

ALARKO CARRIER SANAYİ VE TİCARET A.Ş.
DETAILED BALANCE SHEETS AS OF
31 DECEMBER 2004 AND 2003 (ADJUSTED FOR INFLATION) (TRY)

ASSETS	Current Period 31 December 2004	Previous Period 31 December 2003
I- CURRENT ASSETS	124,592,789	116,584,948
A. Liquid Assets	23,566,240	25,738,320
1. Cash	15,736	8,046
2. Banks	22,168,300	24,135,779
3. Other Liquid Assets	1,382,204	1,594,495
B. Marketable Securities	466,280	4,261,829
1. Private Sector Bonds and Notes	466,280	4,261,829
C. Short Term Trade Receivables	64,854,432	54,231,887
1. Customers	17,096,491	15,258,494
2. Notes Receivable	52,872,301	43,244,940
3. Deposits and Guarantees Given	27,031	13,652
4. Other Short Term Trade Receivables	-	377
5. Rediscount on notes Receivable (-)	(1,726,392)	(1,136,410)
6. Provision for Doubtful Receivables (-)	(3,414,999)	(3,149,166)
D. Other Short Term Receivables	64,579	91,439
1. Other Short Term Receivables	79,070	107,936
2. Provision for Doubtful Receivables (-)	(14,491)	(16,497)
E. Inventories	30,307,111	26,385,435
1. Raw Materials and Supplies	12,959,323	10,590,196
2. Semi Finished Goods	2,585,247	2,819,023
3. Finished Goods	5,566,723	4,473,418
4. Trade Goods	8,677,093	7,475,505
5. Other Inventories	-	804
6. Order Advances Given	518,725	1,026,489
F. Other Current Assets	5,334,147	5,876,038
II- LONG TERM ASSETS	57,263,023	61,549,144
A. Long Term Trade Receivables	71,165	138,390
1. Notes Receivable	1,281	76,867
2. Deposits and Guarantees Given	70,152	70,192
3. Rediscount on Receivables (-)	(268)	(8,669)
B. Financial Assets	9,571,996	9,551,447
1. Affiliates	947,667	927,118
2. Subsidiaries	8,604,135	8,604,135
3. Other Financial Assets	20,194	20,194
C. Tangible Assets	46,916,464	51,033,972
1. Land	5,490,519	5,482,903
2. Land Improvements	2,488,607	2,486,898
3. Building	37,928,886	37,543,426
4. Machinery and Installations	43,253,596	42,508,930
5. Motor Vehicles	1,381,563	1,463,097
6. Furniture and Fixtures	17,379,270	16,903,293
7. Other Tangible Assets	12,276,588	12,001,033
8. Accumulated Depreciation (-)	(75,317,575)	(69,342,596)
9. Advances Given	2,035,010	1,986,988
D. Intangible Assets	703,391	823,456
1. Rights	166,852	254,020
2. Other Intangible Assets	536,539	569,436
E. Other Long Term Assets	7	1,879
TOTAL ASSETS	181,855,812	178,134,092

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

LIABILITIES AND SHAREHOLDERS' EQUITY	Current Period 31 December 2004	Previous Period 31 December 2003
I- SHORT TERM LIABILITIES	35,392,939	40,118,596
A. Financial Liabilities	7,202,218	8,069,186
1. Bank Loans	7,202,218	8,069,186
2. Capital and Interest Payments of Long Term Loans	-	-
B. Trade Payables	8,917,157	11,609,727
1. Suppliers	7,033,350	9,351,128
2. Deposits and Guarantees Received	14,310	46
3. Other Trade Payables	1,873,275	2,258,553
4. Rediscount on Notes Payable (-)	(3,778)	-
C. Other Short term Liabilities	3,789,887	2,443,426
1. Due to Shareholders	874	1,927
2. Accrued Expenses	242,416	240,357
3. Taxes and Withholdings Payable	2,214,450	1,765,231
4. Other Short Term Liabilities	1,332,147	435,911
D. Advances Received	11,414,552	10,285,934
E. Provisions for Debts and Expenses	4,069,125	7,710,323
1. Provisions for Taxes	4,061,921	7,705,168
2. Provisions for Other Debts and Expenses	7,204	5,155
II- LONG TERM LIABILITIES	7,253,946	6,929,746
A. Provisions for Debts and Expenses	7,253,946	6,929,746
1. Provisions for Termination Indemnities	7,253,946	6,920,063
2. Provisions for Other Debts and Expenses	-	9,683
III- SHAREHOLDERS' EQUITY	139,208,927	131,085,750
A. Capital	10,800,000	10,800,000
B. Share Premium	-	538
C. Reserves	-	43,396,775
1. Legal Reserves	-	1,182,955
2. Extraordinary Reserves	-	42,213,820
D. Net Profit for the Period	8,123,177	9,344,926
E. Prior Period Loss	-	(111,481,142)
F. Differences Arising from the Inflation Adjustment on Shareholders' Equity	120,285,750	179,024,653
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	181,855,812	178,134,092

