ISE are valued with their closing price as of December 31, 2010 and December 31, 2009. Fair value difference (positive) amounting to TL 829,535 (December 31, 2009 – TL 977,164) is shown in comprehensive income statement.

The effects of the changes in revaluation fund on other comprehensive income are as follows:

	2010	2009
January 1	**1,078,134**	100,970
Fair value increase/(decrease) of financial assets	**829,535**	977,164
December 31	**1,907,669**	1,078,134

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

18. Sales and cost of sales

	December 31, 2010	December 31, 2009
Export sales	**4,105,177,837**	3,163,662,076
Domestic sales	**3,913,895,507**	2,712,935,237
Other sales	**87,844,703**	56,115,359
Less: Discounts	**(457,506,410)**	(358,356,724)
	7,649,411,637	5,574,355,948

Sales units:

	December 31, 2010			December 31, 2009		
	Domestic sales	**Export sales**	**Total sales**	Domestic sales	Export sales	Total sales
Transit	**29,755**	**122,935**	**152,690**	21,078	71,604	92,682
Transit Connect	**32,615**	**52,459**	**85,074**	27,701	56,752	84,453
Passenger vehicles	**56,756**	**890**	**57,646**	32,585	192	32,777
Cargo	**4,593**	**547**	**5,140**	2,023	382	2,405
Ranger	**1,849**	**20**	**1,869**	1,796	25	1,821
Fiesta Van	**-**	**77**	**77**	-	28	28
	125,568	**176,928**	**302,496**	85,183	128,983	214,166

Summaries of cost of production as of December 31, 2010 and 2009 are as follows;

	December 31, 2010	December 31, 2009
Raw material cost	**(4,473,909,713)**	(3,199,526,148)
Production overhead costs	**(496,796,067)**	(371,771,121)
Depreciation and amortization expenses	**(167,485,681)**	(164,467,662)
Change in finished goods inventory	**(8,393,612)**	(116,699,509)
Idle time expenses	**-**	(22,343,655)
Total cost of production	**(5,146,585,073)**	(3,874,808,095)
Cost of trade goods sold	**(1,517,951,790)**	(1,032,282,218)
Cost of sales	**(6,664,536,863)**	(4,907,090,313)

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

19. Research and development expenses, marketing and sales expenses, general administrative expenses

	December 31, 2010	December 31, 2009
Selling and marketing expenses:		
Warranty expenses (Note 13)	**(86,890,422)**	(73,475,366)
Advertising expenses	**(38,661,111)**	(26,421,513)
Transportation expenses	**(38,522,755)**	(21,884,592)
Personnel expenses	**(24,478,238)**	(21,611,140)
Spare parts transportation and packaging expenses	**(12,056,420)**	(8,778,685)
Dealer and service development expenses	**(5,885,906)**	(3,736,931)
Depreciation expense (Note 10)	**(1,603,185)**	(1,546,855)
Other	**(17,932,758)**	(16,719,119)
	(226,030,795)	(174,174,201)
General administrative expenses:		
Personnel expenses	**(38,410,672)**	(31,213,924)
Legal consulting and auditing expenses	**(20,193,575)**	(11,490,366)
Grants and donations (Note 17)	**(12,595,086)**	(8,242,279)
Other guarantee expenses	**(4,682,459)**	(5,458,166)
New project administrative expenses	**(3,903,938)**	(3,176,303)
Repair, maintenance and energy expenses	**(3,164,872)**	(2,807,458)
Depreciation and amortization expense (Notes 10 and 11)	**(2,657,200)**	(2,667,401)
Travel expenses	**(1,866,691)**	(2,110,653)
Duties, taxes and levies	**(1,768,355)**	(948,560)
Information technology expenses	**(305,818)**	(872,281)
Other	**(8,994,404)**	(6,133,831)
	(98,543,070)	(75,121,222)

	December 31, 2010	December 31, 2009
Research and development expenses:		
Personnel expenses	**(52,751,971)**	(40,937,047)
Project costs	**(18,301,397)**	(21,447,735)
Research and development administrative expenses	**(9,779,057)**	(5,109,438)
Depreciation and amortization expense (Notes 10 and 11)	**(2,266,760)**	(1,874,337)
Other	**(1,630,794)**	(2,242,226)
	(84,729,979)	(71,610,783)

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

20. Expenses by nature

The classification of expenses by nature for the years ended at December 31, 2010 and 2009 is as follows:

