

(Convenience translation of financial statements originally issued in Turkish)

**Tofaş Türk Otomobil Fabrikası
Anonim Şirketi**

**Consolidated financial statements
March 31, 2009**

(Convenience translation of financial statements originally issued in Turkish)

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

Table of contents

	<u>Page</u>
Consolidated balance sheet	1 - 2
Consolidated income statement	3
Consolidated comprehensive income statement	4
Consolidated statement of changes in equity	5
Consolidated cash flow statement	6
Notes to the consolidated financial statements	7 – 60

(Convenience translation of financial statements originally issued in Turkish)

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

Consolidated balance sheet as of March 31, 2009

(Currency – Thousands of Turkish Liras (TL))

		(Unaudited) March 31, 2009	(Audited) December 31, 2008
	Notes		
Assets			
Current assets			
		1.711.643	1.457.338
Cash and cash equivalents	6	409.881	216.134
Financial investments	7	41.592	29.105
Trade receivables			
- Trade receivables from related parties	37	474.793	463.599
- Other trade receivables	10	218.862	124.201
Short-term consumer financing loans	12	174.551	179.930
Other receivables	11	989	1.323
Inventories	13	323.803	325.746
Biological assets	14	-	-
Other current assets	26	67.172	117.300
Non-current assets			
		2.144.486	2.113.304
Trade receivables			
- Trade receivables from related parties	37	-	-
- Other trade receivables	10	-	-
Long-term consumer financing loans	12	118.018	142.763
Other receivables	11	-	-
Financial investments			
- Available for sale financial investments	7	32.659	32.659
- Other financial assets	7	-	-
Investments accounted under equity method	16	-	-
Biological assets	14	-	-
Investment properties	17	-	-
Property, plant and equipment	18	1.159.922	1.147.990
Intangibles	19	739.257	692.857
Goodwill	20	-	-
Deferred tax asset	35	-	-
Other non-current assets	26	94.630	97.035
Total assets			
		3.856.129	3.570.642

The accompanying policies and explanatory notes on pages 7 through 60 form an integral part of the consolidated financial statements.

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

**Consolidated balance sheet
as of March 31, 2009**

(Currency – Thousands of Turkish Liras (TL))

		(Unaudited)	(Audited)
	Notes	March 31, 2009	December 31, 2008
Liabilities			
Current liabilities		1.509.150	1.324.920
Financial liabilities	8	548.482	483.677
Other financial liabilities	9	-	-
Trade payables			
- Trade payables to related parties	37	428.770	395.959
- Other trade payables	10	445.852	358.046
Other payables	11	-	-
Liabilities from finance sector operations	12	-	-
Government incentives and grants	21	-	-
Tax liabilities from net income for the period	35	-	-
Provisions	11	66.912	41.141
Other current liabilities	26	19.134	46.097
Non - current liabilities		1.255.842	1.126.261
Financial liabilities	8	1.102.698	955.141
Other financial liabilities	9	-	-
Trade payables			
- Trade payables to related parties	37	-	-
- Other trade payables	10	-	-
Other payables	11	-	-
Liabilities from finance sector operations	12	-	-
Government incentives and grants	21	85.773	88.737
Provisions	11	-	-
Reserve for retirement pay	24	59.136	70.221
Deferred tax liability	35	8.235	12.162
Other non - current liabilities		-	-
Shareholders' equity		1.091.137	1.119.461
Parent company's equity			
Paid - in share capital	27	500.000	500.000
Inflation adjustment on equity items	27	348.382	348.382
Adjustments to share capital and equity instruments (-)		-	-
Share premium		-	-
Revaluation surplus of financial assets	7	20.926	20.926
Foreign currency translation adjustment		-	-
Cumulative gain/(loss) on the hedging		(120.489)	(95.443)
Restricted reserves	27	40.221	30.812
Retained earnings	27	269.228	139.030
Net income for the period		32.869	175.754
Minority interest		-	-
Total liabilities and shareholders' equity		3.856.129	3.570.642

The accompanying policies and explanatory notes on pages 7 through 60 form an integral part of the consolidated financial statements.

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

**Consolidated income statement
for the period ended March 31, 2009
(Currency – Thousands of Turkish Liras (TL))**

		(Unaudited) January 1 – March 31, 2009	(Unaudited) January 1 – March 31, 2008
	Notes		
Continuing operations			
Net sales	28	872.464	1.309.873
Cost of sales (-)	28	(770.380)	(1.185.305)
Gross profit/(loss) from business activities		102.084	124.568
Interest, fee, premium, commission and other income		15.046	12.703
Interest, fee, premium, commission and other expense (-)		(14.430)	(10.465)
Gross profit/(loss) from finance sector operations		616	2.238
Gross profit / (loss)		102.700	126.806
Selling, marketing and distribution expense (-)	29	(25.287)	(42.611)
General and administrative expense (-)	29	(23.362)	(26.595)
Research and development expense (-)	29	(9.185)	(4.506)
Other operating income	31	4.822	7.504
Other operating expense (-)	31	(7.174)	(131)
Operating profit / (loss)		42.514	60.467
Non-operating financial income	32	65.021	144.085
Non-operating financial expense (-)	33	(72.684)	(119.087)
Net income / (expense) before provision for taxes from continuing operations		34.851	85.465
Tax income / (expense) for continuing operations			
- Tax income / (expense) for the period	35	-	-
- Deferred tax income / (expense)	35	(1.982)	(1.431)
Continuing operations net income / (expense)		32.869	84.034
<u>Discontinuing operations</u>			
Net income / (expense) after provisions for taxes from discontinuing operations		-	-
Net income / (expense)		32.869	84.034
Distribution of net income / (expense) for the period			
Minority interest		-	-
Shares of parent company		32.869	84.034
Earnings per share	36	0,07	0,17
Earnings per share from continuing operations		0,07	0,17

The accompanying policies and explanatory notes on pages 7 through 60 form an integral part of the consolidated financial statements.

(Convenience translation of financial statements originally issued in Turkish)

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

**Consolidated comprehensive income statement
for the period ended March 31, 2009
(Currency – Thousands of Turkish Liras (TL))**

	(Unaudited)	(Unaudited)
	January 1 – March 31, 2009	January 1 – March 31, 2008
Notes		
Net income/(expense)	32.869	84.034
<i>Other comprehensive income/(expense)</i>		
Loss on the hedging	(25.046)	(114.669)
Other comprehensive expense	(25.046)	(114.669)
Total comprehensive income / (expense)	7.823	(30.635)
Distribution of total comprehensive income / (expense)		
Minority interest	-	-
Shares of parent company	7.823	(30.635)

The accompanying policies and explanatory notes on pages 7 through 60 form an integral part of the consolidated financial statements.

(Convenience translation of financial statements originally issued in Turkish)

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

**Consolidated statements of changes in equity
for the period ended March 31, 2009
(Currency – Thousands of Turkish Liras (TL))**

	Paid – in share capital	Inflation adjustment on equity items	Restricted reserves	Revaluation surplus of financial assets	Cumulative gain/(loss) on the hedging	Accumulated profits / (loss)	Net income for the period	Total shareholders' equity
December 31, 2007	500.000	349.535	16.394	12.261	40.585	66.476	175.819	1.161.070
Transfers	-	-	-	-	-	175.819	(175.819)	-
Total comprehensive income / (expense) for the period	-	-	-	-	(114.669)	-	84.034	(30.635)
March 31, 2008	500.000	349.535	16.394	12.261	(74.084)	242.295	84.034	1.130.435
December 31, 2008	500.000	348.382	30.812	20.926	(95.443)	139.030	175.754	1.119.461
Transfers	-	-	-	-	-	175.754	(175.754)	-
Transfers to restricted reserves	-	-	9.409	-	-	(9.409)	-	-
Dividend distribution	-	-	-	-	-	(36.147)	-	(36.147)
Total comprehensive income / (expense) for the period	-	-	-	-	(25.046)	-	32.869	7.823
March 31, 2009	500.000	348.382	40.221	20.926	(120.489)	269.228	32.869	1.091.137

The accompanying policies and explanatory notes on pages 7 through 60 form an integral part of the consolidated financial statements.

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

**Consolidated cash flow statement
for the period ended March 31, 2009
(Currency – Thousands of Turkish Liras (TL))**

	Notes	March 31, 2009	March 31, 2008
Cash flows from operating activities			
Net income before provision for taxes		34.851	85.465
Reconciliation between net income before taxation and cash generated from operating activities			
Depreciation and amortization	18,19	47.118	51.242
Interest expense	33	7.688	21.425
Interest income	32	(9.556)	(15.384)
Provision for employee termination benefits	24	5.353	4.664
Loss on sale of property, plant and equipment	31	29	1
Warranty provision	11	2.712	3.524
Operating income before working capital changes		88.195	150.937
Net working capital changes in :			
Trade receivables and trade receivables from related parties		(105.855)	(225.603)
Inventories		1.943	(60.864)
Other current/non-current assets and other receivables		40.380	(25.043)
Short/long term consumer financing loans		30.124	(36.555)
Trade payables and trade payables to related parties		120.617	279.467
Other current liabilities		132	22.581
Other non-current liabilities		(2.964)	(2.535)
Employee termination benefits paid	24	(16.438)	(1.319)
Warranty payments	11	(4.036)	(3.674)
Net cash provided by operating activities		152.098	97.392
Cash flows from investing activities			
Interest received		8.318	14.042
Deposits with maturities over three months		-	(58.523)
Purchase of property, plant, equipment and intangibles	18,19	(106.292)	(119.737)
Proceeds from sale of property, plant and equipment and intangibles	18,19	813	100
Net cash used in investing activities		(97.161)	(164.118)
Cash flows from financing activities			
Interest paid		(8.971)	(9.086)
Bank loans received		376.138	56.890
Bank loans repaid		(228.357)	(55.707)
Commercial papers issued		-	31.657
Net cash provided by financing activities		138.810	23.754
Net increase / (decrease) in cash and cash equivalents		193.747	(42.972)
Cash and cash equivalents at the beginning of the period	6	216.134	437.893
Cash and cash equivalents at the end of the period		409.881	394.921
Taxes paid		-	-

The accompanying policies and explanatory notes on pages 7 through 60 form an integral part of the consolidated financial statements.

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

Notes to the consolidated financial statements as of March 31, 2009

(Currency – Thousands of Turkish Liras (TL))

1. Corporate information

Tofaş Türk Otomobil Fabrikası A.Ş. (a Turkish corporation, the Company - Tofaş) was established in 1968 as a Turkish-Italian cooperation venture. The core business of the Company is manufacturing, exporting and selling passenger cars and light commercial vehicles under licenses of Fiat Auto S.p.A. (Fiat). The Company, which is a member of Koç Holding A.Ş. (Koç Holding) and Fiat, also produces various automotive spare parts used in its automobiles. The Company's head office is located at Büyükdere Cad. No: 145 Zincirlikuyu Şişli, İstanbul. The manufacturing facilities are located at Bursa. The Company manufactures its cars except for Mini Cargo pursuant to license agreements between the Company and Fiat. The Company has been registered with the Turkish Capital Market Board (CMB) and quoted on the İstanbul Stock Exchange (ISE) since 1991.

The Company conducts a significant portion of its business with affiliates of Koç Holding and Fiat Group (see Note 37).

As of March 31, 2009 and December 31, 2008, consolidated subsidiaries of the Company are as follows:

Name of the Company	Operating area	Percentage of ownership	
		March 31, 2009	December 31, 2008
Koç Fiat Kredi Tüketici Finansmanı A.Ş.(KFK)	Consumer financing	99,9%	99,9%
Mekatro Araştırma Geliştirme A.Ş. (Mekatro)	Research and development	97,0%	97,0%
Platform Araştırma Geliştirme Tasarım ve Tic. A.Ş. (Platform)	Research and development	99,0%	99,0%
Fer Mas Oto Ticaret A.Ş.	Trading of automobile and spare parts	99,4%	99,4%

For the purpose of the consolidated financial statements, the Company and its consolidated subsidiaries are referred to as "the Group".

Based on the General Assembly dated February 13, 2009, decommission and completion of close down processes of Mekatro, subsidiary of the Company, was decided unanimously. As of March 31, 2009, the close down process is still ongoing.

The average number of personnel in accordance with their categories is as follows:

	March 31, 2009	December 31, 2008
Blue-collar	5.864	7.358
White-collar	1.268	1.330
Total number of personnel	7.132	8.688

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

Notes to the consolidated financial statements (continued) as of March 31, 2009

(Currency – Thousands of Turkish Liras (TL))

2. Basis of preparation of financial statements

Basis of preparation

The financial statements of the Group have been prepared in accordance with accounting and reporting standards (CMB Accounting Standards) as prescribed by Turkish Capital Market Board (CMB) until December 31, 2008. CMB has issued communiqué no. XI-25 "Communiqué on Accounting Standards in Capital Markets" which sets out a comprehensive set of accounting principles. In this Communiqué, CMB stated that alternatively application of accounting standards prescribed by the International Accounting Standards Board (IASB) and International Accounting Standards Committee (IASC) will also be considered to be compliant with CMB Accounting Standards. On March 17, 2005, CMB has issued a resolution and declared that application of inflation accounting is no longer required for companies operating in Turkey and reporting under CMB Accounting Standards, with effect from January 1, 2005. Beginning from January 1, 2008, the financial statements of current year are prepared in accordance with International Accounting / Financial Reporting Standards (IAS/IFRS) as prescribed in the CMB communiqué published in the official gazette dated April 9, 2008 and after became effective No:XI-29 "Communiqué on Financial Reporting Standards in Capital Markets" (Communiqué). In relation to this, except the reclassifications made on the comparative financial statements for the compliance with the Communiqué, it has no impact on the previously published financial statements of the Company.