NOTES TO THE DETAILED BALANCE SHEETS

1. Principle Activities

Alarko Carrier Sanayi ve Ticaret A.Ş. (the Company) is a joint stock company registered in İstanbul. The Company carries out its activities through the following operational divisions.

Operational Divisions

Factory

Alsım Branch

Algün Branch

İstanbul Branch

Ankara Zone

Free Trade Zone Branch

Totaline Branch

Principal Activities

Manufacturing of ; air handling units, roof-top, unit heaters, submersible pumps, gas fired combi boilers, oil fired domestic boiler, burners and panel radiators.

Building and construction.

Construction and management of hotels.

Marketing of factory's products and complementary imported products, including necessary after sales services.

Sales of spare parts, assembly material, maintenance and repair material.

2. Capital

As of 31 December 2004 and 2003, shareholdings of 10% and greater are as follows (TRY) :

Name	31 December 2004		Capital Adjustment	Total Adjusted Capital
	Holding (%)	Nominal Value		
Alarko Holding A.Ş.	42.03 %	4,539,130	10,787,131	15,326,261
Carrier HVACR Investments B.V.	42.03 %	4,539,130	10,787,131	15,326,261
Other *	15.94 %	1,721,740	4,090,788	5,812,528
	<u>100.00 %</u>	<u>10,800,000</u>	<u>25,665,050</u>	<u>36,465,050</u>
Name	31 December 2003		Capital Adjustment	Total Adjusted Capital
	Holding (%)	Nominal Value		
Alarko Holding A.Ş.	42.03 %	4,539,130	10,787,131	15,326,261
Carrier HVACR Investments B.V.	42.03 %	4,539,130	10,787,131	15,326,261
Other *	15.94 %	1,721,740	4,090,788	5,812,528
	<u>100.00 %</u>	<u>10,800,000</u>	<u>25,665,050</u>	<u>36,465,050</u>

* Represents the total of shareholdings less than 10 %.

3. Privileges Accorded to Shares Representing the Capital

As of 31 December 2004 and 2003, no privileges are accorded to any classes of the Company's shares.

4. Registered Authorised Capital

As of 31 December 2004 and 2003, the registered share capital limit of the Company is TRY 5,000,000. Capital increase made in 2003 arises from value increase fund, hence the issued capital exceeds the registered capital limit.

5. Capital Increases and Sources Within the Period

Capital increases and sources at historical values for the period between 1 January 2003 and 31 December 2004 are as follows (TRY):

<u>Date of Increase</u>	<u>Amount of Increase</u>	<u>Value Increase Fund*</u>
19.11.2003	9,450,000	9,450,000

* The amount of value increase fund has not been subject to adjustment during capital adjustment.

6. Issued Marketable Securities Other Than Shares

As of 31 December 2004 and 2003, there are no issued marketable securities other than shares.

7. Issued Marketable Securities Representing Indebtedness

As of 31 December 2004 and 2003, there are no issued marketable securities representing indebtedness.

