

DRAFT

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.
INTERIM FINANCIAL STATEMENTS
AT 30 JUNE 2004
TOGETHER WITH AUDITOR'S REVIEW REPORT

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

AUDITOR'S REVIEW REPORT

To the Board of Directors of
Otokar Otobüs Karoseri Sanayi A.Ş.

1. We have reviewed the accompanying interim balance sheet of Otokar Otobüs Karoseri Sanayi A.Ş. ("the Company") at 30 June 2004 and the related interim statements of income and of cash flows for the six-month period then ended, all expressed in the equivalent purchasing power of the Turkish lira ("TL") at 30 June 2004. These interim financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these interim financial statements based on our review.
2. We conducted our review in accordance with the International Standard on Auditing applicable to review engagements. This standard requires that we plan and perform the review to obtain moderate assurance about whether the interim financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.
3. International Accounting Standard 34 ("IAS 34") Interim Financial Statements, requires that current interim statement of income, cumulative income statement including the transactions from the beginning of the account period related to the current year to the end of the interim period, and the income statements corresponding to the same period of the previous year be submitted. As stated in the Note 2, the Company prepared its interim financial statements as of 30 June 2004 in accordance with the International Financial Reporting Standards ("IFRS") for the first time. Consequently, the interim statements of income, of cash flows and of changes in shareholders' equity for the six-month period ended 30 June 2004 and interim statements of income and notes to financial statements for the three-month period ended 30 June 2004 have not been presented on a comparative basis with the comparable financial period as required by International Accounting Standard 34 "Interim Financial Reporting".

4. Based on our review, except for the absence of comparative interim financial statements referred to in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying interim financial statements have not been properly prepared, in all material respects, in accordance with International Financial Reporting Standards.

Başaran Nas Serbest Muhasebeci
Mali Müşavirlik Anonim Şirketi
a member of
PricewaterhouseCoopers

DRAFT

Zeynep Uras, SMMM

Istanbul, 13 August 2004

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

FINANCIAL STATEMENTS AT 30 JUNE 2004

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BALANCE SHEETS
AT 30 JUNE 2004 AND 31 DECEMBER 2003

(Amounts expressed in millions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2004 unless otherwise indicated)

	Notes	(Unaudited) 30 June 2004	31 December 2003
ASSETS			
Current assets			
Cash and cash equivalents	4	2,677,756	9,265,830
Trade receivables	5	77,639,359	66,531,523
Due from related parties	6	5,667,482	13,778,107
Inventories	7	28,767,806	20,314,355
Other current assets	8	2,770,035	1,944,393
Total current assets		117,522,438	111,834,208
Non-current assets			
Trade receivables	5	21,301,208	24,724,115
Available for sale investments	9	2,547,516	2,547,516
Property, plant and equipment	10	41,096,093	42,552,371
Intangible assets	11	220,095	240,502
Other non-current assets		4,066	4,396
Total non-current assets		65,168,978	70,068,900
Total assets		182,691,416	181,903,108

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

BALANCE SHEETS
AT 30 JUNE 2004 AND 31 DECEMBER 2003

(Amounts expressed in millions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2004 unless otherwise indicated)

	Notes	(Unaudited) 30 June 2004	31 December 2003
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Borrowings	12	40,981,993	48,875,627
Trade payables	13	22,617,413	23,500,584
Due to related parties	6	4,317,336	4,799,133
Other current liabilities	14	8,482,482	10,967,042
Taxes on income	15	4,829,939	4,177,415
Total current liabilities		81,229,163	92,319,801
Non-current liabilities			
Reserve for employment termination benefits	16	3,582,862	3,223,046
Deferred tax liabilities	15	1,145,699	2,050,943
Other non-current liabilities		499,050	221,281
Total non-current liabilities		5,227,611	5,495,270
Total liabilities		86,456,774	97,815,071
Shareholders' equity			
Share capital	17	24,000,000	24,000,000
Adjustment to share capital	17	48,897,569	48,897,569
Total paid-in capital		72,897,569	72,897,569
Retained earnings	18	23,337,073	11,190,468
Total shareholders' equity		96,234,642	84,088,037
Total liabilities and shareholders' equity		182,691,416	181,903,108
Commitments and contingent liabilities	24		

Interim financial statements at and for the period ended 30 June 2004 were approved by the Board of Directors at 13 August 2004.

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

**INTERIM STATEMENTS OF INCOME
FOR THE SIX AND THREE-MONTH PERIOD ENDED 30 JUNE 2004**

(Amounts expressed in millions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2004 unless otherwise indicated)

	Notes	1 January - 30 June 2004	1 April - 30 June 2004
Net sales	19	139,698,181	79,586,582
Cost of sales		(104,068,007)	(57,263,163)
Gross profit		35,630,174	22,323,419
Marketing and selling expenses	20	(11,150,578)	(7,283,364)
General administrative expenses	21	(5,189,876)	(2,708,575)
Research and development expenses		(1,692,603)	(1,099,547)
Other operating income-net		568,451	486,709
Operating profit / (loss)		18,165,568	11,718,642
Financial income-net	22	2,508,099	2,265,184
Loss on net monetary position	2	(1,982,562)	(406,710)
Income before taxation on income		18,691,105	13,577,116
Taxation on income	15	(6,544,500)	(4,264,080)
Net income/(loss)		12,146,605	9,313,036
Weighted average number (000's) of shares with face value of TL1,000 value each	3	24,000,000,000	24,000,000,000
Earnings per share (TL)	3	506.11	388.04

