

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

FINANCIAL STATEMENTS

AT 31 DECEMBER 2004

TOGETHER WITH AUDITOR'S REPORT

AUDITOR'S REPORT

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

1. We have audited the accompanying balance sheet of Otokar Otobüs Karoseri Sanayi A.Ş. (“the Company”) at 31 December 2004 and the related statements of income and of cash flows for the year then ended, all expressed in the New Turkish Lira in the equivalent purchasing power of the Turkish Lira as of 31 December 2004. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with International Standards on Auditing. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material audit misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. In our opinion, the financial statements present fairly, in all material respects, the financial position of Otokar Otobüs Karoseri Sanayi A.Ş. at 31 December 2004 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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

Zeynep Uras, SMMM

Istanbul, 8 March 2005

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

FINANCIAL STATEMENTS AT 31 DECEMBER 2004

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OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

BALANCE SHEETS AT 31 DECEMBER

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the Turkish Lira at 31 December 2004 unless otherwise indicated)

	Notes	2004	2003
ASSETS			
Current assets:			
Cash and cash equivalents	4	4.900.809	9.754.617
Trade receivables	5	105.069.026	70.041.165
Due from related parties	6	2.887.849	14.504.924
Inventories	7	37.837.518	21.385.970
Other current assets	8	729.899	2.046.962
Total current assets		151.425.101	117.733.638
Non-current assets:			
Trade receivables	5	16.039.879	26.028.351
Available for sale investments	9	2.630.592	2.681.902
Property, plant and equipment	10	44.010.175	44.797.075
Intangible assets	11	449.119	253.189
Other non-current assets		4.066	4.629
Total non-current assets		63.133.831	73.765.146
Total assets		214.558.932	191.498.784

The accompanying notes form an integral part of these financial statements

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

BALANCE SHEETS AT 31 DECEMBER

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the Turkish Lira at 31 December 2004 unless otherwise indicated)

	Notes	2004	2003
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Borrowings	12	46.336.792	51.453.893
Trade payables	13	31.911.205	24.740.277
Due to related parties	6	3.532.376	5.052.295
Other current liabilities	14	18.075.578	11.545.571
Taxes on income	15	-	4.397.780
Total current liabilities		99.855.951	97.189.816
Non-current liabilities:			
Reserve for employment termination benefits	16	3.941.085	3.393.066
Deferred tax liabilities	15	1.050.928	2.159.134
Other non-current liabilities		499.050	232.955
Total non-current liabilities		5.491.063	5.785.155
Total liabilities		105.347.014	102.974.971
Shareholders' equity:			
Share capital	17	24.000.000	24.000.000
Adjustment to share capital	17	52.743.030	52.743.030
Total paid-in capital		76.743.030	76.743.030
Retained earnings	18	32.468.888	11.780.783
Total shareholders' equity		109.211.918	88.523.813
Total liabilities and shareholders' equity		214.558.932	191.498.784
Commitments, contingent assets and liabilities	24		

Financial statements at and for the year ended 31 December 2004 were approved by the Board of Directors at 8 March 2005.

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

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

STATEMENTS OF INCOME FOR THE YEARS ENDED 31 DECEMBER

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the Turkish Lira at 31 December 2004 unless otherwise indicated)

	Notes	2004	2003
Net sales	19	289.746.692	224.827.805
Cost of sales		(223.209.825)	(171.404.260)
Gross profit		66.536.867	53.423.545
Marketing and selling expenses	20	(24.276.949)	(23.916.163)
General administrative expenses	21	(12.229.607)	(13.344.351)
Research and development expenses		(4.159.087)	(2.518.231)
Other operating income-net		828.258	757.233
Operating profit		26.699.483	14.402.033
Financial income-net	22	5.236.412	1.237.468
Loss on net monetary position	2a	(2.329.081)	(1.466.397)
Income before taxation on income		29.606.814	14.173.104
Taxation on income	15	(8.918.709)	(4.928.464)
Net income		20.688.105	9.244.640
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	862,00	385,19

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

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED 31 DECEMBER

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the Turkish Lira at 31 December 2004 unless otherwise indicated)

	Share capital	Adjustment to share capital	Retained earnings	Total shareholders' equity
Balances at 31 December 2002	7.834.774	68.774.665	7.847.506	84.456.945
Dividends paid	-	-	(5.177.772)	(5.177.772)
Increase in share capital	16.165.226	(16.031.635)	(133.591)	-
Net income for the year	-	-	9.244.640	9.244.640
Balances at 31 December 2003	24.000.000	52.743.030	11.780.783	88.523.813
Net income for the year	-	-	20.688.105	20.668.105
Balances at 31 December 2004	24.000.000	52.743.030	32.468.888	109.211.918

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

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the Turkish Lira at 31 December 2004 unless otherwise indicated)