The consolidated financial statements were authorized for issue on April 29, 2009 by the Board of Directors of the Company and signed by Cengiz Eroldu, CFO and Selçuk Öncer, Accounting Director, representing Board of Directors. The Group Management and certain regulatory bodies have the authority to amend the statutory financial statements after issue.

Functional and presentation currency

The functional and presentation currency of the Group is accepted as TL. Effective from January 1, 2005 concurrent with the removal of six zero digits, the new currency unit of Turkey was introduced as New Turkish Lira (YTL). The Government resolved to remove the "New" reference in the local currency unit effective from January 1, 2009. Accordingly the Company's figures presented below as of March 31, 2009 in TL using the conversion rate of YTL 1= TL 1.

In accordance with CMB announcement No.11/367 dated March 17, 2005; since the objective conditions for the application of restatement is no longer available and since CMB foresees that the probability of the re-occurrence of the conditions is remote, lastly the financial statements as of December 31, 2004 have been subject to the restatement per International Accounting Standards IAS 29 (Financial Reporting in Hyperinflationary Economies). Therefore, the non-monetary assets, liabilities and shareholders' equity including share capital reported in the balance sheet as of March 31, 2009 and December 31, 2008 are derived by indexing the additions occurred until December 31, 2004. The additions after December 31, 2004 are carried with their nominal amounts.

Restatement of balance sheet and income statement items through the use of a general price index and relevant conversion factors as of December 31, 2004 does not necessarily mean that the Group could realize or settle the same values of assets and liabilities as indicated in the consolidated balance sheet. Similarly, it does not necessarily mean that the Group could return or settle the same values of equity to its shareholders.

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

**Notes to the consolidated financial statements (continued)
as of March 31, 2009**

(Currency – Thousands of Turkish Liras (TL))

2. Basis of preparation of financial statements (continued)

Basis of consolidation

The control relation is normally evidenced when the Company owns, either directly or indirectly, more than 50% of the voting rights of a company's share capital and is able to govern the financial and operating policies of an enterprise so as to benefit from its activities. During consolidation inter-company balances and transactions, including inter-company profits and unrealized profits and losses are eliminated. Consolidated financial statements are prepared using consistent accounting policies for similar transactions and other events in similar circumstances. 3% minority shares of Mekatro, subsidiary of the Company with ownership of 97% and 1% minority shares of Platform, subsidiary of the Company with ownership of 99%, were not recognized under minority interest since they do not have a material effect in consolidated financial statements. Financial statements of the Company and its subsidiaries subject to consolidation were prepared as of the same date.

Changes in accounting policies

The new standards which are effective as of January 1, 2008 and changes and interpretations of current standards are as follows:

IFRIC 11, "IFRS 2 - Group and Treasury Share Transactions" (Effective for fiscal periods beginning on or after March 1, 2007).

This interpretation provides guidance on share-based payment involving an entity's own equity instruments in which the entity chooses or is required to buy its own equity instruments to settle the share-based payment obligation; and Company's granting rights to its equity instruments to employees of its subsidiary. This interpretation also includes subsidiary's granting rights to equity instruments of its parent to its employees.

IFRIC 12, "Service Concession Arrangements" (Effective for fiscal periods beginning on or after January 1, 2008).

The interpretation outlines an approach to account for contractual arrangements arising from entities providing public services (Service Privilege). It provides for the operator not to account for the infrastructure as property, plant and equipment, but recognize a financial asset and / or an intangible asset.

IFRIC 14, "IAS 19- The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction" (Effective for fiscal periods beginning on or after January 1, 2008).

IFRIC 14, IAS 19 addresses the interaction between a minimum funding requirement and the limit placed by IAS 19 Employee Benefits on the measurement of the defined benefit asset or liability. Furthermore, this interpretation clarifies the effect of minimum funding requirement on 'test of asset ceiling' and standardizes the applications in use.

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

Notes to the consolidated financial statements (continued)

as of March 31, 2009

(Currency – Thousands of Turkish Liras (TL))

2. Basis of preparation of financial statements (continued)

The standards which are published but are not effective and are not early adopted by the Group as of the date of authorization of the financial statements, and the changes and interpretations to the current standards are as follows :

IAS 23, “(Revised) Borrowing Costs” (Effective for fiscal periods beginning on or after January 1, 2009).

The change is the removal of the option of immediately recognised as an expense borrowing costs that related to assets that take a substantial period of time to get ready for use or sale. An entity is, therefore, required to capitalize borrowing costs as part of the cost of such assets. In conformity with transition to the standard, the Group will adopt the changes in the future periods. If any, the standard applies to borrowing costs relating to qualifying assets for which the commencement date for capitalization is on or after January 1, 2009. There were no amendments on the borrowing costs which are expensed until the mentioned date.

IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures - Reclassification of Financial Assets (Revised) (Effective for fiscal periods beginning on or after July 1, 2008).

The amendment to IAS 39, issued in October 31, 2008, permits an entity to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category to the available-for-sale or held-to-maturity category in particular circumstances. The amendment also permits the Group to transfer from the fair value through profit or loss, or available-for-sale categories, to the loans and receivables category when that financial asset meets the definition of loans and receivables and if the entity has the intention and ability to hold that financial asset for the foreseeable future. The effective date of the amendment is July 1, 2008 and reclassifications before that date are not permitted.

IFRS 8, Operating Segments (effective for financial years beginning on or after January 1, 2009).

IFRS 8 replaces IAS 14 “Segment Reporting” and adopts a management approach to segment reporting. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. This information may be different from that reported in the balance sheet and income statement and entities will need to provide explanations and reconciliations of the differences.

IFRIC 13, “Customer Loyalty Programmes” (Effective for fiscal periods beginning on or after July 1, 2008).

The interpretation requires loyalty award credits granted to customers in connection with a sales transaction to be accounted for as a separate component of the sales transaction. The consideration received in the sales transactions would, therefore, be allocated between the loyalty award credits and the other components of sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished. Since the Group does not have such an implementation, IFRIC 13 will not have any effect on the consolidated financial statements of the Group.

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

Notes to the consolidated financial statements (continued) as of March 31, 2009

(Currency – Thousands of Turkish Liras (TL))

2. Basis of preparation of financial statements (continued)

IAS 1, "Presentation of Financial Statements" (Revised) (Effective for fiscal periods beginning or after January 1, 2009).

IAS 1 has been revised to enhance the usefulness of information in the financial statements. The main changes from the previous version are; an entity must present all non-owner changes in equity in a separate line and present a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when the entity applies an accounting policy retrospectively or makes a retrospective restatement. In addition, a statement of comprehensive income that combines all items of income and expense recognised in profit or loss together with "other comprehensive income" is introduced. The Group has already begun to make necessary changes related to presentation of consolidated financial statements in 2009.

IFRS 2, "Share Based Payments (Revised) – Qualifying and Cancellation" (Effective for fiscal periods beginning on or after January 1, 2009).

Standard clarifies two issues: Definition of 'Vesting Conditions' and the concept of 'Non-vesting Conditions' for the arrangements other than performance and service conditions. This standard also states that, if neither the Group nor the counterparty has the choice as to whether to meet a non-vesting condition, a failure to meet this non-vesting condition does not have any accounting effect, similar to the treatment of market conditions. It is expected that IFRS 2 will not have any effect on the financial statements of the Group.

IFRS 3, Business Combinations and IAS 27 Consolidated and Separate Financial Statements (revised) (effective for annual periods beginning on or after July 1, 2009).

Revised IFRS 3 and revised IAS 27 are published by IASC at January 10, 2008. Revised IFRS 3 (IFRS 3R) requires various changes for the accounting of business combinations, booking of goodwill and reporting of the financial results of the period related to the mergers. The related changes require that the costs associated to the purchase to be expensed and on the contingent cases considered at the purchase, to consider the fair value changes incurred at the subsequent period in the income statement other than adjusting in the goodwill. Revised IAS 27 (IAS 27R) requires that the changes in the shareholding of the subsidiaries should be treated as change in equity movement. As a result, the related change in equity movement would have no impact on the goodwill or the profit or loss. Besides, this standard provides changes in accounting of the standard subsidiary losses and the accounting of the loss on the control in the subsidiaries.

Amendments to IAS 32 and IAS 1: "Puttable Financial Instruments and Obligations Arising on Liquidation" (Effective for fiscal periods beginning of after January 1, 2009).

The change in IAS 32 considers that some puttable financial instruments and financial instruments that impose on the issuer an obligation to deliver a pro-rata share of net assets of the entity only on liquidation are equity. The change in IAS 1 recommends that the puttable financial instruments should be described and explained in detail.

IFRIC 15, "Agreements for the Construction of Real Estate, this interpretation provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of IAS 11 'Construction Contracts' or IAS 18 'Revenue' (Effective for fiscal periods beginning on or after January 1, 2009).

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

Notes to the consolidated financial statements (continued) as of March 31, 2009 (Currency – Thousands of Turkish Liras (TL))

2. Basis of preparation of financial statements (continued)

IFRIC 16, "Hedges of a Net Investment in a Foreign Operation", This interpretation provides guidance in respect of foreign currency gains and losses on a net investment in a foreign operation (Effective for annual periods beginning on or after October 1, 2008).

"Improvements to IFRSs- May 2008", the first standard published under the IASB's "Annual Improvements Process" which is intended to deal with minor amendments to IFRSs, with a view to removing inconsistencies and clarifying the contents of the standards. Most of amendments have an effective date of periods beginning on or after January 1, 2009. Relevant amendments are as follows:

"IFRS 5 Non-current Assets Held for Sale and Discontinued Operations", when a subsidiary is held for sale, all of its assets and liabilities will be classified as held for sale under IFRS 5, even when the entity retains a non-controlling interest in the subsidiary after the sale.

IFRS 7, "Financial Instruments" Disclosures: Removal of the reference to 'total interest income' as a component of finance costs.

IAS 1 "Presentation of Financial Statements", assets and liabilities classified as held for trading are not automatically classified as current in the balance sheet.

IAS 8, "Accounting Policies, Change in Accounting Estimates and Errors", clarification that only implementation guidance that is an integral part of an IFRS is mandatory when selecting accounting policies.

IAS 10 "Events after the Reporting Period", Clarification that dividends declared after the end of the reporting period is not an obligation.

IAS 16, "Property, Plant and Equipment", replace the term "net selling price" with "fair value less costs to sell". Items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases and they are held for sale.

IAS 18, "Revenue", replacement of the term 'direct costs' with 'transaction costs' as defined in IAS 39.

IAS 19 "Employee Benefits" and IAS 29 "Financial Reporting in Hyperinflationary Economies". Minor amendments regarding to the definitions have been revised.

IAS 20, "Accounting for Government Grants and Disclosures of Government Assistance" Peer interest application in accordance with IAS 39 will be put in practice for the loans granted with no or low interest rate.

IAS 23, "Borrowing Costs", the definition of borrowing costs is revised to consolidate the two types of items that are considered components of "borrowing costs" into one - the interest expense calculated using the effective interest rate method calculated in accordance with IAS 39.

IAS 27, "Consolidated and Separate Financial Statement", when a parent entity accounts for a subsidiary at fair value in its separate financial statements, this treatment continues when the subsidiary is subsequently classified as held for sale.

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

**Notes to the consolidated financial statements (continued)
as of March 31, 2009**

(Currency – Thousands of Turkish Liras (TL))

2. Basis of preparation of financial statements (continued)

IAS 28, “Investment in Associates”, requirement of certain footnotes if associates are classified as assets of which changes in fair value recognised in profit or loss.

IAS 29 “Financial Reporting in Hyperinflationary Economies”, Revised the reference to the exception to measure assets and liabilities at historical cost.

IAS 31, “Interest in Joint Ventures”, if a joint venture is accounted for at fair value, in accordance with IAS 39, only the requirements of IAS 31 to disclose the commitments of the venturer and the joint venture, as well as summary financial information about the assets, liabilities, income and expense will apply.

IAS 34, “Interim Financial Reporting”, earnings per share is disclosed in interim financial reports if an entity is within the scope of IAS 33.

IAS 36, “Impairment of Assets”, Amendments to the disclosures of estimates used to determine recoverable amount. When discounted cash flows are used to estimate ‘fair value less costs to sell’, the same disclosures are required as when discounted cash flows are used to estimate ‘value in use’.

IAS 38, “Intangible Assets”, expenditure on advertising and promotional activities is recognized as an expense when the Group either has the right to access the goods or has received the service.

IAS 39, “Financial Instruments: Recognition and Measurement”, changes in the position of derivative instruments do not constitute a reclassification. The amendment clarifies how to designate of inflation in a financial hedged item under hedge accounting. Since the Group does not have aforementioned hedge accounting; it is considered that the amendments will not have any effect in the consolidated financial statements.

IAS 40, “Investment Property”, property under construction or development for future use is classified as investment property and is in the scope of IAS 40 and if calculated reliably, is carried as fair value. If the fair value cannot be calculated reliably, the continuing construction is carried at cost, until the fair value can be calculated or the construction is completed.

