

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

**CONDENSED INTERIM
FINANCIAL STATEMENTS
AT 31 MARCH 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 31 March 2004 and the related condensed interim statements of income and of cash flows for the three-months period then ended, all expressed in the equivalent purchasing power of the Turkish lira at 31 March 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 Auditing applicable to review engagements. This Standard requires that we plan and perform the review to obtain moderate assurance about whether the condensed interim financial information is 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. As indicated in Note 2 to the condensed interim financial statements, the condensed interim statements of income, of cash flows and of changes in shareholders' equity for the three-months period ended at 31 March 2004 have not been presented on a comparative basis with the comparable financial period as required by International Accounting Standard 34 "Interim Financial Reporting".
4. Based on our review, except for the absence of comparative information referred to in the preceding 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 International Accounting Standard 34 "Interim Financial Reporting".

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

DRAFT

Zeynep Uras, SMMM

Istanbul, 14 May 2004

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

CONDENSED INTERIM FINANCIAL STATEMENTS
AT 31 MARCH 2004

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**CONDENSED INTERIM BALANCE SHEETS AT 31 MARCH 2004
AND 31 DECEMBER 2003**

(Amounts expressed in millions of Turkish lira (TL) in terms of the purchasing power of the TL at 31 March 2004 unless otherwise indicated)

	Notes	Unaudited 31 March 2004	Audited 31 December 2003
ASSETS			
Current assets			
Cash and cash equivalents	3	5,936,097	9,125,961
Trade receivables	4	60,043,861	65,527,220
Due from related parties	5	4,835,722	13,570,125
Inventories	6	23,883,980	20,007,707
Other current assets		2,183,239	1,915,041
Total current assets		96,882,899	110,146,054
Non-current assets			
Trade receivables	4	17,805,854	24,350,901
Available for sale investments	7	2,509,061	2,509,061
Property, plant and equipment	8	40,515,205	41,910,036
Intangible assets	9	209,288	236,871
Other non-current assets		4,066	4,331
Total non-current assets		61,043,474	69,011,200
Total assets		157,926,373	179,157,254

Condensed interim financial statements at and for the period ended 31 March 2004 were approved by the Board of Directors on 14 May 2004.

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

**CONDENSED INTERIM BALANCE SHEETS AT 31 MARCH 2004
AND 31 DECEMBER 2003**

(Amounts expressed in millions of Turkish lira (TL) in terms of the purchasing power of the TL at 31 March 2004 unless otherwise indicated)

	Notes	Unaudited 31 March 2004	Audited 31 December 2003
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Borrowings	10	33,793,750	48,137,842
Trade payables	11	20,236,897	23,145,839
Due to related parties	5	3,614,468	4,726,689
Other current liabilities		6,868,266	10,801,494
Taxes on income	12	2,749,474	4,114,356
Total current liabilities		67,262,855	90,926,220
Non-current liabilities			
Reserve for employment termination benefits		3,129,969	3,174,393
Deferred tax liabilities	12	1,719,404	2,019,984
Other non-current liabilities		204,633	217,942
Total non-current liabilities		5,054,006	5,412,319
Total liabilities		72,316,861	96,338,539
Shareholders' equity			
Share capital	13	24,000,000	24,000,000
Adjustment to share capital	13	47,797,169	47,797,169
Total paid-in capital		71,797,169	71,797,169
Retained earnings		13,812,343	11,021,546
Total shareholders' equity		85,609,512	82,818,715
Total liabilities and shareholders' equity		157,926,373	179,157,254
Commitments and contingent liabilities	14		

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

OTOKAR OTOBÜS KAROSERİ SANAYİ A.Ş.

**UNAUDITED CONDENSED INTERIM STATEMENT OF INCOME
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2004**

(Amounts expressed in millions of Turkish lira (TL) in terms of the purchasing power of the TL at 31 March 2004 unless otherwise indicated)

	Notes	31 March 2004
Net sales		59,204,207
Cost of sales		(46,098,319)
Gross profit		13,105,888
Marketing and selling expenses		(3,808,838)
General administrative expenses		(2,443,845)
Research and development expenses		(584,103)
Other operating income-net		80,509
Operating profit		6,349,611
Financial income-net		239,249
Loss on net monetary position		(1,552,066)
Income before taxation on income		5,036,794
Taxation on income	12	(2,245,997)
Net income		2,790,797
Weighted average number (000's) of shares with face value of TL1,000 value each		24,000,000,000
Earnings per share (TL)		116.28