	Notes	2004	2003
CASH PROVIDED FROM OPERATING ACTIVITIES			
Net income		20.688.105	9.244.640
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization		7.305.110	7.617.611
Increase in reserve for employment termination benefits		613.412	736.151
Increase in deferred tax liabilities		(1.108.206)	(3.785.442)
Provision for income taxes		10.026.915	8.521.834
Provision for doubtful receivables	5	(137.670)	396.070
Interest expense-net		(1.461.128)	15.307.474
Deferred financial income		(2.988.144)	(955.682)
Fair value increase	9	51.310	(931.883)
Inflation effect on non-operating activities		209.981	(1.070.424)
Net cash provided by operating activities before changes in operating assets and liabilities:			
(Increase)/decrease in trade receivables		(21.700.652)	10.969.004
Decrease/(increase) in related party balances		10.052.513	(9.674.934)
Decrease/(increase) in inventories		(16.451.549)	4.467.959
(Increase)/decrease in other current assets		(8.569.373)	949.325
Decrease in other non-current assets		563	1.368
Decrease in trade payables		7.002.651	5.751.847
Increase in other current liabilities		6.847.286	9.742.250
Increase/(decrease) in other non-current liabilities		266.095	(160.928)
Taxes paid		(4.855.538)	(9.710.981)
Employment termination benefits	17	(275.374)	(333.875)
Inflation effect on operating activities		(619.760)	8.509.393
Net cash provided by operating activities		4.896.547	55.590.777
Investing activities:			
Purchase of property, plant and equipment	10	(6.757.977)	(3.568.659)
Proceeds from sale of property, plant and equipment		387.086	-
Purchase of intangible assets	11	(343.250)	(384.560)
Dividends paid		-	(5.177.772)
Interest received		2.558.390	3.348.697
Net cash used in investing activities		(4.155.751)	(5.782.294)
Financing activities:			
Decrease in borrowings		(4.777.990)	(14.902.004)
Interest paid		(1.436.375)	(18.656.171)
Inflation effect on financing activities		(390.707)	(7.755.622)
Net cash used in financing activities		(6.605.072)	(41.313.797)
Inflation effect on cash and cash equivalents		1.010.468	316.655
Net (decrease)/ increase in cash and cash equivalents		(5.864.275)	8.494.686
Cash and cash equivalents at the beginning of the year		9.754.617	943.276
Cash and cash equivalents at the end of the year		4.900.809	9.754.617

The accompanying notes form an integral part of these financial statements

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the Turkish Lira at 31 December 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 31 December 2004, the shares quoted on the ISE are approximately 29.91% of the total shares. At 31 December 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
Others	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 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 New 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 FINANCIAL STATEMENTS AT 31 DECEMBER

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the Turkish Lira at 31 December 2004 unless otherwise indicated)

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

The restatement for the changes in the general purchasing power of the Turkish lira at 31 December 2004 is based on IAS 29 "Financial Reporting in Hyperinflationary Economies", which requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date, and that corresponding figures for previous years be restated in the same terms. The main reasons required for implementation of IAS 29; the general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency and amounts of local currency held are immediately invested to maintain purchasing power; the general population regards monetary amounts not in terms of the local currency but in terms of a relatively stable foreign currency and prices may be quoted in that currency; sales and purchases on credit take place at prices that compensate for the expected loss of purchasing power during the credit period, even if the period is short; interest rates, wages and prices are linked to a price index; and the cumulative inflation rate over three years is approaching, or exceeds, 100%. The restatement was calculated by means of conversion factor derived from the Turkish nationwide wholesale price index ("WPI") published by the State Institute of Statistics ("SIS"). Certain information in the financial statements has also been presented on a historical basis for information purposes.

The indices and conversion factors used to restate these financial statements at 31 December 2004 are as follows:

<u>Dates</u>	<u>Index</u>	<u>Conversion factor</u>	<u>Cumulative three year inflation rates (%)</u>
31 December 2004	8.403,8	1,000	69,7
31 December 2003	7.382,1	1,138	181,1
31 December 2002	6.478,8	1,139	227,3

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 asset position of the Company is included in the statement of income as loss on net monetary position.

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the Turkish Lira at 31 December 2004 unless otherwise indicated)

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

New Turkish Lira

Through the enactment of the Law numbered 5083 concerning the “Currency of the Republic of Turkey” in the Official Gazette dated 30 January 2004, New Turkish Lira (“YTL”) and the New Kuruş (“YKr”) have been introduced as the new currency of the Republic of Turkey, effective from 1 January 2005. The hundredth part of the YTL is the YKr (1 YTL=100YKr). When the prior currency, Turkish Lira (“TL”), values are converted into the YTL, one million TL (1,000,000 TL) is equivalent to one YTL (1 YTL). Accordingly, currency of the Republic of Turkey is simplified by removing 6 zeroes from the TL.

