**Doğuş Otomotiv Servis ve Ticaret AŞ
and its Affiliates**

Consolidated Financial Statements
As of 31 December 2005
With Independent Auditors' Report Thereon

Akis Serbest Muhasebeci
Mali Müşavirlik Anonim Şirketi

3 March 2006

This report includes 1 page of independent auditors' report and 38 pages of financial statements together with their explanatory notes and 3 pages of supplementary information.

Doğuş Otomotiv Servis ve Ticaret AŞ
and its Affiliates

Table of Contents

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Independent Auditors' Report

To the Board of Directors of
Doğuş Otomotiv Servis ve Ticaret Anonim Şirketi,

We have audited the accompanying consolidated balance sheet of Doğuş Otomotiv Servis ve Ticaret Anonim Şirketi and its affiliates (the Group) as of 31 December 2005, and the related consolidated statements of income, recognised gains and losses and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Doğuş Otomotiv Servis ve Ticaret Anonim Şirketi and its affiliates as of 31 December 2005, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Our audit was made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary information included in Appendix I is presented for purposes of additional analysis and is not a required part of the basic financial statements. The US Dollar amounts presented in Appendix I are solely for the convenience of the reader as additional analysis and have not been subjected to the audit procedures applied in the audit of the basic financial statements. Accordingly, we do not express an opinion on this supplementary information.

3 March 2006
Istanbul, Turkey

KPMG Akis SMMM A.Ş.

Doğuş Otomotiv Servis ve Ticaret AŞ and its Affiliates

Consolidated Statement of Income
For the Year Ended 31 December 2005

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 31 December 2005 pursuant to IAS 29)

	Note	31 December 2005	31 December 2004
Net sales	*1*	2,465,691	2,412,210
Cost of sales		(2,111,797)	(2,125,486)
Gross profit		**353,894**	**286,724**
General and administrative expenses	*2*	(81,194)	(63,317)
Selling and marketing expenses	3	(102,126)	(92,911)
Other operating income	4	14,003	7,969
Other operating expense	*5*	(29,436)	(17,962)
Profit from operations		**155,141**	**120,503**
Net financing costs	*6*	(13,846)	(19,415)
Share of profit of associates	*11*	13,462	1,017
Profit before monetary position		**154,757**	**102,105**
Gain/(loss) on monetary position, net		(1,024)	1,572
Profit before taxation		**153,733**	**103,677**
Taxation charge	*7*	(47,773)	(43,230)
Profit for the year		**105,960**	**60,447**
Attributable to:			
Equity holders of the parent		107,793	61,003
Minority interest		(1,833)	(556)
Profit for the year		**105,960**	**60,447**
Weighted average number of shares of Ykr 0.1 each		110,000,000,000	110,000,000,000
Earnings per share (Ykr Full)	*19*	0.09799	0.05546

Doğuş Otomotiv Servis ve Ticaret AŞ and its Affiliates

Consolidated Statement of Recognised Income and Expense

For the Year Ended 31 December 2005

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 31 December 2005 pursuant to IAS 29)

	31 December 2005	**31 December 2004**
Change in fair value of equity securities available-for-sale	92,005	18,645
Net income recognised directly in equity	**92,005**	**18,645**
Net profit for the year	105,960	60,447
Total recognised income for the year	**197,965**	**79,092**
Attributable to :		
Equity holders of the parent	199,798	79,648
Minority interest	(1,833)	(556)
Total recognised income for the year	**197,965**	**79,092**

Doğuş Otomotiv Servis ve Ticaret AŞ and its Affiliates

Consolidated Balance Sheet as of 31 December 2005

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 31 December 2005 pursuant to IAS 29)

	Note	31 December 2005	31 December 2004
Assets			
Tangible assets, net	*9*	101,532	104,952
Intangible assets, net	*10*	6,797	6,836
Investments in associates	*11*	31,496	12,454
Equity securities available-for-sale	*12*	205,316	113,311
Other non-current assets	*13*	3,482	3,473
Deferred tax assets	*23*	1,248	2,321
Total non-current assets		349,871	243,347
Due from related parties	*8*	729	2,980
Inventories	*14*	366,684	384,918
Trade receivables, net	*15*	136,874	81,177
Other current assets	*16*	37,963	25,670
Cash and cash equivalents	*17*	125,957	74,539
Total current assets		668,207	569,284
Total assets		1,018,078	812,631
Shareholders' equity and liabilities			
Issued capital	*18*	139,165	139,165
Treasury stocks	*18*	(287)	(287)
Reserves	*18*	135,289	37,917
Retained earnings	*18*	198,871	132,557
Total shareholders' equity attributable to equity holders of the parent company		473,038	309,352
Minority interest	*18*	7,017	8,850
Total shareholders' equity		480,055	318,202
Liabilities			
Bank borrowings, long-term	*20*	28,611	13,214
Reserve for severance payments	*22*	2,637	1,962
Deferred tax liabilities	*23*	3,847	4,147
Total non-current liabilities		35,095	19,323
Due to related parties	*8*	46,785	25,967
Bank borrowings, short-term	*20*	20,902	21,885
Trade payables	*21*	387,573	401,530
Other current liabilities	*24*	38,947	19,324
Taxes payable on income	*23*	8,721	6,400
Total current liabilities		502,928	475,106
Total shareholders' equity and liabilities		1,018,078	812,631
Commitments and contingencies	*26*		

Doğuş Otomotiv Servis ve Ticaret AŞ and its Affiliates

Consolidated Statement of Cash Flows
For the Year Ended 31 December 2005

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 31 December 2005 pursuant to IAS 29)

	Note	31 December 2005	31 December 2004
Operating Activities			
Net profit for the year		107,793	61,003
Adjustments:			
Gain on sales of tangible assets		(783)	(562)
Provision for legal exposures		1,074	1,883
Taxation charge	7	47,773	43,230
Depreciation and amortisation	9 and 10	13,162	14,981
Share of profit of associates	11	(13,462)	(1,017)
Minority interest	18	(1,833)	(556)
Severance pay provision	22	1,493	367
Warranty provision, net		1,650	1,168
Accrued expenses		(475)	1,403
Impairment in goodwill	10	156	-
Loss on sale of investments	5	-	5,926
Effect of inflation on monetary items		(777)	(8,278)
Changes in operating assets and liabilities:			
Trade receivables		(55,697)	(2,104)
Due from/(to) related parties, net		3,305	646
Inventories		18,234	(252,668)
Trade payables		(13,957)	199,714
Other assets/liabilities, net		4,676	(18,395)
Taxes paid		(44,324)	(35,857)
Cash flows provided by operating activities		68,008	10,884
Investing activities:			
Acquisition of tangible assets	9	(9,292)	(11,440)
Sales of tangible assets		1,300	1,872
Acquisition of intangible assets	10	(1,084)	(2,546)
Acquisition of investments	11	(5,580)	(299)
Sales of investments available-for-sale		-	3,339
Cash flows used in investing activities		(14,656)	(9,074)
Financing activities:			
Repayment of bank borrowings		(24,518)	(42,551)
Proceeds from bank borrowings		38,932	40,401
Financing purpose payables to related parties, net		19,764	25,296
Proceeds from sales of securities held for trading		-	44,175
Dividends paid	18	(36,112)	(59,105)
Cash flows (used in)/provided by financing activities		(1,934)	8,216
Net increase in cash and cash equivalents		51,418	10,026
Cash and cash equivalents at 1 January		74,539	64,513
Cash and cash equivalents at 31 December		**125,957**	**74,539**

Organisation and Nature of Operations

Doğuş Otomotiv Servis ve Ticaret AŞ ("the Company") was established on 24 November 1999 as a distributor of Volkswagen AG, and is active in the importing, marketing and selling of automobiles, commercial vehicles and spare parts of Volkswagen Group brands (VW, Audi, Porsche, Scania and Krone).

As of 31 December 2005, the Company has 2 affiliates (2004:3), 4 associates (2004:4) and 2 jointly controlled entities (2004: none). The Company's affiliates as of 31 December 2005 are as follows:

- Katalonya Oto Servis ve Ticaret AŞ (Katalonya) (Imports and distributes Seat brand),
- Doğuş Oto Pazarlama ve Ticaret AŞ (Doğuş Oto Pazarlama) (Automobile dealer for group brands).