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

**INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2004**

(Amounts expressed in millions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2004 unless otherwise indicated)

	Share capital	Adjustment to share capital	Retained earnings	Total shareholders' equity
31 December 2003	24,000,000	48,897,569	11,190,468	84,088,037
Net income for the period	-	-	12,146,605	12,146,605
30 June 2004	24,000,000	48,897,569	23,337,073	96,234,642

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

**INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2004**

(Amounts expressed in millions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2004 unless otherwise indicated)

	Notes	30 June 2004
CASH PROVIDED FROM OPERATING ACTIVITIES		
Net income		12,146,605
Adjustments to reconcile net income / (loss) to net cash provided by operating activities:		
Depreciation and amortization	10,11	3,613,179
Increase in reserve for employment termination benefits	16	610,415
Decrease in deferred tax liabilities		(905,244)
Provision for income taxes		7,449,744
Provision for doubtful receivables	5	5,480
Interest expense-net	22	(1,239,930)
Deferred financial income		(2,751,669)
Inflation effect on non-operating activities		(123,814)
Net cash provided by operating activities before changes in operating assets and liabilities:		
Changes in trade receivables		(4,760,883)
Changes in related party balances		7,555,685
Changes in inventories		(8,453,451)
Changes in other current assets		(825,642)
Changes in other non-current assets		331
Changes in trade payables		(987,885)
Changes in other current liabilities		(2,484,560)
Changes in other non-current liabilities		277,768
Taxes paid		(6,797,221)
Employment termination benefits paid	16	(126,785)
Inflation effect on operating activities		(67,897)
Net cash provided by operating activities		2,134,226
Investing activities:		
Purchase of property, plant and equipment		(2,162,595)
Interest received		1,414,666
Net cash used in investing activities		(747,929)
Financing activities:		
Decrease in borrowings		(7,878,118)
Interest paid		(188,003)
Inflation effect on financing activities		(549,979)
Net cash used in financing activities		(8,616,100)
Inflation effect on cash and cash equivalents		615,628
Change in cash and cash equivalents		(7,203,702)
Cash and cash equivalents at the beginning of the period	4	9,265,830
Cash and cash equivalents at the end of the period	4	2,677,756

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

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2004**

(Amounts expressed in millions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2004 unless otherwise indicated)

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

Otokar Otobüs Karoseri Sanayi A.Ş. ("Otokar" or the "Company") was established in 1963 and is registered in Istanbul, Turkey under Turkish Commercial Code. The company operates in automotive industry. Land Rover 4x4 land vehicles, armoured vehicles, minibuses and midibuses, trailers, semi-trailers and trucks comprise the majority of its production.

The registered addresses of the Company are as follows:

Head Quarters:

Aydınevler Mahallesi, Dumlupınar Cd. No:24 A Bl.
81580 Küçükyalı / Istanbul

Factory:

Atatürk Cad. No 9
54580 Arifiye / Sakarya

The Company is registered with the Capital Markets Board ("CMB") and its shares have been quoted on the Istanbul Stock Exchange ("ISE") since 1996. At 30 June 2004, the shares quoted on the ISE are approximately 29.91% of the total shares. At 30 June 2004, the principal shareholders and their respective shareholdings in the Company are as follows (Note 17):

	%
Koç Holding A.Ş.	42.92
Ünver Holding A.Ş.	24.81
Other	32.27
	100.00

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with, and comply with, International Financial Reporting Standards ("IFRS"), including International Accounting Standards ("IAS") and Interpretations issued by the International Accounting Standards Board ("IASB"). The Company maintains their books of account and prepare their statutory financial statements ("Statutory Financial Statements") in Turkish lira in accordance with the requirements of the Capital Market Board of Turkey ("CMB"), the Turkish Commercial Code (the "TCC"), tax legislation, and the Uniform Chart of Accounts issued by the Ministry of Finance. These financial statements are based on the statutory records, which are maintained under the historical cost convention, with adjustments and reclassifications including restatement for changes in the general purchasing power of the Turkish lira, for the purpose of fair presentation in accordance with IFRS.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2004**

(Amounts expressed in millions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2004 unless otherwise indicated)

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

The Company prepared its interim financial statements as of 30 June 2004 in accordance with the International Financial Reporting Standards ('IFRS') for the first time. Consequently, the interim statements of income, of cash flows and of changes in shareholders' equity for the six-month period ended 30 June 2004 and interim statements of income and notes to financial statements for the three-month period ended 30 June 2004 have not been presented on a comparative basis with the comparable financial period as required by International Accounting Standard 34 "Interim Financial Reporting".