All references made to Turkish Lira or Lira in laws, other legislation, administrative transactions, court decisions, legal transactions, negotiable instruments and other documents that produce legal effects as well as payment and exchange instruments shall be considered to have been made to YTL at the conversion rate indicated as above. Consequently, effective from 1 January 2005, the YTL replaces the TL as a unit of account in keeping and presenting the books, accounts and financial statements.

As stated in the announcement of Capital Markets Board dated 30 November 2004, financial statements of the period ending 31 December 2004, including the prior period financial data will be used for comparison purposes, are demonstrated in YTL, and prior period financial statements are conveyed in YTL currency for only comparative purposes.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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).

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the Turkish Lira at 31 December 2004 unless otherwise indicated)

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.

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 (Note 5).

Inventories

Inventories are valued at the lower of cost, restated to equivalent purchasing power at 31 December 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).

Financial assets

At 1 January 2001 the Company adopted IAS 39 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.

All investment securities are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associates with the investment. After initial recognition, investment securities that are classified as available-for-sale are measured at fair value unless fair value cannot be reliably measured (Note 9).

For investments where there is no quoted market price and where a reasonable estimate of fair value could not be determined since other methods are inappropriate and unworkable, they are stated at cost less any impairment in value.

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the Turkish Lira at 31 December 2004 unless otherwise indicated)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 31 December 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 10).

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).

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the Turkish Lira at 31 December 2004 unless otherwise indicated)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

Deferred tax assets and deferred tax liabilities related to income taxes levied by the same taxation authority are offset accordingly (Note 15).

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 Labour Law (Note 16).

Foreign currency transactions and translation

Transactions in foreign currencies during the year have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated at the exchange rates prevailing at year-end. Exchange gains or losses arising on the settlement and translation of foreign currency items have been included in the statements of income.

Revenue recognition

Revenues are recognised on an accrual basis at the time deliveries are made, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company at the fair value of considerations received or receivable. Net sales represent the invoiced value of goods sold less sales returns and commission, and exclude sales taxes (Note 19).

Other revenues earned by the Company are recognised on the following basis:

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.

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the Turkish Lira at 31 December 2004 unless otherwise indicated)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

Provisions are recognised 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 recognised in equity in the period in which they are declared (Note 17).

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 minimise potential adverse effects on the financial performance of the Company.

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 and taking 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).

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the Turkish Lira at 31 December 2004 unless otherwise indicated)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 year 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 and negligible credit losses.

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

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 year-end exchange rates and accordingly their fair values approximate their carrying values.

Trading liabilities have been estimated at their fair values.

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the Turkish Lira at 31 December 2004 unless otherwise indicated)

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Earnings per share

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

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares (“Bonus Shares”) to existing shareholders from retained earnings and 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.

	2004	2003
Net income	20.688.105	9.244.640
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)	862,00	385,19

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 year so that the reclassification will result in a more appropriate presentation of events or transactions.

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NOTE 4 - CASH AND CASH EQUIVALENTS

	2004	2003
Cash	-	6.789
Banks		
-demand deposits	2.851.920	4.982.979
-time deposits	2.014.956	4.750.489
Other cash equivalents	33.933	14.360
	4.900.809	9.754.617

Due dates of time deposits are less than a year. All time deposits are denominated in Turkish Lira and interest rates vary between 19,5%-21% (2003: 25%-26%).

NOTE 5 - TRADE RECEIVABLES

	2004	2003
Trade receivables	71.265.752	33.233.533
Cheques and notes receivables	37.603.245	39.201.936
	108.868.997	72.435.469
Less: Provision for doubtful receivables	(691.586)	(553.915)
Less: Unearned credit finance income	(3.108.385)	(1.840.389)
Short term trade receivables	105.069.026	70.041.165
Cheques and notes receivables	16.039.879	26.028.351
Long term trade receivables	16.039.879	26.028.351

Movement of the provision for doubtful receivables during the year were as follows:

	2004	2003
1 January	553.914	157.845
Recoveries	(75.693)	(32.364)
Net provision for the year	282.574	457.113
Monetary gain	(69.209)	(28.679)
31 December	691.586	553.915

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NOTE 6 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

i) Balances with the related parties at 31 December:

<u>Bank balances:</u>	2004	2003
Koçbank A.Ş.		
- Demand deposits	961.142	3.157.505
- Time deposits	2.850.000	3.642.888
	3.811.142	6.800.393
<u>Due from related parties:</u>	2004	2003
Ram Dış Ticaret A.Ş.	2.915.103	14.880.784
Koç Finansal Kiralama A.Ş.	63.655	-
Other	1.770	1.087
	2.980.528	14.881.871
Less: Unrealized credit finance income	(92.679)	(376.947)
	2.887.849	14.504.924
<u>Borrowings:</u>	2004	2003
Koçbank A.Ş.	637.166	-
	637.166	-