Doğuş Motor Sporları Organizasyon Pazarlama Servis ve Ticaret AŞ, which was an affiliate of the Company, merged with Doğuş Oto Pazarlama on 30 December 2005.

The Group started used car operations via its dealer network under the brand name "DOD", purchased from VDF Otomotiv Servis ve Ticaret AŞ ("VDF Otomotiv") in December 2005.

The Company and its affiliates (together referred to as "the Group") operate in a single business segment. Sales and operations of the Group are made in Turkey and no geographical segment information is considered necessary.

The Company and its affiliate Katalonya, are registered in Turkey at the following address:

Doğuş Grubu Binaları
Büyükdere Caddesi No: 65
34390 Maslak/İstanbul-Turkey

The Company's affiliate, Doğuş Oto Pazarlama, is registered in Turkey at the following address:
Ankara Asfaltı Üzeri
Hürriyet Mahallesi No: 49/1
81450 Kartal/İstanbul-Turkey

The Company has also significant influence but not control on the operations of Yüce Auto Motorlu Araçlar Ticaret AŞ ("Yüce Auto") (Distributor of Skoda) having 50% of its shares.

The number of employees of the Group as of 31 December is 1,507 (2004: 1,186).

The accompanying consolidated financial statements are authorized for issue by the board of directors on 3 March 2006.

Significant Accounting Policies

(a) Statement of compliance

The Company and its affiliates maintain their books of account and prepare their statutory financial statements in New Turkish Lira ("YTL") in accordance with the Turkish Commercial Code, tax legislation, and the accounting principles promulgated by the Capital Markets Board of Turkey ("CMB").

The accompanying consolidated financial statements are based on these statutory records with adjustments and reclassifications for the purpose of fair presentation in accordance with International Financial Reporting Standards ("IFRS"), adopted by the International Accounting Standards Board.

(b) Basis of preparation

In accordance with the "Law on the Currency of the Turkish Republic" numbered 5083, enacted on 1 January 2005, the name of the new currency unit of the Turkish Republic has been defined as "New Turkish Lira (YTL)" and "New Kuruş (YKr)" has been defined as the sub unit. The CMB announced in its weekly bulletin dated 3 December 2004 that financial statements as of and for the year ended 31 December 2004, including prior year financial statements presented on comparative basis, which will be publicized within 2005, shall be presented in YTL terms.

Accordingly, the accompanying consolidated financial statements are presented in YTL, rounded to the nearest thousand as adjusted for the effects of inflation in YTL units current at 31 December 2005 pursuant to International Accounting Standard (IAS) 29, *"Financial Reporting in Hyperinflationary Economies"*.

The accompanying consolidated financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value if reliable measures are available: derivative financial instruments, financial assets and liabilities held for trading, and available-for-sale assets.

(c) Change in accounting policy

The Group adopted revised standards of IFRS effective from 1 January 2005. The changes have been retrospectively applied in the accompanying consolidated financial statements, the effects of which are disclosed in Note 25.

(d) Accounting in hyperinflationary economies

The financial statements of the entities were restated for the changes in the general purchasing power of the New Turkish Lira based on IAS 29, which requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date and that corresponding figures for previous periods be restated in the same terms.

One characteristic that necessitates the application of IAS 29 is a cumulative three-year inflation rate approaching or exceeding 100%. Three years inflation rate in Turkey has been 36% as of 31 December 2005, based on the Turkish nation-wide wholesale price indices announced by the Turkish State Institute of Statistics ("SIS"). However, hyperinflation is also indicated by characteristics of the economic environment of a country which include, but are not limited to, the following:

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 31 December 2005 pursuant to IAS 29, unless otherwise stated)

Significant Accounting Policies *(continued)*

- The general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency. Amounts of local currency held are immediately invested to maintain purchasing power,
- The general population regards monetary amounts not in terms of the local currency but in terms of a relatively stable foreign currency,
- Sales and purchases on credit take place at prices that compensate for the expected loss of purchasing power during the credit period, even if the period is short,
- Interest rates, wages and prices are linked to a price index.

Such indicators of hyperinflation are still valid in Turkey. Consequently, the consolidated financial statements are restated for the changes in the general purchasing power of the New Turkish Lira as of 31 December 2005 based on IAS 29.

At 31 December 2005, the indices and conversion factors used to restate the accompanying consolidated financial statements were as follows:

Date	Index	Conversion factor
31 December 2005	8,785.74	1.000
31 December 2004	8,403.80	1.045
31 December 2003	7,382.10	1.190

The main guidelines for the above-mentioned restatement are as follows:

- Financial statements prepared in the currency of a hyperinflationary economy are stated in terms of the measuring unit current at the balance sheet date, and corresponding figures for previous periods are restated in the same terms.
- Monetary assets and liabilities which are carried at amounts current at the balance sheet date are not restated because they are already expressed in terms of the monetary unit current at the balance sheet date.
- Non-monetary assets and liabilities which are not carried at amounts current at the balance sheet date, and components of shareholders' equity are restated by applying the relevant conversion factors.
- All items in the statement of income are restated by applying the monthly conversion factors except for those deriving from non-monetary items, which are calculated based on the restated values of the related items.
- The effect of inflation on the net monetary position of the Group is included in the statement of income as "Gain/(loss) on monetary position, net".

(e) *Basis of consolidation*

(i) Affiliates

Affiliates are those enterprises controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of the affiliates are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 31 December 2005 pursuant to IAS 29, unless otherwise stated)

Significant Accounting Policies *(continued)*

The table below sets out all the affiliates showing their ownership structures at 31 December 2005:

Name	Direct and indirect ownership by the Group (%)
Doğuş Oto Pazarlama	86.94
Katalonya	50.00

(ii) Associates

Associates are those enterprises in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognized gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

The table below sets out all associates and shows their shareholding structure at 31 December 2005:

Name	Direct and indirect ownership by the Group (%)
Yüce Auto (*)	50.00
Doğuş Sigorta Aracılık Hizmetleri AŞ ("Doğuş Sigorta")	42.00
VDF Holding AŞ ("VDF Holding")	38.22
Volkswagen Doğuş Tüketici Finansmanı AŞ ("VDTF")	48.00

(*) Even though the Group has 50% shares in Yüce Auto, it is not jointly controlled, but the Group only exercises a significant influence on the operations of Yüce Auto.

(iii) Jointly controlled entities

Jointly controlled entities are those entities established to develop a project and the Group has joint control over their operations. Jointly controlled entities are accounted under equity method.

The table below sets out all jointly controlled entities and shows their shareholding structure at 31 December 2005:

Name	Direct and indirect ownership by the Group (%)
TÜVTURK Kuzey Taşıt Muayene İstasyonları Yapım ve İşletim AŞ ("TÜVTURK Kuzey")	33.33
TÜVTURK Güney Taşıt Mayene İstasyonları Yapım ve İşletim AŞ ("TÜVTURK Güney")	33.33

The partnership established by the Group, Akfen Holding AŞ and TÜV - SÜD Teknik Güvenlik ve Kalite Denetim Ticaret Limited Şirketi obtained the right to render the vehicle inspection services for 20 years by offering USD 613,500,000 for the bid of the "Privatization of Vehicle Inspection Stations" 1st and 2nd Regions led by the Privatization Administration of Turkey. Vehicle Inspection Station services will be performed by TÜVTURK Kuzey and TÜVTURK Güney, which were established with a share capital of YTL 50 thousand on 21 March 2005 and YTL 50 thousand on 2 May 2005, respectively by the partnership.

Significant Accounting Policies *(continued)*

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the enterprise. Unrealised gains arising from transactions with associates are eliminated against the investment in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(f) Related parties

For the purpose of this report, the Company's ultimate parent company Doğuş Holding AŞ ("Doğuş Holding") and all its subsidiaries, shareholders, key management and board members, in each case together with companies controlled by or affiliated with them, and associated companies are considered and referred to as related parties. A number of transactions are entered into with related parties in the normal course of the business. These transactions were priced predominantly at market rates.