The restatement for the changes in the general purchasing power of the Turkish lira as of 30 June 2004 is based on IAS 29 ("Financial Reporting in Hyperinflationary Economies"). IAS 29 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%. The restatement was calculated by means of conversion factors derived from the Turkish nationwide wholesale price index ("WPI") published by the State Institute of Statistics ("SIS"). Such indices and conversion factors used to restate the financial statements at 30 June 2004 are given below:

Dates	Index	Conversion factor	Three year cumulative inflation rate
30 June 2004	7,982.70	1.000	110.3%
31 December 2003	7,382.10	1.081	181.1%

The main procedures 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 the corresponding figures for previous periods are restated in the same terms.
- Monetary assets and liabilities that 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 monthly conversion factors.
- Comparative financial statements are restated by applying general inflation indices to the currency purchasing power at the latest balance sheet date.
- All items in the statement of income are restated by applying the relevant (monthly) conversion factors.
- The effect of inflation on the net monetary position of the Company is included in the statement of income as gain / (loss) on net monetary position.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2004**

(Amounts expressed in millions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2004 unless otherwise indicated)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company decided to prepare its financial statements in accordance with UFRS starting from the year ended 31 December 2003 regarding to Communiqué XI/25. The principal accounting policies adopted in the preparation of these financial statements are set out below:

Related parties

For the purpose of these financial statements, shareholders, key management personnel and Board members, in each case together with their families and companies controlled by or affiliated with them and associated companies are considered and referred to as related parties. A number of transactions are entered into with related parties in the normal course of business (Note 6).

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank deposits and highly liquid investments, whose original maturity at the time of purchase is less than three months (Note 4).

Trade receivables

Trade receivables that are created by the Company by way of providing goods or services directly to a debtor are carried at amortised cost. Short duration receivables with no stated interest rate are measured at original invoice amount unless the effect of imputing interest is significant (Note 5).

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

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

Inventories

Inventories are valued at the lower of cost, restated to equivalent purchasing power at 30 June 2004 or net realisable value. Cost elements included in inventories are materials, labour and an appropriate amount of factory overheads. The cost of inventories is determined on the weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses (Note 7).

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2004**

(Amounts expressed in millions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2004 unless otherwise indicated)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Financial assets**

The Company adopted IAS 39, Financial Instruments, and classified its investments into the following categories: trading, held-to-maturity and available-for-sale. Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading investments and included in current assets. Investments with fixed maturity that the management has the intent and ability to hold to maturity are classified as held-to-maturity. During the period the Company did not hold any investments in these categories.

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale; these are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

The financial assets classified as available-for-sale investments are carried at fair value. The Company has applied discounted cash flows and comparable transactions/companies methods in assessing the fair values. Gains and losses arising from changes in the fair value of available-for-sale investments are recognized in the statement of income (Note 9).

Property, plant and equipment and related accumulated depreciation

Property, plant and equipment are carried at cost less accumulated depreciation in each case restated to equivalent purchasing power at 30 June 2004. Depreciation is provided on the restated amounts for property, plant and equipment on a straight-line basis. The depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

Land improvements	25 years
Buildings	25 years
Machinery and equipment	4 - 10 years
Furniture and fixtures	4 - 6 years
Motor vehicles	4 - 10 years
Special costs	4 - 5 years

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains or losses on disposals of property, plant and equipment are determined by comparing proceeds with their restated amounts and are included in the related income and expense accounts, as appropriate.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2004**

(Amounts expressed in millions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2004 unless otherwise indicated)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Intangible assets**

Intangible assets comprise acquired intellectual property and computer software. They are recorded at acquisition cost and amortised on a straight-line basis over their estimated economic lives for a period not exceeding 5 years from the date of acquisition. Where an indication of impairment exists, the carrying amount of any intangible asset is assessed and written down immediately to its recoverable amount (Note 11).

Borrowings

Borrowings are recognised initially at proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method; any difference between the proceeds and redemption value is recognised in the income statement over the period of the borrowings. Borrowing costs are charged to the income statement when they incur (Note 12).

Deferred taxes

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax base of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income taxes.

The principal temporary differences arise from the restatement of property, plant and equipment and inventory over their historical cost, accrued interest income and expenses provision for employment termination benefits, provision for doubtful receivables, tax losses carried forward and unused tax credits (Note 15).

Deferred tax liabilities are recognized for all taxable temporary differences, whereas deferred tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized.

Deferred tax assets and deferred tax liabilities related to income taxes levied by the same taxation authority are offset accordingly.

Reserve for employment termination benefits

Reserve for employment termination benefits represent the present value of the estimated total provision of the future probable obligation of the Company arising from the retirement of the employees calculated in accordance with the Turkish Labor Law (Note 16).

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2004**

(Amounts expressed in millions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2004 unless otherwise indicated)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Foreign currency transactions and translation**

Transactions in foreign currencies during the period 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 period-end. Exchange gains or losses arising on the settlement and translation of foreign currency items have been included in the statement of income.

Revenue recognition

Revenues are recognised on an accrual basis at the time deliveries or acceptances are made, at the fair value of consideration received or receivable. Net sales represent the invoiced value of goods shipped less sales returns and commission and excluding sales taxes. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognized as interest income in the period on an accrual basis.

Other revenues earned by the Company are recognized on the following bases:

Royalty and rental income-on an accrual basis.

Interest income-on an effective yield basis.

Dividend income-when the Company's right to receive payment is established.