IAS 41, “Agriculture”, removed the requirement to the use of a pre-tax discount rate to determine fair value. Besides, additional biological transformations are clarified.

Such new standards, amendments and interpretations to existing standards did not have any material effect on the consolidated financial statements.

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

Notes to the consolidated financial statements (continued) as of March 31, 2009

(Currency – Thousands of Turkish Liras (TL))

2. Basis of preparation of financial statements (continued)

In April 2009, the International Accounting Standards Board published collective amendments on the enclosed standards to eliminate the discrepancies about the standards and to make the expression more clear. Although the amendments have not been applied yet, the Group considers that these amendments will have no material impact on the financial statements.

IFRS 2, "Share Based Payment"

IFRS 5, "Non-Current Assets Held for Sale and Discontinued Operations"

IAS 1, "Presentation of Financial Statements"

IAS 7, "Cash Flow Statements"

IAS 17, "Leases"

IAS 18, "Revenue"

IAS 36, "Impairment of Assets"

IAS 38, "Intangible Assets"

IAS 39, "Financial Instruments: Recognition and Measurement"

IFRIC 9, "Revaluation of Embedded Derivatives"

IFRIC 16, "Hedges of a Net Investment in a Foreign Operation"

Significant accounting judgments and estimates

The preparation of financial statements require the Group 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. Those estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the periods in which they become known.

Significant estimates used in the preparation of these financial statements and the significant judgments with the most significant effect on amounts recognized in the financial statements are as follows:

- a) Reserve for retirement pay is determined by using actuarial assumptions (discount rates, future salary increases and employee turnover rates). As of March 31, 2009 and December 31, 2008, retirement pay liabilities are TL 59.136 and TL 70.221, respectively.
- b) The Company determines warranty provision by considering the past warranty expenses and remaining warranty period per vehicle.
- c) As of March 31, 2009, the fair value of the Company's available for sale financial asset, Entek Elektrik Üretimi A.Ş., has been calculated based on discounted cash flow method generated from the statement of income and balance sheet projections for the following 10 years.
- d) KFK, wholly owned subsidiary, applies hedge accounting for the derivative financial assets and derivative financial liabilities within balance sheet, and accounts the transactions as fair value option. KFK uses discounted cash flow model for valuation of derivative financial assets and liabilities, since fair value of these instruments are not able to be obtained through active markets. KFK has classified cash flow hedge financial asset amounting to TL 41.592 as of March 31, 2009. (December 31, 2008 – TL 29.105)

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

Notes to the consolidated financial statements (continued)

as of March 31, 2009

(Currency – Thousands of Turkish Liras (TL))

2. Basis of preparation of financial statements (continued)

- e) A specific credit risk provision for loan impairment is established to provide for management's estimate of credit losses as soon as the recovery of an exposure is identified as doubtful. Impairment and uncollectibility are measured and recognized individually for loans and receivables that are individually significant, and on a portfolio basis for a group of similar loans and receivables that are not individually identified as impaired. As of March 31, 2009, KFK has reserved portfolio provision amounting to TL 2.777. (December 31, 2008 – TL 2.645)

Summary of significant accounting policies

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and at banks and short-term highly liquid investments whose risk of value change is not material including time deposits generally having original maturities of three months or less (see Note 6).

Financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end. All regular way purchases and sales of financial assets are recognized on the trade date, which is the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

As of March 31, 2009 and December 31, 2008 the Group does not have any financial assets at fair value through profit or loss financial investments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

**Notes to the consolidated financial statements (continued)
as of March 31, 2009
(Currency – Thousands of Turkish Liras (TL))**

2. Basis of preparation of financial statements (continued)

Available for sale financial investments

Available for sale financial assets are non-derivative financial assets that are designated as available-for-sale or that are not classified in any of the three categories (a) loans and receivables, (b) held-to-maturity investments and (c) assets at fair value through profit or loss. A gain or loss on an available-for-sale financial asset after initial recognition shall be recognized directly in equity, through the statement of changes in equity, except for impairment losses, dividend and interest gains, until the financial asset is derecognized, at which time the cumulative gain or loss previously recognized in equity shall be recognized in profit or loss. If a fair value loss on an available-for-sale asset has been recognized directly in equity, and there is objective evidence that the asset is impaired, the cumulative loss that has been recognized directly in equity should be recycled into profit or loss even though the financial asset has not been sold.

The fair value of available for sale financial assets is determined by the market price at the balance sheet date when available. If market price is not available, then fair value is estimated based on valuation process by using discounted cash flow, similar purchases and observable market parameters. The fair value of financial assets must be carried at cost less impairment, when the fair value of financial assets cannot be measured reliably (see Note 7).

Trade receivables

Trade receivables have a maturity range of 30-90 days and are recognized at original invoice amount and carried at amortized cost less an allowance for any uncollectible amounts. An estimate for doubtful debt is made when collection of the full amount is no longer probable. A credit risk provision for trade receivables is established if there is objective evidence that the Group will not be able to collect all amounts due. The allowance is an estimated amount which is difference between existing receivable and collectible amount. Collectible amount is the discounted value of trade receivables, all cash flows including collections from guarantees by using original effective interest rate. Bad debts are written off when identified (see Note 10).

Trade payables

Trade payables have average maturities changing between 30-90 days and consist of the amounts invoiced or not invoiced related with the realized material or service purchases, and are carried at amortized cost (see Note 10).

Inventories

Inventories are valued at the lower of cost or net realizable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows: Raw materials - purchase cost on a monthly average basis; finished goods and work-in-process - cost includes the applicable allocation of fixed and variable overhead costs on the basis of monthly average basis. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale. The scrap inventory is written off when identified (see Note 13).

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

**Notes to the consolidated financial statements (continued)
as of March 31, 2009**

(Currency – Thousands of Turkish Liras (TL))

2. Basis of preparation of financial statements (continued)

Property, plant and equipment

Property, plant and equipment (PP&E) are stated at cost less accumulated depreciation and accumulated impairment loss. When assets are sold or retired, their costs and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the income statement.

The initial cost of PP&E comprises its purchase price, including import duties and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the PP&E have been put into the operation, such as repairs and maintenance and overhaul costs are normally charged to income in the period the costs are incurred. Expenditures are added to cost of assets if the expenditures provide economic added value for the future use of the related PP&E.

Depreciation is computed on a straight-line basis over the estimated useful lives (see Note 18). The useful lives and depreciation methods are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of PP&E. The depreciation terms are as follows:

	Duration (years)
Land improvements	33
Buildings	33
Machinery and equipment	12 – 14
Motor vehicles	4 – 8
Furniture and fixtures	8
Moulds and models	6 – 8
Leasehold improvements	5 – 30

In case of any indication of the impairment in the carrying value of property, plant and equipment, the recoverable amount is re-assessed and provision for impairment is reflected in the financial statements.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Recoverable amount is the higher of net selling price or value in use. Net selling price is determined by deducting any expenses to be incurred for the sale of an asset from the fair value of the asset. Value in use is calculated as the discounted value of the estimated future cash flows the entity expects to receive from the asset.

Gains and losses on sale of property, plant and equipment are included in other operating income and expense (see Note 31).

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

**Notes to the consolidated financial statements (continued)
as of March 31, 2009**

(Currency – Thousands of Turkish Liras (TL))

2. Basis of preparation of financial statements (continued)

Intangible assets

Intangible assets acquired separately from a business are capitalized at cost. Intangible assets, created within the business are not capitalized and expenditure is charged against profits in the year in which it is incurred. Intangible assets are amortized on a straight-line basis over their useful lives (5 years). The depreciation period for the intangibles capitalized in relation with the new models will be started after the production of these models is started. The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable (see Note 19).

Research and development costs

Expenditures for research and development are charged against income in the period incurred except for project development costs which comply with the following criteria:

- The product or process is clearly defined and costs are separately identified and measured reliably,
- The technical feasibility of the product is demonstrated,
- The product or process will be sold or used in-house,
- A potential market exists for the product or its usefulness in case of internal use is demonstrated, and
- Adequate technical, financial and other resources required for completion of the project are available.

The costs related to the development projects are capitalized when the criteria above are met and amortized by straight-line basis over the useful lives of related projects (8 years).

Interest income and expense

Interest income and expense are recognized in the income statement on accrual basis using the effective yield method. Interest income is suspended when consumer financing loans given by the Group become doubtful or when the borrower defaults.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenues are stated net of discounts, value added and sales taxes. Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably. Net sales are invoiced amounts of delivered goods excluding sales returns.

Service income is recognized when the service is rendered and the amount is reliably measured.

Interest income is recognised using the effective interest rate until maturity and considering the effective interest rate.

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

**Notes to the consolidated financial statements (continued)
as of March 31, 2009**

(Currency – Thousands of Turkish Liras (TL))

2. Basis of preparation of financial statements (continued)

When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognized on an accrual basis as financial income.

Dividend income is recognized when the Group has the right to receive the dividend payment. Rent income is recognized in the financial statements when the Group's right to receive the monthly rent income is established.

Recognition and derecognition of financial instruments

The Group recognizes a financial asset or financial liability in its balance sheet when and only when it becomes a party to the contractual provisions of the instrument. The Group derecognizes a financial asset or a portion of financial asset when and only when it loses control of the contractual rights that comprise the financial asset or a portion of financial asset. The Group derecognizes a financial liability when and only when a liability is extinguished that is when the obligation specified in the contract is discharged, cancelled and expires.

All the normal sales or purchase transactions of financial assets are recorded at the transaction date, that the Group guaranteed to purchase or sell the financial asset. These transactions generally require the transfer of financial asset in the period specified by the general conditions and the procedures in the market.

Bank borrowings

All bank borrowings are initially recognized at cost, being the fair value of the consideration received net of issue cost associated with the borrowing. After initial recognition, bank borrowings are subsequently measured at amortized cost using the effective yield method. Amortized cost is calculated by taking into account any issue cost and any discount or premium on settlement (see Note 8).

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset shall be capitalized as part of the cost of that asset. Such borrowing costs are capitalized as part of the cost of the asset when it is probable that they will result in future economic benefits to the entity and the costs can be measured reliably. Other borrowing costs are recognized as an expense in the period in which they are incurred. As of December 31, 2008 and March 31, 2009, the Group capitalized TL 27.437 and TL 5.906 of bank expense, commission and interest on loans obtained for the investment of New Doblo project, respectively.

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

Notes to the consolidated financial statements (continued)

as of March 31, 2009

(Currency – Thousands of Turkish Liras (TL))

2. Basis of preparation of financial statements (continued)

Fair value of financial instruments

Fair (market) value is the amount for 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 fair values of the financial instruments are determined in accordance with the following methods and assumptions as follows:

Financial assets

Monetary assets for which fair value approximates carrying value are carried at cost in the financial statements and consists of cash and cash equivalents, their interest accruals, and other financial assets; and considered to approximate their respective carrying values due to their short-term nature and negligible credit losses. The carrying value of accounts receivable along with the related allowance for unearned income and uncollectibility are estimated to be their fair values.

Financial liabilities

Monetary liabilities for which fair value approximates carrying value including accounts payable, short-term bank borrowings and other monetary liabilities are considered approximate their respective carrying values due to their short-term nature. The bank borrowings are stated at their amortized costs and transaction costs are included in the initial measurement of bank borrowings. The fair value of bank borrowings are considered to state their respective carrying values since the interest rate applied to bank borrowings are updated periodically by the lender to reflect active market price quotations. The carrying value of accounts payable along with the related allowance for unrealized cost is estimated to be their fair values.

Income taxes

Tax expense / (income) is the aggregate amount included in the determination of net profit or loss for the period in respect of current and deferred tax.

Deferred tax is computed, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against the deductible temporary differences. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Deferred taxes arising from income and expenses accounted under equity are also recorded under equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. The carrying amount of deferred income tax assets is reviewed by the Group at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized (see Note 35).

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

Notes to the consolidated financial statements (continued)

as of March 31, 2009

(Currency – Thousands of Turkish Liras (TL))

2. Basis of preparation of financial statements (continued)

Employee benefits / retirement pay liability

Defined benefit plans

In accordance with existing social legislation, the Group is required to make lump sum termination indemnities to each employee who has completed one year of service with the Group and whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

In the consolidated financial statement, the Group has reflected a liability calculated using “Projected Unit Credit Method” and based upon factors derived using the Group’s experience of personnel terminating their services and being eligible to receive benefits, discounted by using the current market yield at the balance sheet date on government bonds. All actuarial gains and losses calculated are reflected in the income statement (see Note 24).

Defined contribution plans

The Group is obliged to pay premiums to Social Security Institution for its employees during the period of employment. The Group does not have any further obligation as long as it realizes the payment of such premiums. Social security premiums are reflected in the personnel expenses as they accrue. In the first three months of 2009, the Group realized social security premium expenses amounting to TL 7.748 (March 31, 2008 - TL 10.555).

Earnings per share

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

In Turkey, companies can increase their share capital by making a pro rata distribution of shares (bonus shares) to existing shareholders without consideration for amounts resolved to be transferred to share capital from retained earnings and revaluation surplus. For the purpose of the EPS calculation such bonus share issues are regarded as stock dividends. Dividend payments, which are immediately reinvested in the shares of the Group, are regarded similarly (see Note 36).

Subsequent events

Post-period-end events that provide additional information about the Group’s position at the balance sheet date (adjusting events), are reflected in the consolidated financial statements. Post-period-end events that are not adjusting events are disclosed in the notes when material.

