

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

**CONDENSED INTERIM FINANCIAL STATEMENTS
AT 30 SEPTEMBER 2004
TOGETHER WITH AUDITOR'S REVIEW REPORT**

AUDITOR'S REVIEW REPORT

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

1. We have reviewed the accompanying condensed interim balance sheet of Otokar Otobüs Karoseri Sanayi A.Ş. (the "Company") at 30 September 2004 and the related condensed interim statement of income and of cash flows for the nine-month period then ended, all expressed in the equivalent purchasing power of the Turkish Lira at 30 September 2004. These condensed interim financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these condensed interim financial statements based on our review.
2. We conducted our review in accordance with the International Standard on Review Engagements 2400. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the condensed 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-Interim Financial Reporting ("IAS 34") requires the presentation of statements of income for the current interim period and cumulatively for the current financial year to date, with comparative statements of income for the comparable interim periods of the previous financial year. As disclosed in Note 2 to the accompanying condensed interim financial statements, the Company prepared its condensed interim financial statements for the nine-month period ended 30 September 2004 in accordance with International Financial Reporting Standards ("IFRS") for the first time. Consequently, the condensed interim statements of income, of cash flows, of changes in shareholders' equity and related notes for the nine-month period ended 30 September 2004 have not been presented on a comparative basis for the nine-month period ended 30 September 2003 as required by IAS 34.
4. Based on our review, except for the failure to include the comparative financial information referred to in the third paragraph, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not presented fairly, in all material respects, in accordance with IAS 34.

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

Zeynep Uras, SMMM

Istanbul, 10 November 2004

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

CONDENSED INTERIM FINANCIAL STATEMENTS AT 30 SEPTEMBER 2004

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OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

CONDENSED INTERIM BALANCE SHEETS AT 30 SEPTEMBER 2004 AND 31 DECEMBER 2003

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

		(Unaudited)	
	Notes	30 September 2004	31 December 2003
ASSETS			
Current assets			
Cash and cash equivalents	4	748,083	9,366,814
Trade receivables	5	98,872,877	67,256,621
Due from related parties	6	2,490,777	13,928,269
Inventories	7	31,998,427	20,535,753
Other current assets		1,255,467	1,965,583
Total current assets		135,365,631	113,053,040
Non-current assets			
Trade receivables	5	18,464,543	24,993,572
Available for sale investments	8	2,575,281	2,575,281
Property, plant and equipment	9	40,700,131	43,016,130
Intangible assets	10	257,903	243,123
Other non-current assets		4,066	4,445
Total non-current assets		62,001,924	70,832,551
Total assets		197,367,555	183,885,591

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

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

CONDENSED INTERIM BALANCE SHEETS AT 30 SEPTEMBER 2004 AND 31 DECEMBER 2003

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

		(Unaudited)	
	Notes	30 September 2004	31 December 2003
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Borrowings	11	50,539,541	49,408,301
Trade payables	12	20,481,313	23,403,552
Due to related parties	6	6,791,511	5,204,591
Other current liabilities		10,266,991	11,086,567
Taxes on income	13	2,711,887	4,222,943
Total current liabilities		90,791,243	93,325,954
Non-current liabilities			
Reserve for employment termination benefits		3,594,292	3,258,172
Deferred tax liabilities	13	793,154	2,073,296
Other non-current liabilities		499,050	223,693
Total non-current liabilities		4,886,496	5,555,161
Total liabilities		95,677,739	98,881,115
Shareholders' equity			
Share capital	14	24,000,000	24,000,000
Adjustment to share capital	14	49,692,048	49,692,048
Total paid-in capital		73,692,048	73,692,048
Retained earnings		27,997,768	11,312,428
Total shareholders' equity		101,689,816	85,004,476
Total liabilities and shareholders' equity		197,367,555	183,885,591
Commitments and contingent liabilities	16		

The condensed interim financial statements as at and for the period ended 30 September 2004 were approved by the Board of Directors on 10 November 2004.