Provisions

Provisions are recognized when the Company has a present legal constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Contingent assets and liabilities

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company are treated as contingent assets or liabilities.

Share capital and dividends

Ordinary shares are classified as equity. Dividends on ordinary shares are recognized in equity in the period in which they are declared.

Financial instruments and financial risk management

The Company's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2004**

(Amounts expressed in millions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2004 unless otherwise indicated)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***Interest rate risk***

The Company 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.

Funding risk

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

Credit risk

Ownership of financial assets involves the risk that counter parties may be unable to meet the terms of their agreements. These risks are monitored by limiting the aggregate risk from any individual counter party (excluding related parties) and obtaining collaterals against the risks (Note 24).

Foreign currency risk

The Company is exposed to the foreign exchange risk through the impact of rate changes at the translation of foreign currency denominated liabilities to local currency. These risks are monitored and limited by the analysis of foreign currency position (Note 23).

Fair value of financial instruments

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

The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company can 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:

Monetary assets

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

The fair values of certain financial assets carried at cost, including cash and amounts due from banks, are considered to approximate their respective carrying values due to their short-term nature.

The carrying values of trade receivables along with the related allowances for uncollectability are estimated to be their fair values.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2004**

(Amounts expressed in millions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2004 unless otherwise indicated)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Monetary liabilities

The fair values of bank borrowings and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature.

Long-term borrowings, which are denominated in foreign currencies, are translated at period-end exchange rates and accordingly their fair values approximate their carrying values.

Trade payables have been estimated at their fair values.

Earnings per share

Earnings per share are determined by dividing net profit by the weighted average number of shares that have been outstanding during the period concerned.

Companies can increase their share capital by making a pro-rata distribution of shares (“Bonus Shares”) to existing shareholders from retained earnings and revaluation surplus. For the purpose of earnings per share computations, such Bonus Share issuances are regarded as issued shares. Accordingly the weighted average number of shares used in earnings per share computations is derived by giving retroactive effect to the issuances of the shares without consideration.

Basic earnings per share are calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue.

	1 January - 30 June 2004	1 April - 30 June 2004
Net income	12,146,605	9,313,036
Weighted average number of ordinary shares in issue	24,000,000,000	24,000,000,000
Earnings per share (expressed in full TL per share)	506.11	388.04

Offsetting

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

Comparatives

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current period so that the reclassification will result in a more appropriate presentation of events or transactions.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2004**

(Amounts expressed in millions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2004 unless otherwise indicated)

NOTE 4 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents at 30 June 2004 and 31 December 2003 are as follows:

	30 June 2004	31 December 2003
Cash	-	6,449
Banks		
- demand deposits	1,374,010	4,733,291
- time deposits	1,160,000	4,512,450
Other cash equivalents	143,746	13,640
	2,677,756	9,265,830

Interest rates of Turkish lira denominated time deposits vary between 22% - 26% (31 December 2003: 25% - 26%).

NOTE 5 - TRADE RECEIVABLES

	30 June 2004	31 December 2003
Trade receivables	40,112,033	29,820,088
Cheques and notes receivables	38,048,005	37,237,594
	78,160,038	67,057,682
Less: Provision for doubtful receivables	(520,679)	(526,159)
Short term trade receivables	77,639,359	66,531,523
Cheques and notes receivables	21,301,208	24,724,115
Long term trade receivables	21,301,208	24,724,115

Movements of the provision for doubtful receivables during the period are as follows:

	30 June 2004	31 December 2003
1 January	526,159	149,936
Recoveries	(71,902)	(30,743)
Net provision for the period	106,072	434,208
Monetary gain	(39,650)	(27,242)
30 June / 31 December	520,679	526,159

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2004**

(Amounts expressed in millions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2004 unless otherwise indicated)

NOTE 6 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

i) Balances with the related parties at 30 June 2004 and 31 December 2003:

<u>Bank balances:</u>	30 June 2004	31 December 2003
Koçbank A.Ş.		
- Demand deposits	281,222	2,999,287
- Time deposits	1,160,000	3,460,349
	1,441,222	6,459,636
<u>Due from related parties:</u>	30 June 2004	31 December 2003
Ram Dış Ticaret A.Ş.	5,657,233	13,777,074
Other	10,249	1,033
	5,667,482	13,778,107
<u>Due to related parties:</u>	30 June 2004	31 December 2003
Kofisa Trading Company S.A.	2,735,353	3,364,760
Ram Dış Ticaret A.Ş.	371,219	545,492
Setur Servis Turistik A.Ş.	261,059	68,572
Entek Elektrik Üretimi Otoprodüktör A.Ş.	166,039	169,222
Ram Sigorta Aracılık Hizmetleri A.Ş.	147,805	71,382
Tekersan Jant Sanayi A.Ş.	138,167	90,517
Mako Elektrik Sanayi ve Ticaret A.Ş.	116,741	61,337
Bursa Gaz ve Ticaret A.Ş.	89,877	89,409
Koç Holding A.Ş.	82,935	112,759
Otoyol Sanayi A.Ş.	54,882	75,996
Birmot A.Ş.	52,344	12,907
Bos Birleşik Oksijen Sanayi A.Ş.	37,496	39,072
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	1,636	35,573
Other	61,783	62,135
	4,317,336	4,799,133