Provisions, contingent assets and liabilities

Provisions

A provision is recognized when, and only when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are recognized by the amortized amount as of balance sheet date in case that the monetary loss is material. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

Notes to the consolidated financial statements (continued)

as of March 31, 2009

(Currency – Thousands of Turkish Liras (TL))

2. Basis of preparation of financial statements (continued)

Warranty provision

The Group provides free of charge maintenance service for the vehicles, during the first two-year period following the date of sale. Export sales of the Group are not under a warranty commitment. Warranty provision is periodically reviewed and reassessed in accordance with the realized expenses in the previous periods (see Note 11).

Contingent assets and liabilities

Contingent liabilities are not recognized in the financial statements, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements, but disclosed when an inflow of economic benefits is probable.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Foreign currency transactions

Income and expenses arising 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 at the exchange rates prevailing at the balance sheet dates, which are announced by Central Bank of the Republic of Turkey. Exchange gains or losses arising from the settlement and translation of foreign currency items have been included in the related income and expense accounts, as appropriate.

Use of estimates

The preparation of financial statements requires Group management to make estimates and assumptions that affect 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 period. Warranty provision, reserve for employee termination, useful lives of property, plant and equipment, unused investment allowance amount and other provisions rely on significant estimates and judgments. Actual results could differ from those estimates. These estimates are reviewed periodically and as adjustments become necessary, they are reported in earnings in the periods in which they become known.

Cash flow hedge

Changes in the fair value of a hedging instrument that qualifies as a highly effective cash-flow hedge are recognized directly in shareholders' equity. The ineffective portion is immediately recognized in net profit or loss. If the cash flow hedge results in the recognition of an asset or a liability, all gains and losses previously recognized directly in equity are transferred from equity and included in the initial measurement of the cost or carrying value of the asset or liability. Otherwise, for all other cash flow hedges, gains and losses initially recognized in equity are transferred from hedging reserve to net profit or loss in the same period or periods during which the hedged firm commitment or forecasted transaction affects the income statement.

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

**Notes to the consolidated financial statements (continued)
as of March 31, 2009**

(Currency – Thousands of Turkish Liras (TL))

2. Basis of preparation of financial statements (continued)

When the hedge ceases to be highly effective, hedge accounting is discontinued prospectively. In this case, the cumulative gain or loss on the hedging instrument that has been reported directly in equity is retained in equity until the committed or forecasted transaction occurs. When the committed or forecasted transaction is no longer expected to occur, any net cumulative gain or loss previously reported in equity is transferred to the income statement.

There is an effective cash flow hedge relationship between foreign currency originated long term loans and the realized and forecasted sales (items subject to be hedged) of light commercial vehicles (Doblo and Mini Cargo (MCV)). According to the agreements made between the Company and Fiat and Peugeot Citroen Automobiles S.A. (PSA) the long term loan liabilities will be partially covered by the planned sales of MCV to Fiat and PSA starting from 2008 until December, 2015. Additionally, the carrying amount of long term loan liabilities for Doblo was partially covered by the sales realized to Fiat until the beginning of 2009.

Furthermore, KFK, subsidiary of the Group has entered into swap transactions in order to minimize its foreign currency risk and interest rate risk and manage its liquidity in foreign currency. Swap transactions are initially recognized at fair value on the date which a derivative contract is entered into and subsequently remeasured at fair value. Swap transactions that are designated as hedging instruments for cash flow hedges are accounted for in accordance with hedge accounting policies under International Accounting Standards.

KFK funds its long term fixed interest rate TL loan portfolio with long term foreign currency funds obtained from international markets. KFK changes the foreign currency liquidity obtained from the international markets to TL liquidity with long term swap transactions. Therefore these long term fixed interest rate loan portfolio are funded by TL and protected from interest and foreign exchange rate risks.

The hedge effectiveness is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

KFK values these swaps designated as cash flow hedging instrument by using the recent market rates or discounted cash flow methods based on market rates of similar instruments and the gain or loss on the effective portion of the hedging instrument is recognized directly "cumulative gain/(loss) on the hedging" in equity, while any ineffective portion is recognized immediately in profit or loss. Amounts taken to equity are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized.

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

Notes to the consolidated financial statements (continued) as of March 31, 2009

(Currency – Thousands of Turkish Liras (TL))

2. Basis of preparation of financial statements (continued)

Related parties

Parties are considered related to the Group 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 Group that gives it significant influence over the Group; or
 - (iii) has joint control over the Group;
- (b) the party is an associate of the Group;
- (c) the party is a joint venture in which the Group is a venturer;
- (d) the party is member of the key management personnel of the Group 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 has a post-employment benefit plan for the benefit of employees of the Group, or of an entity that is a related party of the Group.

Related party transactions are transfer of resources or obligations between related parties, regardless of whether a price is charged.

A number of transactions are entered into with related parties in the normal course of business. Generally, these transactions have been performed with prices adequate to market values (see Note 37).

Investment, research and development incentives

Government grants are recognized where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systemic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is recorded as deferred income.

Investment and research and development incentives are recognized when incentive application of the Group are approved by fiscal authorities (see Note 21).

3. Mergers and acquisitions

None.

4. Joint ventures

None.

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

**Notes to the consolidated financial statements (continued)
as of March 31, 2009**

(Currency – Thousands of Turkish Liras (TL))

5. Segment reporting

Since the Company operates in one business segment and the operations are held in Turkey, there is no segment reporting.

6. Cash and cash equivalents

	March 31, 2009	December 31, 2008
Cash on hand	20	6
Cash at banks		
- demand deposits	44.023	31.755
- time deposits	365.870	184.437
Payment orders	(32)	(64)
Total	409.881	216.134

The breakdown of time deposits is as follows:

	March 31, 2009		December 31, 2008	
	Amount (TL equivalent)	Effective interest rate per annum (%)	Amount (TL equivalent)	Effective interest rate per annum (%)
Denominated in TL	186.940	10,60 - 15,00	85.913	17,15 – 23,15
Denominated in USD	445	4,00	69	4,25
Denominated in EUR	178.485	0,83 - 3,00	98.455	4,25 – 4,97
Total	365.870		184.437	

As of March 31, 2009, the maturities of time deposits vary between one day and three months (December 31, 2008 - between 1 - 43 days). The time deposits bear fixed interest rates.

As of March 31, 2009, the cash at banks comprise deposits amounting to TL 176.366 (December 31, 2008 – TL 76.353) which are deposited at a bank which is related party of the Group.

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

**Notes to the consolidated financial statements (continued)
as of March 31, 2009**

(Currency – Thousands of Turkish Liras (TL))

7. Financial investments

a) Short - term financial investments

KFK funds its long term fixed interest rate TL loan portfolio with long term foreign currency funds obtained from international markets. KFK changes the foreign currency liquidity obtained from the international markets to TL liquidity with long term swap transactions. Therefore these long term fixed interest rate loan portfolio are funded by TL and protected from interest and foreign exchange rate risks. KFK hedged its cash flow risk arising from interest rate and foreign exchange rate volatility of the syndication loan amounting to USD 75 million and other USD 100 million loans by 13 interest rate swaps (December 31, 2008 – 13 interest rate swaps) amounting to; USD 25 million, USD 40 million, 6 units each USD 5 million, 3 units each USD 10 million, USD 20 million and USD 30 million. The critical conditions of the swap contracts such as the reprising and installment and principal repayment dates are the same with the terms of the hedged item which is the foreign currency borrowings. The fair value of the related swap transactions as of March 31, 2009 amounts to TL 41.592 (December 31, 2008 – TL 29.105) and is accounted under “short term financial investments”.

Unrealized profit accounted by KFK under equity within the period regarding to swaps designated as cash flow hedging instrument is TL 12.488, net amount after deduction of deferred tax asset is TL 9.990 and the amount which deducted from equity and taken to profit/loss for the period is TL 11.190. The aforementioned amount is included in financial expense as income amounting to TL 13.988 and in tax expense amounting to TL 2.798.

b) Available for sale financial investments

As of March 31, 2009 and December 31, 2008, available for sale financial assets of the Group comprised the following:

	Percentage of interest	March 31, 2009	December 31, 2008
Entek Elektrik Üretimi A.Ş. (Entek)	13,33%	32.659	32.659
		32.659	32.659

As of March 31, 2009, the participation has been reflected at its assessed fair value of TL 32.659, which is derived from the appraisal study dated January 28, 2009. The total valuation difference of TL 20.926 is presented under the “revaluation surplus of financial investments” account under shareholders’ equity (December 31, 2008 – TL 20.926). The appraisal study is based on the 10 years balance sheet and income statement projections prepared by Entek and the fair value of Entek is calculated using the discounted cash flow method. The Group has not foreseen any change in the fair value of Entek as of March 31, 2009.

Tofaş Türk Otomobil Fabrikası Anonim Şirketi**Notes to the consolidated financial statements (continued)****as of March 31, 2009**

(Currency – Thousands of Turkish Liras (TL))

8. Financial liabilities**a) Short-term financial liabilities**

	March 31, 2009			December 31, 2008		
	Amount in thousands (original currency)	Amount (TL equivalent)	Effective interest rate per annum (%)	Amount in thousands (original currency)	Amount (TL equivalent)	Effective interest rate per annum (%)
Short-term bank borrowings						
Denominated in TL (*)	-	12.697	19,53	-	44.300	19,53
Denominated in EUR	8.100	18.029	5,67 – 7,85	8.100	17.340	5,19 – 7,85
Denominated in USD (*)	79.925	134.897	2,20 – 5,38	25.565	38.662	4,38 – 5,38
Accrued interest		4.449			5.081	
Current portion of long-term bank borrowings		378.410			378.294	
Total		548.482			483.677	

b) Long-term financial liabilities

	March 31, 2009			December 31, 2008		
	Amount in thousands (original currency)	Amount (TL equivalent)	Effective interest rate per annum (%)	Amount in thousands (original currency)	Amount (TL equivalent)	Effective interest rate per annum (%)
Long-term bank borrowings						
Denominated in EUR	512.510	1.140.745	6 months Euribor-0,073%	477.093	1.021.360	6 months Euribor-0,073%
Denominated in USD(*)	105.000	177.240	6 months Euribor+1,387%	125.000	189.037	6 months Euribor+1,34%
Denominated in TL(*)		58.000	3,48 – 4,14		40.000	3,72 – 5,38
Accrued interest		37.034	16,40 – 21,50		14.949	16,40 – 23,85
Commercial paper (**)		68.089			68.089	
Less: Current portion of long-term bank borrowings		(378.410)			(378.294)	
Total		1.102.698			955.141	

(*) All of the short-term bank borrowings which are denominated in TL, a part of short-term bank borrowings which are denominated in USD and all of the long-term bank borrowings which are denominated in TL and USD comprise bank borrowings obtained by KFK, consolidated subsidiary, to finance consumer financing loans.

(**) Commercial papers amounting to TL 68.089 as of March 31, 2009 comprise of bonds issued by KFK one of which is issued on January 7, 2008 with 540 days maturity, 17,81% gross interest rate and TL 40.000 nominal payment on the maturity, and the other one is issued on November 13, 2008 with 540 days maturity, 25,17% gross interest rate and TL 50.000 nominal payment on maturity.

TL loans bear fixed interest rates while Euro and USD loans bear variable interest rates.

The repayment schedule of the long-term bank borrowings as of March 31, 2009 and December 31, 2008 is as follows:

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

**Notes to the consolidated financial statements (continued)
as of March 31, 2009**

(Currency – Thousands of Turkish Liras (TL))

8. Financial liabilities (continued)

	March 31, 2009	December 31, 2008
1 - 5 years	666.533	589.153
5 years and more	436.165	365.988
	1.102.698	955.141

Repayment of the long-term loans- obtained in relation with the investment for Mini Cargo model- has been started to be repaid beginning from the year 2008 until 2015 in equal installments. As of March 31, 2009 the remaining balance of the loan is TL 615.914 (equivalent of Euro 276.716 thousand). The Euro denominated long-term loans were obtained to finance the investment to manufacture Doblo and Mini Cargo light commercial vehicles. The Group has obtained EUR 350 million long-term loan limit in 2006 based on two different manufacturing agreements with the participation of various financial institutions to be utilized in investment of Mini Cargo. According to the manufacturing agreements signed by the Group, the repayment obligations related loans obtained for (i) Doblo is guaranteed by Fiat and (ii) Mini Cargo is by Fiat and PSA through future purchases. As of 31 March 2009, long term loans obtained in relation with the investment for Doblo model has been completely repaid. Group's exposure to foreign exchange rate and interest fluctuations for the loan obtained in relation with the investment for Mini Cargo model is undertaken by Fiat and PSA.

At March 4, 2008, a loan agreement has been signed between the Company and i) Societe Generale, Calyon, Fortis Bank S.A., Ing Bank NV and Intesa Sanpaolo banks as regulator, grantor and guarantor ii) EIB as guarantor and credit grantor and iii) Servizi Assicurativi per il Commercio Estero S.p.A. (SACE) as guarantor role in the consortium amounting to Euro 450 million. The loan, amounting to TL 520.379 (equivalent of Euro 233.794 thousand) has been obtained as of March 31, 2009 (December 31, 2008 – TL 393.466, equivalent of Euro 183.794 thousand), has a maturity of ten years with two years grace period and it will be used for financing investment expenditures regarding to the development and production of Project 263 (New Doblo).