	December 31, 2010	December 31, 2009
Direct material cost	**(4,473,909,713)**	(3,199,526,148)
Cost of trade goods sold	**(1,517,951,790)**	(1,032,282,218)
Personnel expenses	**(383,169,910)**	(287,683,939)
Other operational expenses	**(287,135,818)**	(221,055,502)
Other overhead expenses	**(229,443,135)**	(177,849,293)
Depreciation and amortization expenses	**(174,012,826)**	(170,556,255)
Financial expenses	**(105,600,407)**	(87,228,761)
Change in finished goods inventory	**(8,393,612)**	(116,699,509)
Idle time expenses	**-**	(22,343,655)
Other expenses	**(1,926,888)**	(3,962,942)
Total expenses	**(7,181,544,099)**	(5,319,188,222)

21. Other operating income/expenses

	December 31, 2010	December 31, 2009
Other operating income and gains:		
Price difference for spare parts and insurance recovery	**9,833,702**	15,799,028
Commission income	**7,343,732**	2,975,021
Premiums for research and development support (Note 12)	**6,799,454**	14,035,168
License fees income	**3,369,387**	2,178,935
Rent income	**2,717,123**	1,603,528
Insurance claim recoveries	**2,031,504**	1,332,027
Income from the sale of property, plant and equipment	**332,605**	581,702
Dividend income	**119,509**	42,180
Other	**4,201,181**	8,495,283
	36,748,197	47,042,872

	December 31, 2010	December 31, 2009
Other operating expenses and losses:		
Prior period price differences	**(1,124,509)**	(604,358)
Loss on sale of property, plant and equipment	**(826,886)**	(2,222,153)
Claim charges for import materials	**(135,143)**	(907,047)
Provision for doubtful receivables	**(16,447)**	(229,384)
	(2,102,985)	(3,962,942)

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

22. Financial income

	December 31, 2010	December 31, 2009
Foreign exchange gains	**70,530,715**	52,478,580
Finance income from credit sales	**25,842,949**	28,981,063
Interest income	**18,654,206**	24,867,147
	115,027,870	106,326,790

23. Financial expenses

	December 31, 2010	December 31, 2009
Foreign exchange losses	**(71,543,072)**	(47,543,174)
Finance charges on credit purchases	**(19,968,286)**	(21,646,803)
Interest expenses	**(7,112,253)**	(14,225,589)
Other financial expenses	**(7,626,162)**	(3,813,195)
	(106,249,773)	(87,228,761)

24. Tax assets and liabilities

Corporate Tax Law was amended by the Law No, 5520 dated June 13, 2006, Law No, 5520 came into force as of 21 June 2006, but many of the provisions came into force effective from January 1, 2006. Accordingly, the corporation tax rate for the fiscal year 2010 is 20% (December 31, 2009 - 20%). Corporation tax is payable at a rate of 20% on the total income of the Company after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption, investment allowance, etc) and corporate income tax deductions (like research and development expenditures deduction). No further tax is payable unless the profit is distributed.

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%, 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% 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. The balance of the advance tax paid may be refunded or used to set off other liabilities to the government.

In accordance with Tax Law No, 5024 "Law Related to Changes in Tax Procedural Law, Income Tax Law and Corporate Tax Law" that was published in the official Gazette on 30 December 2003, effective from January 1, 2004, income and corporate taxpayers will apply inflation adjustments to the statutory financial statements.

In accordance with the abovementioned Law's provisions, in order to apply inflation adjustment, the cumulative inflation rate ("WPI") over the last 36 months and 12 months must exceed 100% and 10%, respectively. Inflation adjustment has not been applied as these conditions were not fulfilled after 2005.

24. Tax assets and liabilities (continued)

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

Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

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

There are many exemptions in Corporate Tax Law regarding corporations. Those related to the Company are explained below:

Dividend gains from shares in capital of another corporation subject to resident taxpaying (except dividends from investment funds participation certificates and investment trusts shares) are exempt from corporate tax.

The Company redeem in its legal books by capitalizing the R&D expenses made within the scope of the Code no 5746. According to the provisions of the same Code, the Company makes calculation within the framework of the related legislation over the R&D expenses incurred, and utilizes R&D deduction exemption at the rate of 100% for the portion of expenses allowed by the Code. As of December 31, 2010 the Company used R&D deduction of TL 32,672,396 in return for the legal tax.