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2004**

(Amounts expressed in millions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2004 unless otherwise indicated)

NOTE 6 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

ii) Sales and purchases with the related parties for the period ended 30 June 2004:

	1 January - 30 June 2004	1 April - 30 June 2004
<u>Product sales:</u>		
Ram Dış Ticaret A.Ş.	11,669,970	10,809,003
Koç Finansal Kiralama A.Ş.	3,588,892	1,871,558
Other	51,787	7,965
	15,310,649	12,688,526
<u>Fixed asset purchases:</u>		
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	181,957	117,286
Birmot A.Ş.	38,972	38,181
	220,929	155,467
<u>Inventory purchases:</u>		
Kofisa Trading Company S.A.	2,421,359	693,069
Ram Dış Ticaret A.Ş.	1,605,744	694,125
Tekersan Jant Sanayi A.Ş.	569,503	301,094
Bursa Gaz ve Ticaret A.Ş.	398,216	200,948
Mako Elektrik Sanayi ve Ticaret A.Ş.	292,198	165,874
Bos Birleşik Oksijen Sanayi A.Ş.	241,197	116,491
Oltaş A.Ş.	182,429	104,029
Other	40,017	8,845
	5,750,663	2,284,475
<u>Services received:</u>		
Entek Elektrik Üretimi Otoprodüktör A.Ş.	826,296	433,175
Ram Sigorta Aracılık Hizmetleri A.Ş.	530,178	40,011
Koç Holding A.Ş.	395,572	213,726
Setur Servis Turistik A.Ş.	385,668	272,897
Koç-Net Haberleşme Teknoloji ve İletişim Hizmetleri A.Ş.	49,136	26,721
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	35,091	8,568
Birmot A.Ş.	28,721	28,138
Koç Allianz Sigorta A.Ş.	22,133	21,683
Otoyol Sanayi A.Ş.	19,658	-
Setur Bookinturkey	19,570	6,451
Set Oto Ticaret A.Ş.	10,219	10,011
Other	13,218	7,176
	2,335,460	1,068,557

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2004**

(Amounts expressed in millions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2004 unless otherwise indicated)

NOTE 6 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

iii) Financial income and expenses with the related parties for the period ended 30 June 2004:

	1 January - 30 June 2004	1 April - 30 June 2004
<u>Interest income:</u>		
Koçbank A.Ş.	272,679	55,295
	272,679	55,295
<u>Foreign exchange income:</u>		
Koçbank A.Ş.	352,461	298,288
	352,461	298,288
<u>Foreign exchange losses:</u>		
Koçbank A.Ş.	213,044	32,379
	213,044	32,379

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2004**

(Amounts expressed in millions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2004 unless otherwise indicated)

NOTE 7 - INVENTORIES

	30 June 2004	31 December 2003
Raw materials	15,639,765	10,222,597
Finished goods	5,080,304	3,002,631
Semi-finished goods	2,391,128	2,079,688
Trade goods	2,671,401	1,719,246
Order advances given	1,121,171	628,203
Other	1,864,037	2,661,990
Total	28,767,806	20,314,355

NOTE 8 - OTHER CURRENT ASSETS

	30 June 2004	31 December 2003
VAT receivable	1,981,190	1,741,482
Prepaid expenses	626,513	120,987
Other	162,332	81,924
Total	2,770,035	1,944,393

NOTE 9 - AVAILABLE FOR SALE INVESTMENTS

	<u>30 June 2004</u>		<u>31 December 2003</u>	
	TL million	%	TL million	%
Investments				
Entek Elektrik Üretimi Otoprodüktör A.Ş.	2,547,516	0.09	2,547,516	0.09
	2,547,516		2,547,516	

Available for sale investments are measured at fair value and accordingly TL818,588 million is recorded as gain in the financial statements at 31 December 2003. There is no change in the fair value of available for sale investment at 30 June 2004.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2004**

(Amounts expressed in millions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2004 unless otherwise indicated)

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT - NET

Movements in property, plant and equipment and related accumulated depreciation during the period ended 30 June 2004 are as follows:

	1 January 2004	Additions	Disposals	Transfers	30 June 2004
Cost:					
Land	5,101,561	-	-	-	5,101,561
Land improvements	3,891,975	-	-	-	3,891,975
Buildings	28,148,879	-	-	-	28,148,879
Machinery and equipment	80,590,408	515,943	-	153,069	81,259,420
Motor vehicles	3,334,237	70,438	(24,707)	-	3,379,968
Furniture and fixtures	14,154,770	266,428	(263,589)	-	14,157,609
Special costs	1,034,788	-	-	-	1,034,788
Construction in progress	-	343,196	-	-	343,196
Advances given	160,809	929,080	-	(153,069)	936,820
	136,417,427	2,125,085	(288,296)	-	138,254,216
Accumulated depreciation:					
Land improvements	1,071,275	79,906	-	-	1,151,181
Buildings	9,866,917	562,978	-	-	10,429,895
Machinery and equipment	66,478,272	2,157,284	-	-	68,635,556
Motor vehicles	2,954,056	84,430	(9,265)	-	3,029,221
Furniture and fixtures	12,517,294	657,555	(252,930)	-	12,921,919
Special costs	977,242	13,109	-	-	990,351
	93,865,056	3,555,262	(262,195)	-	97,158,123
Net book value	42,552,371				41,096,093