(g) Trade and other receivables

Trade and other receivables are stated at their cost, less impairment losses (see accounting policy (r)).

(h) Inventory

Inventories are valued at the lower of cost or net realisable value. Cost elements included in inventories comprise all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories is determined on the specific identification basis for trade goods, moving weighted average basis for spare parts inventory and monthly weighted average basis for other inventories. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

(i) Financial instruments

(i) Classification

Financial instruments at fair value through profit or loss are those that are principally held for the purpose of short-term profit taking. These include investments and derivative contracts that are not designated and effective hedging instruments.

Held-to-maturity assets are financial assets with fixed or determinable payments and fixed maturity that the Group has the intent and ability to hold to maturity.

Available-for-sale assets are financial assets that are not held for trading purposes, loans and receivables, or held to maturity. Available-for-sale instruments include equity investments.

(ii) Recognition

Financial assets held for trading and available-for-sale assets are recognised on the date at which the purchase of the assets is committed. From this date any gains and losses arising from changes in fair value of the assets are recognised.

Held-to-maturity instruments and loans and receivables are recognised on the day they are transferred to the Group.

Significant Accounting Policies *(continued)*

(iii) Measurement

Financial instruments are measured initially at cost, including transaction costs. Subsequent to initial recognition, all trading instruments and all available-for-sale assets are measured at fair value, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost, including transaction costs, less impairment losses.

All non-trading financial liabilities, loans and receivables and held-to-maturity assets are measured at amortised cost less impairment losses. Amortised cost is calculated on the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

(iv) Fair value measurement principles

The fair value of financial instruments is based on their quoted market price at the balance sheet date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated by the Group using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to develop the estimated fair value. Accordingly, the estimates made are not necessarily indicative of the amounts that could be realised in current market exchange.

The fair value of derivatives that are not exchange-traded is estimated at the amount that the Group would receive or pay to terminate the contract at the balance sheet date taking into account current market conditions and the current creditworthiness of the counter parties.

(v) Gains and losses on subsequent measurement

Gains and losses arising from changes in the fair value of trading instruments are recognised in the consolidated statement of income.

Gains and losses arising from changes in the fair value of available-for-sale assets are recognised in equity.

(vi) Specific instruments

Cash and cash equivalents: Cash and cash equivalents comprise cash balances on hand, deposits at banks and short-term highly liquid investments with maturities of three months or less when purchased.

(j) Derecognition

A financial asset is derecognised when the control over the contractual rights that comprise that asset is lost. This occurs when the rights are realised, expire or are surrendered. A financial liability is derecognised when it is extinguished.

Available-for-sale assets and assets held for trading that are sold are derecognised and corresponding receivables from the buyer for the payment are recognised as of the date the Group commits to sell the assets. The specific identification method is used to determine the gain or loss on derecognition.

Held-to-maturity instruments and loans and receivables are derecognised on the day they are transferred by the Group.

Significant Accounting Policies *(continued)*

(k) Foreign currency transactions

Income and expenses arising in foreign currencies are translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into New Turkish Lira at the exchange rates prevailing at the balance sheet dates. Exchange gains or losses arising from settlement and translation of foreign currency items are included in the consolidated statement of income.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into New Turkish Lira at foreign exchange rates ruling at the dates the values were determined and restated for the effects of inflation pursuant to IAS 29.

(l) Reserve for severance payments

Reserve for severance payments represent the present value of the estimated future probable obligation of the Group arising from the retirement of the employees and calculated in accordance with the Turkish Labour Law. It is computed and reflected in the financial statements on an accrual basis as it is earned by serving employees. The computation of the liabilities is based upon the retirement pay ceiling announced by the Government.

(m) Tangible assets and related depreciation

(i) Owned assets

The costs of the tangible assets are restated for the effects of inflation in YTL units current at the balance sheet date pursuant to IAS 29. Accordingly, tangible assets are carried at restated costs, less accumulated depreciation and impairment losses (see accounting policy (r)).

(ii) Subsequent expenditure

Expenditure incurred to replace a component of an item of tangible assets that is accounted for separately, including major inspection and overhaul costs, are capitalised. Other subsequent expenditures are capitalised only when it increases the future economic benefits embodied in the item of tangible assets. All other expenditures are recognised in the consolidated statement of income as an expense as incurred.

(iii) Depreciation

Tangible assets are depreciated over the estimated useful lives of the related assets from the date of purchase or the date of installation, on a straight-line basis.

The estimated useful lives are as follows:

	Years
Buildings	50
Land improvements	10
Machinery and equipment	5-10
Office equipment	10
Motor vehicles	5

Leasehold improvements are amortised over the periods of the respective leases, also on a straight-line basis.

Expenditures for major renewals and betterment of tangible assets are capitalised and depreciated over the remaining useful lives of the related assets.

Significant Accounting Policies *(continued)*

(n) Intangible assets

Intangible assets comprise information systems and software. Information systems and software are carried at cost restated for the effects of inflation in YTL current at the balance sheet date, less accumulated amortization and impairment. Intangible assets are amortized on a straight-line basis over their estimated useful lives for a period not exceeding 5 years from the date of acquisition.

Goodwill represents the difference between the acquisition price and the fair value of the assets acquired.

Goodwill arising on a purchase transaction before 31 March 2004 was capitalized and amortized on a straight-line basis over its estimated useful life which was determined as 5 years until 31 December 2004. With the amendment in accounting standards effective from 1 January 2005, amortization of goodwill was terminated; net book value of goodwill is reviewed annually and is adjusted considering any indication of impairment in necessary circumstances.

(o) Warranties

The warranties on automobiles sold by the Group are issued by the producers (Volkswagen, Audi, Porsche, Seat, Scania) where the Group acts as an intermediary between the customers and the producer. The claims of customers from the Group are recognised as warranty expense. The Group recognises the claims from the producers as warranty income and net-off with warranty expense. In some circumstances, the producers do not accept some of these claims and in that case the Group undertakes their cost without reflecting to the customers. Accordingly, the Group recognises the estimated liability for the difference between possible warranty claims of customers and possible warranty claims from the producers based on historical service statistics.

(p) Taxes on income

Taxes on income for the year comprise current tax and the change in the deferred taxes. Current taxes on income comprise tax payable calculated on the basis of expected taxable income for the period using the tax rates enacted by the balance sheet date and any adjustment in taxes payable for previous years.

Deferred income tax is provided, using the liability method, on all taxable temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for differences relating to goodwill not deductible for tax purposes and initial recognition of assets and liabilities which affect neither accounting nor taxable profit. Deferred tax liabilities and assets are recognised when it is probable that future economic benefits resulting from the reversal of taxable temporary differences will flow to or from the Group. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deferred tax asset can be utilised. Currently enacted or substantively enacted tax rates are used to determine deferred taxes on income.

Deferred tax assets and liabilities relating to an individual consolidated affiliate that reports to a specific tax office are offset against each other in the accompanying consolidated financial statements.

(q) Offsetting

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

Significant Accounting Policies *(continued)*

(r) Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Recoverable amount is measured at the higher of net selling price and value in use. In determining an asset's value in use, the Group uses, among other things, a discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Impairment losses are recognised in the consolidated statement of income.

(s) Capital increases

Pro-rata capital increases to existing shareholders are accounted for at par value as approved.

(t) Dividends

Dividends receivable are recognised as income in the period when they are declared and dividends payable are recognised as an appropriation of profit in the period in which they are declared.

(u) Revenue recognition

Revenue is recognised on an accrual basis at the time deliveries or acceptances are made, and measured at the fair value of the consideration received or receivable. When the invoiced value effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. Sales represent the invoiced value of goods shipped less sales discounts and returns.