9. Other financial liabilities

None (December 31, 2008 – None).

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

Notes to the consolidated financial statements (continued)

as of March 31, 2009

(Currency – Thousands of Turkish Liras (TL))

10. Trade receivables and payables

a) Trade receivables

	March 31, 2009	December 31, 2008
Trade receivables	219.211	124.202
Doubtful trade receivables	767	1.081
	219.978	125.283
Less: provision for doubtful receivables	(752)	(885)
Less: discount	(364)	(197)
Total	218.862	124.201

The movement of the provision for doubtful receivables for the three months period ended March 31, 2009 and 2008 is as follows:

	March 31, 2009	March 31, 2008
January 1	885	484
Collections	(133)	-
Additional provision	-	1
Total	752	485

As of March 31, 2009, the letter of guarantees, guarantee notes, mortgages and direct debit system limit (*) obtained as collateral for trade receivables amounting to TL 31.865, TL 12.506, TL 8.408 and TL 202.090, respectively (December 31, 2008 - letter of guarantees amounting to TL 33.677 guarantee notes amounting to TL 12.495, mortgages amounting to TL 6.008 and direct debit system limit amounting to TL 225.555).

(*) Represents the payment guarantee limit granted by the banks to their customers based on their transaction volume.

b) Trade payables

	March 31, 2009	December 31, 2008
Trade payables	446.704	358.518
Less: discount	(852)	(472)
Total	445.852	358.046

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

Notes to the consolidated financial statements (continued)

as of March 31, 2009

(Currency – Thousands of Turkish Liras (TL))

11. Other receivables and payables

a) Short-term provisions

	March 31, 2009	December 31, 2008
Warranty provision	33.845	35.169
Provision for sales discount	11.172	78
R&D consulting expense provision	5.535	1.361
Personnel wages and salaries provision	4.088	1.275
Sales expense provision	2.341	-
Services obtained from third parties	1.620	-
Legal and consultancy expense provision	1.317	1.317
Royalty expense provision	900	-
Other	6.094	1.941
Total	66.912	41.141

The warranty provision movement for the periods ended March 31, 2009 and 2008 is as follows:

	March 31, 2009	March 31, 2008
January 1	35.169	50.840
Utilized	(4.036)	(3.674)
Provision for the period	2.712	3.524
March 31	33.845	50.690

b) Long-term provisions

None.

c) Other receivables

As of March 31, 2009, other receivables consist of deposits and guarantees given and amounts to TL 989 (December 31, 2008 – TL 1.323).

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

**Notes to the consolidated financial statements (continued)
as of March 31, 2009**

(Currency – Thousands of Turkish Liras (TL))

12. Receivables from finance sector operations

	March 31, 2009	December 31, 2008
Short-term consumer financing loans	161.503	170.972
Non-performing loans	21.322	15.528
	182.825	186.500
Provision for loan impairment	(8.274)	(6.570)
Total	174.551	179.930
Long-term consumer financing loans	118.018	142.763
Total	118.018	142.763

As of March 31, 2009, TL loans originated by the Group bear monthly fixed interest rates ranging between 0,89% - 2,16% per month (December 31, 2008 – 0,89% - 2,16%) and for foreign currency indexed loans between 0,60% - 1,05% (December 31, 2008 - 0,60% - 1,05%). As of March 31, 2009, the Group has guarantees amounting to TL 351.982 regarding to consumer financing loans of subsidiary KFK (December 31, 2008 – TL 394.421).

The maturities of long-term consumer financing loans are as follows:

Years	March 31, 2009	December 31, 2008
1 to 2 years	83.500	95.717
2 to 3 years	29.605	38.898
3 years and more	4.913	8.148
Total	118.018	142.763

Movements in the allowance for loan impairment for the periods ended March 31, 2009 and 2008 are as follows:

	March 31, 2009	March 31, 2008
January 1	6.570	4.590
Charge for the period	3.637	491
Recoveries from loans under follow-up	(1.849)	-
Write-off (certificate of insolvency)	(84)	-
March 31	8.274	5.081

The Group has obtained pledge rights as a guarantee for its consumer financing loans, up to total amount of receivables, depending on the agreement between the Group and the consumers. Furthermore, the Group has also obtained mortgage guarantee in necessary conditions.

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

**Notes to the consolidated financial statements (continued)
as of March 31, 2009**

(Currency – Thousands of Turkish Liras (TL))

13. Inventories

	March 31, 2009	December 31, 2008
Raw materials, net of reserve for obsolescence of TL 1.652 (December 31, 2008 - TL 2.328)	126.609	141.370
Work-in-process	52.977	39.109
Finished goods, net of reserve for obsolescence of TL 891 (December 31, 2008 - TL 1.497)	24.597	22.604
Spare parts, net of reserve for obsolescence of TL 2.204 (December 31, 2008 – TL 2.316)	28.161	22.105
Imported vehicles, net of reserve for obsolescence of TL 2.159 (December 31, 2008 - TL 2.299)	32.211	48.938
Goods in transit	59.248	51.620
Total	323.803	325.746

14. Biological assets

None.

15. Assets related with construction projects in progress

None.

16. Investments accounted under equity method

None.

17. Investment properties

None.

(Convenience translation of financial statements originally issued in Turkish)

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

Notes to the consolidated financial statements (continued)

as of March 31, 2009

(Currency – Thousands of Turkish Liras (TL))

18. Property, plant and equipment

During the period ended March 31, 2009, the movement of property, plant and equipment and the accumulated depreciation is as follows:

	Land, land improvements and buildings	Machinery and equipment	Moulds and models	Furniture and fixture	Motor vehicles	Leasehold improvements	Construction in progress	Total
At December 31, 2008, net of accumulated depreciation	157.968	408.667	263.137	83.461	8.964	5.470	220.323	1.147.990
Additions	-	-	-	9	1.612	-	40.068	41.689
Disposals	-	(277)	-	(98)	(1.183)	-	-	(1.558)
Transfers	7	10.006	13.518	3.618	-	-	(27.149)	-
Accumulated depreciation of disposals	-	277	-	98	341	-	-	716
Depreciation charge for the period	(1.575)	(7.804)	(14.991)	(3.430)	(903)	(212)	-	(28.915)
At March 31, 2009, net of accumulated depreciation	156.400	410.869	261.664	83.658	8.831	5.258	233.242	1.159.922
At March 31, 2009								
Cost	328.463	1.235.781	1.310.797	254.310	31.884	8.254	233.242	3.402.731
Accumulated depreciation	(172.063)	(824.912)	(1.049.133)	(170.652)	(23.053)	(2.996)	-	(2.242.809)
At March 31, 2009, net carrying amount	156.400	410.869	261.664	83.658	8.831	5.258	233.242	1.159.922

(Convenience translation of financial statements originally issued in Turkish)

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

Notes to the consolidated financial statements (continued)

as of March 31, 2009

(Currency – Thousands of Turkish Liras (TL))

18. Property, plant and equipment (continued)

During the period ended March 31, 2008, the movement of property, plant and equipment and the accumulated depreciation is as follows:

	Land, land improvements and buildings	Machinery and equipment	Moulds and models	Furniture and fixture	Motor vehicles	Leasehold improvements	Construction in progress	Total
At December 31, 2007, net of accumulated depreciation	130.823	386.725	288.610	61.110	10.086	6.063	103.329	986.746
Additions	-	-	-	60	1.280	-	38.831	40.171
Disposals	-	-	-	(66)	(165)	-	-	(231)
Transfers	2	471	7.587	4.764	-	-	(12.824)	-
Accumulated depreciation of disposals	-	-	-	66	64	-	-	130
Depreciation charge for the period	(1.329)	(7.648)	(22.700)	(2.900)	(892)	(203)	-	(35.672)
At March 31, 2008, net of accumulated depreciation	129.496	379.548	273.497	63.034	10.373	5.860	129.336	991.144
At March 31, 2008								
Cost	296.018	1.179.827	1.243.974	231.686	32.255	8.013	129.336	3.121.109
Accumulated depreciation	(166.522)	(800.279)	(970.477)	(168.652)	(21.882)	(2.153)	-	(2.129.965)
At March 31, 2008, net carrying amount	129.496	379.548	273.497	63.034	10.373	5.860	129.336	991.144

Restrictions on assets

As of March 31, 2009 and 2008, there are no restrictions on assets.

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

Notes to the consolidated financial statements (continued)

as of March 31, 2009

(Currency – Thousands of Turkish Liras (TL))

19. Intangibles

During the period ended March 31, 2009 and 2008, the movement of intangibles is as follows:

	License fee and development costs	Others	Total
At December 31, 2008, net of accumulated amortization	678.631	14.226	692.857
Additions	64.562	41	64.603
Amortization charge for the period	(18.168)	(35)	(18.203)
At March 31, 2009, net of accumulated amortization	725.025	14.232	739.257
At March 31, 2009			
Cost	966.947	29.459	996.406
Accumulated amortization	(241.922)	(15.227)	(257.149)
At March 31, 2009, net carrying amount	725.025	14.232	739.257

	License fee and development costs	Others	Total
At December 31, 2007, net of accumulated amortization	441.589	11.784	453.373
Additions	76.942	2.624	79.566
Amortization charge for the period	(15.293)	(277)	(15.570)
At March 31, 2008, net of accumulated amortization	503.238	14.131	517.369
At March 31, 2008			
Cost	674.033	30.650	704.683
Accumulated amortization	(170.795)	(16.519)	(187.314)
At March 31, 2008, net carrying amount	503.238	14.131	517.369

Intangible assets are started to be amortized when the related assets are ready to be used. In relation to this, the Group has intangible assets amounting to TL 237.768 (December 31, 2008 – TL 200.990), which are not started to be amortized and which are not determined as ready to be used.

20. Goodwill

None.

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

Notes to the consolidated financial statements (continued)

as of March 31, 2009

(Currency – Thousands of Turkish Liras (TL))

21. Government incentives

Investment incentive certificates

The Group has obtained investment encouragement certificates from government authorities in connection with certain major capital expenditures, which entitle the Group to:

- i) 100% exemption from customs duty and VAT on machinery and equipment to be imported;
- ii) 100% VAT exemption on local capital expenditures.

As of March 31, 2009 the Group has no unused investment allowances (December 31, 2008 – TL 2.141.858). The Group has not used any investment allowance in the current tax calculation of the first quarter of 2009 (December 31, 2008 – None).

Research and development incentive rate which will be calculated over the research and development expenditures, is raised to 100% from 40% with the amendment made to the 10th article of the Tax Law numbered 5520 as a result of the amendment in the 35th article of the Law 5746 related to the Support of Research and Development Operations. The aforementioned law has been enacted as of April 1, 2008. Accordingly, in 2008, income tax-payers can deduct 100% of the expenditures which are related to research and development related to new technology and information developments. In 2008, it is required that 40% research and development incentive rate should be applied at the first quarter temporary taxation period for the research and development expenditures incurred until the first taxation period, while 100% would be applied at the second and following temporary taxation periods for the total of research and development expenditures of the period which also includes the expenditures in the first temporary taxation period.

Total amount of research and development expenses of the Company for the first quarter of 2009 is TL 36.969 (December 31, 2008 – TL 307.768). As of March 31, 2009 unused R&D allowance amounts to TL 246.647 (December 31, 2008 – TL 222.409).

As of March 31, 2009 government incentives of the Group amounting to TL 85.773 has been originated from deferral of research and development incentive premiums provided to support research and development expenditures of Mini Cargo project by the Scientific & Technological Research Council of Turkey (Tübitak). The related balance will be recognized as revenue in line with the amortization terms of the research and development investments (December 31, 2008 – TL 88.737).

22. Provisions, contingent assets and liabilities

Litigations

As of March 31, 2009 the total amount of outstanding legal claims brought against the Group is TL 1.849 (December 31, 2008 - TL 1.596). The Group has reflected a reserve amounting to TL 1.317 (December 31, 2008 - TL 1.317) in the financial statements.

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

**Notes to the consolidated financial statements (continued)
as of March 31, 2009**

(Currency – Thousands of Turkish Liras (TL))

22. Provisions, contingent assets and liabilities (continued)

Bank letters of guarantee

The breakdown of letters of guarantee and guarantee notes given by the Group as of March 31, 2009 and December 31, 2008 is as follows:

		March 31, 2009	December 31, 2008
a) Letters of guarantee given to banks, customs and suppliers	TL	192	192
	USD	-	-
	EUR	2.000.000	2.284.000
b) Guarantee notes given for short-term and long-term bank borrowings	TL	-	16.355
c) Other	TL	390	686

Other

As of March 31, 2009 the Group has USD 2.903 million of export commitments to be realized before June 9, 2009. In connection with these export incentive certificates USD 577 million of the commitments has been realized as of March 31, 2009 (The Group has USD 2.903 million of export commitments to be realized before June 9, 2009. In connection with these export incentive certificates USD 184 million of the commitments has been realized as of December 31, 2008).

As of March 31, 2009, there is no unused letter of credit issued for the purchase of raw materials and supplies (December 31, 2008 – Euro 3.579.642). As of March 31, 2009, the unused letter of credit issued for the purchase of fixed assets amounts to Euro 3.259.783 (December 31, 2008 - Euro 4.547.461).

The consolidated subsidiaries KFK and Platform have signed a suretyship agreement which guarantees the payments of long-term bank borrowings amounting to Euro 350 million. Furthermore, the Company has signed a suretyship agreement for the syndication loan amounting to USD 75 million obtained by KFK, wholly owned subsidiary.