With the code no 5479 promulgated in the Official Gazette dated April 6, 2006, "Investment Allowance" practice was repealed. With the same Code, it was ensured that investment incentive allowance amounts calculated according to the provisions of the legislation which was in place on December 31, 2005 - including the provisions on tax rate- could only be deducted from the incomes of 2006, 2007 and 2008. As of December 31, 2009, the company had an investment incentive allowance of TL 491,329,522 with regard to the incentives based on the document that the company qualified for in previous periods but did not yet use. However, the Constitutional Court annulled the expression "2006, 2007 and 2008" included within the temporary article 69 of the Income Tax Code which is about investment allowance and this decision became effective upon being promulgated in the Official Gazette dated January 8, 2010. By this way, the time limitation about the investment allowance was also cancelled.

Thereupon, the Company requested tax ruling from the Finance Authority on the right to use investment allowance in the 2009 Corporate Tax return, whether we could use the right of investment allowance in 2009 Corporate Tax Return. In the responsive decision of the Finance Authority on April 20, 2010, it is stated that annulment decision of the Constitutional Court became effective upon being promulgated in the Official Gazette dated January 8, 2010, the annulment decisions are not retroactive, therefore it is not possible for the company to benefit from the investment incentive allowance within the scope of 2009 Corporate Tax Return. Without prejudice to the litigation right of the company on the investment allowance right resulting from previous period, 2009 Corporate Tax was declared over the rate 20% without using the investment incentive allowance. In the financial report attached, 2010 1st period advance tax calculation is made similarly over 20%, which is the Corporate Tax rate in place. Then, the Company opened a new case to benefit from the investment incentive relating to the 2009 corporate tax base amount of TL 413,644,919, this litigation is still going on.

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

24. Tax assets and liabilities (continued)

In accordance with by-law numbered 6009 published in the Official Gazette dated 01.08.2010, the Income Tax Law Temporary Article 69 has been amended and accordingly, use of investment incentive exception has been provided and by adding "investment incentive amounts that will be deducted at tax base calculation, is restricted up to the limit of 25% of the related taxable income.Applicable tax rate is used at the taxation of remaining income'' to this law, Court limited the investment allowance utilisation to 25% of taxable income.

In the accompanying financial statement, investment allowance amounting to TL 83,666,317 has been used at the calculation of 2010 corporate income tax and tax rate of 20% has been used for remaining parts.

The Company's net tax liabilities as of December 31, 2010 and 2009 are as follows:

	December 31, 2010	December 31, 2009
Corporate tax provision	**141,913,739**	82,106,156
Prepaid tax and funds	**(81,415,463)**	(48,535,256)
	60,498,276	33,570,900

The taxation on income for the years ended December 31, 2010 and 2009 are as follows:

	December 31, 2010	December 31, 2009
Current year corporate tax	**(141,913,739)**	(82,106,156)
Deferred tax	**27,527,763**	7,003,075
	(114,385,976)	(75,103,081)

Calculation of the tax expense reconciliation using the current year tax expense in the statement of income as at December 31, 2010 and 2009 and for the years then ended and current tax ratio based on income before tax is as follows:

	December 31, 2010	December 31, 2009
Income before tax:	**618,994,239**	408,537,388
Current year tax expense	**(123,798,848)**	(80,890,403)
R&D allowance and free zone profit exemption	**6,806,349**	7,587,604
Investment incentive exemption	**4,526,146**	-
Other temporary differences	**(1,919,623)**	(1,800,282)
	(114,385,976)	(75,103,081)

The Company calculates deferred tax assets and liabilities from the temporary differences identified during the evaluation of the differences between the balance sheet prepared under the IFRS Financial Reporting Standards and financial statements prepared for tax purposes.

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

24. Tax assets and liabilities (continued)

The breakdown of cumulative temporary differences and the resulting deferred tax assets and liabilities provided at December 31, 2010 and 2009 using the current enacted tax rates is as follows:

	Cumulative temporary differences		**Deferred tax assets/liabilities**	
	December 31, 2010	December 31, 2009	**December 31, 2010**	December 31, 2009
Deferred tax assets:				
Warranty expense provision	**68,723,154**	58,038,497	**13,744,631**	11,607,699
Expense accruals	**38,499,214**	41,934,546	**7,699,844**	8,386,908
Employee benefit provision	**44,061,805**	30,943,135	**8,812,361**	6,188,627
Investment allowance tax asset	**15,087,152**	-	**4,526,146**	-
Intangibles	**43,257,573**	416,602	**8,651,515**	83,320
			43,434,497	26,266,554
Deferred tax liabilities:				
Tangibles	**564,541,487**	610,123,603	**(112,908,297)**	(122,024,721)
Income accruals	**8,222,146**	10,975,461	**(1,644,430)**	(2,195,091)
Inventories	**142,090**	3,903,009	**(28,418)**	(780,602)
Accrued financial expense	**99,788**	197,456	**(19,958)**	39,491
			(114,601,103)	(124,960,923)
Net deferred tax liability			**(71,166,606)**	(98,694,369)