Index for the notes to the consolidated financial statements:

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 31 December 2005 pursuant to IAS 29, unless otherwise stated)

1 Net sales

For the years ended 31 December, net sales comprised the following:

	2005	2004
Domestic sales	2,622,184	2,486,162
Export sales	4,395	5,613
Sales returns (-)	(6,668)	(7,605)
Sales discounts (-)	(84,929)	(36,316)
Other sales deductions (-)	(69,291)	(35,644)
Net sales	**2,465,691**	**2,412,210**

2 General and administrative expenses

For the years ended 31 December, general and administrative expenses comprised the following:

	2005	2004
Personnel expenses	38,402	23,435
Depreciation and amortisation expenses	13,162	14,981
Vehicle expenses	6,356	3,749
Utility expenses	4,965	3,760
Consultancy expenses	4,874	5,771
Taxes and duties other than on income	2,152	1,920
Communication expenses	2,133	1,969
Travel expenses	2,091	1,962
Insurance expenses	1,552	1,387
Repair and maintenance expenses	1,282	1,178
Other	4,226	3,203
Total	**81,194**	**63,317**

3 Selling and marketing expenses

For the years ended 31 December, selling and marketing expenses comprised the following:

	2005	2004
Advertising and promotion expenses	57,192	56,682
Personnel expenses	12,494	8,686
Distribution expenses	23,370	20,975
Rent expense	4,297	3,716
Other	4,773	2,852
Total	**102,126**	**92,911**

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 31 December 2005 pursuant to IAS 29, unless otherwise stated)

4 Other operating income

For the years ended 31 December, other operating income comprised the following:

	2005	**2004**
Marketing contribution	6,705	4,637
Net commission income	4,894	1,798
Gain on sales of tangible assets	783	562
Other income	1,621	972
Total	**14,003**	**7,969**

5 Other operating expenses

For the years ended 31 December, other operating expense comprised the following:

	2005	**2004**
Warranty expense	24,063	8,220
Provision for legal exposures	1,074	1,883
Loss on sales of investments	-	5,926
Other expense	4,299	1,933
Total	**29,436**	**17,962**

6 Net financing costs

For the years ended 31 December, net financing income and costs comprised the following:

	31 December 2005	**31 December 2004**
Foreign exchange gain/(loss), net	3,957	(561)
Interest income on debt securities and bank deposits	1,552	3,253
Interest on borrowings	(1,392)	(5,250)
Interest charge on credit purchases	(6,833)	(5,204)
Letters of guarantee expense	(10,067)	(11,061)
Other financing costs, net	(1,063)	(592)
Total	**(13,846)**	**(19,415)**

7 Taxes on income

In accordance with the Law No. 5035, announced on 2 January 2004, which made changes in certain laws, the corporation tax rate that was applied on the income of the year 2004 was determined as 33%. All taxable income earned after 31 December 2004 is again taxed at a rate of 30%.

There is an additional tax computed only on the amounts of dividend distribution to individuals and is accrued only at the time of such payments. For publicly traded companies, the rate of this withholding tax is determined as 10%. According to the amendments in tax legislations, which are effective from 24 April 2003, no income tax withholding is calculated over the dividends that are distributed to the shareholders from the profits of the prior years between 1999 and 2002 if these profits are exempted from corporation tax bases of the corporate.

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 31 December 2005 pursuant to IAS 29, unless otherwise stated)

7 Taxes on income *(continued)*

In Turkey, the tax legislation does not permit a parent company and its affiliates 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.

Under the Turkish taxation system, tax losses can be carried forward to be offset against future taxable income for up to 5 years. Tax losses cannot be carried back to offset profits from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within four months following the close of the accounting year to which they relate. Tax returns are open for inspection for 5 years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

The total taxation charge is different than the amount computed by applying the statutory tax rate to profit before taxation as shown in the following reconciliation for the year ended 31 December:

	2005	%	2004	%
Reported profit before taxation	155,566		104,233	
Taxes on income per statutory tax rate	(46,670)	*(30.0)*	(34,397)	*(33.0)*
Effect of permanent differences on consolidation adjustments	(164)	*(0.1)*	982	*0.9*
Non-taxable income	76	*0.0*	5,494	*5.1*
Disallowable expenses	(1,015)	*(0.7)*	(16,221)	*(15.6)*
Effect of change in tax rate	-	-	912	*0.9*
Total taxation charge	**(47,773)**	***(30.7)***	**(43,230)**	***(41.7)***

For the years ended 31 December, taxation charge comprised the following:

	2005	2004
Current tax charge	(46,923)	(33,201)
Deferred tax charge	(852)	(10,029)
Total	**(47,773)**	**(43,230)**

8 Related party disclosures

As of 31 December 2005 and 2004, amounts due from related parties were as follows:

	2005	2004
Due from related parties		
VDF Otomotiv	224	2,322
Yüce Auto	129	-
Doğuş Sigorta	122	68
Türkiye Garanti Bankası AŞ (“Garanti Bank”)	81	416
VDTF	65	13
Other	108	161
Total	**729**	**2,980**

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 31 December 2005 pursuant to IAS 29, unless otherwise stated)

8 Related party disclosures *(continued)*

As of 31 December 2005 and 2004, amounts due to related parties were as follows:

	2005	2004
Due to related parties		
Garanti Faktoring Hizmetleri AŞ *	30,000	10,457
Doğuş Holding**	13,960	2,224
VDF Otomotiv	1,521	-
Yüce Auto	697	139
Garanti Sigorta AŞ	173	76
Garanti Bank	139	-
Doğuş Grubu İletişim Yayıncılık ve Ticaret AŞ	113	50
Antur Turizm AŞ	46	3
NTV Haber Ajansı Reklam ve Ticaret AŞ	32	90
Tansaş Perakende Mağazacılık Ticaret AŞ	-	131
Doğuş İnşaat Sanayi ve Ticaret AŞ ("Doğuş İnşaat")	6	12,615
Other	98	182
Total	**46,785**	**25,967**

(*) As of 31 December 2005, payables to Garanti Faktoring Hizmetleri AŞ amounting to YTL 30,000 thousand (2004: YTL 10,002 thousand) are related with the factoring transactions made.

(**) As of 31 December 2005, YTL 13,418 thousand (equivalent of USD 10,000,000) (2004: YTL 1,342 thousand equivalent of USD 1,000,000) of the payables to Doğuş Holding represent payables obtained from Doğuş Holding on 29 December 2005, with a maturity date of 3 January 2006 and an annual interest rate of 5.33%.

During the years ended 31 December, the total amount of transactions entered into with related companies were as follows:

	2005	2004
Product sales	30,095	2,350
Service sales	1,856	5,511
Financial income	1,241	2,761
Other sales	3,572	948
Total	**36,764**	**11,570**
Services rendered	(22,341)	(31,904)
Financial expenses	(95)	(874)
Other purchases	(1,678)	(1,072)
Total	**(24,114)**	**(33,850)**

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 31 December 2005 pursuant to IAS 29, unless otherwise stated)

8 Related party disclosures *(continued)*

As of 31 December 2005 and 2004, the Group's balances at Garanti Bank are as follows:

	2005	2004
Deposits	61,054	52,405
Credit card receivables	4,039	2,677
Total	**65,093**	**55,082**

9 Tangible assets, net

The movement of tangible assets and related accumulated depreciation during the year ended 31 December 2005 was as follows:

Cost	1 January 2005	Additions	Disposals	Transfers	31 December 2005
Land and land improvements	47,508	60	-	-	47,568
Buildings	42,370	131	-	-	42,501
Machinery and equipment	5,788	1,443	-	-	7,231
Motor vehicles	11,744	4,398	(2,532)	-	13,610
Furniture and fixtures	25,598	1,355	(2)	-	26,951
Leasehold improvements	20,893	1,005	-	1,633	23,531
Construction in progress	786	900	-	(1,633)	53
	154,687	**9,292**	**(2,534)**	**-**	**161,445**
Accumulated depreciation					
Land and land improvements	(7,025)	(1,883)	-	-	(8,908)
Buildings	(11,790)	(3,136)	-	-	(14,926)
Machinery and equipment	(3,566)	(576)	-	-	(4,142)
Motor vehicles	(7,092)	(1,742)	2,015	-	(6,819)
Furniture and fixtures	(13,987)	(2,549)	2	-	(16,534)
Leasehold improvements	(6,275)	(2,309)	-	-	(8,584)
	(49,735)	**(12,195)**	**2,017**	**-**	**(59,913)**
Net book value	**104,952**				**101,532**

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 31 December 2005 pursuant to IAS 29, unless otherwise stated)

10 Intangible assets, net

The movement of intangible assets and related accumulated amortisation during the year ended 31 December 2005 was as follows:

Cost	1 January 2005	Additions	Impairment	Transfer	31 December 2005
Software costs	5,963	-	-	(5,963)	-
Goodwill	156	-	(156)	-	-
Other intangibles	2,088	1,084	-	5,963	9,135
	8,207	**1,084**	**(156)**	**-**	**9,135**
Accumulated amortisation					
Other intangibles	(1,371)	(967)	-	-	(2,338)
	(1,371)	**(967)**	**-**	**-**	**(2,338)**
Net book value	**6,836**				**6,797**

Software costs comprised the expenditures for the development of the new software to be used in the accounting and operations. Related expenditures were transferred to "other intangibles" account during the period since the development has been completed.