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

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

CONDENSED INTERIM STATEMENTS OF INCOME FOR THE NINE AND THREE-MONTH PERIODS ENDED 30 SEPTEMBER 2004

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

		1 January - Notes 30 September 2004	1 July - 30 September 2004
Net sales	15	209,836,532	68,615,841
Cost of sales		(159,409,183)	(54,206,983)
Gross profit		50,427,349	14,408,858
Marketing and selling expenses		(15,826,251)	(4,554,147)
General administrative expenses		(7,834,188)	(2,587,750)
Research and development expenses		(3,217,749)	(1,506,700)
Other operating income-net		1,028,966	454,319
Operating profit / (loss)		24,578,127	6,214,580
Financial income-net		2,536,532	1,098
Loss on net monetary position	2	(1,552,964)	451,206
Income before taxation on income		25,561,695	6,666,884
Taxation on income	13	(8,876,355)	(2,260,530)
Net income		16,685,340	4,406,354
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	695.22	183.60

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

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

**CONDENSED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS'
EQUITY FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2004**

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

	Share capital	Adjustment to share capital	Retained earnings	Total shareholders' equity
31 December 2003	24,000,000	49,692,048	11,312,428	85,004,476
Net income for the period	-	-	16,685,340	16,685,340
30 September 2004	24,000,000	49,692,048	27,997,768	101,689,816

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

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

CONDENSED INTERIM STATEMENT OF CASH FLOWS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2004

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

	Notes	30 September 2004
CASH PROVIDED FROM OPERATING ACTIVITIES		
Net income		16,685,340
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	9,10	5,346,023
Increase in reserve for employment termination benefits		626,791
Decrease in deferred tax liabilities		(1,280,141)
Provision for income taxes		10,156,497
Provision for doubtful receivables	5	11,215
Interest expense-net		(1,407,880)
Deferred financial income		(3,104,988)
Inflation effect on non-operating activities		(140,566)
Net cash provided by operating activities before changes in operating assets and liabilities:		
Changes in trade receivables		(21,855,586)
Changes in related party balances		12,929,327
Changes in inventories		(11,462,674)
Changes in other current assets		710,116
Changes in other non-current assets		379
Changes in trade payables		(2,965,024)
Changes in other current liabilities		(819,576)
Changes in other non-current liabilities		275,357
Taxes paid		(11,667,553)
Employment termination benefits paid		(150,105)
Inflation effect on operating activities		(190,492)
Net cash provided by operating activities		(8,303,540)
Investing activities:		
Purchase of property, plant and equipment		(3,116,013)
Interest received		1,806,475
Proceeds from sale of property, plant and equipment		71,209
Net cash used in investing activities		(1,298,329)
Financing activities:		
Decrease in borrowings		1,786,649
Interest paid		(1,054,003)
Inflation effect on financing activities		(441,334)
Net cash used in financing activities		291,312
Inflation effect on cash and cash equivalents		631,826
Change in cash and cash equivalents		(9,247,613)
Cash and cash equivalents at the beginning of the period	4	9,366,814
Cash and cash equivalents at the end of the period	4	748,083

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

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2004

(Amounts expressed in millions of Turkish Lira (TL) in terms of the purchasing power of the TL at 30 September 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 September 2004, the shares quoted on the ISE are approximately 29.91% of the total shares. At 30 September 2004, the principal shareholders and their respective shareholdings in the Company are as follows:

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

NOTE 2 - BASIS OF PRESENTATION OF CONDENSED INTERIM 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.

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2004

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

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

International Accounting Standard 34 ("IAS 34") Interim Financial Reporting Statements requires that current interim statement at 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 at the previous year be submitted. The Company prepared its condensed interim financial statements in accordance with International Financial Reporting Standards ("IFRS") for the period 1 January-30 September 2004 for the first time. Consequently, the condensed interim statement of income, statement of cash flow, statement of changes in shareholder's equity and related notes for the nine month period ended 30 September 2004 have not been presented on a comparative basis with the interim financial statements for the period 1 January - 30 September 2003 as required by International Accounting Standard 34.

The restatement for the changes in the general purchasing power of the Turkish Lira as of 30 September 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 September 2004 are given below:

Dates	Index	Conversion factor	Three year cumulative inflation rate
30 September 2004	8,069.70	1.000	88.69%
31 December 2003	7,382.10	1.093	181.12%

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.

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2004

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies followed in the preparation of these financial statements are summarized below:

Related parties

For the purpose of these condensed interim 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 September 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).

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2004

(Amounts expressed in millions of Turkish Lira (TL) in terms of the purchasing power of the TL at 30 September 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 8).

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 September 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 (Note 9).

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2004

(Amounts expressed in millions of Turkish Lira (TL) in terms of the purchasing power of the TL at 30 September 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 10).

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 11).

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 13).

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.

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2004

(Amounts expressed in millions of Turkish Lira (TL) in terms of the purchasing power of the TL at 30 September 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.

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2004

(Amounts expressed in millions of Turkish Lira (TL) in terms of the purchasing power of the TL at 30 September 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.