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

24. Tax assets and liabilities (continued)

Deferred tax movements are as follows:

	January 1, 2010	Charged to profit or loss	December 31, 2010
Deferred tax liabilities:			
Tangible assets	**(121,941,401)**	**17,684,619**	**(104,256,782)**
Income accrual	**(2,195,091)**	**550,661**	**(1,644,430)**
Inventories	**(780,602)**	**752,184**	**(28,418)**
Deferred tax assets:			
Investment allowance tax asset	**-**	**4,526,146**	**4,526,146**
Warranty expense provision	**11,607,699**	**2,136,932**	**13,744,631**
Expense accruals	**8,386,908**	**(687,064)**	**7,699,844**
Provision for employee benefits	**6,188,627**	**2,623,734**	**8,812,361**
Unearned credit finance income - net	**39,491**	**(59,449)**	**(19,958)**
Deferred tax liability-net	**(98,694,369)**	**27,527,763**	**(71,166,606)**

	January 1, 2009	Charged to profit or loss	December 31, 2009
Deferred tax liabilities:			
Tangible assets	(135,601,011)	13,659,610	(121,941,401)
Income accrual	(1,389,836)	(805,255)	(2,195,091)
Inventories	780,823	(1,561,425)	(780,602)
Deferred tax assets:			
Warranty expense provision	15,307,007	(3,699,308)	11,607,699
Expense accruals	10,270,302	(1,883,394)	8,386,908
Provision for employee benefits	4,916,074	1,272,553	6,188,627
Unearned credit finance income - net	19,197	20,294	39,491
Deferred tax liability-net	(105,697,444)	7,003,075	(98,694,369)

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

25. Earnings per share

	December 31, 2010	December 31, 2009
Net income for the year (TL)	**504,608,263**	333,434,307
Weighted average number of shares with nominal value of Kr 1 each	**35,091,000,000**	35,091,000,000
Earnings per share with nominal value of Kr 1 each	**1.44 Kr**	0.95 Kr

26. Transactions and balances with related parties

Related party can be defined according to whether one of the companies has control over the others or has significant effect on its financial and administrative decisions. The Company, is controlled by Koç Holding and Ford Motor Company. In the financial statements, shareholder companies, shareholders and financial fixed assets and other group companies' assets are shown as related parties.

The related party balances at December 31, 2010 and 2009 and the transactions with related parties during the year are as follows:

a) Receivables from related parties:

i) Trade receivable from related parties

	December 31, 2010	December 31, 2009
Due from shareholders:		
Ford Motor Company and its subsidiaries	**521,493,615**	330,175,577
	521,493,615	330,175,577
Due from group companies:		
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	**149,791,151**	146,461,403
Other	**2,382,089**	781,196
	152,173,240	147,242,599
Less: Unearned credit finance income	**(549,808)**	(118,244)
	673,117,047	477,299,932

Export sales mainly consist of sales to Ford Motor Company. Payments terms and conditions are specified in the business agreements with Ford Motor Company. Receivables from the Ford Motor Company are due in 14 days as of January 1, 2010 - November 30, 2010. It has been changed to 30 days starting from December 1, 2010 and receivables are collected regularly.

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

26. Transactions and balances with related parties (continued)

Per the domestic dealership agreement between Ford Otomotiv Sanayi A.Ş. and Otokoç Otomotiv Ticaret ve Sanayi A.Ş., the Companies have a vehicle and spare parts trade connection. As it is mentioned in Note 7, the Company's maturity of receivables from Otokoç Otomotiv Ticaret ve Sanayi A.Ş is 1 month.