11 Investments in associates

As of 31 December 2005 and 2004, investments in associates and joint ventures and the Group's ownership interest were as follows:

	31 December 2005		31 December 2004	
	Carrying Value	Ownership %	Carrying Value	Ownership %
Investments in associates				
VDTF	10,549	48	3,484	48
Yüce Auto	5,333	50	4,348	50
VDF Holding	10,136	38	3,373	38
Doğuş Sigorta	1,675	42	1,249	42
	27,693		**12,454**	
Jointly controlled entities				
TÜVTURK Kuzey	3,803	33	-	-
TÜVTURK Güney	-	33	-	-
	3,803		**-**	
Total	**31,496**		**12,454**	

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 31 December 2005 pursuant to IAS 29, unless otherwise stated)

11 Investments in associates *(continued)*

The movements of investments in associates and jointly controlled entities during the years ended 31 December 2005 and 2004 were as follows:

	2005	2004
Balance at the beginning of the year	12,454	11,138
Acquisition of shares	5,580	299
Income from associates	13,462	1,017
Balance at the end of the year	**31,496**	**12,454**

12 Equity securities available-for-sale

As of 31 December 2005 and 2004, equity securities available-for-sale comprised the following:

	2005		2004	
	Carrying Value	Ownership %	Carrying Value	Ownership %
Doğuş Holding	205,316	3.86	113,311	3,98
Total	**205,316**		**113,311**	

Available-for-sale investments do not have quoted market prices in an active market. The fair value of Doğuş Holding shares is estimated by the Group using available market information and appropriate valuation methodology. Group's ownership rate in Doğuş Holding decreased to %3.86 in 2005 due to the merger of Somtaş Tarım ve Ticaret AŞ ("Somtaş") with Doğuş Holding on 5 December 2005.

13 Other non-current assets

As of 31 December 2005 and 2004, other non-current assets comprised the following:

	2005	2004
Advances given	3,453	3,447
Other	29	26
Total	**3,482**	**3,473**

The Group has made an advance payment to Doğuş Holding amounting to YTL 3,404 thousand (31 December 2004: YTL 3,404 thousand) for the purchase of land owned by Doğuş Holding in Gebze. Since the ownership of the land has not yet been transferred to the Group due to unresolved law suits between Doğuş Holding and the lessee, the asset was not recognized in tangible assets and classified in other non-current assets as advances given in the accompanying consolidated financial statements.

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 31 December 2005 pursuant to IAS 29, unless otherwise stated)

14 Inventories

As of 31 December 2005 and 2004, inventories comprised the following:

	2005	**2004**
Goods in transit (*)	254,432	302,097
Merchandise stocks – automobiles	71,814	56,437
Merchandise stocks – spare parts	37,690	20,818
Advances given	2,748	5,516
Other	-	50
Total	**366,684**	**384,918**

(*) Goods in transit comprise automobiles and spare parts, risk and rewards of which are transferred to the Group.

15 Trade receivables, net

As of 31 December 2005 and 2004, trade receivables comprised the following:

	2005	**2004**
Trade receivables	126,088	77,016
Notes receivable	10,826	4,169
Total trade receivables	**136,914**	**81,185**
Less: Allowance for doubtful receivables	(40)	(8)
Trade receivables, net	**136,874**	**81,177**

16 Other current assets

As of 31 December 2005 and 2004, other current assets comprised the following:

	2005	**2004**
Warranty claims	23,726	13,273
Prepaid expenses	7,865	4,439
Value added tax (“VAT”) receivable	2,544	1,062
Insurance receivables	2,450	2,143
Prepaid tax	11	1,785
Other	1,367	2,968
Total	**37,963**	**25,670**

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 31 December 2005 pursuant to IAS 29, unless otherwise stated)

17 Cash and cash equivalents

As of 31 December 2005 and 2004, cash and cash equivalents comprised the following:

	31 December 2005	**31 December 2004**
Cash on hand	37	17
Cash at banks	125,920	74,522
-time deposits	91,232	51,875
-demand deposits	28,936	18,468
-credit card receivables	5,752	4,179
Total	**125,957**	**74,539**

As of 31 December 2005, YTL 65 thousand (2004: YTL 192 thousand) of cash at banks amount is blocked against a letter of guarantee obtained from a related bank.

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 31 December 2005 pursuant to IAS 29, unless otherwise stated)

18 Capital and reserves

18.1 Movement in capital, reserves and minority interest

	Issued capital	Treasury stock	Reserves: Fair value reserves	Reserves: Legal reserves	Reserves: Total reserves	Retained earnings	Total	Minority interest	Total shareholders' equity
Balances at 31 December 2004	**139,165**	**(287)**	**18,645**	**19,272**	**37,917**	**132,557**	**309,352**	**8,850**	**318,202**
Transfer to legal reserves	-	-	-	5,367	5,367	(5,367)	-	-	-
Dividends paid	-	-	-	-	-	(36,112)	(36,112)	-	(36,112)
Change in fair value of securities available-for-sale	-	-	92,005	-	92,005	-	92,005	-	92,005
Change in minority interest	-	-	-	-	-	-	-	(1,833)	(1,833)
Net profit for the year	-	-	-	-	-	107,793	107,793	-	107,793
Balances at 31 December 2005	**139,165**	**(287)**	**110,650**	**24,639**	**135,289**	**198,871**	**473,038**	**7,017**	**480,055**

18.2 *Paid-in capital*

The paid-in share capital of the Company comprises 110.000.000.000 units of registered shares with a nominal value of YKr 0,1 each. There is no different type of share and no privilege given to specific shareholders.

At 31 December 2005 and 2004, the composition of the Company's shareholding structure was as follows:

	2005		2004	
	Shareholding (%)	Number of shares (Million)	Shareholding (%)	Number of shares (Million)
Doğuş İnşaat	45.34	49.869	35.36	38.892
Publicly traded	34.50	37.950	34.50	37.950
Doğuş Holding	19.96	21.955	-	-
Somtaş *	-	-	19.96	21.955
Doğuş Yapı Sanayi AŞ ("Doğuş Yapı")**	-	-	9.98	10.977
Katalonya	0.20	225	0.20	225
Other	0.00	1	0.00	1
Total paid-in capital	**100.00**	**110.000**	**100.00**	**110.000**

(*) 21.955 million shares of Somtaş in the Company's share capital are transferred to Doğuş Holding since Somtaş merged with Doğuş Holding on 5 December 2005.

(**) 10.977 million shares of Doğuş Yapı in the Company's share capital are transferred to Doğuş İnşaat since Doğuş Yapı merged with Doğuş İnşaat on 30 September 2005.

18.3 *Legal reserves*

The legal reserves consist of first and second reserves, in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profit at the rate of 5% until the total reserve reaches a maximum of 20% of the Company's paid-in capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the Company's share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital.