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2004**

(Amounts expressed in millions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2004 unless otherwise indicated)

NOTE 11 - INTANGIBLE ASSETS

Movements in intangible assets and related accumulated amortization during the period ended 30 June 2004 are as follows:

	1 January 2004	Additions	Disposals	30 June 2004
Cost:				
Intangible assets	1,362,652	37,510	-	1,400,162
Accumulated amortization:				
Intangible assets	(1,122,150)	(57,917)	-	(1,180,067)
Net book value	240,502			220,095

NOTE 12 - BORROWINGS

	30 June 2004		
	Interest rate (%)	Original currency	TL million
Short-term bank borrowings:			
GBP borrowings	5.97-6.23	7,269,946	19,668,840
EURO borrowings	4.06-4.24	5,608,691	10,134,163
USD borrowings	3.32-3.38	5,574,864	8,283,752
TL borrowings	-	2,895,238	2,895,238
Total			40,981,993

	31 December 2003		
	Interest rate (%)	Original currency	TL million
Short term bank borrowings:			
GBP borrowings	5.09-6.02	11,793,706	31,584,777
EURO borrowings	4.23-4.47	3,577,082	6,750,130
USD borrowings	3.47-3.59	6,653,648	10,043,008
TL borrowings	-	497,712	497,712
Total			48,875,627

NOTE 13 - TRADE PAYABLES

	30 June 2004	31 December 2003
Trade payables	22,579,355	23,460,436
Notes payable	38,058	33,090
Other	-	7,058
Total	22,617,413	23,500,584

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2004**

(Amounts expressed in millions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2004 unless otherwise indicated)

NOTE 14 - OTHER CURRENT LIABILITIES

	30 June 2004	31 December 2003
Expense accruals	4,010,184	3,160,822
Advances received	1,996,387	4,440,116
Taxes and funds payable	1,837,730	2,666,139
Payable to personnel	511,423	518,517
Other	126,758	181,448
Total	8,482,482	10,967,042

NOTE 15 - TAXATION

	30 June 2004	31 December 2003
Corporation taxes currently payable	7,352,711	8,094,820
Less: Prepaid taxes	(2,522,772)	(3,917,405)
Taxes on income	4,829,939	4,177,415

Corporation tax for the fiscal year 2004 is payable at a rate of 33% on the total income of the Company after adjusting for certain disallowable expenses, exempt income and investment and other allowances. No further tax is payable unless the profit is distributed. Corporation tax rate on the total income of following years will be 30%.

In accordance with Tax Law No: 5024 “Law Related to Changes in Tax Procedure Law, Income Tax Law and Corporate Tax Law” that was published in the Official Gazette on 30 December 2003 to amend the tax base for non-monetary assets and liabilities, effective from 1 January 2004, the income and corporate taxpayers will prepare the statutory financial statements by adjusting the non-monetary assets and liabilities for the changes in the general purchasing power of the Turkish lira. Corporate taxpayers are obliged to prepare the opening balance sheets restated for inflation at 31 December 2003. Corporate taxpayers will submit their opening balance sheets restated for inflation at 31 December 2003 in accordance with the General Communiqué on Tax Procedure Law No: 328 (“Communiqué”) dated 28 February 2004 and declare the advance corporation tax for the second quarter of 2004 in accordance with draft General Communiqué on Tax Procedure Law No: 338 that has not been published in the Official Gazette until 25 August 2004.

However, while the draft General Communiqué on Tax Procedure Law No: 338 issued by the Ministry of Finance regarding the procedures to be applied for the six-month period ended 30 June 2004 is present at hand, as it has not been published in the Official Gazette, there are no communiqués in force as of the date of these interim financial statements. Thus, the corporate tax at 30 June 2004 has been calculated in accordance with Tax Law No:5024 and the draft communiqué.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2004**

(Amounts expressed in millions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2004 unless otherwise indicated)

NOTE 15 - TAXATION (Continued)

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 10%. An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

Corporations are required to pay advance corporation tax quarterly at the rate of 33% on their corporate income. Advance tax is payable by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or offset against other liabilities to the government.

Capital gains derived from the sale of equity investments and immovable held for not less than two years are tax exempt until 31 December 2004, if such gains are added to paid-in capital in the year in which they are sold.

Capital expenditures, with some exceptions, over TL6 billion are eligible for investment incentive allowance of 40%, which is deductible from taxable income prior to calculation of the corporate income tax, without the requirement of an investment incentive certificate, and the amount of allowance is not subject to withholding tax. Investment allowances utilised within the scope of investment incentive certificates granted prior to 24 April 2003 are subject to withholding tax at the rate of 19.8%, irrespective of profit distribution.

Under the Turkish taxation system, tax losses can be carried forward to 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 financial year to which they relate. Tax returns are open 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 return and the related accounting records on which they are based, and may issue re-assessments based on their findings.