b) Payables to related parties:

i) Trade payables to related parties

	December 31, 2010	December 31, 2009
Due to Shareholders:		
Ford Motor Company and its subsidiaries	**139,117,116**	48,359,755
	139,117,116	48,359,755
Due to group companies:		
Zer Merkezi Hizmetler ve Ticaret A.Ş.	**12,097,013**	10,008,146
Ram Dış ticaret A.Ş.	**9,960,629**	-
Eltek Elektrik Enerjisi İth. İhc. ve Toptan Tic. A.Ş.	**3,102,699**	-
Opet Petrolcülük A.Ş.	**2,418,803**	3,238,097
Aygaz Doğalgaz Toptan Satış A.Ş.	**1,967,621**	-
Setur Servis Turistik A.Ş.	**1,722,412**	1,243,057
Koçtaş Yapı Marketleri Sanayi ve Ticaret A.Ş.	**1,451,153**	1,511,084
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	**1,398,696**	1,830,971
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	**1,120,691**	881,183
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	**455,155**	154,409
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	**329,878**	478,615
Koç.net Haberleşme Teknoloji ve İletişim Hizmetleri A.Ş.	**271,627**	217,167
Ram Sigorta Aracılık Hizmetleri A.Ş.	**255,054**	170,123
Promena Elektronik A.Ş.	**233,268**	33,161
Setair Hava Taşımacılığı A.Ş.	**181,797**	12,676
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	**149,602**	207,211
Palmira Turizm Ticaret A.Ş.	**86,786**	28,075
Otokar Otomotiv ve Savunma Sanayi A.Ş.	**57,308**	-
Tofaş Türk Otomobil Fabrikası A.Ş.	**30,247**	19,828
Koç University	**19,956**	52,812
V.K.V. Amerikan Hastanesi Sağlık Hiz. Tic. A.Ş.	**19,936**	82,351
Arçelik A.Ş	**10,905**	-
Aygaz A.Ş.	**8,215**	10,071
Other	**1,275**	675
	37,350,726	20,179,712
Less: Unearned credit finance charges	**(159,390)**	(11,846)
	176,308,452	68,527,621

Due to Ford Motor Company mainly comprise vehicle and material stocks in transit and license fees.

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

26. Transactions and balances with related parties (continued)

ii) Other payables to related parties

	December 31, 2010	December 31, 2009
Yapı ve Kredi Bankası A.Ş.	**2,870,871**	791,392
Koç Holding A.Ş.	**2,200,323**	2,058,220
Other	**624,588**	-
	5,695,782	2,849,612

c) Sales to related parties:

	December 31, 2010	December 31, 2009
Ford Motor Company	**4,025,945,622**	3,101,421,893
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	**899,645,763**	684,457,657
Zer Merkezi Hizmetler ve Ticaret A.Ş.	**37,712,541**	23,100,650
Other	**11,564,116**	8,695,452
	4,974,868,042	3,817,675,652
Less: Financial income from credit sales	**(5,938,513)**	(6,628,640)
	4,968,929,529	3,811,047,012

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

26. Transactions and balances with related parties (continued)

d) Major material, service and fixed asset purchases from related parties:

	January 1 - December 31, 2010			
	Material	**Service**	**Fixed assets**	**Total**
Domestic purchases:				
Zer Merkezi Hizmetler ve Ticaret A.Ş.	-	66,947,157	28,344	66,975,501
Opet Petrolcülük A.Ş.	17,672,781	-	27	17,672,808
Eltek Elektrik Enerjisi İth. İhr. ve Toptan A.Ş.	17,019,288	-	-	17,019,288
Ram Dış ticaret A.Ş.	13,820,859	-	-	13,820,859
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	11,058,170	-	-	11,058,170
Aygaz Doğalgaz Toptan Satış A.Ş.	10,488,007	-	-	10,488,007
Setur Servis Turistik A.Ş.	-	9,400,418	-	9,400,418
Koç Holding A.Ş.	-	7,228,748	-	7,228,748
Ram Sigorta Aracılık Hizmetleri A.Ş.	-	6,962,537	-	6,962,537
Koçtaş Yapı Marketleri Sanayi ve Ticaret A.Ş.	6,051,714	-	39,336	6,091,050
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	3,016,284	2,882,135	5,898,419
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	-	1,751,864	2,588,954	4,340,818
Arçelik A.Ş.	3,446,054	-	-	3,446,054
Koç.net Haberleşme Teknoloji ve İletişim Hizmetleri A.Ş.	-	1,175,879	57,089	1,232,968
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	-	1,386,217	-	1,386,217
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	1,013,760	-	-	1,013,760
Promena Elektronik Ticaret A.Ş.	-	542,345	-	542,345
Setair Hava Taşımacılığı ve Hizmetleri A.Ş.	-	285,467	-	285,467
V.K.V. Amerikan Hastanesi Sağlık Hiz. Tic. A.Ş.	-	130,981	-	130,981
Palmira Turizm Ticaret A.Ş.	-	94,187	-	94,187
Aygaz A.Ş.	105,273	-	-	105,273
Otokar Otomotiv ve Savunma Sanayi A.Ş.	57,033	-	-	57,033
Bilkom Bilişim Hizmetleri A.Ş.	-	52,802	-	52,802
Koç University	-	31,446	-	31,446
Tofaş Türk Otomobil Fabrikası A.Ş.	33,161	-	-	33,161
Özel Med Amerikan Polikliniği	-	6,027	-	6,027
	80,766,100	99,012,359	5,595,885	185,374,344
Less: Unearned credit finance charges	(1,661,095)	-	-	(1,661,095)
	79,105,005	99,012,359	5,595,885	183,713,249