19 Earnings per share and dividend pay-out

19.1 *Earnings per share*

Earnings per share, is calculated by dividing net income for the period by the weighted average number of shares of the Company during the period. For the year ended 31 December, earnings per share computation is as follows:

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 31 December 2005 pursuant to IAS 29, unless otherwise stated)

19 Earnings per share and dividend pay-out *(continued)*

	2005	2004
Net profit	107,793	61,003
Weighted average number of shares	110,000,000,000	110,000,000,000
Earnings per share (Full)	**0.09799**	**0.05546**

19.2 Dividend payout

In accordance with the declaration of CMB dated 25 February 2005 and numbered 7/242, the companies which are subject to CMB regulations should distribute their profit stated in their financial statements prepared in accordance with CMB regulations at the minimum level set by the CMB if such minimum distributable profit is covered by the profit in the statutory financial statements. If the minimum distributable profit is not covered by the profit in the statutory financial statements, all profit in the statutory financial statements should be distributed. If the net result for the year in either of the financial statements prepared in accordance with CMB regulations or the statutory financial statements is loss, no profit distribution should be made.

According to the same legislation, the profits of the affiliates, the financial statements of which are consolidated in accordance with communique Serial:XI No:25, should be considered during profit distribution of the parent company if dividend distribution is approved in the general assembly of such affiliates. The maximum amount of profits of affiliates that may be subject to profit distribution is the profit amount included in the consolidated financial statements of the parent company.

CMB determined minimum profit distribution rate as 30% for periods ending on or after 31 December 2004. In accordance with the resolutions of the general assemblies of the companies, this profit distribution can be made as cash or non-cash (stock dividend). The profit distribution can also be made as certain percentage being cash and the remaining percentage being in the form of stock dividends.

According to the article 24 of the Articles of Association of the Company, the Company should distribute minimum amount of 50% profit for the first 5 years starting from 2004, the date when the Company’s shares were initially traded in the İstanbul Stock Exchange.

According to the Resolution of the General Assembly held on 21 April 2005, the Company distributed dividends amounting to YTL 35,404 thousand to shareholders and YTL 708 thousand to members of the Board of Directors out of the net profit for the year 2004, in accordance with the Article 24 of the Articles of Association.

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 31 December 2005 pursuant to IAS 29, unless otherwise stated)

20 Bank borrowings

As of 31 December 2005 and 2004, bank borrowings comprised the following:

	2005		2004	
	Effective interest rate (%)	**Amount**	**Effective interest rate (%)**	**Amount**
Short-term borrowings:				
YTL borrowings	-	5,890	-	4,471
Short-term portion of long-term borrowings:				
Foreign currency borrowings (EURO)	2.7% - 3.0%	15,012	2.8% - 3.0%	17,414
Total short-term borrowings		**20,902**		**21,885**
Long-term borrowings:				
Foreign currency borrowings (EURO)	2.7% - 3.0%	28,611	2.8% - 3.0%	13,214
Total long-term borrowings		**28,611**		**13,214**

21 Trade payables

As of 31 December 2005 and 2004, trade payables comprised the following:

	2005	2004
Volkswagen AG	294,409	311,806
Audi AG	33,880	39,952
Seat SA	22,508	19,557
Krone GmbH	8,827	-
Scania CV AB	6,031	11,158
Other	21,918	19,057
Total	**387,573**	**401,530**

22 Reserve for severance payments

In accordance with the existing social legislation in Turkey, the Group is required to make lump-sum payments to employees whose employment is terminated due to retirement or for other reasons other than resignation or misconduct. Such payments are calculated on the basis of 30 days' pay, maximum of YTL 1.73 thousand per year (2004: YTL 1.58 thousand) of employment at the rate of pay applicable at the date of retirement or termination.

The liability is not funded, as there is no funding requirement.

The reserve has been calculated by estimating the present value of future probable obligation of the Company and its affiliates arising from the retirement of the employees.

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 31 December 2005 pursuant to IAS 29, unless otherwise stated)

22 Reserve for severance payments *(continued)*

International Accounting Standard No. 19 requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. The principal assumption used in the calculation of the total liability is that the maximum liability for each year of service will increase in line with inflation.

Assumptions used in the calculation of provision are as follows:

	2005	2004
Discount rate	5.49%	5.45%
Ratio of the retirement probability	93.42%	92.21%

The movements of the provision for employment termination benefits for the years ended 31 December 2005 and 2004 were as follows:

	2005	2004
Balance at the beginning of the year	1,962	3,448
Inflation effect on opening balance	(85)	(420)
Effect of change in discount rate	-	(936)
Provision for the year	1,493	367
Paid during the year	(733)	(497)
Balance at the end of the year	**2,637**	**1,962**

At 31 December 2005, the number of personnel was 1,250 (31 December 2004: 1,037).

23 Taxes payable and deferred taxes

As of 31 December 2005 and 2004, taxes payable on income comprised the following:

	2005	2004
Provision for current taxes	46,923	33,201
Less: Prepaid taxes	(38,202)	(26,801)
Taxes payable on income	**8,721**	**6,400**

Deferred income tax is provided, using the liability method, on all taxable temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for permanent differences not deductible for tax purposes and initial recognition of assets and liabilities which effect neither accounting nor taxable profit.

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 31 December 2005 pursuant to IAS 29, unless otherwise stated)

23 Taxes payable and deferred taxes *(continued)*

As of 31 December 2005 and 2004, deferred tax assets and liabilities are attributable to the items detailed in the table below:

	2005		2004	
	Deferred tax		Deferred tax	
	Assets	Liabilities	Assets	Liabilities
Tax losses	1,627	-	608	-
Warranty provision, net	1,395	-	946	-
Severance pay liability	792	-	591	-
Effect of depreciation differences and restatement of non-monetary items	-	(7,404)	-	(4,394)
Others	991	-	523	(100)
Total deferred tax assets/(liabilities)	4,805	(7,404)	2,668	(4,494)
Amount netted off	(3,557)	3,557	(347)	347
Total deferred tax assets/(liabilities)	**1,248**	**(3,847)**	**2,321**	**(4,147)**

24 Other current liabilities

As of 31 December 2005 and 2004, other current liabilities comprised the following:

	2005	2004
VAT and withholding taxes payable	17,231	8,228
Warranty provision	4,655	3,154
Provision for legal exposure	2,875	1,883
Accrued expenses	1,860	2,441
Advances from customers	6,106	3,195
Other	6,220	423
Total	**38,947**	**19,324**

25 Fair value information

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

The estimated fair values of financial instruments have been determined by the 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:

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

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 31 December 2005 pursuant to IAS 29, unless otherwise stated)

25 Fair value information *(continued)*

- The fair values of cash, amounts due from banks and other monetary assets are considered to approximate their respective carrying values due to their short-term nature.
- The carrying values of trade receivables along with the related allowances for uncollectibility are estimated to be their fair values.
- The fair values of funds borrowed and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature.
- Trading liabilities have been estimated at their fair values.
- Long-term borrowings, which are denominated in foreign currencies at variable rates, are translated at period-end exchange rates and accordingly their fair values approximate their carrying values.

26 Commitments and contingencies

26.1 Letters of guarantee and sureties given

As of 31 December 2005 and 2004, letters of guarantee and sureties given comprised the following:

	2005	2004
Letters of guarantees given		
Volkswagen AG and Audi AG	373,063	248,278
Seat SA	24,305	28,647
Scania CV AB	3,969	4,775
Custom Offices	3,079	2,344
Other	9,539	1,941
Total	**413,955**	**285,985**

Letters of guarantee are given for imports of spare parts and automobiles. As of 31 December 2005 and 2004, none of the letters of guarantee were given to related parties.

	2005	2004
Sureties given		
Syndication - club loan (*)		
Doğuş Holding	100,635	105,232
Bridge loan (**)		
Doğuş Holding	-	39,988
Doğuş İnşaat	-	6,595
Other		
Yüce Auto	64,849	53,071
Doğuş Holding	10,064	28,062
Doğuş İnşaat	6,709	28,062
Doğuş Yapı	-	1,403
Total	**182,257**	**262,413**

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 31 December 2005 pursuant to IAS 29, unless otherwise stated)

26 Commitments and contingencies *(continued)*

(*) Sureties given to Doğuş Holding-club loan represent the guarantee given on behalf of Doğuş Holding for a club loan amounting to USD 75 million.