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

<u>Due to related parties:</u>	2004	2003
Kofisa Trading Company S.A.	1.954.398	3.542.256
Ram Dış Ticaret A.Ş.	448.325	574.267
Setur Servis Turistik A.Ş.	231.136	72.190
Koç Holding A.Ş.	163.878	118.707
Entek Elektrik Üretimi Otoprodüktör Grubu A.Ş.	136.114	178.149
Beko Ticaret A.Ş.	118.668	
Otoyol Sanayi A.Ş.	89.850	80.005
Mako Elektrik San. Tic. A.Ş.	82.292	64.572
Tekersan Jant Sanayi A.Ş.	79.054	95.292
Oltaş Otomotiv Lastikleri Tevzi A.Ş.	58.903	11.115
Ram Sigorta Aracılık Hizmetleri A.Ş.	56.037	75.147
Other	176.386	240.595
	3.595.041	5.052.295
Less: Unrealized financial charges	(62.665)	-
	3.532.376	5.052.295

ii) Sales and purchases with the related parties for the years ended 31 December:

<u>Product sales:</u>	2004	2003
Ram Dış Ticaret A.Ş.	16.689.875	37.064.007
Koç Finansal Kiralama A.Ş.	12.878.820	6.311.452
Aygaz A.Ş.	567.669	671.705
Ford Otomotiv Sanayi A.Ş.	37.300	24.593
Demir Export	-	15.203
Other	13.970	6.131
	30.187.634	44.093.091

<u>Fixed asset purchases:</u>	2004	2003
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	249.190	274.037
Otokoç Otomotiv Tic. ve San. A.Ş.	80.168	174.633
Birmot A.Ş.	53.813	112.426
Koç Bryce A.Ş.	1.158	-
	384.329	561.096

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(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the Turkish Lira at 31 December 2004 unless otherwise indicated)

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

<u>Inventory purchases:</u>	2004	2003
Kofisa Trading Company S.A.	9.751.145	8.454.227
Ram Dış Ticaret A.Ş.	3.834.948	2.197.690
Tekersan Jant Sanayi A.Ş.	1.135.374	761.452
Mako Elektrik San. Tic. A.Ş.	597.858	543.238
Bursa Gaz ve Ticaret A.Ş.	563.817	799.078
Oltaş Otomotiv Lastikleri Tevzi A.Ş.	556.481	135.599
Bos Birleşik Oksijen San. A.Ş.	471.870	396.575
Other	386.441	948.923
	17.297.934	14.236.782

<u>Services received:</u>	2004	2003
Entek Elektrik Üretimi Otoprodüktör Grubu A.Ş.	1.607.151	660.845
Setur Servis Turistik A.Ş.	1.137.209	354.632
Koç Holding A.Ş.	968.105	1.041.808
Ram Sigorta Aracılık Hizmetleri A.Ş.	720.258	753.206
Birmot A.Ş.	118.479	-
Koçnet Haberleşme Teknoloji ve İletişim Hizm. A.Ş.	109.143	112.589
Other	240.380	234.401
	4.900.725	3.157.481

iii) Financial income and expenses with the related parties for the years ended 31 December:

<u>Interest income:</u>	2004	2003
Koçbank A.Ş.	342.880	272.143
Ram Dış Ticaret A.Ş.	231.171	632.144
	574.051	904.287

<u>Foreign exchange income:</u>	2004	2003
Ram Dış Ticaret A.Ş.	3.588.298	4.452.370
Koçbank A.Ş.	377.680	845.422
Kofisa Trading Company S.A.	248.104	278.986
	4.214.082	5.576.778

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NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the Turkish Lira at 31 December 2004 unless otherwise indicated)

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

<u>Interest expenses:</u>	2004	2003
Koçbank A.Ş.	514.566	125.558
	514.566	125.558

<u>Foreign exchange losses:</u>	2004	2003
Ram Dış Ticaret A.Ş.	3.463.415	4.768.051
Kofisa Trading Company S.A.	369.014	534.290
Koçbank A.Ş.	330.732	901.514
	4.163.161	6.203.855

Sales commissions paid to Ram Dış Ticaret A.Ş. for exports amount to YTL4.398.201 as of 31 December 2004.

iv) Other income and expenses with the related parties for the years ended 31 December:

<u>Dividends paid:</u>	2004	2003
Koç Holding A.Ş.	-	2.222.332
Ünver Holding A.Ş.	-	1.284.722
Otoyol Sanayi A.Ş.	-	45.500
Otoyol Pazarlama A.Ş.	-	45.500
Ford Otosan Sanayi A.Ş.	-	30.333
Other	-	1.549.385
	-	5.177.772