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

26. Transactions and balances with related parties (continued)

	January 1 - December 31, 2009			
	Material	Service	Fixed assets	Total
Domestic purchases:				
Zer Merkezi Hizmetler ve Ticaret A.Ş.	-	46,207,015	39,544	46,246,559
Opet Petrolcülük A.Ş.	15,793,781	-	-	15,793,781
Koç Holding A.Ş.	-	7,211,429	-	7,211,429
Ram Sigorta Aracılık Hizmetleri A.Ş.	-	7,001,512	-	7,001,512
AKPA Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	6,554,607	-	-	6,554,607
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	-	2,552,878	3,971,831	6,524,709
Koçtaş Yapı Marketleri Sanayi ve Ticaret A.Ş.	4,452,931	-	61,009	4,513,940
Setur Servis Turistik A.Ş.	-	3,548,920	-	3,548,920
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	41,583	1,967,515	1,403,408	3,412,506
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	-	821,720	-	821,720
Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş.	544,995	-	-	544,995
Koç.net Haberleşme Teknoloji ve İletişim Hizmetleri A.Ş.	-	469,455	-	469,455
Promena Elektronik Ticaret A.Ş.	-	259,519	-	259,519
V.K.V. Amerikan Hastanesi Sağlık Hiz. Tic. A.Ş.	-	239,517	-	239,517
Koç Üniversitesi	-	92,191	-	92,191
Palmira Turizm Ticaret A.Ş.	-	60,028	-	60,028
Setair Hava Taşımacılığı ve Hizmetleri A.Ş.	-	45,190	-	45,190
Aygaz A.Ş.	42,387	-	-	42,387
Tofaş Türk Otomobil Fabrikası A.Ş.	-	23,924	-	23,924
Otokar Otomotiv ve Savunma Sanayi A.Ş.	15,466	-	-	15,466
Arçelik A.Ş.	3,763	-	-	3,763
	27,449,513	70,500,813	5,475,792	103,426,118
Less: Unearned credit finance charges	(1,455,477)	-	-	(1,455,477)
	25,994,036	70,500,813	5,475,792	101,970,641

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

26. Transactions and balances with related parties (continued)

Domestic material and vehicle purchases:

	December 31, 2010	December 31, 2009
Ford Motor Company	**1,677,192,930**	2,161,037,341

e) License fees paid to Ford Motor Company included in cost of sales:

	December 31, 2010	December 31, 2009
	56,081,597	40,827,730

f) Donations to foundations related to Koç Group, included in general administrative expenses:

	December 31, 2010	December 31, 2009
	12,186,280	8,047,458

g) The details of deposits to related banks and loans obtained from related banks:

Deposit to related banks:	December 31, 2010	December 31, 2009
Yapı ve Kredi Bankası A.Ş.		
- Foreign currency time deposits	**41,081,255**	30,177,941
- TL time deposits	**23,850,836**	34,225,835
- TL demand deposits	**16,922,380**	5,478,616
- Foreign currency demand deposits	**253,923**	4,140,808
	82,108,394	74,023,200

The Company obtained the loans from the consortium of Koç Holding and 14 financial institutions and as sub borrower, utilized TL 30,920,000 equivalent of USD 20 million and TL 51,227,500 equivalent of Euro 25 million of the loan obtained by Koç Holding (Note 6).

h) Commission incomes and expenses:

Commission income

	December 31, 2010	December 31, 2009
Yapı ve Kredi Bankası A.Ş.	**7,288,904**	2,975,021

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

26. Transactions and balances with related parties (continued)

Commission expense

	December 31, 2010	December 31, 2009
Yapı ve Kredi Bankası A.Ş.	**19,304,582**	10,746,025
Koç Tüketici Finansmanı A.Ş.	**1,360,667**	7,859
	20,665,249	10,753,884

Commissions paid to Koç Tüketici Finansmanı A.Ş. and Yapı ve Kredi Bankası A.Ş. are accounted for as sales discounts.

i) Interest income:

	December 31, 2010	December 31, 2009
Yapı ve Kredi Bankası A.Ş.	**4,720,027**	6,960,186

j) Dividend income:

	December 31, 2010	December 31, 2009
Otokar Otomotiv ve Savunma Sanayi A.Ş.	**119,509**	42,180
	119,509	42,180

k) Compensation of key management personnel:

The Company defined its key management personnel as board of directors' members, general manager and assistant general managers.