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.

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.

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2004

(Amounts expressed in millions of Turkish Lira (TL) in terms of the purchasing power of the TL at 30 September 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 September 2004	1 July - 30 September 2004
Net income	16,685,340	4,406,354
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)	695.22	183.60

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.

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2004

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

NOTE 4 - CASH AND CASH EQUIVALENTS

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

	30 September 2004	31 December 2003
Cash	-	6,520
Banks		
- demand deposits	740,360	4,784,877
- time deposits	-	4,561,630
Other cash equivalents	7,723	13,787
	748,083	9,366,814

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

NOTE 5 - TRADE RECEIVABLES

	30 September 2004	31 December 2003
Trade receivables	62,834,947	30,145,084
Cheques and notes receivables	39,801,466	40,088,918
Less: Unearned financial income (*)	(3,242,857)	(2,445,487)
	99,393,556	67,788,515
Less: Provision for doubtful receivables	(520,679)	(531,894)
Short-term trade receivables	98,872,877	67,256,621
Cheques and notes receivables	18,464,543	24,993,572
Long-term trade receivables	18,464,543	24,993,572

(*) Unearned financial income represents the financial income within the credit sales.

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

	30 September 2004	31 December 2003
1 January	531,894	151,570
Recoveries	(72,685)	(31,078)
Net provision for the period	107,228	438,940
Monetary gain	(45,758)	(27,538)
30 September / 31 December	520,679	531,894

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2004

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

NOTE 6 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

<u>Bank balances:</u>	30 September 2004	31 December 2003
Koçbank A.Ş.		
- Demand deposits	295,691	3,031,975
- Time deposits	-	3,498,062
	295,691	6,530,037
<u>Due from related parties:</u>	30 September 2004	31 December 2003
Ram Dış Ticaret A.Ş.	2,470,011	13,927,225
Other	20,766	1,044
	2,490,777	13,928,269
<u>Due to related parties:</u>	30 September 2004	31 December 2003
Kofisa Trading Company S.A.	4,606,100	3,413,564
Ram Dış Ticaret A.Ş.	1,116,604	906,559
Setur Servis Turistik A.Ş.	182,026	69,567
Tekersan Jant Sanayi A.Ş.	156,647	91,830
Entek Elektrik Üretimi Otoprodüktör A.Ş.	151,552	171,676
Ram Sigorta Aracılık Hizmetleri A.Ş.	120,640	72,417
Koç Holding A.Ş.	114,152	114,394
Mako Elektrik Sanayi ve Ticaret A.Ş.	110,870	62,227
Birmot A.Ş.	56,375	13,094
Otoyol Sanayi A.Ş.	54,146	77,098
Bursa Gaz ve Ticaret A.Ş.	36,907	90,706
Otomotiv Lastikleri Tevzi A.Ş.	35,167	10,428
Bos Birleşik Oksijen Sanayi A.Ş.	32,395	39,638
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	20,926	36,089
Other	109,395	52,608
Less: Unearned credit finance charged to related parties	(112,391)	(17,304)
	6,791,511	5,204,591

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2004

(Amounts expressed in millions of Turkish Lira (TL) in terms of the purchasing power of the TL at 30 September 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 September 2004:

	1 January - 30 September 2004	1 July - 30 September 2004
<u>Product sales:</u>		
Ram Dış Ticaret A.Ş.	11,681,911	259,264
Koç Finansal Kiralama A.Ş.	7,703,879	4,062,159
Ford Otosan A.Ş.	36,354	-
Döktaş Döküm San. ve Tic. A.Ş.	8,334	1,086
Aygaz A.Ş.	6,012	-
Other	4,588	1,997
	19,441,078	4,324,506
<u>Fixed asset purchases:</u>		
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	213,022	29,481
Birmot A.Ş.	39,273	-
	252,295	29,481
<u>Inventory purchases:</u>		
Kofisa Trading Company S.A.	8,367,741	5,891,215
Ram Dış Ticaret A.Ş.	2,473,837	850,450
Tekersan Jant Sanayi A.Ş.	894,568	318,702
Bursa Gaz ve Ticaret A.Ş.	497,946	96,067
Mako Elektrik Sanayi ve Ticaret A.Ş.	446,396	151,011
Bos Birleşik Oksijen Sanayi A.Ş.	355,832	112,082
Otomotiv Lastikleri Tevzi A.Ş.	300,589	116,036
Birmot A.Ş.	83,390	54,112
Other	127,984	87,117
	13,548,283	7,676,792