The taxation on income for the period ended 30 June 2004, are summarised as follows:

	1 January - 30 June 2004	1 April - 30 June 2004
Taxes on income		
- Current	(7,449,744)	(4,864,138)
- Deferred	905,244	600,058
	(6,544,500)	(4,264,080)

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2004**

(Amounts expressed in millions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2004 unless otherwise indicated)

NOTE 15 - TAXATION (Continued)

Deferred taxes:

The Company recognises deferred tax assets and liabilities based upon temporary differences arising between their financial statements as reported for IFRS purposes and their statutory tax financial statements. These differences usually arise from recognition of revenue and expenses in different reporting periods for IFRS and tax purposes.

Deferred income taxes are calculated on temporary differences that are expected to be realised or settled based on the taxable income in fiscal year 2004 under the liability method using a principal tax rate of 33%. The rate for other temporary differences is 30%.

The breakdown of cumulative temporary differences and the resulting deferred tax assets/(liabilities) provided at 30 June 2004 and 31 December 2003 using the enacted tax rates are as follows:

	Cumulative		Deferred tax	
	<u>Temporary differences</u>		<u>assets /(liabilities)</u>	
	30 June	31 December	30 June	31 December
	2004	2003	2004	2003
Net difference between the tax base and the carrying value of property, plant and equipment and intangible assets	10,409,292	11,918,862	(3,122,788)	(3,575,658)
Deferred financial expenses of trade payables	558,643	415,920	(184,352)	(137,254)
Deferred tax liabilities			(3,307,140)	(3,712,912)
Reserve for employment termination benefits	3,582,862	3,223,046	1,074,859	966,913
Deferred financial income of trade receivables	2,929,526	2,106,229	966,744	695,056
Net difference between the tax base and the carrying value of inventories	363,148	-	119,838	-
Deferred tax assets			2,161,441	1,661,969
Deferred tax liabilities, net			(1,145,699)	(2,050,943)

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2004**

(Amounts expressed in millions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2004 unless otherwise indicated)

NOTE 16 - RESERVE FOR EMPLOYMENT TERMINATION BENEFITS

Under the Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). Since the legislation was changed on 23 May 2002, there are certain transitional provisions relating to length of service prior to retirement. The amount payable consists of one month's salary limited to a maximum of TL1,485,430,000 for each year of service as of 30 June 2004 (31 December 2003: TL1,389,950,000).

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

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

International Financial Reporting Standards require actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly the following actuarial assumptions were used in the calculation of the total liability:

	30 June 2004	31 December 2003
Discount rate	6%	6%
Turnover rate to estimate the probability of retirement	5%	5%

The principal assumption is that maximum liability of TL1,485,430,000 (31 December 2003: TL1,389,950,000) for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi annually, the maximum amount of TL1,574,740,000 (1 January 2004: TL1,485,430,000), which is effective from 1 July 2004, has been taken into consideration in calculating the provision for employment termination benefits of the Company.

Movements in the reserve for employment termination benefits during the period are as follows:

	30 June 2004	31 December 2003
1 January	3,223,046	2,840,927
Charge for the period	610,415	729,746
Payments during the period	(126,785)	(30,481)
Monetary gain	(123,814)	(317,146)
30 June / 31 December	3,582,862	3,223,046

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2004**

(Amounts expressed in millions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2004 unless otherwise indicated)

NOTE 17 - SHARE CAPITAL

The Company's shareholders and their shares at 30 June 2004 and 31 December 2003 are as follows :

Shareholders	30 June 2004		31 December 2003	
	TL million	Share %	TL million	Share %
Koç Holding A.Ş.	10,300,952	42.92	10,300,952	42.92
Ünver Holding A.Ş.	5,954,944	24.81	5,954,944	24.81
Other	7,744,104	32.27	7,744,104	32.27
Total	24,000,000	100.00	24,000,000	100.00
Adjustment to share capital	48,897,569		48,897,569	
Total	72,897,569		72,897,569	

Adjustment to share capital represents the restatement effect of the cash contributions to share capital in period-end equivalent purchasing power.

NOTE 18 - RETAINED EARNINGS AND LEGAL RESERVES

Retained earnings as per the statutory financial statements, other than legal reserves, are available for distribution subject to the legal reserve requirement referred to below:

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code (TCC). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the company's paid-in 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 paid-in share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital.

Composition of prior periods' earnings and dividends (not adjusted for inflation) at 30 June 2004 and 31 December 2003:

	30 June 2004	31 December 2003
Legal reserves	3,664,278	2,873,548
	3,664,278	2,873,548
Historical amounts of dividends distributed during period from previous period's net income per statutory financial statements	-	4,537,127

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2004**

(Amounts expressed in millions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2004 unless otherwise indicated)

NOTE 19- NET SALES

	1 January - 30 June 2004	1 April - 30 June 2004
Domestic sales	122,071,686	65,487,823
Foreign sales	17,664,731	14,123,113
Gross sales	139,736,417	79,610,936
Less: sales returns and discounts	(38,236)	(24,354)
Net sales	139,698,181	79,586,582

Sales units

	1 January - 30 June 2004	1 April - 30 June 2004
Bus	727	369
Minibus	633	346
Trailer	607	374
Land Rover	135	132
Land Rover-armoured	70	18
	2,172	1,239