NOTE 7 - INVENTORIES

	2004	2003
Raw materials	12.776.844	10.761.855
Finished goods	4.428.554	3.161.025
Semi-finished goods	1.502.526	2.189.395
Trade goods	4.071.690	1.809.939
Order advances given	6.852.663	661.342
Goods in transit	8.205.241	2.802.414
	37.837.518	21.385.970

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NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER

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NOTE 8 - OTHER CURRENT ASSETS

	2004	2003
Value added tax receivable	339.869	1.833.348
Prepaid expenses	271.530	127.369
Taxes and funds deductible	61.144	50.437
Receivable from personnel	2.859	493
Other	54.497	35.315
	729.899	2.046.962

NOTE 9 - AVAILABLE FOR SALE INVESTMENTS

	2004		2003	
	YTL	%	YTL	%
Investments				
Entek Elektrik Üretimi Otoprodüktör Grubu A.Ş.	2.630.592	0,09	2.681.902	0,09
	2.630.592		2.681.902	

Available for sale investments are measured at fair value and accordingly YTL51.310 of loss and YTL931,883 of gain are recorded as gain in the financial statements as at 31 December 2004 and 2003, respectively.

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

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(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the Turkish Lira at 31 December 2004 unless otherwise indicated)

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment and related accumulated depreciation during the year ended 31 December 2004 are as follows:

	1 January 2004	Additions	Disposals	Transfers	31 December 2004
Cost:					
Land	5.370.676	-	-	-	5.370.676
Land improvements	4.097.283	-	-	166.362	4.263.645
Buildings	29.633.777	-	-	1.675.829	31.309.606
Machinery and equipment	84.841.679	1.372.726	(1.321.912)	2.441.549	87.334.042
Motor vehicles	3.510.124	163.507	(302.769)	-	3.370.862
Furniture and fixtures	14.901.457	724.124	(277.494)	9.417	15.357.504
Special costs	1.089.375	-	-	-	1.089.375
Construction-in-progress	-	2.538.567	(203.500)	(2.335.067)	-
Advances given	169.293	1.959.053	(109.425)	(1.958.090)	60.831
	143.613.664	6.757.977	(2.215.100)	-	148.156.541
Accumulated depreciation:					
Land improvements	1.127.787	168.796	-	-	1.296.583
Buildings	10.387.413	1.190.937	-	-	11.578.350
Machinery and equipment	69.985.106	4.504.189	(1.321.912)	-	73.167.383
Motor vehicles	3.109.888	159.052	(239.833)	-	3.029.107
Furniture and fixtures	13.177.601	1.134.816	(266.268)	-	14.046.149
Special costs	1.028.794	-	-	-	1.028.794
	98.816.589	7.157.790	(1.828.013)	-	104.146.366
Net book value	44.797.075				44.010.175

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NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER

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NOTE 10 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Movements in property, plant and equipment and related accumulated depreciation during the year ended 31 December 2004 are as follows:

	1 January 2003	Additions	Disposals	Transfers	31 December 2003
Cost:					
Land	5.370.676	-	-	-	5.370.676
Land improvements	3.763.585	-	-	333.698	4.097.283
Buildings	29.633.777	-	-	-	29.633.777
Machinery and equipment	82.551.160	1.280.425	(269.254)	1.279.348	84.841.679
Motor vehicles	3.653.672	310.429	(453.977)	-	3.510.124
Furniture and fixtures	15.450.139	371.575	(941.001)	20.744	14.901.457
Special costs	1.089.375	-	-	-	1.089.375
Construction in progress	17.201	635.561	-	(652.762)	-
Advances given	-	1.150.321	-	(981.028)	169.293
	141.529.585	3.748.311	(1.664.232)	-	143.613.664
Accumulated depreciation:					
Land improvements	971.781	156.006	-	-	1.127.787
Buildings	9.270.531	1.116.882	-	-	10.387.413
Machinery and equipment	65.630.739	4.623.620	(269.252)	-	69.985.106
Motor vehicles	3.352.142	180.868	(423.123)	-	3.109.888
Furniture and fixtures	12.518.722	1.611.312	(952.432)	-	13.177.601
Special costs	990.843	37.951	-	-	1.028.794
	92.734.758	7.726.639	(1.644.808)	-	98.816.589
Net book value	48.794.827				44.797.075

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NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER

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NOTE 11 - INTANGIBLE ASSETS

Movements in intangible assets and related accumulated amortization during the year ended 31 December 2004 are as follows:

	1 January 2004	Additions	Disposals	31 December 2004
Cost:				
Other intangible assets	1.434.534	343.250	-	1.777.784
Accumulated amortization:				
Other intangible assets	(1.181.345)	(147.320)	-	(1.328.664)
Net book value	253.189	195.930	-	449.119

Movements in intangible assets and related accumulated amortization during the year ended 31 December 2003 are as follows:

	1 January 2003	Additions	Disposals	31 December 2003
Cost:				
Other intangible assets	1.210.199	224.335	-	1.434.534
Accumulated amortization:				
Other intangible assets	(1.046.097)	(135.248)	-	(1.181.345)
Net book value	164.102	89.087	-	253.189

NOTE 12 - BORROWINGS

	2004		
	Interest rate	Original currency	YTL
Short-term bank borrowings:			
EURO borrowings	3,84-4,18	15.788.526	28.842.478
GBP borrowings	7,14	3.589.690	9.248.837
USD borrowings	3,32-3,38	5.668.960	7.608.311
TL borrowings	-	637.166	637.166
			46.336.792

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NOTE 12 – BORROWINGS (Continued)

		2003	
	Interest rate	Original currency	YTL
Short term bank borrowings:			
GBP borrowings	5,09-6,02	11.793.706	33.250.924
USD borrowings	3,47-3,59	6.653.648	10.572.792
EURO borrowings	4,23-4,47	3.577.082	7.106.210
TL borrowings	-	523.967	523.967
			51.453.893

NOTE 13 - TRADE PAYABLES

	2004	2003
Trade payables	32.415.829	25.135.872
Notes payable	40.228	34.835
Other	6.275	7.430
	32.462.332	25.178.137
Less: Unrealized financial charge	(551.127)	(437.860)
	31.911.205	24.740.277

NOTE 14 - OTHER CURRENT LIABILITIES

	2004	2003
Advances received	12.470.510	4.674.339
Taxes and funds payable	2.729.476	2.806.782
Expense accruals	1.430.621	2.007.875
Payable to personnel	1.390.472	1.865.555
Other	54.499	191.020
	18.075.578	11.545.571

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NOTE 15 - TAXATION ON INCOME

	2004	2003
Corporation taxes currently payable	9.569.157	8.521.834
Less: Prepaid taxes	(9.886.436)	(4.124.054)
Tax (receivable)/payable-net	(317.279)	4.397.780
Deferred tax payable-net	1.050.928	2.159.134
..	733.649	6.556.914

Corporation tax rate of the fiscal year 2004 is 33%. Corporation tax rate for the following years is 30%. Corporation tax 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.

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 will submit their opening balance sheets restated for inflation at 31 December 2003 and declare their advance corporation tax prepared in accordance with the General Communiqué on Tax Procedure Law No: 328 (“Communiqué”) dated 28 February 2004. Corporate taxpayers who prepare their financial statements in accordance with CMB’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.

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 used to set off against other liabilities to the government.

Capital gains derived from the sale of equity investments and immovable assets 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.

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NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER

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NOTE 15 - TAXATION ON INCOME (Continued)

Capital expenditures, with some exceptions, over YTL6.000 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 utilized 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.

In accordance with the Tax Law 5228 item 28.9 dated 16 July 2004, 40% of the research and development expenditures on technology and knowledge research made by the Company itself with effect from 31 July 2004 are exempted from corporate tax. Expenditures made before 31 July 2004 will be subject to previous application. Such exemptions are not subject to withholding taxes.

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 the 15th of the fourth month 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 returns, 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 years ended 31 December 2004 and 2003, expressed in terms of the purchasing power of the Turkish Lira at 31 December 2004, is summarised as follows:

	2004	2003
Taxes on income		
- Current year corporation tax	10.026.915	8.713.906
- Deferred	(1.108.206)	(3.785.442)
Total tax expense	8.918.709	4.928.464

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.

Deferred income taxes will be calculated on temporary differences that are expected to be realised or settled based on the taxable income in coming years under the liability method using a principal tax rate of 30% at 31 December 2004.

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NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER

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NOTE 15 - TAXATION ON INCOME (Continued)

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

	Cumulative temporary differences		Deferred tax assets / (liabilities)	
	2004	2003	2004	2003
Net difference between the tax base and the carrying value of property. plant and equipment and intangible assets	10.900.148	12.547.600	(3.270.044)	(3.764.280)
Unearned credit finance charges	613.792	437.860	(184.138)	(144.494)
Deferred tax liabilities			(3.454.182)	(3.908.774)
Reserve for employment termination benefits	3.941.085	3.393.066	1.182.326	1.017.920
Unearned credit finance income	3.201.064	2.217.336	960.319	731.720
Net difference between the tax base and the carrying value of inventories	868.697	-	260.609	-
Deferred tax assets			2.403.254	1.749.640
Deferred tax liabilities-net			(1.050.928)	(2.159.134)

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NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER

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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 achieves the retirement age (58 for women and 60 for men). Since the legislation was changed on 8 September 1999, 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 YTL1.648,90 (31 December 2003: YTL1.389,95) for each year of service as at 31 December 2004.