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

**UNAUDITED CONDENSED INTERIM STATEMENT
OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2004**

(Amounts expressed in millions of Turkish lira (TL) in terms of the purchasing power of the TL at 31 March 2004 unless otherwise indicated)

	Share capital	Adjustment to share capital	Retained earnings	Total shareholders' equity
31 December 2003	24,000,000	47,797,169	11,021,546	82,818,715
Net income for the period	-	-	2,790,797	2,790,797
31 March 2004	24,000,000	47,797,169	13,812,343	85,609,512

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

**UNAUDITED CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2004**

(Amounts expressed in millions of Turkish lira (TL) in terms of the purchasing power of the TL at 31 March 2004 unless otherwise indicated)

	Notes	31 March 2004
CASH PROVIDED FROM OPERATING ACTIVITIES		
Net income/(loss)		2,790,797
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	8,9	1,814,857
Increase in reserve for employment termination benefits		152,307
Decrease in deferred tax liabilities		(300,580)
Provision for income taxes		2,546,577
Provision for doubtful receivables	4	36,008
Interest expense-net		65,943
Deferred financial income		(1,783,097)
Inflation effect on non-operating activities		(121,554)
Net cash provided by operating activities before changes in operating assets and liabilities:		
Changes in trade receivables		14,079,703
Changes in related party balances		7,537,498
Changes in inventories		(3,876,273)
Changes in other current assets		(268,197)
Changes in other non-current assets		264
Changes in trade payables		(3,128,468)
Changes in other current liabilities		(3,933,227)
Changes in other non-current liabilities		(13,308)
Taxes paid		(3,911,459)
Employment termination benefits		(75,176)
Inflation effect on operating activities		245,698
Net cash provided by operating activities		11,858,313
Investing activities:		
Purchase of property, plant and equipment		(392,444)
Interest received		941,178
Net cash provided by investing activities		548,734
Financing activities:		
Decrease in borrowings		(13,770,006)
Interest paid		(1,578,263)
Inflation effect on financing activities		(752,079)
Net cash used in financing activities		(16,100,348)
Inflation effect on cash and cash equivalents		506,381
Net decrease in cash and cash equivalents		(3,693,301)
Cash and cash equivalents at the beginning of the period		9,123,017
Cash and cash equivalents at the end of the period		5,936,097

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

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2004**

(Amounts expressed in millions of Turkish lira (TL) in terms of the purchasing power of TL at 31 March 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 the Turkish Commercial Code. The Company operates in the automotive industry. Land Rover 4x4 land vehicles, armoured vehicles, minibuses and midi buses, 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

**NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS AND
SIGNIFICANT ACCOUNTING POLICIES**

Condensed interim financial statements for the period ended 31 March 2004 are prepared in accordance with International Accounting Standard 34 ("IAS 34") "Interim Financial Reporting". In preparation of the condensed interim financial statements for the period ended 31 March 2004, accounting policies which are consistent with the accounting policies applied in preparation of the financial statements for the year ended 31 December 2003 are used. Therefore, these condensed interim financial statements shall be evaluated together with the financial statements for the year ended 31 December 2003.

The Company prepared its condensed interim financial statements for the first time at 31 March 2004. Accordingly, accompanying condensed interim statements of income, of cash flows, of changes in shareholders' equity and the related notes to the financial statements for the period ended 31 March 2004 have not been presented on a comparative basis with the comparable interim period ended 31 March 2003.

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 Markets 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 condensed interim financial statements are based on the statutory records, which are maintained under the historical cost convention, with adjustments and reclassifications including restatement for changes in the general purchasing power of the Turkish lira, for the purpose of fair presentation in accordance with IFRS.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2004**

(Amounts expressed in millions of Turkish lira (TL) in terms of the purchasing power of TL at 31 March 2004 unless otherwise indicated)

**NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS AND
SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Nationwide wholesale price index (“WPI”) and the conversion factors used in presentation of the condensed interim financial statements in terms of the measuring unit current at the balance sheet date and used in restatement of financial statements of the previous period -which is based on IAS 29 (“Financial Reporting in Hyperinflationary Economies”)- are as follows:

Dates	Index	Conversion factors	Cumulative three years inflation rate
31 March 2004	7,862.2	1.000	159.1%
31 December 2003	7,382.1	1.065	181.1%

As indicated in Note 12, the Company calculated its tax provision at 31 March 2004 based on the inflation adjustment procedures explained in the Tax Law No: 5024 “Law Related to Changes in Tax Procedure Law, Income Tax Law and Corporate Tax Law” since it is probable that the conditions, which are defined in Tax Law No: 5024, for application of inflation accounting will be realized for the year 2004.