(**) Sureties given to Doğuş Holding and Doğuş İnşaat represent bridge loans in cash utilised by the Group from various banks and given to Doğuş Holding and Doğuş İnşaat with the same terms for currency types, maturities and interest rates.

As of 31 December 2005 and 2004, all of the sureties were given to related parties.

TÜVTURK Kuzey has signed an agreement with ABN Amro Bank NV and Bayerische Hypo-und Vereinsbank AG for arranging financial source amounting to USD 552 million and for authorizing these banks to structure and arrange such financing. The Company has been a party to this agreement as a guarantor for 33.3% of the total liability. However, the loan has not been used as of 31 December 2005, and accordingly guarantee has not yet become effective.

26.2 *Letters of guarantee and sureties taken*

	2005	2004
Letters of guarantee taken		
Independent dealers	133,089	103,191
Total	**133,089**	**103,191**

As of 31 December 2005, YTL 46,842 thousand (2004: YTL 37,830 thousand) of the total amount of the letters of guarantee taken from independent dealers were given by a related party (Garanti Bank).

	2005	2004
Sureties taken		
Doğuş Holding	345,053	327,162
Yüce Auto	80	84
Total	**345,133**	**327,246**

As of 31 December 2005 and 2004, all of the sureties were taken from related parties.

26.3 *Operational leases*

Future minimum lease payments under operating leases (with initial or remaining lease terms in excess of one year) as of 31 December 2005 and 2004 were as follows:

	2005	2004
2005	-	2,499
2006	4,671	1,765
2007	5,491	1,457
2008	4,984	927
2009	4,435	574
2010 and later years	7,215	2,343
Total lease payments	**26,796**	**9,565**

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 31 December 2005 pursuant to IAS 29, unless otherwise stated)

26 Commitments and contingencies *(continued)*

26.4 Information on litigations concerning the jointly controlled entities

The ultimate status of the bid of "Privatization of Vehicle Inspection Stations" led by the Privatization Administration of Turkey which is directly related to TÜVTURK Kuzey and TÜVTURK Güney depends on the contract that will be signed between jointly controlled entities of the Group and the Privatization Administration. This contract can be built up pursuit to sentence of the Council of State of Turkish Republic at the lawsuit about "Privatization of Vehicle Inspection Stations" and the mutual agreement between the parties afterwards.

27 Change in accounting policies

As of 1 January 2005, the Group adopted revised standards of IFRS. These changes have been accounted by adjusting the previous years' results.

The changes accounted for are as follows:

- goodwill is no longer amortized, but instead reviewed annually for impairment,
- the minority interest is reclassified to shareholders' equity,
- the changes in fair value of available-for-sale portfolio over its amortised cost are reclassified as a separate component of shareholders' equity.

The effects of the amendments on the related accounts of the accompanying consolidated financial statements are as follows:

	Fair value reserve	**Legal reserves**	**Retained earnings**	**Net income**
Reported balances as of 1 January 2004	**-**	**13,679**	**140,289**	**-**
Reclassification of net market gains on available-for-sale securities	4,038	-	(4,038)	-
Adjusted balances as of 1 January 2004	**4,038**	**13,679**	**136,251**	**-**
Reported net income for the year ended 31 December 2004	-	-	-	75,610
Transfer to legal reserves	-	5,593	(5,593)	-
Dividend payment	-	-	(59,104)	-
Net change in fair value reserve	14,607	-	-	(14,607)
Adjusted balances as of 31 December 2004	**18,645**	**19,272**	**71,554**	**61,003**

The Group had recognized the gains and losses arising from the change in the fair value of available-for-sale assets and the related tax effect in the statement of income before the amendment, whereas related gains and losses and its tax effect have been reflected within "Fair Value Reserve" under equity after the amendment.

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 31 December 2005 pursuant to IAS 29, unless otherwise stated)

28 Risk management disclosures

28.1 Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. These exposures are managed by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities.

28.2 Credit risk

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. These risks are monitored by credit ratings and limiting the aggregate risk to any individual counterparty.

28.3 Currency risk

The Group is exposed to foreign exchange risk through the impact of rate changes at the translation of foreign currency denominated assets and liabilities to New Turkish Lira. These risks are monitored and limited by the analysis of foreign currency position.

As at 31 December 2005 and 2004, monetary assets and liabilities denominated in foreign currencies held by the Group were as follows:

	2005		2004	
Monetary foreign currency assets:	**Original Amount**	**YTL Equivalent**	**Original Amount**	**YTL Equivalent**
Cash and cash equivalents				
EURO	49,977,728	79,340	10,495,922	20,046
USD	10,649,291	14,289	10,708,244	15,024
SEK	6,550	1	10,110	3
GBP	990	2	1,010	2
Other	30,850	7	-	-
		93,639		**35,075**
Goods in transit				
EURO	159,401,068	**253,049**	157,036,353	**299,912**
Stock advances given				
EURO	1,133,927	**1,800**	775,840	**1,481**
Trade receivables and other current assets				
EURO	18,439,083	29,272	16,615,785	31,497
USD	-	-	600,997	842
		29,272		**32,339**
Total monetary foreign currency assets		**377,760**		**368,807**

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 31 December 2005 pursuant to IAS 29, unless otherwise stated)

28 Risk management disclosures *(continued)*

	2005		2004	
Monetary foreign currency liabilities	**Original Amount**	**YTL Equivalent**	**Original Amount**	**YTL Equivalent**
Bank borrowings				
EURO	27,479,055	43,623	16,037,248	30,629
		43,623		**30,629**
Financial lease liability				
EURO	17,008	27	-	-
		27		**-**
Trade payables and other liabilities				
EURO	234,846,548	372,819	201,220,753	384,297
USD	10,000,000	13,418	10,518,864	14,759
SEK	-	-	142,513	29
		386,237		**399,085**
Total monetary foreign currency liabilities		**429,887**		**429,714**
Net foreign currency open position		**(52,127)**		**(60,907)**

Commitment and contingencies				
EURO	402,677,062	639,250	275,497,818	526,152
USD	161,986,200	217,353	215,270,600	302,405
SEK	80,000,000	13,426	80,000,000	17,302
		870,029		**845,859**

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 31 December 2005 pursuant to IAS 29, unless otherwise stated)

28 Risk management disclosures *(continued)*

28.4 Liquidity risk

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

As of 31 December 2005 and 2004, the maturity profiles of monetary assets and liabilities are summarized as follows:

	2005					
	0 to 1 month	**1 to 3 months**	**3 to 6 months**	**6 to 12 months**	**Over 1 year**	**Total**
YTL monetary assets						
Other non- current assets	-	-	-	-	3,482	3,482
Deferred tax asset	-	-	-	-	1,248	1,248
Due from related parties	-	729	-	-	-	729
Trade receivables, net	131,134	-	-	194	-	131,328
Other current assets	7,361	1,912	2,923	2,041	-	14,237
Cash and cash equivalents	32,055	263	-	-	-	32,318
Total YTL monetary assets	**170,550**	**2,904**	**2,923**	**2,235**	**4,730**	**183,342**
Foreign currency monetary assets						
Goods in transit	54,327	195,857	2,865	-	-	253,049
Stock advances given	1,800	-	-	-	-	1,800
Trade receivables, net	4,055	-	1,491	-	-	5,546
Other current assets	4,791	18,935	-	-	-	23,726
Cash and cash equivalents	89,614	4,025	-	-	-	93,639
Total foreign currency monetary assets	**154,587**	**218,817**	**4,356**	**-**	**-**	**377,760**
Total monetary assets	**325,137**	**221,721**	**7,279**	**2,235**	**4,730**	**561,102**

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 31 December 2005 pursuant to IAS 29, unless otherwise stated)