8. Movements in Fixed Assets

For the years ended 31 December 2004 and 2003, movements in fixed assets are as follows (TRY):

	<u>31 December 2004</u>	<u>31 December 2003</u>
(a) Cost of fixed assets purchased, produced or constructed	2,022,708	1,608,536
(b) Cost of fixed assets sold or written off	(213,260)	(1,346,164)

(c) Type, total amounts, dates of commencement and completion, and the degree of completion of investments in progress: There are no investments in progress.

9. Investment Allowance for Current and Future Periods

As of 31 December 2004, there is no investment allowance available for the current period. The investment allowance available for future periods amounts to TRY 1,116,871 (31 December 2003 – TRY 1,593,763 (in historical terms TRY 1,400,000)).

10. Balances With Shareholders, Affiliates and Subsidiaries

(a) As of 31 December 2004 and 2003, balances with affiliates and subsidiaries which are in direct or indirect capital and management relationship with the Company are as follows (TRY) :

	31 December 2004		31 December 2003	
	Receivables	Payables	Receivables	Payables
Alsim Alarko Sanayi Tesisleri ve Tic. A.Ş.*	36,525	885	15,278	1,278
Altek Alarko Elekt. Santr. Tesis & Tic. A.Ş.	832	-	1,014	-
Alamsafl Alarko A&S Makina Sanayi A.Ş.	325	-	-	-
Alarko Fenni Malzeme Satış ve Alış A.Ş.	6,866	-	817	-
Alfarm Alarko Su Ürünleri San. ve Tic. A.Ş.	-	53	2,625	-
Almüt Alarko Sın. Ger. & Ml. ve Müm. A.Ş.*	191,303	-	297,031	132,981
Attafl Alarko Tur. Tes. A.Ş.	2,877	-	254	-
	<u>238,728</u>	<u>938</u>	<u>317,019</u>	<u>134,259</u>

(b) Trade receivable and payable balances with shareholders of the Company are as follows (TRY) :

	31 December 2004		31 December 2003	
	Receivables	Payables	Receivables	Payables
Alarko Holding A.Ş. *	1,606	2,848	-	-
	<u>1,606</u>	<u>2,848</u>	<u>-</u>	<u>-</u>

(c) Non trade accounts payable balances with shareholders of the Company are as follows (TRY) :

	31 December 2004	31 December 2003
Dividends	874	1,927
	<u>874</u>	<u>1,927</u>

* Receivable and payable balances with the same companies have not been netted off because these balances arise from separate transactions.

11. Accounting Techniques and Valuation Procedures Applied

(a) Basis of Presentation :

The accounting records and statutory books of Alarko Carrier Sanayi ve Ticaret A.Ş. have been prepared in accordance with the current commercial and financial legislation and the directives of the Capital Markets Board (CMB). The accompanying restated financial statements have been based on the Inflation Accounting Communiqué (Serial XI Nr.20) of the Capital Markets Board (CMB).

The affiliates of the Company stated in detail in the balance sheet note 26, are not consolidated in accordance with the CMB Communiqué Related to the Consolidated Financial Statements and the Accounting of Affiliates Nr XI/21 due to the reason that the total assets, revenues, and similar balance sheet items of the mentioned companies are immaterial and that the volume of their operations are small and that they have no capacity of transferring funds to the Company. As mentioned in the balance sheet note 11(e) the affiliates of the Company are stated at their adjusted cost values in the Financial Assets account of the accompanying financial statements.

The CMB Communiqué (Serial XI; nr.20) 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 the corresponding figures for the previous periods be restated in the same terms. With respect to the same directive, in case where the price index at the balance sheet date is 100% or more than the index valid at the beginning of the third previous accounting period, and where the price index at the balance sheet date is 10% or more than the index at the beginning of the current period, hyperinflationary period starts from the current period onwards. As of 31 December 2004, although the three-year cumulative inflation rate in Turkey is below 100% (69,7%), as the annual rate for the year then ended has not decreased to a level below 10% (13,8%), the accompanying financial statements have been restated in terms of the equivalent purchasing power of the Turkish Lira at 31 December 2004.