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2004

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

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

	1 January - 30 September 2004	1 July - 30 September 2004
<u>Services received:</u>		
Entek Elektrik Üretimi Otoprodüktör Grubu A.Ş.	1,228,456	393,355
Setur Servis Turistik A.Ş.	726,783	316,462
Koç Holding A.Ş.	674,529	274,210
Ram Sigorta Aracılık Hizmetleri A.Ş.	647,269	112,310
Koç-Net Haberleşme Teknoloji ve İletişim Hizmetleri A.Ş.	76,645	26,963
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	50,722	15,266
Set Oto Ticaret A.Ş.	23,260	12,883
Koç Allianz Sigorta A.Ş.	22,303	-
Otoyol Sanayi A.Ş.	19,809	-
Other	24,232	10,843
	3,494,008	1,162,292

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

	1 January - 30 September 2004	1 July - 30 September 2004
<u>Interest income:</u>		
Koçbank A.Ş.	326,499	51,400
	326,499	51,400

Foreign exchange income:

Ram Dış Ticaret A.Ş.	1,876,438	1,876,438
Koçbank A.Ş.	364,128	8,896
Kofisa Trading Company S.A.	209,966	209,966
	2,450,532	2,095,300

Foreign exchange losses:

Ram Dış Ticaret A.Ş.	1,935,457	1,935,457
Kofisa Trading Company S.A.	299,521	299,521
Koçbank A.Ş.	277,520	62,447
	2,512,498	2,297,425

Sales commission paid to Ram Dış Ticaret A.Ş. for exports is TL2,529,908 million for the nine-month period ended 30 September 2004.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2004

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

NOTE 7 - INVENTORIES

	30 September 2004	31 December 2003
Raw materials	15,337,113	10,334,008
Finished goods	3,701,246	3,035,355
Semi-finished goods	2,936,934	2,102,354
Trade goods	3,225,272	1,737,983
Order advances given	3,827,396	635,050
Other	2,970,466	2,691,003
Total	31,998,427	20,535,753

NOTE 8 - AVAILABLE FOR SALE INVESTMENTS

	30 September 2004		31 December 2003	
	TL million	%	TL million	%
Investments				
Entek Elektrik Üretimi				
Otoprodüktör Grubu A.Ş.	2,575,281	0.09	2,575,281	0.09
	2,575,281		2,575,281	

Available for sale investments are measured at fair value and accordingly TL884,894 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 September 2004.

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2004

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NOTE 9 - PROPERTY, PLANT AND EQUIPMENT - NET

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

	1 January 2004	Additions	Disposals	Transfers	30 September 2004
Cost:					
Land	5,157,160	-	-	-	5,157,160
Land improvements	3,934,392	-	-	-	3,934,392
Buildings	28,455,661	-	-	-	28,455,661
Machinery and equipment	81,468,728	782,994	-	286,974	82,538,696
Motor vehicles	3,370,576	71,205	(146,054)	-	3,295,727
Furniture and fixtures	14,309,037	406,817	(266,462)	-	14,449,392
Special costs	1,046,066	-	-	-	1,046,066
Construction in progress	-	747,582	-	(36,939)	710,643
Advances given	162,562	998,009	-	(250,035)	910,536
	137,904,182	3,006,607	(412,516)	-	140,498,273
Accumulated depreciation:					
Land improvements	1,082,951	121,165	-	-	1,204,116
Buildings	9,974,452	853,670	-	-	10,828,122
Machinery and equipment	67,202,790	3,245,957	-	-	70,448,747
Motor vehicles	2,986,251	120,937	(85,621)	-	3,021,567
Furniture and fixtures	12,653,715	909,669	(255,687)	-	13,307,697
Special costs	987,893	-	-	-	987,893
	94,888,052	5,251,398	(341,308)	-	99,798,142
Net book value	43,016,130				40,700,131

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2004

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NOTE 10 - INTANGIBLE ASSETS

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

	1 January 2004	Additions	Disposals	30 September 2004
Cost:				
Intangible assets	1,377,503	109,405	-	1,486,908
Accumulated amortization:				
Intangible assets	(1,134,380)	(94,625)	-	(1,229,005)
Net book value	243,123			257,903