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:

	2004	2003
Discount rate (%)	5,45	6,00
Turnover rate to estimate the probability of retirement (%)	95	95

The principal assumption is that maximum liability of YTL1.574,74 (31 December 2003: YTL 1.389,95) 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 YTL 1.648,90 (1 January 2004: YTL 1.485,43), which is effective from 1 January 2005, 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 year are as follows:

	2004	2003
1 January	3.393.066	2.990.790
Charge for the year	888.786	785.559
Monetary gain	(65.393)	(49.408)
Payments during the year	(275.374)	(333.875)
31 December	3.941.085	3.393.066

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NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER

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NOTE 17 - SHARE CAPITAL

The Company's shareholders and their shares at 31 December are as follows :

Shareholders	2004		2003	
	YTL	Share %	YTL	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	23,91
Other	7.744.104	32,27	7.744.104	33,17
Total	24.000.000	100.00	24.000.000	100.00
Adjustment to share capital	52.743.030		52.743.030	
Total	76.743.030		76.743.030	

Adjustment to share capital represents the restatement effect of the cash contributions to share capital in year-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 (per statutory financial statements and not adjusted for inflation) at 31 December:

	2004	2003
Legal reserves	830.700	2.873.548
Accumulated losses	-	-
	830.700	2.873.548
Historical amounts of dividends distributed during year from previous period's net income per statutory financial statements	-	4.537.127

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NOTE 18 - RETAINED EARNINGS AND LEGAL RESERVES (Continued)

Public companies distribute dividends according to CMB regulations as follows:

In accordance with Communiqué XI/25 section 15/399, the accumulated deficit that may arise as the balancing figure in the financial statements as a result of the first-time application of inflation accounting should be netted off in the calculation of the distributable profit. In addition, the net-off of such accumulated deficit against current year income and retained earnings, if any, legal and extraordinary reserves and adjustment to share capital can be made according to the related Communiqué.

In accordance with Communiqué XI/25, effective from 1 January 2004, companies are obliged to distribute at least 30% of their distributable profit arising from 2003 activity, which is calculated based on the financial statements prepared in accordance with IFRS. Based on the decision of the General Assembly, the distribution of a minimum of 30% of the distributable profit can be made as cash or as bonus share or as a combination of a certain percentage of cash and bonus shares.

For the purposes of profit distribution in accordance with related CMB regulations, items of statutory shareholders' equity such as share capital, share premium, legal reserves, other reserves, special reserves and extraordinary reserves, are presented at their historical amounts. The difference between the inflated and historical amounts of these items is presented in shareholders' equity in total as restatement difference.

Restatement difference of shareholders' equity can only be netted off against prior years' losses and used as an internal source in capital increase where extraordinary reserves can be netted off against prior year's losses, used in distribution of bonus shares and distribution of dividends to shareholders.

In accordance with the above explanation, the composition of the Company's shareholders' equity, which is considered as the basis for profit distribution is as follows:

	31 December 2004	31 December 2003
Share capital	24.000.000	24.000.000
Legal reserves	830.700	2.873.548
Extraordinary reserves	-	8.525.974
Shareholders' equity restatement differences	63.693.113	73.934.372
Net income	20.688.105	9.244.640
Accumulated losses	-	(30.054.721)
Total share capital	109.211.918	88.523.813

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NOTE 18 - RETAINED EARNINGS AND LEGAL RESERVES (Continued)

In accordance with the Extraordinary General Assembly decision dated 15 April 2004, the Company agreed to offset the accumulated deficit amounting to YTL26.400.790, expressed in the purchasing power of Turkish Lira at 31 December 2003, in the following way

IFRS net income for 2003	8.120.714
Extraordinary reserves	8.525.974
Legal reserves	2.042.848
Restatement differences on shareholders' equity	7.711.254
	26.400.790

The restated amounts and the shareholders' equity restatement differences of the aforementioned nominal values are as follows:

	Historical values	Restated amount	Shareholders' equity restatement differences
Share capital	24.000.000	76.743.030	52.743.030
Legal reserves (remaining after offset)	830.700	945.671	114.971
Offsetting difference (*)	-	10.835.112	10.835.112
	24.830.700	88.523.813	63.693.113

(*) Inflation correction differences amounting to YTL10.835.112 which is the remaining balance of equity accounts zeroed by offsetting is shown under "Restatement Differences of Shareholders' Equity" account.