The restatement is calculated by means of conversion factors derived from the Turkish countrywide wholesale price index determined by the State Institute of Statistics and published by the Capital Markets Board. Such indices and conversion factors as of 31 December 2004 are set out below :

<u>Date</u>	<u>Index</u>	<u>Conversion Factor</u>
31 December 2001	4,951.7	1.697
31 December 2002	6,478.8	1.297
31 December 2003	7,382.1	1.138
31 December 2004	8,403.8	1.000

The following principles have been applied in the preparation of the restated financial statements:

- Financial statements are stated in terms of the measuring unit current at 31 December 2004 and the corresponding figures for the previous periods are restated in the same terms.
- Monetary assets and liabilities are not restated because they are already expressed in terms of the monetary unit current at that balance sheet date.
- Non-monetary assets and liabilities are restated by applying the relevant conversion factors. Components of income statement are restated by applying the conversion factors of the relevant month.
- The effect of general inflation on the net monetary position is included in the statement of income as "Net Monetary Gain/(Loss)".

(b) Marketable Securities :

As of 31 December 2004 and 2003, private sector marketable securities are composed of investment fund participation certificates, and are valued at the buying rate announced by the related fund at the balance sheet date.

(c) Valuation of Receivables and Payables:

As of 31 December 2004 and 2003, receivables and payables are shown in the balance sheet at their book values. Post-dated cheques, notes receivable and receivables and payables unsecured by bonds are rediscounted at the rate corresponding to the relevant maturity of the Internal Borrowing Notes issued by the Treasury prevailing at the balance sheet date. Cheques and notes receivable denominated in foreign currency are subject to rediscount at Libor, Euribor, and Tibor rates.

(d) Inventories:

As of 31 December 2004 and 2003, inventories were physically counted. Inventories are stated at the lower of cost or net realisable value. Cost is determined by the weighted moving average method for raw materials, trade materials, semi-finished products, finished products, merchandise and other inventories.

Monthly weighted moving average method is used in determining the adjustment coefficients related to inventories and the recorded cost values are restated by applying the relevant monthly adjustment coefficient.

(e) Financial Assets:

Financial assets are restated according to the measuring unit valid at 31 December 2004.

Financial assets are adjusted after the elimination of the amounts corresponding to bonus shares received as a result of capital increases made from funds such as revaluation fund and are valued at the lower of market value and restated value.□

(f) □ Tangible Assets :

In the accompanying financial statements, the acquisition values of tangible assets are considered in the restatement of tangible assets as of 31 December 2004. In the adjustments of tangible assets subject to depreciation, the effects of restatement made with respect to the related legislation on related assets and accumulated depreciation have been eliminated. Depreciation of tangible assets is made over the totals adjusted with respect to inflation accounting on “pro rata” basis using the straight line method, considering the approximate useful lives of the assets as stated in the following:

Buildings	16-50 years
Land improvements	5-50 years
Machinery, plant and equipment	10 years
Motor Vehicles	4-7 years
Fixtures and furniture	5-10 years
Other Tangible Assets	4-5 years□

(g) □ Intangible Assets :

The acquisition values of intangible assets are considered in the restatement of intangible assets as of 31 December 2004. In the adjustments of intangible assets subject to amortisation, the effects of restatement made with respect to the related legislation on related assets and accumulated amortisation have been eliminated. Amortisation of intangible assets is made over the totals adjusted with respect to inflation accounting on “pro rata” basis, considering the approximate useful lives of the assets as stated in the following:

Rights	4-5 years
Special costs	5-10 years□

(h) □ Revenues and Expenses :

The accrual basis of accounting is applied for recognition of revenues and expenses. The accrual concept requires that revenues, income and profits should be matched with costs, expenses and losses incurred in the same period.

(i) Assets and Liabilities in Foreign Currency :

Assets and liabilities in foreign currency are translated into Turkish Lira at foreign currency purchasing rates and selling rates respectively as announced by the Turkish Central Bank at balance sheet dates. Transactions in foreign currencies during the year are translated into Turkish Lira at the actual rates applicable on the transaction date.

(j) Termination Indemnities:

In accordance with the requirements of the Capital Markets Board, provision is made for potential future payments to employees with rights to termination indemnities under Turkish Employment Legislation.