Compensation of key management personnel includes salaries, premiums, Social Security Institution employer's contribution, employer's contribution of unemployment insurance and the attendance fees.

The total amount of compensation given to key management personnel of the Company was TL 12,135,261 in 2010 (December 31, 2009 – TL 9,478,612).

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

27. Financial instruments and financial risk management

The table below summarizes the Company's exposure to foreign currency exchange rate risk at December 31, 2010 and 2009. The Company's foreign currency denominated assets and liabilities have been presented below in carrying amounts, categorized by currency.

December 31, 2010

	TL	USD	Euro	GBP
1. Trade receivables	523,780,767	3,763,744	262,369,211	14,520
2. Cash and cash equivalents	176,636,027	21,388,959	73,701,751	2,483
3. Other	95,528,429	248,612	48,085,657	75,039
4. Current Assets (1 + 2 + 3)	795,945,223	25,401,315	384,156,619	92,042
5. Monetary financial assets	139,985	96,462	-	-
6. Fixed Assets (5)	139,985	96,462	-	-
7. Total Assets (4+6)	796,085,208	25,497,777	384,156,619	92,042
8. Trade payables	172,074,793	17,181,580	74,029,991	377,644
9. Financial liabilities	222,600,183	150,826	112,575,329	-
10. Other financial liabilities	2,503,844	-	590,412	559,970
11. Short term liabilities (8 + 9 + 10)	397,178,820	17,332,406	187,195,732	937,614
12. Financial liabilities	297,303,000	21,306,505	134,850,157	-
13. Long term liabilities (12)	297,303,000	21,306,505	134,850,157	-
14. Total liabilities (11 + 13)	694,481,820	38,638,911	322,045,889	937,614
15. Net foreign currency / (liabilities) position (7 - 14)	101,603,388	(13,141,134)	62,110,730	(845,572)
16 Cash and equivalents net foreign currency assets / (liabilities) (1 + 2 + 5 - 8 - 9 - 10 - 12)	6,074,959	(13,389,746)	14,025,073	(920,611)

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

27. Financial instruments and financial risk management (continued)

December 31, 2009

	TL	USD	Euro	GBP
1. Trade receivables	340,056,206	3,461,816	154,216,660	707,140
2. Cash and cash equivalents	279,002,655	20,264,546	115,013,766	10,920
3. Other	17,639,917	208,166	7,841,304	161,942
4. Current Assets (1 + 2 + 3)	636,698,778	23,934,528	277,071,730	880,002
5. Total Assets (4)	636,698,778	23,934,528	277,071,730	880,002
6. Trade payable	77,540,005	9,347,704	29,001,374	340,491
7. Financial liabilities	186,257,173	20,119,115	72,195,445	-
8. Other financial liabilities	2,174,644	44,777	646,350	297,389
9. Short term liabilities (6 + 7 + 8)	265,971,822	29,511,596	101,843,169	637,880
10. Financial liabilities	201,510,482	-	93,278,934	-
11. Long term liabilities (10)	201,510,482	-	93,278,934	-
12. Total Liabilities (9 + 11)	467,482,304	29,511,596	195,122,103	637,880
13. Net foreign currency asset / (Liabilities) position (5 - 12)	169,216,474	(5,577,068)	81,949,627	242,122
14. Cash and equivalent net foreign currency asset / (liabilities) (1 + 2 – 6 – 7 – 8 - 10)	151,576,557	(5,785,234)	74,108,323	80,180

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

27. Financial instruments and financial risk management (continued)

Foreign exchange risk

The Company is exposed to foreign exchange risk arising primarily against to Euro and partly against respect to USD.