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NOTE 19- NET SALES

	2004	2003
Domestic sales	254.678.319	178.492.596
Foreign sales	35.249.568	46.490.068
Gross sales	289.927.887	224.982.664
Less: Sales returns and discounts	(181.195)	(154.859)
Net sales	289.746.692	224.827.805

Unit sales of the Company are as follows:

	1 Jan-31 December 2004	1 Jan-31 December 2003
Minibus	1.416	1.236
Bus	1.108	629
Land Rover	563	551
Land Rover - Armoured	127	91
Trailer	1.157	865
	4.371	3.372

NOTE 20 – SALES AND MARKETING EXPENSES

	2004	2003
Sales commissions	5.972.373	7.949.437
Sales campaign expenses	5.484.878	3.919.676
Personnel expenses	3.447.759	3.363.742
Guarantee expenses	2.496.813	3.077.974
Royalty expenses	1.077.413	980.327
Insurance expenses	968.136	704.304
Exhibition expenses	645.473	654.282
Advertisement expenses	407.800	263.073
Travel expenses	299.259	335.282
Collateral expenses	291.525	307.684
Other	3.185.520	2.360.382
	24.276.949	23.916.163

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(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the Turkish Lira at 31 December 2004 unless otherwise indicated)

NOTE 21 - GENERAL ADMINISTRATIVE EXPENSES

	2004	2003
Personnel expenses	4.975.736	5.525.145
Depreciation expense	1.492.576	1.704.422
Donations	836.295	582.259
Services rendered	804.437	688.157
Employment termination benefit	673.915	785.559
Legal and consulting expenses	405.069	394.275
Telecommunications expenses	366.736	376.446
Repair, maintenance and energy expenses	344.745	311.027
Taxes and funds	233.763	205.901
Mechanization expenses	223.987	248.258
Rent expenses	178.023	270.275
Insurance expenses	124.100	128.908
Travel expenses	101.788	119.514
Other	1.468.437	2.004.205
Total general administrative expenses	12.229.607	13.344.351

NOTE 22 - FINANCIAL INCOME - NET

	2004	2003
Financial income:		
Foreign exchange gain	17.849.098	41.928.096
Credit finance income	5.215.564	400.872
Interest income	2.558.390	3.348.697
Fair value gain	-	931.884
	25.623.052	46.609.549
Financial expenses:		
Foreign exchange loss	(16.962.562)	(26.745.262)
Interest expenses	(2.925.290)	(18.437.479)
Credit finance expense	(444.646)	(189.340)
Fair value loss	(54.142)	-
	(20.386.640)	(45.372.081)
Financial income-net	5.236.412	1.237.468

NOTE 23 - FOREIGN CURRENCY POSITION

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

	2004	2003
Assets	66.224.455	91.329.055
Liabilities	80.471.893	71.953.945
Net foreign currency position	(14.247.438)	19.375.110

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(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the Turkish Lira at 31 December 2004 unless otherwise indicated)

NOTE 23 - FOREIGN CURRENCY POSITION (Continued):

<u>Assets:</u>	Foreign currency type	2004		2003	
		Foreign currency amount	YTL	Foreign currency amount	YTL
Cash and cash equivalents	USD	432.399	580.323	787.733	1.057.217
	EURO	522.963	955.349	2.040.109	3.726.871
	GBP	166.664	429.410	358.243	923.014
		1.965.082		5.707.102	
Trade receivables	USD	71.225	95.591	56.466	75.783
	EURO	15.342.907	28.028.423	13.306.193	24.307.754
	GBP	6.740.814	17.367.716	13.809.586	35.580.398
		45.491.730		59.963.935	
Due from related parties	USD	-	-	499.666	670.602
	GBP	1.064.882	2.743.669	5.208.364	13.419.349
		2.743.669		14.089.951	
Long-term trade receivables	EURO	7.122.751	13.011.842	6.332.421	11.568.067
	GBP	1.169.079	3.012.132	-	-
		16.023.974		11.568.067	
		66.224.455		91.329.055	
Liabilities:					
Trade payables	USD	282.687	379.394	1.624.206	2.179.847
	EURO	932.760	1.703.966	3.237.401	5.914.084
	GBP	6.846.280	17.639.440	2.570.075	6.621.798
		19.722.800		14.715.729	
Due to related parties	EURO	1.069.848	1.954.398	1.939.049	3.542.255
		1.954.398		3.542.255	
Short-term borrowings	USD	5.668.960	7.608.311	7.877.797	10.572.792
	EURO	15.788.526	28.842.478	3.889.977	7.106.210
	GBP	3.589.690	9.248.838	12.905.462	33.250.924
		45.699.627		50.929.926	
Other current liabilities	USD	8.677.333	11.645.849	-	-
	EURO	793.310	1.449.219	1.723	3.148
	GBP	-	-	1.072.341	2.762.887
		13.095.068		2.766.035	
		80.471.893		71.953.945	

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AT 31 DECEMBER

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NOTE 24 - COMMITMENTS AND CONTINGENT LIABILITIES

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

	2004	2003
Letters of guarantees	25.291.542	9.969.000
Personal guarantees	-	1.407
	25.291.542	9.970.407

b) Guarantees received as of 31 December 2004 and 2003 is as follows:

	2004	2003
Letters of guarantees	19.460.862	9.819.913
Guarantee notes	439.921	2.221.136
Guarantee cheques	430.000	564.704
Mortgages received	113.000	128.639
	20.443.783	12.734.392

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