(k) Income Taxes :

2004

Corporate earnings are subject to corporation tax at a rate of 33%. In case investment allowance is deducted in the calculation of taxable income, same as with other profits exempted from corporation tax, no withholding calculation is required in cases where such earnings are not distributed. However in case the investment allowance used is based on the supplementary articles 1 and 6 of the Income Tax Law (ITL) which have been annulled by Law nr 4842, income tax withholding, whether distributed or not, is calculated at a rate of 19.8% according to the Provisional Article 61 of ITL and no separate calculation will be made for funds levy. Whether exempted or not, dividends paid in cash to real persons with full liability and real persons and entities with limited liability (non-residents) are subject to income tax withholding at a rate of 10%. However, income tax withholding is not applicable to the dividends arising from 1998 and prior years' profits and from the exempt profits relating to the years 1999, 2000, 2001 and 2002 as well as income and profits corresponding to the above mentioned investment allowance taxed at the rate of 19.8%. Addition of current year and prior year profits (retained earnings) to share capital has not been regarded as distribution of profits and therefore no withholding tax is applicable to these earnings. On the other hand, no withholding tax is applicable to entities with full liability in profit distributions.

Further, provisional corporation tax is paid at a rate of 33% on the profits declared for interim periods to be deducted from the corporation tax.

Starting from 2005, corporation tax and provisional corporation tax rate will be 30%.

With respect to the bis article 298 of the Tax Law amended by Law 5024, the financial statements of tax payers that keep their accounting records on balance sheet basis are subject to inflation adjustment under the conditions that the increase in TEFE (wholesale price indices) exceeds 100% for the last three years and 10% for the current year. As the second criterion of 10% has not been realized in the first provisional tax period of 2004, no inflation adjustment is made for the first three months. However, inflation adjustment is made in the second provisional tax period of 2004 as the second criterion is realized and the same application is carried on at the year end with the succeeding provisional tax periods.

2003

Corporate earnings are subject to corporation tax at a rate of 30%. In case investment allowance is deducted in the calculation of taxable income, same as with other profits exempted from corporation tax, no withholding calculation is required in cases where such earnings are not distributed. However in case the investment allowance used is based on the supplementary articles 1 and 6 of the Income Tax Law (ITL) which have been annulled by Law nr 4842, income tax withholding is calculated at a rate of 19.8% according to the Provisional Article 61 of ITL and no separate calculation for fund payment is required. Whether exempted or not, dividends paid in cash are subject to income tax withholding at a rate of 10%. However, income tax withholding is not applicable to the dividends arising from 1998 and prior years' profits and from the exempt profits relating to the years 1999, 2000, 2001 and 2002 as well as income and profits corresponding to the above mentioned investment allowance taxed at the rate of 19.8%. Addition of current year and prior year profits (retained earnings) to share capital has not been regarded as distribution of profits and therefore no withholding tax is applicable to these earnings.

Further, provisional corporation tax is paid at a rate of 30% on the profits declared for interim periods to be deducted from the corporation tax.

With respect to the supplementary article 32 of the Corporation Tax Law appended by Law nr 5035 issued in the Official Gazette nr 25334 dated 02.01.2004, the corporation tax and provisional corporation tax rate will be 33%, valid solely for the year 2004, after which it will be set back at 30% in the year 2005.

As of 31 December 2004 and 2003, income tax provisions have been made in accordance with the prevailing tax legislation.

12. Subsequent Events

The termination indemnity upper limit, which stood at TL 1,574,740,000 (TRY 1,574.74) as of 31 December 2004, has been increased to TRY 1,648.90 with effect from 1 January 2005 and to TRY 1,727.15 with effect from 1 July 2005 (31 December 2003 – TRY 1,390).

13. Conditional Loss and Income

As of 31 December 2004 and 2003, there are no legal disputes that would put the enterprise under financial burden or materially affect the results of the period.

14. Disclosure of Changes in Accounting Estimates and Their Monetary Effects on Gross Profit Ratio

There are no changes in the accounting estimates.

15. Mortgages and Guarantees on Assets

As of 31 December 2004, there are no mortgages on assets and the guarantees amount to TRY 4,631,969 (31 December 2003 – TRY 5,932,663 (TRY 5,211,394 in historical terms)).