28 Risk management disclosures *(continued)*

	2005					
	0 to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Total
YTL monetary liabilities						
Reserve for severance payments	-	-	-	-	2,637	2,637
Deferred tax liabilities	-	-	-	-	3,847	3,847
Due to related parties	30,000	3,367	-	-	-	33,367
Bank borrowings, short term	5,890	-	-	-	-	5,890
Trade payables	20,292	-	-	-	-	20,292
Other current liabilities	30,508	-	1,438	1,436	-	33,382
Taxes payable	-	8,721	-	-	-	8,721
Total YTL monetary liabilities	**86,690**	**12,088**	**1,438**	**1,436**	**6,484**	**108,136**
Foreign currency monetary liabilities						
Bank borrowings, long term	-	-	-	-	28,611	28,611
Due to related parties	-	13,418	-	-	-	13,418
Short term bank borrowings	555	2,898	4,671	6,888	-	15,012
Trade payables	55,485	166,291	145,505	-	-	367,281
Other current liabilities	1,272	779	1,169	2,340	5	5,565
Total foreign currency monetary liabilities	**57,312**	**183,386**	**151,345**	**9,228**	**28,616**	**429,887**
Total monetary liabilities	**144,002**	**195,474**	**152,783**	**10,669**	**35,095**	**538,023**

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 31 December 2005 pursuant to IAS 29, unless otherwise stated)

28 Risk management disclosures *(continued)*

	2004					
	0 to 1 month	1 to 3 Months	3 to 6 months	6 to 12 months	Over 1 year	Total
YTL monetary assets						
Other non- current assets	-	-	-	-	3,473	3,473
Deferred tax asset	-	-	-	-	2,321	2,321
Due from related parties	-	2,980	-	-	-	2,980
Trade receivables	61,198	913	-	-	-	62,111
Other current assets	7,958	4,439	-	-	-	12,397
Cash and cash equivalents	39,464	-	-	-	-	39,464
Total YTL monetary assets	**108,620**	**8,332**	**-**	**-**	**5,794**	**122,746**
Foreign currency monetary assets						
Goods in transit	63,932	230,489	5,491	-	-	299,912
Stock advances given	1,481	-	-	-	-	1,481
Trade receivables	5,607	26,732	-	-	-	32,339
Cash and cash equivalents	35,075	-	-	-	-	35,075
Total foreign currency monetary assets	**106,095**	**257,221**	**5,491**	**-**	**-**	**368,807**
Total monetary assets	**214,715**	**265,553**	**5,491**	**-**	**5,794**	**491,553**

(Currency: Thousands of New Turkish Lira (YTL) as adjusted for the effects of inflation in YTL units current at 31 December 2005 pursuant to IAS 29, unless otherwise stated)

28 Risk management disclosures *(continued)*

	2004					
	0 to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Total
YTL monetary liabilities						
Reserve for severance pay	-	-	-	-	1,962	1,962
Deferred tax liability	-	-	-	-	4,147	4,147
Due to related parties	11,208	-	-	-	-	11,208
Short term bank borrowings	4,471	-	-	-	-	4,471
Trade payables	20,427	-	-	-	-	20,427
Other current liabilities	7,817	6,400	942	941	-	16,100
Taxes payable	6,400	-	-	-	-	6,400
Total YTL monetary liabilities	**50,323**	**6,400**	**942**	**941**	**6,109**	**64,715**
Foreign currency monetary liabilities						
Long term bank borrowings	-	-	-	-	13,214	13,214
Due to related parties	14,759	-	-	-	-	14,759
Short term bank borrowings	-	9,580	2,894	4,940	-	17,414
Trade payables	-	249,834	27,241	104,028	-	381,103
Other current liabilities	341	525	786	1,572	-	3,224
Total foreign currency monetary liabilities	**15,100**	**259,939**	**30,921**	**110,540**	**13,214**	**429,714**
Total monetary liabilities	**65,423**	**266,339**	**31,863**	**111,481**	**19,323**	**494,429**

28.5 Sensitivity analysis

In managing interest rate and currency risks, the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer term, however, permanent changes in foreign exchange and interest rates would have an impact on consolidated earnings.

Considering the foreign currency short position and the foreign currency denominated goods in transit, it is estimated that a general decrease of one percentage point in the value of the New Turkish Lira against other foreign currencies would decrease the Group's profit before tax by approximately YTL 521 thousand for the year ended 31 December 2005.

29 Subsequent events

Corporate income tax is levied at the rate of 30% on the corporate income tax base of the year 2005. However, according to the draft "Corporate Tax Law" announced by the Ministry of Finance, the corporate tax rate will be reduced to 20% from 30% effective from the taxation periods starting from 1 January 2006. If the draft law becomes effective, after the approval of the Parliament and the President, the corporate income will be levied at the rate of 20%.

Appendix I

Doğuş Otomotiv Servis ve Ticaret A.Ş. and its Affiliates

Supplementary Information
Convenience Translation to US Dollar
31 December 2005

US Dollar ("USD") amounts shown in the consolidated statement of income and consolidated balance sheet on the following pages have been included solely for the convenience of the reader. For the current year's financial statements, US Dollar amounts are translated from YTL financial statements as adjusted for the effects of inflation in YTL units current at 31 December 2005 using the official YTL exchange rate of 1.3418 YTL/USD prevailing on 31 December 2005. For the prior period's financial statements, US Dollar amounts are translated from YTL balance sheet and statement of income as adjusted for the effects of inflation in YTL units current at 31 December 2004 using the official YTL exchange rates of 1.3421 YTL/USD prevailing on 31 December 2004.

Such translation should not be construed as a representation that the YTL amounts have been converted into USD pursuant to the requirements of IFRS or Generally Accepted Accounting Principles in the United States of America or in any other country.

Appendix I.1

Doğuş Otomotiv Servis ve Ticaret AŞ and its Affiliates

Consolidated Statement of Income
For the year ended 31 December 2005

(Currency: Thousand of US Dollars as translated from New Turkish Lira)

	31 December 2005	31 December 2004
Net sales	1,837,599	1,719,205
Cost of sales	(1,573,854)	(1,514,854)
Gross profit	**263,745**	**204,351**
General and administrative expenses	(60,511)	(45,127)
Selling and marketing expenses	(76,111)	(66,219)
Other operating income	10,436	5,680
Other operating expense	(21,938)	(12,802)
Profit from operations	**115,621**	**85,883**
Net financing costs	(10,319)	(13,837)
Share of profit of associates	10,033	725
Profit before monetary position	**115,335**	**72,771**
Gain/(loss) on monetary position, net	(763)	1,121
Profit before taxation	**114,572**	**73,892**
Taxation charge	(35,604)	(30,811)
Profit for the year	**78,968**	**43,081**
Attributable to:		
Equity holders of the parent	80,335	43,477
Minority interest	(1,367)	(396)
Profit for the year	**78,968**	**43,081**

Doğuş Otomotiv Servis ve Ticaret AŞ and its Affiliates

Consolidated Balance Sheet as of 31 December 2005

(Currency: Thousand of US Dollars as translated from New Turkish Lira)

	31 December 2005	31 December 2004
Assets		
Tangible assets, net	75,669	74,800
Intangible assets, net	5,066	4,872
Investments in associates	23,473	8,876
Equity securities available-for-sale	153,015	80,758
Other non-current assets	2,595	2,475
Deferred tax assets	930	1,654
Total non-current assets	**260,748**	**173,435**
Due from related parties	543	2,124
Inventories	273,278	274,335
Trade receivables, net	102,008	57,856
Other current assets	28,293	18,296
Cash and cash equivalents	93,872	53,124
Total current assets	**497,993**	**405,735**
Total assets	**758,741**	**579,170**
Shareholders' equity and liabilities		
Issued capital	103,715	99,184
Treasury stocks	(214)	(204)
Reserves	100,827	27,022
Retained earnings	148,212	94,475
Total shareholders' equity attributable to equity holders of the parent company	**352,540**	**220,477**
Minority interest	**5,230**	**6,310**
Total shareholders' equity	**357,770**	**226,787**
Liabilities		
Bank borrowings, long-term	21,323	9,418
Reserve for severance payments	1,965	1,398
Deferred tax liabilities	2,867	2,956
Total non-current liabilities	**26,155**	**13,772**
Due to related parties	34,867	18,507
Bank borrowings, short-term	15,578	15,598
Trade payables	288,846	286,174
Other current liabilities	29,026	13,771
Taxes payable	6,499	4,561
Total current liabilities	**374,816**	**338,611**
Total shareholders' equity and liabilities	**758,741**	**579,170**