NOTE 3 - CASH AND CASH EQUIVALENTS

	31 March 2004	31 December 2003
Cash	-	6,352
Banks		
- demand deposits	3,667,349	4,661,841
- time deposits	2,260,000	4,444,334
Other	8,748	13,434
	5,936,097	9,125,961

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

NOTE 4 - TRADE RECEIVABLES

	31 March 2004	31 December 2003
Trade receivables	32,044,869	29,369,949
Cheques and notes receivables	28,481,201	36,675,488
	60,526,070	66,045,437
Less: Provision for doubtful receivables	(482,209)	(518,217)
Short-term trade receivables	60,043,861	65,527,220
Cheques and notes receivables	17,805,854	24,350,901
Long-term trade receivables	17,805,854	24,350,901

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2004**

(Amounts expressed in millions of Turkish lira (TL) in terms of the purchasing power of TL at 31 March 2004 unless otherwise indicated)

NOTE 4 - TRADE RECEIVABLES (Continued)

Movement of the provision for doubtful receivables for the period ended at 31 March 2004 were as follows:

	31 March 2004
1 January 2004	518,217
Recoveries	(4,363)
Net provision for the period	-
Monetary gain	(31,645)
31 March 2004	482,209

NOTE 5 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

<u>Bank balances:</u>	31 March 2004	31 December 2003
Koçbank A.Ş.		
- Demand deposits	2,217,269	2,954,013
- Time deposits	2,260,000	3,408,114
Total	4,477,269	6,362,127
<u>Due from related parties:</u>	31 March 2004	31 December 2003
Ram Dış Ticaret A.Ş.	4,764,009	13,569,108
Other	71,713	1,017
Total	4,835,722	13,570,125
<u>Bank Borrowings:</u>	31 March 2004	31 December 2003
Koçbank A.Ş.	24,358	-
Total	24,358	-

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2004**

(Amounts expressed in millions of Turkish lira (TL) in terms of the purchasing power of TL at 31 March 2004 unless otherwise indicated)

NOTE 5-TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

<u>Due to related parties:</u>	31 March 2004	31 December 2003
Kofisa Trading Company S.A.	1,664,216	3,313,968
Ram Dış Ticaret A.Ş.	733,696	537,257
Ram Sigorta Aracılık Hizmetleri A.Ş.	346,286	70,304
Entek Elektrik Üretimi Otoprodüktör A.Ş.	170,391	166,667
Tekersan Jant Sanayi A.Ş.	127,278	89,151
Koç Holding A.Ş.	90,034	111,057
Otoyol Sanayi A.Ş.	82,079	74,849
Bursa Gaz ve Ticaret A.Ş.	77,767	88,059
Setur Servis Turistik A.Ş.	72,945	67,537
Mako Elektrik Sanayi ve Ticaret A.Ş.	57,563	60,411
Bos Birleşik Oksijen Sanayi A.Ş.	47,190	38,482
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	26,335	35,036
Other	118,688	73,911
Total	3,614,468	4,726,689

ii) Sales and purchases with the related parties for the period ended 31 March 2004:

<u>Product sales:</u>	31 March 2004
Koç Finansal Kiralama A.Ş.	1,688,238
Ram Dış Ticaret A.Ş.	640,416
Ford Otomotiv Sanayi A.Ş.	36,285
Aygaz A.Ş.	6,001
Other	1,624
Total	2,372,564

<u>Fixed asset purchases:</u>	31 March 2004
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	62,598
Total	62,598

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2004**

(Amounts expressed in millions of Turkish lira (TL) in terms of the purchasing power of TL at 31 March 2004 unless otherwise indicated)

NOTE 5- TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

<u>Inventory purchases:</u>	31 March 2004
Kofisa Trading Company S.A.	1,723,848
Ram Dış Ticaret A.Ş.	902,421
Tekersan Jant Sanayi A.Ş.	263,683
Bursa Gaz ve Ticaret A.Ş.	194,218
Mako Elektrik Sanayi ve Ticaret A.Ş.	123,596
Birleşik Oksijen Sanayi Gazlar A.Ş.	122,999
Oltaş A.Ş.	76,684
Other	31,166