16. Insurance Coverage

As of 31 December 2004, historical value of total insurance coverage on assets amounts to TRY 86,811,682 (31 December 2003 – TRY 91,322,148 (TRY 80,219,571 in historical terms)).

17. Mortgages and Guarantees Received

As of 31 December 2004, historical value of the total amount of mortgages and guarantees held as security for receivables is TRY 68,056,383 (31 December 2003 – TRY 74,791,911 (TRY 65,699,013 in historical terms)).

18. Contingent Liabilities

As of 31 December 2004, historical value of total outstanding commitments and contingent liabilities amount to TRY 23,383,803 (31 December 2003 – TRY 5,932,663 (TRY 5,211,394 in historical terms)).

19. Blocked Deposits at Banks

As of 31 December 2004 and 2003, there are no blocked deposits at banks.

20. Cost and Market Value of Marketable Securities and Financial Assets

As of 31 December 2004 and 2003, there are no marketable securities quoted on a recognised stock exchange.

As of 31 December 2004 and 2003, financial assets are adjusted according to the purchasing power of the Turkish Lira at 31 December 2004 (by application of indices), and stated in the Company's balance sheet at the lower of market value and restated value. Financial assets with market values are as follows (TRY):

	31 December 2004		31 December 2003	
	Restated Value	Market Value	Restated Value	Market Value
Alarko Gayrimenkul Yatırım Ortaklığı A.Ş.	133,274	213,251	128,865	143,197

21. Marketable Securities Issued by Shareholders, Affiliates and Subsidiaries

There are no marketable securities issued by shareholders, affiliates or subsidiaries included in the group of marketable securities and financial assets as of 31 December 2004 and 2003.

22. Other

Items classified as "Other", exceeding 20% of the total amount of its group or 5% of total assets are as follows (TRY) :

	<u>31 December 2004</u>	<u>31 December 2003</u>
Other liquid assets;	1,382,204	1,594,495
Cheques received	1,360,777	1,591,455
Other liquid assets	21,427	3,040
Short term other receivables;	79,070	107,936
Other miscellaneous receivables	55,622	77,512
Job advances	7,938	13,927
Due from personnel	1,019	-
Other doubtful receivables	14,491	16,497
Other current assets;	5,334,147	5,876,038
Prepaid expenses	417,484	388,972
Other VAT	934,244	271,754
Special consumption tax	299,590	-
Prepaid tax	3,576,895	5,143,648
Other current assets	105,934	71,664
Other intangible assets;	536,539	569,436
Special cost	1,593,046	1,426,121
Special cost amortisation	(1,056,507)	(856,685)
Other long term assets;	7	1,879
Expenses related to future years	-	1,872
Other miscellaneous long term assets	7	7
Other trade payables;	1,873,275	2,258,553
Provision for imported goods	1,873,275	2,258,553

	<u>31 December 2004</u>	<u>31 December 2003</u>
Other short term payables;	1,332,147	435,911
Due to personnel	737	13
Other miscellaneous debts	97,568	92,482
Other VAT	934,244	271,752
Other special consumption tax	299,590	71,664
Other	8	-
Other income and profits related to operations;	13,564,881	16,233,733
Foreign exchange gains	4,805,865	6,515,063
Rediscount interest income	1,148,857	1,644,251
Commission income	642,429	848,441
Gain on maturity difference	6,728,306	7,108,017
Other ordinary income and profits	239,424	117,961
Expenses and losses from other operations;	11,027,267	11,482,178
Commission expenses	478,584	387,270
Foreign exchange losses	4,318,908	5,892,473
Rediscount interest expense	1,726,660	1,146,071
Loss on maturity difference	884,577	1,362,446
Other expenses and losses	3,618,538	2,693,918
Other extraordinary income and profits;	420,268	463,927
Profit on sales for tangible assets	46,868	41,679
Rounding difference	641	379
Indemnities received	332,506	255,694
Tax return from cancellation of tax case filed by the Company due to tax Amnesty Law	-	122,893
Other extraordinary income	40,253	43,282
Other extraordinary expenses and losses;	8,749	137,092
Loss on sales of tangible assets	8,479	136,341
Rounding difference	164	161
Other extraordinary expenses	106	590

23. Due From and To Employees

As of 31 December 2004 and 2003, the amounts due from and to employees stated in the "Other Receivables" and "Other Short or Long Term Payables" accounts do not exceed 1% of total assets.