NOTE 11 - BORROWINGS

	30 September 2004		
	Interest rate (%)	Original currency	TL million
Short-term bank borrowings:			
EURO borrowings	3.84-4.24	13,722,083	25,319,466
GBP borrowings	7.14	3,526,702	9,549,056
USD borrowings	3.32-3.38	5,621,912	8,419,915
TL borrowings	22.3	7,251,104	7,251,104
Total			50,539,541
	31 December 2003		
	Interest rate (%)	Original currency	TL million
Short term bank borrowings:			
GBP borrowings	5.09-6.02	11,793,706	31,929,006
EURO borrowings	4.23-4.47	3,577,082	10,152,462
USD borrowings	3.47-3.59	6,653,648	6,823,697
TL borrowings	-	497,712	503,136
Total			49,408,301

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2004

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

NOTE 12 - TRADE PAYABLES

	30 September 2004	31 December 2003
Trade payables	20,852,330	23,730,596
Notes payable	39,397	33,450
Other	-	7,136
Less: Unearned credit finance charges	(410,414)	(367,630)
Total	20,481,313	23,403,552

NOTE 13 – TAXES ON INCOME

	30 September 2004	31 December 2003
Corporation taxes currently payable	9,946,899	8,183,042
Less: Prepaid taxes	(7,235,012)	(3,960,099)
Taxes on income	2,711,887	4,222,943

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 on 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 should 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 declared their advance corporation tax prepared for the third temporary tax period (January-September) of 2004 in accordance with the General Communiqué on Tax Procedure Law No: 338 dated 13 August 2004. The companies required to make restatement for inflation according to the Communiqué, are required to restate only the balance sheet of financial statements prepared after 1 January 2004 if the restatement conditions are occurred.

Corporate taxpayers who prepare their financial statements in accordance with Capital Market Board’s accounting principles related to hyperinflation accounting are not required to prepare their financial statements in accordance with Tax Law No: 5024. However, the accumulated depreciation disclosed in the opening balance sheet restated for inflation at 31 December 2003 should conform to the depreciation periods set out in the Tax Procedure Law. The Company has decided to use the balance sheet prepared in accordance with CMB’s accounting principles related to hyperinflation to prepare its opening tax balance sheet restated for inflation as permitted by Tax Law No: 5024.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2004

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NOTE 13 – TAXES ON INCOME (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.

Effective from 24 April 2003, 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.

Net tax expense for the nine months period ended 30 September 2004 expressed in terms of purchasing power of TL is summarised below:

	1 January - 30 September 2004	1 July - 30 September 2004
Taxes on income		
- Current	10,156,496	2,625,560
- Deferred	(1,280,141)	(365,030)
	8,876,355	2,260,530

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NOTE 13 - TAXES ON INCOME (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% (31 December 2003: 33%).

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

	<u>Cumulative</u> <u>Temporary differences</u>		<u>Deferred tax</u> <u>assets /(liabilities)</u>	
	<u>30 September</u> <u>2004</u>	<u>31 December</u> <u>2003</u>	<u>30 September</u> <u>2004</u>	<u>31 December</u> <u>2003</u>
Net difference between the tax base and the carrying value of property, plant and equipment and intangible assets	10,079,957	12,048,760	(3,023,987)	(3,614,627)
Deferred financial expenses of trade payables	522,804	420,453	(172,525)	(138,750)
Deferred tax liabilities			(3,196,512)	(3,753,377)
Reserve for employment termination benefits	3,594,292	3,258,172	1,078,287	977,451
Deferred financial income of trade receivables	3,242,856	2,129,184	1,070,143	702,630
Net difference between the tax base and the carrying value of inventories	772,510	-	254,928	-
Deferred tax assets			2,403,358	1,680,081
Deferred tax liabilities, net			(793,154)	(2,073,296)

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

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NOTE 14 - SHARE CAPITAL

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

Shareholders	30 September 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	49,692,048		49,692,048	
Total	73,692,048		73,692,048	

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

NOTE 15- SALES

The unit of sales of the Company is as follows:

	1 January - 30 September 2004	1 July - 30 September 2004
Minibus	1,049	416
Bus	965	238
Land Rover	265	130
Land Rover-armoured	92	22
Trailer	864	257
	3,235	1,063

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NOTE 16 - COMMITMENTS AND CONTINGENT LIABILITIES

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

	30 September 2004	31 December 2003
Letters of guarantees	9,058,510	9,572,674
Personal guarantees	1,236	1,351
	9,059,746	9,574,025

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

	30 September 2004	31 December 2003
Letters of guarantees	14,295,678	9,429,515
Guarantee cheques	483,535	542,254
Guarantee notes	180,800	2,132,833
Mortgages received	113,000	123,525
	15,073,013	12,228,127

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