NOTE 20 - MARKETING AND SELLING EXPENSES

	1 January - 30 June 2004	1 April - 30 June 2004
Sales commissions	3,615,333	3,339,183
Sales campaign expenses	1,622,475	791,003
Personnel expenses	1,520,503	743,977
Guarantee expenses	1,187,963	795,100
Exhibition expenses	764,452	411,821
Royalty expenses	556,163	388,359
Insurance expenses	501,699	246,782
Advertisement expenses	392,924	176,916
Collateral expenses	213,440	71,007
Other	775,626	319,216
	11,150,578	7,283,364

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2004**

(Amounts expressed in millions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2004 unless otherwise indicated)

NOTE 21 - GENERAL ADMINISTRATIVE EXPENSES

	1 January - 30 June 2004	1 April - 30 June 2004
Personnel expenses	2,170,446	1,068,153
Depreciation	568,048	347,149
Donations	364,999	178,665
Services received	320,163	176,677
Telecommunications expenses	190,087	101,624
Legal and consulting expenses	182,144	82,618
Employment termination benefit	126,785	50,440
Subscription expenses	121,306	58,341
Travel expenses	118,681	64,530
Mechanization expenses	103,522	48,448
Repair and maintenance expenses	102,982	52,483
Rent expenses	76,141	38,409
Insurance expenses	58,180	30,855
Collateral expenses	17,412	5,836
Other	668,980	404,347
	5,189,876	2,708,575

NOTE 22 - FINANCIAL INCOME - NET

	1 January - 30 June 2004	1 April - 30 June 2004
Financial income		
Foreign exchange gain	13,041,541	9,151,208
Unearned credit finance income	2,231,699	941,212
Interest income	1,412,417	459,804
	16,685,657	10,552,224
Financial expenses		
Foreign exchange loss	14,005,071	8,160,990
Interest expenses	172,487	126,050
	14,177,558	8,287,040
Financial income, net	2,508,099	2,265,184

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2004**

(Amounts expressed in millions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2004 unless otherwise indicated)

NOTE 23 - FOREIGN CURRENCY POSITION

Assets and liabilities denominated in foreign currency at 30 June 2004 and 31 December 2003 are as follows:

		30 June 2004		31 December 2003	
Assets				72,223,045	86,752,714
Liabilities				(49,662,242)	(68,348,457)
Net foreign currency position				22,560,803	18,404,257
<u>Assets</u>	Foreign currency type	30 June 2004		31 December 2003	
		Foreign currency amount	TL million	Foreign currency Amount	TL million
Cash and cash equivalents	USD	72,269	107,385	665,326	1,004,242
	EURO	392,682	709,525	1,876,010	3,540,124
	GBP	197,768	535,061	327,382	876,763
			1,351,971		5,421,129
Trade receivables	USD	43,725	64,971	47,692	71,986
	EURO	13,403,407	24,218,186	12,235,864	23,089,735
	GBP	7,274,143	19,680,194	12,619,943	33,797,525
			43,963,351		56,959,246
Due from related parties	USD	-	-	422,022	636,999
	EUR	1,145,561	2,069,877	-	-
	GBP	1,334,856	3,611,453	4,759,683	12,746,929
			5,681,330		13,383,928
Long term trade receivables	EURO	7,856,208	14,195,131	5,823,065	10,988,411
	GBP	2,705,500	7,031,262	-	-
			21,226,393		10,988,411
Total			72,223,045		86,752,714

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2004**

(Amounts expressed in millions of Turkish lira (TL) in terms of the purchasing power of the TL at 30 June 2004 unless otherwise indicated)

NOTE 23 - FOREIGN CURRENCY POSITION (Continued)

<u>Liabilities</u>	Foreign currency type	30 June 2004		31 December 2003	
		Foreign currency amount	TL million	Foreign currency Amount	TL million
Trade payables	USD	553,295	822,147	1,371,817	2,070,619
	EURO	1,785,995	3,227,057	2,976,997	5,617,740
	GBP	1,431,722	3,873,524	2,348,673	6,289,991
		7,922,728		13,978,350	
Due to related parties	EUR	1,627,965	2,941,517	1,783,080	3,364,759
	GBP	247,337	669,170	-	-
		3,610,687		3,364,759	
Short term borrowings	USD	5,574,864	8,283,752	6,653,648	10,043,008
	EURO	5,608,691	10,134,164	3,577,082	6,750,130
	GBP	7,269,946	19,668,840	11,793,706	31,584,777
		38,086,756		48,377,915	
Other current liabilities	EURO	23,284	42,071	1,585	2,990
	GBP	-	-	979,963	2,624,443
		42,071		2,627,433	
Total		49,662,242		68,348,457	

NOTE 24 - COMMITMENTS AND CONTINGENT LIABILITIES

a) Guarantees given at 30 June 2004 and 31 December 2003 are as follows:

	30 June 2004	31 December 2003
Letters of guarantees	7,920,832	9,469,470
Personal guarantees	1,236	1,337
	7,922,068	9,470,807

b) Guarantees received at 30 June 2004 and 31 December 2003 are as follows:

	30 June 2004	31 December 2003
Letters of guarantees	12,621,000	9,327,854
Guarantee notes	169,180	2,109,838
Guarantee cheques	353,534	536,408
Mortgages received	113,000	122,194
	13,256,714	12,096,294