24. Doubtful Receivables Related to Shareholders, Affiliates and Subsidiaries

There are no doubtful receivables related to shareholders, affiliates or subsidiaries as of 31 December 2004 and 2003.

25. Provision for Doubtful Receivables

As of 31 December 2004, provisions for doubtful receivables amount to TRY 3,429,490 (31 December 2003 – TRY 3,165,663).

26. Affiliates and Subsidiaries

i) As of 31 December 2004 and 2003, affiliates and subsidiaries are as follows (TRY) :

Subsidiaries ;	31 December 2004		31 December 2003	
	Share Percentage %	Share Amount	Share Percentage %	Share Amount
Alarko S.A.	98.00	116,066	98.00	116,066
Alamsafl Alarko Aşır Makina San. A.Şi.	37.50	3,146,526	37.50	3,146,526
Yıtafl Yıdız Turistik Tesisler A.Şi.	4.00	4,792,499	4.00	4,792,499
Almüt Alarko Sınai Gereçler Şmalat ve Mümessillik A.Şi.	10.00	12,160	10.00	12,160
Alarko Gayrimenkul Yatırım Ortaklığı A.Şi.	0.24	133,274	0.24	133,274
Alsim Alarko Sanayi Tesisleri ve Ticaret A.Şi.	0.04	26,145	0.04	26,145
Altek Alarko Elektrik Santralleri Tesis. Şil. ve Tic. A.Şi.	0.18	340,503	0.18	340,503
Alarko Fenni Malzeme Satış ve Şmalat A.Şi.	0.06	4,058	0.06	4,058
Alfarm Alarko Su Ürünleri San. ve Tic. A.Şi.	0.06	24,008	0.06	24,008
Tüm Tesisat ve Şnflaat A.Şi.	1.00	8,870	1.00	8,870
Attafl Alarko Turistik Tesisler A.Şi.	0.00007	26	0.00007	26
		<u>8,604,135</u>		<u>8,604,135</u>

Affiliates ;	31 December 2004		31 December 2003	
	Share Percentage %	Share Amount	Share Percentage %	Share Amount
Tek-iz Teknik İzolasyon ve Yapı Elemanları Sanayi A.Ş.	19.73	947,667	19.73	927,118
		947,667		927,118 ₺

ii) Historical values of profit or loss for the period and net profit or loss for the period of the affiliates and subsidiaries as shown in their most recent financial statements are as follows (TRY) :

Affiliates :	Last period	Profit/(Loss) for the period	Net Profit/(Loss) for the period
Tek-iz İzolasyon ve Yapı Elemanları San. A.Ş.	31.12.2003	4,773,085	2,037,455
Subsidiaries:			
Almüt Alarko Sınai Gereçler İmalat ve Müh. A.Ş.	31.12.2003	68,264	47,406
Yataklı Yıldız Turistik Tes. A.Ş.	31.12.2003	(39,109)	(39,109)
Altek Alarko Elektrik Sanit. Tesis İnş. ve Tic. A.Ş.	31.12.2003	5,741,406	4,585,669
Alarko Fenni Malz. Satış ve İmalat A.Ş.	31.12.2003	(51,624)	(51,624)
Alfarm Alarko Su Ürünleri San. ve Tic. A.Ş.	31.12.2003	(150,536)	(150,536)
Ata Alarko Turistik Tesisler A.Ş.	31.12.2003	1,444,397	1,109,532
Alarko Gayrimenkul Yatırım Ortaklığı A.Ş.	31.12.2003	(10,855,824)	(10,855,824)
Alamsa Alarko Aşır Mak. San. A.Ş.	31.12.2003	(696,133)	(696,133)
Alsim Alarko Sanayi Tesisleri ve Tic. A.Ş.	31.12.2003	(4,984,985)	(4,984,985)
Tüm Tesisat ve İnşaat A.Ş.	31.12.2003	(5,334)	(12,198)
Alarko S.A.	31.12.2003	(59,823)*	(59,823)*