The long-term bank borrowing agreement related to the finance of MCV project entitles the Group to comply with certain financial ratios. Such financial ratios are met by the Group as of March 31, 2009.

23. Commitments

None.

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

**Notes to the consolidated financial statements (continued)
as of March 31, 2009**

(Currency – Thousands of Turkish Liras (TL))

24. Employee benefits

In accordance with existing social legislation, the Group is required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such payments are calculated on the basis of 30 days' pay (limited to a maximum of TL 2.260 (in full TL)) (December 31, 2008 - TL 2.173 (in full TL)) per year of employment at the rate of pay applicable at the date of retirement or termination.

In the consolidated financial statements, the Group reflected a liability calculated using the Projected Unit Credit Method and based upon factors derived using their experience of personnel terminating their services and being eligible to receive retirement pay and discounted by using the current market yield at the balance sheet date on government bonds in accordance with IAS 19. Assumptions used in the calculations are as follows:

	March 31, 2009	December 31, 2008
Discount rate	6,26%	6,26%
Estimated turnover rate for retirement (%)	99%	99%

Movement in reserve for employee termination benefits for the periods ended March 31, 2009 and 2008 is as follows:

	March 31, 2009	March 31, 2008
January 1	70.221	64.952
Interest expense	2.107	1.949
Payments	(16.438)	(1.319)
Charge for the period (including actuarial gain/loss)	3.246	2.715
March 31	59.136	68.297

25. Employee pension plans

None.

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

Notes to the consolidated financial statements (continued)

as of March 31, 2009

(Currency – Thousands of Turkish Liras (TL))

26. Other assets and liabilities

a) Other current assets

	March 31, 2009	December 31, 2008
Prepaid expenses	3.837	880
VAT deductible	20.687	37.086
Accrued income (*)	24.480	74.215
Advances given	13.610	337
Other	4.558	4.782
	67.172	117.300

(*) TL 22.684 portion of accrued income is related with the accrued income recorded according to the long-term manufacturing agreements for the vehicle orders committed to the Company for 2009 (December 31, 2008 – TL 72.897).

b) As of March 31, 2009, the Group has other non-current assets amounting to TL 94.509 of which the portion TL 94.630 constitutes fixed asset purchase advances (December 31, 2008 - TL 97.035).

c) Other payables

	March 31, 2009	December 31, 2008
Taxes and funds payable	4.002	17.875
Social securities payable	7.242	8.123
Payable to personnel	6.333	7.982
Other	1.557	12.117
Total	19.134	46.097

27. Shareholders' equity

a) Minority interest

None.

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

**Notes to the consolidated financial statements (continued)
as of March 31, 2009**

(Currency – Thousands of Turkish Liras (TL))

27. Shareholders' equity (continued)

b) Share capital / adjustments to share capital and equity investments

Registered capital ceiling of the Company is TL 1.000.000. The Company's historical authorized and issued share capital as of March 31, 2009 and December 31, 2008 is TL 500 million (full TL). As of March 31, 2009 and December 31, 2008 it consists of 50 billion shares with TL 0, 01 (full TL) par value each. As of March 31, 2009 and December 31, 2008, the breakdown of issued share capital of the Company is as follows:

	Share group	March 31, 2009		December 31, 2008	
		Amount (historical TL)	%	Amount (historical TL)	%
Fiat	D	189.280	37,86	189.280	37,86
Koç Holding	A	187.938	37,59	187.938	37,59
Koç Holding companies and Koç family	A	1.342	0,27	1.342	0,27
Other, including publicly traded shares	E	121.440	24,28	121.440	24,28
Total paid in share capital		500.000	100,00	500.000	100,00

The shareholders holding A and D group shares have the privilege to choose the members for Board of Directors and Board of Auditors and also have the privilege of using preemption rights in buying each other's shares. The Group's Articles of Association requires votes of 75% of shareholders during General Assembly resolutions.

c) Legal reserves - retained earnings

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code (TCC). The TCC stipulates that the first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Group's historical paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the historical paid-in share capital. Under TCC, the legal reserves are not available for distribution unless they exceed 50% of the historical paid-in share capital but may be used to offset losses in the event that historical general reserve is exhausted. Listed companies are subject to dividend requirements regulated by the Turkish Capital Market Board as follows:

Based on the CMB Decree 7/242, dated February 25, 2005, if the amount of profit distributions calculated in accordance with the net distributable profit requirements of the CMB does not exceed the statutory net distributable profit the whole amount of distributable profit should be distributed. If it exceeds the statutory net distributable profit, the whole amount of the statutory net distributable profit should be distributed. There will be no profit distribution whether loss of the period is recognized either in the financial statements in accordance with CMB regulations or in the statutory financial statements. Per the resolution of General Assembly Meeting of the companies, the listed companies are free to decide to distribute dividend as full in cash, or distribute dividend as cash or as fully bonus shares to be issued to the shareholders, or partially in cash, partially in bonus shares and to keep the remaining portion in the reserves, or fully keep in the reserve without distribute as cash or bonus shares.

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

**Notes to the consolidated financial statements (continued)
as of March 31, 2009**

(Currency – Thousands of Turkish Liras (TL))

27. Shareholders' equity (continued)

Based on the CMB Decree 2/53 dated January 18, 2007, companies are required to distribute a minimum of 20% of their distributable profits over financial statements prepared in accordance with CMB Accounting Standards. This distributable may be made by either as cash or bonus shares or as a combination of both over the minimum limit of 20% depending on the decisions of the General Assemblies of the companies.

In the calculation of net distributable profit, as long as it is met by the reserves in statutory records, it is decided to enable to calculate profit amount to be distributed taking net income into account in the financial statements that will be prepared and published in accordance with communiqué No: XI-29"Communiqué on Financial Reporting Standards in Capital Markets.

Inflation adjustment to shareholders' equity can only be netted-off against prior years' losses and used as an internal source in capital increase where extraordinary reserves can be netted-off against prior years' loss and used in the distribution of bonus shares and dividends to shareholders.

At the General Assembly meeting held on March 31, 2009, it has been decided to distribute dividend in cash amounting to TL 36.000, after the deduction of legal reserves from the net profit of the year 2008 on April 13, 2009.

In accordance with the Communiqué, as of March 31, 2009 and December 31, 2008 the details of equity, based on which the dividend will be distributed is as follows:

	March 31, 2009	December 31, 2008
Paid-in share capital	500.000	500.000
Inflation adjustments on equity items	348.382	348.382
Revaluation surplus		
- Revaluation surplus of financial assets	20.926	20.926
Restricted reserves	40.221	30.812
Cumulative loss on the hedging	(120.489)	(95.443)
Retained earnings		
- Extraordinary reserves	33.347	33.347
- Inflation adjustments on legal reserves	-	-
- Retained earnings	235.881	105.683
Net income for the period	32.869	175.754
Total shareholder's equity	1.091.137	1.119.461

(Convenience translation of financial statements originally issued in Turkish)

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

Notes to the consolidated financial statements (continued) as of March 31, 2009

(Currency – Thousands of Turkish Liras (TL))

27. Shareholders' equity (continued)

Historical value of legal and extraordinary reserves in the statutory financial statements are as follows:

	March 31, 2009	December 31, 2008
Legal reserves	38.754	33.714
Extraordinary reserves	65.860	61.492
Total	104.614	95.206

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

36.147

90.000

Dividend paid per share (kuruş)

0,07

0,18

The Company's share capital is fully paid, and consists of 50 billion shares with TL 0, 01 par value each. The Company does not have any privileged share.

28. Sales and cost of sales

a) Net sales

	January 1 - March 31, 2009	January 1 - March 31, 2008
Export sales	637.935	895.438
Domestic sales	219.047	381.585
Other income from operational activities	15.482	32.850
Total	872.464	1.309.873

The amount of sales discounts is TL 35.276 (March 31, 2008 - TL 77.496).

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

**Notes to the consolidated financial statements (continued)
as of March 31, 2009**

(Currency – Thousands of Turkish Liras (TL))

28. Sales and cost of sales (continued)

b) Cost of sales

	January 1 - March 31, 2009	January 1 - March 31, 2008
Direct material expense	607.971	924.664
Direct labor expense	20.527	26.967
Depreciation and amortization expense	40.917	46.997
Other production expenses	37.394	55.593
Total cost of production	706.809	1.054.221
Change in work-in-process	(3.679)	15.960
Change in finished goods	(978)	170
Cost of merchandise sold	62.048	99.677
Cost of other sales	6.180	15.277
Total	770.380	1.185.305

c) Other income from operational activities

	January 1 - March 31, 2009	January 1 - March 31, 2008
Income from direct material sales	7.247	14.961
Income from scrap sales	4.886	9.733
Packaging income	2.738	7.312
Other	611	844
Total	15.482	32.850

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

**Notes to the consolidated financial statements (continued)
as of March 31, 2009**

(Currency – Thousands of Turkish Liras (TL))

28. Sales and cost of sales (continued)

d) Production and sales quantities

	Production		Sales	
	January 1 - March 31, 2009	January 1 - March 31, 2008	January 1 - March 31, 2009	January 1 - March 31, 2008
Doblo	14.251	34.775	14.036	34.858
MCV	23.665	31.476	23.298	31.032
Albea	1.042	2.682	1.579	2.852
Palio – Palio Van	263	451	368	655
Grande Punto (*)	-	-	829	1.720
CKD demonte	960	6.672	-	6.672
SKD	69	-	96	-
Ducato (*)	-	-	320	853
Alfa Romeo (*)	-	-	52	70
Panda (*)	-	-	3	33
Sedici (*)	-	-	-	27
Linea	1.950	4.451	1.902	4.475
Ferrari (*)	-	-	2	4
Maserati (*)	-	-	3	1
Lancia (*)	-	-	51	9
Scudo (*)	-	-	78	206
Bravo (*)	-	-	113	514
Fiat 500(*)	-	-	56	-
Total	42.200	80.507	42.786	83.981

(*) Imported vehicles.

29. Research and development expenses, selling, marketing and distribution expenses, general and administrative expenses

	January 1 - March 31, 2009	January 1 - March 31, 2008
Selling and marketing expenses	25.287	42.611
General and administrative expenses	23.362	26.595
Research and development expenses (*)	9.185	4.506
Total	57.834	73.712

(*) Total amount of research and development expenses realized by the Company in the first quarter of 2009 is TL 36.969 (March 31, 2008 – TL 34.645) and TL 27.784 portion is capitalized. Remaining portion of R&D expenses amounting to TL 9.185 is recognized as expense.

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

Notes to the consolidated financial statements (continued)

as of March 31, 2009

(Currency – Thousands of Turkish Liras (TL))

29. Research and development expenses, selling, marketing and distribution expenses, general and administrative expenses (continued)

a) Selling and marketing expenses

	January 1 - March 31, 2009	January 1 - March 31, 2008
Warranty expenses	3.337	2.523
Personnel expenses	7.726	8.306
Royalty expenses	900	3.005
Advertisement expenses	3.389	8.770
Shipment and insurance expenses	4.830	5.937
Packaging expenses	653	3.136
Sales commission expenses	659	3.130
Other selling and marketing expenses	3.793	7.804
Total	25.287	42.611

b) General and administrative expenses

	January 1 - March 31, 2009	January 1 - March 31, 2008
Personnel expenses	12.582	10.430
Depreciation and amortization expenses	2.966	936
Services obtained from third parties	4.691	4.106
Advertisement and sponsorship expenses	705	1.195
Duties, taxes and levies	1.018	1.584
Other general and administrative expenses	1.400	8.344
Total	23.362	26.595

30. Expenses as to nature

a) Depreciation and amortization expenses

	January 1 - March 31, 2009	January 1 - March 31, 2008
Cost of production	40.917	46.997
General and administrative expenses	2.966	936
Research and development expenses	199	3.309
Idle capacity expenses	3.036	-
Total	47.118	51.242

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

Notes to the consolidated financial statements (continued)

as of March 31, 2009

(Currency – Thousands of Turkish Liras (TL))

30. Expenses as to nature (continued)

b) Personnel expenses

	January 1 - March 31, 2009	January 1 - March 31, 2008
Wages and salaries	46.212	79.330
Labor expenses charged by subcontractors	297	367
Other social expenses	22.801 (*)	6.829
Total	69.310	86.526

(*) TL 16.416 portion of the amount is the severance pay for those employees who are either laid off or who quit working for the Company by getting entitled to pension in January 2009.

31. Other operating income / expense

a) Other operating income and gains

	January 1 - March 31, 2009	January 1 - March 31, 2008
Incentive income	3.207	2.675
Rent income	90	52
Other	1.525	4.777
Total	4.822	7.504

b) Other operating expenses and losses

	January 1 - March 31, 2009	January 1 - March 31, 2008
Idle capacity expense (*)	5.474	-
Unused vacation pay	951	-
Loss on sale of fixed assets	29	1
Previous period expense	133	-
Other expenses	587	130
Total	7.174	131

(*) Resulted from the suspension of production activities by the Company in 2009 and TL 3.036 portion of total amount consists of depreciation expenses (March 31, 2008 – None).