Total **3,438,615**

<u>Services received:</u>	31 March 2004
Ram Sigorta Aracılık Hizmetleri A.Ş.	542,888
Entek Elektrik Üretimi Otoprodüktör A.Ş.	386,362
Koç Holding A.Ş.	178,441
Setur Servis Turistik A.Ş.	107,731
Koç Sistem Bilgi İletişim Hizmetleri A.Ş.	26,498
Koçnet Haberleşme Teknoloji ve İletişim Hizmetleri A.Ş.	21,988
Otoyol Sanayi A.Ş.	19,772
Other	18,986

Total **1,302,666**

iii) Financial income and expenses with the related parties for the period ended 31 March 2004:

<u>Interest income:</u>	31 March 2004
Koçbank A.Ş.	217,491

Total **217,491**

<u>Foreign exchange income:</u>	31 March 2004
Koçbank A.Ş.	48,263

Total **48,263**

<u>Foreign exchange losses:</u>	31 March 2004
Koçbank A.Ş.	181,036

Total **181,036**

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2004**

(Amounts expressed in millions of Turkish lira (TL) in terms of the purchasing power of TL at 31 March 2004 unless otherwise indicated)

NOTE 6 - INVENTORIES

	31 March 2004	31 December 2003
Raw materials	13,984,497	10,068,285
Finished goods	3,244,602	2,957,306
Semi-finished goods	2,468,606	2,048,295
Trade goods	2,281,436	1,693,294
Order advances given	1,124,909	618,721
Other	779,930	2,621,806
Total	23,883,980	20,007,707

NOTE 7 – AVAILABLE-FOR-SALE INVESTMENTS

	<u>31 March 2004</u>		<u>31 December 2003</u>	
	TL Million	%	TL Million	%
Investments				
Entek Elektrik Üretimi Otopordüktör A.Ş.	2,509,061	0.09	2,509,061	0.09
	2,509,061		2,509,061	

Available-for-sale investments are measured at fair value and accordingly TL871,825 million are recorded as gain in the financial statements at 31 December 2003.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2004**

(Amounts expressed in millions of Turkish lira (TL) in terms of the purchasing power of TL at 31 March 2004 unless otherwise indicated)

NOTE 8 - PROPERTY, PLANT AND EQUIPMENT

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

	1 January 2004	Additions	Disposals	Transfers	31 March 2004
Cost:					
Land	5,024,552	-	-	-	5,024,552
Land improvements	3,833,225	-	-	-	3,833,225
Buildings	27,723,968	-	-	-	27,723,968
Machinery and equipment	79,373,884	159,260	-	150,759	79,683,903
Motor vehicles	3,283,907	31,500	-	-	3,315,407
Furniture and fixtures	13,941,102	98,248	-	-	14,039,350
Special costs	1,019,168	-	-	-	1,019,168
Construction in progress	-	96,986	-	-	96,986
Advances given	158,383	6,449	-	(150,759)	14,073
	134,358,189	392,443	-	-	134,750,632
Accumulated depreciation:					
Land improvements	1,055,104	39,350	-	-	1,094,454
Buildings	9,717,975	277,240	-	-	9,995,215
Machinery and equipment	65,474,773	1,072,710	-	-	66,547,483
Motor vehicles	2,909,465	41,291	-	-	2,950,756
Furniture and fixtures	12,328,344	350,229	-	-	12,678,573
Special costs	962,492	6,454	-	-	968,946
	92,448,153	1,787,274	-	-	94,235,427
Net book value	41,910,036				40,515,205

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2004**

(Amounts expressed in millions of Turkish lira (TL) in terms of the purchasing power of TL at 31 March 2004 unless otherwise indicated)

NOTE 9 - INTANGIBLE ASSETS

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

	1 January 2004	Additions	Disposals	31 March 2004
Cost:				
Intangible assets	1,342,082	-	-	1,342,082
Accumulated amortization:				
Intangible assets	(1,105,211)	(27,583)	-	(1,132,794)
Net book value	236,871			209,288

NOTE 10 - BORROWINGS

	31 March 2004		
	Interest rate (%)	Original currency	TL Million
Short-term bank borrowings:			
GBP borrowings	5.97-6.23	7,164,378	17,125,012
EURO borrowings	4.06-4.24	5,550,966	8,880,262
USD borrowings	3.32-3.38	5,527,817	7,248,549
TRL borrowings	-	539,927	539,927
Total			33,793,750