December 31, 2010

	Profit/Loss	
Appreciation in foreign currency / Depreciation in foreign currency		
Change in USD against TL by 10%		
USD net asset/(liabilities)	**(1,907,041)**	**1,907,041**
USD net hedged amount	**-**	**-**
US Dollar net gain/(loss)	**(1,907,041)**	**1,907,041**
Change in Euro against TL by 10%		
Euro net asset/(liabilities)	**12,267,420**	**(12,267,420)**
Euro net hedged amount	**-**	**-**
Euro net gain/(loss)	**12,267,420**	**(12,267,420)**
Change in other foreign currency against TL by 10%		
Other foreign currency denominated net asset/(liabilities)	**(201,974)**	**201,974**
Other foreign currency denominated- hedged amount	**-**	**-**
Other foreign currency denominated net gain/(loss)	**(201,974)**	**201,974**

December 31, 2009

	Profit/Loss	
Appreciation in foreign currency / Depreciation in foreign currency		
Change in USD against TL by 10%		
USD net asset/(liabilities)	(839,739)	839,739
USD net hedged amount	-	-
US Dollar net gain/(loss)	(839,739)	839,739
Change in Euro against TL by 10%		
Euro net asset/(liabilities)	17,703,539	(17,703,539)
Euro net hedged amount	-	-
Euro net gain/(loss)	17,703,539	(17,703,539)
Change in other foreign currency against TL by 10%		
Other foreign currency denominated net asset/(liabilities)	57,848	(57,848)
Other foreign currency denominated hedged amount	-	-
Other foreign currency denominated net gain/(loss)	57,848	(57,848)

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

27. Financial instruments and financial risk management (continued)

The comparative amounts for total export and import amounts as at December 31, 2010 and 2009 and for the years then ended are as follows;

	December 31, 2010	December 31, 2009
Total export amount	**4,105,177,837**	3,163,662,076
Total import amount	**3,764,434,898**	2,621,066,573

The Company's net assets are exposed to foreign exchange risk which arises from export sales. The Company manages its foreign currency position to minimize its foreign exchange risk; currency exposure arising from foreign currency denominated borrowings and trade payables is managed through assets denominated in foreign currency.

Interest rate risk

The Company's interest rate sensitive financial instruments are as follows:

	December 31, 2010	December 31, 2009
Fixed interest rate financial instruments		
Financial assets		
- Designated as fair value through profit or loss (*)	**488,198,000**	352,323,730
Financial liabilities	**143,437,000**	-
Floating interest rate financial instruments		
Financial liabilities	**374,875,644**	385,626,092

(*) Financial assets designated as fair value through profit or loss consists of fixed interest rate bank deposits with maturity less than three months and denominated in TL and foreign currency.

If the interest rates of variable interest-bearing USD and Euro denominated borrowings were 100 basis points higher/lower with all other variables held constant, profit before tax for the year would have been lower/higher by TL 628,209 at December 2010 (December 31, 2009 – TL 849,133), due to higher/lower interest expense.

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

27. Financial instruments and financial risk management (continued)

Liquidity risk

The table below shows the liquidity risk arising from financial liabilities of the Company:

December 31, 2010	**Book value**	**Total contractual cash outflow**	**Up to 3 months**	**Between 3-12 months**	**Between 1-5 years**
Non-derivative financial instruments					
Financial liabilities	**528,438,070**	**555,663,359**	**59,047,511**	**183,863,867**	**312,751,981**
Trade payables					
- *Related party*	**176,308,452**	**176,467,842**	**176,467,842**	**-**	**-**
-*Other*	**508,068,468**	**510,151,746**	**510,151,746**	**-**	**-**
Other liabilities					
- *Related party*	**5,695,782**	**5,695,782**	**5,695,782**	**-**	**-**
- *Other*	**117,075,396**	**117,075,396**	**117,075,396**	**-**	**-**

December 31, 2009	Book value	Total contractual cash outflow	Up to 3 months	Between 3-12 months	Between 1-5 years
Non-derivative financial instruments					
Financial liabilities	387,767,655	399,017,503	91,897,705	98,293,352	208,826,446
Trade payables					
- *Related party*	68,527,621	68,527,621	68,527,621	-	-
- *Other*	361,526,424	361,526,424	361,526,424	-	-
Other liabilities					
- *Related party*	2,849,612	2,849,612	2,849,612	-	-
- *Other*	73,768,731	73,768,731	73,768,731	-	-

28. Subsequent events

There is no significant subsequent event to be disclosure.

29. Disclosure of other matters

There are no other matters other than stated above, which would materially affect or that would have material effect on the financial statements, required for the purpose of understanding and interpreting the financial statements or on their interpretation and understandability.