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

**Notes to the consolidated financial statements (continued)
as of March 31, 2009**

(Currency – Thousands of Turkish Liras (TL))

32. Financial income

	January 1 - March 31, 2009	January 1 - March 31, 2008
Foreign exchange gain	55.465	128.701
Interest income	9.556	15.384
Total financial income	65.021	144.085

33. Financial expense

	January 1 - March 31, 2009	January 1 - March 31, 2008
Foreign exchange loss	(64.996)	(97.662)
Interest expense	(7.688)	(21.425)
Total financial expenses	(72.684)	(119.087)

34. Assets held for sale and discontinuing operations

None.

35. Tax assets and liabilities

a) General

The Group is subject to taxation in accordance with the tax regulation and the legislation effective in Turkey.

In Turkey, the corporation tax rate from January 1, 2006 onwards is 20%. Platform, the subsidiary of the Group, is exempt from the corporate tax due to its nature of establishment until the year 2013. Corporate tax returns are required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid in one installment by the end of the fourth month. The tax legislation provides for a temporary tax of 20% to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the final corporate tax liability for the year.

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

**Notes to the consolidated financial statements (continued)
as of March 31, 2009**

(Currency – Thousands of Turkish Liras (TL))

35. Tax assets and liabilities (continued)

Effective from April 24, 2003, investment allowances provides a deduction from the corporate tax base of 40% of the purchase price of purchases of the brand-new fixed assets having economic useful life and exceeding TL 10.000 and directly related with the production of goods and services. Investment allowance that arose prior to April 24, 2003 is taxed at 19,8% (withholding tax) unless they are converted to new type at companies' will. Investment allowances could be carried forward indefinitely before the new investment allowance application which has been effective from January 1, 2006. With the new law enacted, effective from January 1, 2006, Turkish government ceased to offer investment incentives for capital investments. Companies having unused qualifying capital investment amounts from periods prior to December 31, 2005 had been able to deduct such amounts from corporate income until the end of December 31, 2008 and the Company has deducted the aforementioned amounts from corporate income until the end of December 31, 2008. Furthermore, qualifying capital investments to be made until the end of December 31, 2008 within the scope of the investment projects started before December 31, 2005 was subject to investment incentive until the end of December 31, 2008. The Company has chosen the option of using available investment allowance incentives until December 31, 2008 and accordingly corporate tax rate has been 30%.

In Turkey, the tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provision for taxes, as reflected in the consolidated financial statements, has been calculated on a separate-entity basis.

Corporate tax losses can be carried forward for a maximum period of five years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

For the periods ended March 31, 2009 and 2008, the analysis of the tax expense in the income statement is as follows:

	January 1 - March 31, 2009	January 1 - March 31, 2008
Current tax charge	-	-
Deferred tax charge	(1.982) (*)	(1.431)
	(1.982)	(1.431)

(*) TL 2.794 portion of the related amount which is accounted under equity in connection with cash flow hedge is the tax effect of exchange losses subject to allowance from tax base in statutory records and reflected in the deferred tax charge.

Tofaş Türk Otomobil Fabrikası Anonim Şirketi**Notes to the consolidated financial statements (continued)
as of March 31, 2009**

(Currency – Thousands of Turkish Liras (TL))

35. Tax assets and liabilities (continued)

The numeric reconciliation between tax income and the accounting results multiplied by the applicable tax rate as of March 31, 2009 and 2008 are as follows:

	March 31, 2009	March 31, 2008
Net income before provision for taxes	34.851	85.465
Income tax charge at effective tax rate	(6.970)	(25.460)
Effect of investment allowance	-	24.864
Deferred tax effect of unused research and development allowance	4.848	-
Tax effect of exchange gain/losses accounted under equity in connection with cash flow hedge	(2.794)	-
Other	2.934	(835)
	(1.982)	(1.431)

b) Deferred tax assets and liabilities

The breakdown of temporary differences and the resulting deferred tax liabilities as of March 31, 2009 and December 31, 2008, using the effective tax rates were as follows:

	Cumulative temporary differences		Deferred tax assets / (liabilities)	
	March 31, 2009	December 31, 2008	March 31, 2009	December 31, 2008
Employee termination benefits and unused vacation liabilities	(61.286)	(82.012)	12.257	16.402
Warranty provision	(33.845)	(35.169)	6.769	7.034
Temporary differences arising between tax and book bases of property, plant and equipment and intangibles and inventories	484.690	505.321	(96.673)	(100.800)
Cumulative gain on the hedging	(14.073)	(37.554)	2.815	7.511
Cumulative gain on KFK swap transactions	41.622	29.105	(8.324)	(5.821)
Deferred income	(47.682)	(50.439)	9.536	10.088
Unused R&D allowances (Note 21)	(246.647)	(222.409)	49.330	44.482
Unused tax loss carryforward of KFK	(68.152)	(47.578)	13.630	9.516
Other temporary differences	(12.126)	2.870	2.425	(574)
Deferred tax liability, net			(8.235)	(12.162)

The movement of the deferred tax liability balance during the period is as follows:

	March 31, 2009	March 31, 2008
Deferred tax asset / (liability) at beginning of the period	(12.162)	9.451
Deferred tax charge for the period	(1.982)	(1.431)
Amount accounted under equity	5.909	(20.807)
Deferred tax liability at March 31	(8.235)	(12.787)

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

**Notes to the consolidated financial statements (continued)
as of March 31, 2009**

(Currency – Thousands of Turkish Liras (TL))

36. Earnings per share

Earnings per share are determined by dividing net income by the weighted average number of shares that have been outstanding during the related period concerned. In the first quarter of 2009 and 2008, the weighted average number of shares outstanding is 50 billion and as of March 31, 2009 and 2008 earnings per share is Kuruş 0, 07 and Kuruş 0, 17, respectively.

37. Related party disclosures

Related party balances

	March 31, 2009	December 31, 2008
Due from related parties		
Fiat	415.083	434.687
Otokoç A.Ş. (Otokoç - Subsidiary of Koç Holding A.Ş.)	58.870	29.427
Other	1.625	211
	475.578	464.325
Less: discount	(785)	(726)
Total	474.793	463.599

	March 31, 2009	December 31, 2008
Due to related parties		
Fiat	391.818	364.600
Mako Elektrik Sanayi ve Ticaret A.Ş. (Mako - Associate company of Fiat)	12.212	9.939
Comau S.p.A. (Associate company of Fiat)	10.835	992
Elasis Societa Consortile per Azioni – (Elasis –Associate company of Fiat)	2.593	-
Other	12.132	20.950
	429.590	396.481
Less: discount	(820)	(522)
Total	428.770	395.959

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

**Notes to the consolidated financial statements (continued)
as of March 31, 2009**

(Currency – Thousands of Turkish Liras (TL))

37. Related party disclosures (continued)

	January 1 - March 31, 2009	January 1 - March 31, 2008
Related party transactions		
Sales		
Fiat	415.683	612.161
Otokoç	79.238	109.616
Other	691	1.378
Total	495.612	723.155
Domestic purchases		
Mako	15.353	20.755
Zer Merkezi Hizmetler ve Ticaret A.Ş. (formerly Beko Ticaret Anonim Şirketi) (*)	2.714	5.404
Entek - Participation of Tofaş	6.829	4.885
Ram Sigorta Aracılık A.Ş. (*)	4.508	3.984
Other	2.343	7.293
Total	31.747	42.321

(*) Subsidiary of Koç Holding A.Ş.

	January 1 - March 31, 2009		January 1 - March 31, 2008	
Foreign purchases	Materials and services	Tangible and intangible assets	Materials and services	Tangible and intangible assets
Fiat	232.842	3.403	441.140	-
Comau S.p.A.	3.718	9.700	813	-
Other	2.497	-	3.533	-
Total	239.057	13.103	445.486	-

Interest income from related parties, for the period ended March 31, 2009 amounts to TL 2.916 (March 31, 2008 - TL 10.773).

Salaries and similar benefits paid to the top management (23 people) (March 31, 2008 - 23 people) in the first quarter of 2009 amounts to TL 2.196 (March 31, 2008 - TL 1.955).

Furthermore, as of March 31, 2009, wholly owned subsidiary KFK has entered into swap transactions with Yapı ve Kredi Bankası A.Ş. amounting to USD 25.000.000 with maturity in April 2009. It is accounted under financial investments with a carrying amount of TL 7.015 (December 31, 2008 - TL 3.888).

Tofaş Türk Otomobil Fabrikası Anonim Şirketi**Notes to the consolidated financial statements (continued)****as of March 31, 2009**

(Currency – Thousands of Turkish Liras (TL))

38. Nature and level of risks arising from financial instruments**Financial risk management objectives and policies**

The Group's principal financial instruments are cash and cash equivalents and bank borrowings. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations. The main risks arising from the Group's financial instruments are interest rate risks, liquidity risk, foreign currency risk and credit risk. The Group management reviews and agrees policies for managing each of the risks as summarized below.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of the counterparties. It is the Group policy that all customers who wish to trade on credit terms are subject to credit screening procedures and the Group also obtains collaterals from customers when appropriate. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Trade receivables are evaluated by management based on their past experiences and current economic condition, and are presented in financial statements net of provision for doubtful receivables (see Note 10).

Amounts carried in the balance sheet reflect maximum credit risk of the Group.

Current period	Trade receivables			Bank deposits (Note 6)	Derivative instruments	Receivables from finance sector operations
	Related party	Other party	Other receivables			
Maximum credit risk exposure as of reporting date (A+B+C+D+E) (1)	474.793	218.862	989	409.861	299.912	306.361
- Maximum risk secured by guarantee (2)	(30.000)	(186.193)	-	-	-	-
A. Net book value of financial assets neither overdue nor impaired	365.454	193.816	989	409.861	-	288.825
B. Net book value of financial assets of which conditions are negotiated, otherwise considered as impaired or overdue	-	4.482	-	-	-	-
C. Net book value of assets overdue but not impaired	109.339	20.235	-	-	-	4.488
-Under guarantee*	-	11.088	-	-	-	4.488
D. Net book value of impaired assets	-	329	-	-	-	13.048
- Overdue (gross book value)	-	1.081	-	-	-	21.322
- Impairment (-) (Note 10)	-	(752)	-	-	-	(8.274)
- Net value under guarantee	-	329	-	-	-	5.450
- Not overdue (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Net value under guarantee	-	-	-	-	-	-
E. Off- balance sheet items having credit risk	-	-	-	-	299.912	-

Tofaş Türk Otomobil Fabrikası Anonim Şirketi**Notes to the consolidated financial statements (continued)****as of March 31, 2009****(Currency – Thousands of Turkish Liras (TL))****38. Nature and level of risks arising from financial instruments (continued)**

	Trade receivables					Receivables from finance sector operations
	Related party	Other party	Other receivables	Bank deposits (Note 6)	Derivative instruments	
Prior year						
Maximum credit risk exposure as of reporting date (A+B+C+D+E) (1)	463.599	124.201	1.323	216.128	229.235	321.324
- Maximum risk secured by guarantee (2)	(30.000)	(247.735)	-	-	-	-
A. Net book value of financial assets neither overdue nor impaired	352.967	112.334	1.323	216.128	-	307.904
B. Net book value of financial assets of which conditions are negotiated, otherwise considered as impaired or overdue	-	5.202	-	-	-	-
C. Net book value of assets overdue but not impaired	110.436	6.665	-	-	-	4.462
-Under guarantee*	-	4.505	-	-	-	4.462
D. Net book value of impaired assets	-	196	-	-	-	8.958
- Overdue (gross book value)	-	1.081	-	-	-	15.528
- Impairment (-) (Note 10)	-	(885)	-	-	-	(6.570)
- Net value under guarantee	-	196	-	-	-	3.926
- Not overdue (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Net value under guarantee	-	-	-	-	-	-
E. Off- balance sheet items having credit risk	-	-	-	-	229.235	-

(1) Guarantees received and factors increasing the loan reliability are not considered when determining this amount.

(2) Guarantees consist of guarantee notes, guarantee checks, mortgages and car pledges received from customers.

Current period	Trade receivables
1- 30 days past due	10.990
1- 3 months past due	84.977
3- 12 months past due	28.131
1- 5 years past due	9.964
Over 5 years past due	-
Amount secured with guarantee	15.576

Prior year	Trade receivables
1- 30 days past due	74.199
1- 3 months past due	19.469
3- 12 months past due	25.070
1- 5 years past due	3.021
Over 5 years past due	-
Amount secured with guarantee	8.967

The amount of past due receivables of the Group is TL 134.062 in the current period (December 31, 2008 – TL 121.759). TL 114.681 portion of this amount is receivable from the Group's related party, Fiat (December 31, 2008 – TL 106.890). As of March 31, 2009, the Group's payable to Fiat amounts to TL 391.818 (December 31, 2008 – TL 364.600) of which TL 162.250 is overdue (December 31, 2008 – TL 123.098).

Tofaş Türk Otomobil Fabrikası Anonim Şirketi**Notes to the consolidated financial statements (continued)
as of March 31, 2009**

(Currency – Thousands of Turkish Liras (TL))

38. Nature and level of risks arising from financial instruments (continued)**Foreign currency risk**

The Group is exposed to foreign exchange risk arising from the ownership of foreign currency denominated assets and liabilities with sales or purchase commitments. The policy of the Group is to compare every foreign currency type for the probable sales or purchases in the future.