	31 December 2003		
	Interest rate (%)	Original currency	TL Million
Short-term bank borrowings:			
GBP borrowings	5.09-6.02	11,793,706	31,108,000
EURO borrowings	3.47-3.59	6,653,648	9,891,407
USD borrowings	4.23-4.47	3,577,082	6,648,236
TRL borrowings	-	490,199	490,199
Total			48,137,842

NOTE 11 - TRADE PAYABLES

	31 March 2004	31 December 2003
Trade payables	20,200,394	23,106,298
Notes payables	36,503	32,590
Other	-	6,951
Total	20,236,897	23,145,839

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2004**

(Amounts expressed in millions of Turkish lira (TL) in terms of the purchasing power of TL at 31 March 2004 unless otherwise indicated)

NOTE 12 - TAXATION

	31 March 2004	31 December 2003
Corporation taxes currently payable	9,985,914	7,972,627
Less: Prepaid taxes	(7,236,440)	(3,858,271)
Taxes on income	2,749,474	4,114,356

Taxes on income is recognised based on the best estimate of the annual income tax rate expected for the full financial year. Corporation tax rate on the total income of fiscal year 2004 will be 33%.

Tax legislation, which is based on the inflation accounting, became effective from 1 January 2004 in accordance with Tax Law No: 5024 that was published in the Official Gazette on 30 December 2003. According to Tax Law No: 5024, if the increase in the price index is above 100% within the last three accounting periods (last 36 months) - including the current accounting period- and above 10% within the current accounting period (last 12 months), the payers of income and corporation tax of which the earnings are determined on the basis of balance sheet must adjust their financial statements according to the procedures of the inflation accounting. Realization of the stated rates will be determined at the end of each prepaid tax period and if inflation adjustment is determined to be necessary in any of the prepaid tax periods, inflation adjustment will be performed for the whole accounting year including the previous prepaid tax periods, retrospectively.

At 31 March 2004, increase in WPI is 159.05% within the last 36 months and 7.97% within the last 12 months. These rates become 132.53% and 8.91%, respectively as the April 2004 WPI index 2.65% was also included in the calculation. The Company prepared corporate tax provision in its financials restated for inflation in accordance with Tax Law No:5024. The Company calculated its tax provision at 31 March 2004 based on the inflation adjustment procedures explained in Tax Law No: 5024 since it is probable that the conditions for the application of inflation accounting will be realized for the year 2004.

The taxation on income for the period ended 31 March 2004, is summarised as follows:

	31 March 2004
- Current	2,546,577
- Deferred	(300,580)
Total taxes on income	2,245,997

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2004**

(Amounts expressed in millions of Turkish lira (TL) in terms of the purchasing power of TL at 31 March 2004 unless otherwise indicated)

NOTE 12 - TAXATION (Continued)

Deferred taxes

The Company recognises deferred tax assets and liabilities based upon temporary differences arising between their financial statements as reported for IFRS purposes and their statutory tax financial statements. These differences usually result in the 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% at 31 March 2004. The rate for other temporary differences is 30%.

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

	Cumulative temporary differences		Deferred tax assets / (liabilities)	
	31 March 2004	31 December 2003	31 March 2004	31 December 2003
Net difference between the tax bases and the carrying value of property, plant and equipment and intangible assets	10,410,180	11,738,945	(3,123,054)	(3,521,683)
Deferred financial expenses of trade payables	679,246	409,641	(224,151)	(135,182)
Deferred tax liabilities			(3,347,205)	(3,656,865)
Reserve for employment termination benefits	3,129,969	3,174,393	938,991	952,318
Deferred financial income of trade receivables	2,087,306	2,074,435	688,810	684,563
Deferred tax assets			1,627,801	1,636,881
Deferred tax liabilities, net			(1,719,404)	(2,019,984)

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2004**

(Amounts expressed in millions of Turkish lira (TL) in terms of the purchasing power of TL at 31 March 2004 unless otherwise indicated)

NOTE 13 - SHARE CAPITAL

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

Shareholders	31 March 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	47,797,169		47,797,169	
Total paid-in capital	71,797,169		71,797,169	

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

NOTE 14 - COMMITMENTS AND CONTINGENT LIABILITIES

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

	31 March 2004	31 December 2003
Letters of guarantees	11,876,126	9,326,527
Personal guarantees	1,236	1,316
	11,877,362	9,327,843

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

	31 March 2004	31 December 2003
Letters of guarantees	11,534,438	9,187,049
Guarantee notes	1,963,030	2,077,990
Guarantee cheques	355,634	528,311
Mortgages received	113,000	120,349
	13,966,102	11,913,699