As explained in detail in Note 8, according to the manufacturing agreements signed by the Group, the repayment obligations related to loans obtained for Doblo is guaranteed by Fiat and for Mini Cargo by Fiat and PSA through future purchases. As of 31 March 2009, long term loans obtained in relation with the investment for Doblo model has been completely repaid. The Group's exposure to foreign exchange rate and interest rate fluctuations in relation with the loan obtained to manufacture Mini Cargo vehicles is undertaken by Fiat and PSA.

Current period	Table of foreign currency position			
	TL equivalent (functional currency)	USD	EUR	Other
1. Trade receivables	516.705	22	232.127	-
2a. Monetary financial assets (including cash, bank accounts)	220.042	348	98.596	-
2b. Non-monetary financial assets	-	-	-	-
3. Other	23.611	22	10.591	-
4. Current assets (1+2+3)	760.358	392	341.314	-
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	4.366	43	1.929	-
8. Non-current assets (5+6+7)	4.366	43	1.929	-
9. Total assets(4+8)	764.724	434	343.243	-
10. Trade payables	(551.034)	(1.012)	(246.733)	(147)
11. Financial liabilities	(477.573)	(187.687)	(72.224)	-
12a. Monetary other liabilities	(4.806)	-	(2.159)	-
12b. Non-monetary other liabilities	-	-	-	-
13. Current liabilities (10+11+12)	(1.033.413)	(188.699)	(321.116)	(147)
14. Trade payables	-	-	-	-
15. Financial liabilities	(1.015.851)	-	(456.398)	-
16a. Monetary other liabilities	-	-	-	-
16b. Non-monetary other liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	(1.015.851)	-	(456.398)	-
18. Total liabilities (13+17)	(2.049.264)	(188.699)	(777.514)	(147)
19. Net asset/(liability) position of off-balance sheet derivative instruments(19a-19b)	299.912	177.673	-	-
19a. Total hedged asset amount	-	-	-	-
19b. Total hedged liability amount	(299.912)	(177.673)	-	-
20. Net foreign currency asset/(liability) position (9+18+19)	(984.628) (*)	(10.592)	(434.271)	(147)
21. Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)	(1.312.517)	(188.330)	(446.791)	(147)
22. Total fair value of financial instruments used for foreign currency hedging	299.912	177.673	-	-
23. Export	3.345.816	9.555	1.746.410	274
24. Import	2.060.250	57.576	1.121.371	246

Tofaş Türk Otomobil Fabrikası Anonim Şirketi**Notes to the consolidated financial statements (continued)****as of March 31, 2009**

(Currency – Thousands of Turkish Liras (TL))

38. Nature and level of risks arising from financial instruments (continued)

	Prior year	Table of foreign currency position			
		TL equivalent (functional currency)	USD	EUR	Other
1.	Trade receivables	458.837	-	214.330	-
2a.	Monetary financial assets (including cash, bank accounts)	127.620	316	59.390	-
2b.	Non-monetary financial assets	-	-	-	-
3.	Other	75.047	35	35.030	-
4.	Current assets (1+2+3)	661.504	351	308.750	-
5.	Trade receivables	-	-	-	-
6a.	Monetary financial assets	-	-	-	-
6b.	Non-monetary financial assets	-	-	-	-
7.	Other	4.531	46	2.084	-
8.	Non-current assets (5+6+7)	4.531	46	2.084	-
9.	Total assets(4+8)	666.035	397	310.834	-
10.	Trade payables	(499.742)	(728)	(232.846)	(164)
11.	Financial liabilities	(372.947)	(151.993)	(66.839)	-
12a.	Monetary other liabilities	-	-	-	-
12b.	Non-monetary other liabilities	-	-	-	-
13.	Current liabilities (10+11+12)	(872.689)	(152.721)	(299.685)	(164)
14.	Trade payables	-	-	-	-
15.	Financial liabilities	(901.233)	-	(420.980)	-
16a.	Monetary other liabilities	-	-	-	-
16b.	Non-monetary other liabilities	-	-	-	-
17.	Non-current liabilities (14+15+16)	(901.233)	-	(420.980)	-
18.	Total liabilities (13+17)	(1.773.922)	(152.721)	(720.665)	(164)
19.	Net asset/(liability) position of off-balance sheet derivative instruments(19a-19b)	229.235	151.580	-	-
19a.	Total hedged asset amount	-	-	-	-
19b.	Total hedged liability amount	(229.235)	(151.580)	-	-
20.	Net foreign currency asset/(liability) position (9+18+19)	(878.652) (*)	(744)	(409.831)	(164)
21.	Net foreign currency asset/(liability) position of monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)	(1.187.465)	(152.405)	(446.945)	(164)
22.	Total fair value of financial instruments used for foreign currency hedging	229.235	151.580	-	-
23.	Export	3.345.816	9.555	1.746.410	-
24.	Import	2.101.752	1.206	1.107.052	202

(*) As explained in Note 8, the Group's exposure to foreign exchange rate fluctuations on the long-term bank borrowings denominated in Euro are undertaken by Fiat and PSA. Accordingly, net foreign currency exposure of the Group excluding such borrowings as of March 31, 2009 is TL 79.418 foreign currency liability position (TL 71.297 foreign currency asset position when considering the foreign currency denominated inventory and fixed asset purchase advances) (December 31, 2008 - TL 42.284 foreign currency liability position – TL 48.388 foreign currency asset position when considering the foreign currency denominated inventory and fixed asset purchase advances).

Tofaş Türk Otomobil Fabrikası Anonim Şirketi**Notes to the consolidated financial statements (continued)****as of March 31, 2009**

(Currency – Thousands of Turkish Liras (TL))

38. Nature and level of risks arising from financial instruments (continued)

The following table demonstrates the sensitivity to a possible change of 10% in the USD, Euro and other exchange rates, with all other variables held constant, on the Company's income before tax as of March 31, 2009 and December 31, 2008:

Exchange rate sensitivity analysis table					
Current period					
		Profit/loss		Equity	
		Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
<i>In case 10% appreciation of USD against TL:</i>					
1-	USD net asset/liability	(31.779)	31.779	-	-
2-	Amount hedged for USD risk (-)	29.991	(29.991)	-	-
3-	USD net effect (1+2)	1.788	(1.788)	-	-
<i>In case 10% appreciation of EUR against TL:</i>					
4-	EUR net asset/liability	(92.531)	92.531	90.521	(90.521)
5-	Amount hedged for EUR risk (-)	90.521	(90.521)	-	-
6-	EUR net effect (4+5)	(2.010)	2.010	90.521	(90.521)
<i>In case 10% appreciation of other exchange rates against TL:</i>					
7-	Other exchange rates net asset/liability	15	(15)	-	-
8-	Amount hedged for other exchange rates risk (-)	-	-	-	-
9-	Other exchange rates net effect (7+8)	15	(15)	-	-
Total (3+6+9)		(207)	207	90.521	(90.521)

Exchange rate sensitivity analysis table					
Prior year					
		Profit/loss		Equity	
		Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
<i>In case 10% appreciation of USD against TL:</i>					
1-	USD net asset/liability	(23.036)	23.036	-	-
2-	Amount hedged for USD risk (-)	22.923	(22.923)	-	-
3-	USD net effect (1+2)	113	(113)	-	-
<i>In case 10% appreciation of EUR against TL:</i>					
4-	EUR net asset/liability	(84.430)	84.430	83.637	(83.637)
5-	Amount hedged for EUR risk (-)	83.637	(83.637)	-	-
6-	EUR net effect (4+5)	(793)	793	83.637	(83.637)
<i>In case 10% appreciation of other exchange rates against TL:</i>					
7-	Other exchange rates net asset/liability	16	(16)	-	-
8-	Amount hedged for other exchange rates risk (-)	-	-	-	-
9-	Other exchange rates net effect (7+8)	16	(16)	-	-
Total (3+6+9)		(664)	664	83.637	(83.637)

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

**Notes to the consolidated financial statements (continued)
as of March 31, 2009**

(Currency – Thousands of Turkish Liras (TL))

38. Nature and level of risks arising from financial instruments (continued)

Interest rate risk

Interest rate risk stems from the probability of an impact of rate changes on financial accounts. The Group is exposed to interest rate risk due to maturity mismatch or differences of the assets and liabilities that are re-priced or matured in a specific period. These exposures are managed by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities.

As of March 31, 2009 and 2008, the effect of +/- 0,5% change in interest rates of the interest rates sensitive financial instruments in balance sheet is as follows:

	January 1- March 31, 2009	January 1- March 31, 2009
Effect to net income before provision for taxes	0,5% (1.917)	(0,5)% 1.917

	January 1- December 31, 2008	January 1- December 31, 2008
Effect to net income before provision for taxes	0,5% (493)	(0,5)% 493

No direct effect in shareholders' equity without effecting income/loss.

Liquidity risk

Liquidity risk is the risk that an entity will be unable to meet its net funding requirements. The risk is mitigated by matching the cash in and out flow volume supported by committed lending limits from qualified credit institutions.

The breakdown of financial assets and liabilities according to their maturities is disclosed considering from balance sheet date to due date period. Financial assets and liabilities that have no certain due date are classified in over 1 year column.

Maturities per agreement	Book value	Total cash outflow per agreement (=I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	Over 5 years (IV)
Non-derivative financial liabilities						
Bank loans	1.573.349	1.591.789	260.523	260.694	634.407	436.165
Commercial paper issuance	77.831	90.000	40.000	-	50.000	-
Trade payables	874.622	876.294	788.012	88.282	-	-
Other current liabilities	19.134	19.134	19.134	-	-	-

Tofaş Türk Otomobil Fabrikası Anonim Şirketi**Notes to the consolidated financial statements (continued)****as of March 31, 2009**

(Currency – Thousands of Turkish Liras (TL))

38. Nature and level of risks arising from financial instruments (continued)

Expected maturities (or maturities per agreement)	Book value	Total cash outflow expected/ per agreement (=I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	Over 5 years (IV)
Derivative financial assets (net)	41.592	51.627	35.205	16.422	-	-
Derivative cash inflows	41.592	295.400	160.360	135.040	-	-
Derivative cash outflows	-	(243.773)	(125.155)	(118.618)	-	-

Prior year

Maturities per agreement	Book value	Total cash outflow per agreement (=I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	Over 5 years (IV)
Non-derivative financial liabilities						
Bank loans	1.364.363	1.388.070	81.403	383.168	557.510	365.989
Commercial paper issuance	74.455	90.000	-	40.000	-	50.000
Trade payables	754.005	754.999	690.871	64.128	-	-
Other current liabilities	46.097	46.097	46.097	-	-	-

Expected maturities (or maturities per agreement)	Book value	Total cash outflow expected/ per agreement (=I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	Over 5 years (IV)
Derivative financial assets (net)	29.105	33.391	6.426	26.965	-	-
Derivative cash inflows	29.105	226.845	37.807	189.038	-	-
Derivative cash outflows	-	(193.454)	(31.381)	(162.073)	-	-

Capital management policy

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes amendments to it, in light of changes in economic conditions.

The Group has the power to organize the dividend payments in order to regulate and keep the capital structure. There is no change in policy, target or processes of the Group as of March 31, 2009.

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

Notes to the consolidated financial statements (continued)

as of March 31, 2009

(Currency – Thousands of Turkish Liras (TL))

39. Financial instruments (fair value explanations and disclosures within the framework of hedge accounting)

The estimated fair values of financial instruments have been determined by the Group 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 Group 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 practicable to estimate fair value:

Financial assets -- Monetary assets for which the fair value approximates carrying value, balances denominated in foreign currencies are translated at year-end exchange rates. The fair values of financial assets (except short-term consumer financing loans) carried at cost are considered to approximate their respective carrying values due to their short-term nature and negligible credit losses. The fair values are calculated by discounting the future cash flows of consumer financing loans with the current interest rate which is monthly 1,63% (December 31, 2008 – 2,10%).

	March 31, 2009		December 31, 2008	
	Carrying value	Fair value	Carrying value	Fair value
Consumer financing loans	289.149	288.825	322.693	308.721

Financial liabilities -- Monetary liabilities for which fair value approximates carrying value; balances denominated in foreign currencies are translated at the year end exchange rates. Trade payables and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature.

Management considers an effective cash flow hedge relationship between foreign currency originated long term loans and the realized and forecasted sales (items subject to be hedged) of light commercial vehicles (Doblo and Mini Cargo (MCV)). Effectiveness of hedge relationship has been determined by the agreements made between the Company and Fiat and Peugeot Citroen Automobiles S.A. (PSA). It is vastly probable to cover long term loan liabilities by the planned sales of MCV to Fiat and PSA starting from 2008 until December, 2015. Additionally, the carrying amount of long term loan liabilities for Doblo has been covered by the sales realized to Fiat until the end of 2008.

Furthermore, wholly owned subsidiary, KFK, enters into swap transactions in order to diminish exposure to foreign currency position and interest rate risk and to manage foreign currency liquidity. Swap transactions, which are considered as cash flow hedge instruments in accordance with International Financial Reporting Standards (IFRS) are recognized in the income statements in accordance with hedge accounting. KFK values its swap transactions based on fair value and net profit or loss is recognized under cumulative gain on the hedging account under shareholders' equity.

(Convenience translation of financial statements originally issued in Turkish)

Tofaş Türk Otomobil Fabrikası Anonim Şirketi

Notes to the consolidated financial statements (continued)

as of March 31, 2009

(Currency – Thousands of Turkish Liras (TL))

40. Subsequent events

None.

41. Other matters which are significant to the financial statements or which should be disclosed for the purpose of true and fair interpretation of the financial statements

None.