* Currency: Swiss Franks

The financial statements of abovementioned affiliates, except for Tek-iz İzolasyon ve Yapı Elemanları San. A.Ş., and those of abovementioned subsidiaries, except for Tüm Tesisat ve İnşaat A.Ş. and Alarko S.A. have been prepared according to directives of the Capital Markets Board (CMB) and audited. The financial statements of the subsidiary Alarko S.A. are prepared in accordance with Swiss fiscal legislation.

ii) Affiliates and subsidiaries which have an indirect capital and management relationship with the Company are as follows :

Anmak Holding A.fi.
San-Sal İnflaat, Tesisat, Sanayi ve Ticaret A.fi.
Gönen Gıda A.fi.
Al-Riva Projesi Arazi Değ. Kon. İnfl. ve Tic. A.fi.
Al-Riva Arazi Değ. Konut İnfl. ve Tic. A.fi.
Al-Riva Arazi Değ. Konut İnfl. Tur. Tes. Golf İnfl. ve Tic. A.fi.

27. Bonus Shares Received From Affiliates and Subsidiaries

As of 31 December 2004, historical value of bonus shares received from affiliates and subsidiaries amounts to TRY 266,389. As of 31 December 2003, historical value of bonus shares received from affiliates and subsidiaries amounts to TRY 363,526 out of which TRY 3,542 (TRY 3,111 in historical terms) is included in the statement of income. This total stated in the statement of income comprise of bonus shares acquired by the Company as a result of addition of profit realized from sales of shares of an affiliate by Alsim Alarko Sanayi Tesisleri ve Ticaret A.fi. to its capital.

	<u>31 December 2004</u>	<u>31 December 2003</u>
Alsim Alarko San. Tes. ve Tic. A.fi.;		
Profit on sales of affiliates	-	3,542*
Tangible assets value increase fund	-	<u>729**</u>
		<u>4,271</u>
	<u>31 December 2004</u>	<u>31 December 2003</u>
Almüt Alarko Sınai Gereçler İnflaat ve Müessesilik A.fi.;		
Tangible assets value increase fund	-	<u>4,500**</u>
		<u>4,500</u>

* Stated in the dividend income from subsidiaries account in the statement of income.

** Tangible assets value increase fund total is deducted from cost upon adjustment of the affiliate in the accompanying financial statements.

	<u>31 December 2004</u>	<u>31 December 2003</u>
Teknik Çözüm Teknik Çözüm ve Yapı Elemanları San. A.fi.;		
Cost increase fund	19,732*	-
Tangible assets value increase fund	<u>246,657</u>	<u>355,185**</u>
	<u>266,389</u>	<u>355,185</u>

* Cost increase fund is stated upon adjustment of the affiliate in the accompanying financial statements.

** Tangible assets value increase fund total is deducted from cost upon adjustment of the affiliate in the accompanying financial statements.

28. Real Rights on Immovable Properties

As of 31 December 2004 and 2003, there are no real rights on immovable properties.

29. Revaluation Surplus

During the course of adjustments made on tangible assets, the effects of the restatement made in regard to the tax legislation on assets, accumulated depreciation and accumulated amortisation have been eliminated.

30. Assets and Liabilities in Foreign Currencies

As of 31 December 2004 and 2003, the Company's assets and liabilities denominated in foreign currencies and not bearing guaranteed rates of exchange and foreign currency amounts stated in the assets consist of the following:

		31 December 2004		31 December 2003	
		Exchange		Exchange	
	Currency	Amount	Rate	Amount	Rate
a) Liquid assets ;					
	USD	5,002,527	1.3421	2,106,044	1.3958
	SFR	928	1.1806	1,176	1.1167
	JPY	98,667,288	0.01291	189,733,960	0.01302
	GBP	347,328	2.5765	434,729	2.4766
	EURO	4,164,699	1.8268	4,440,679	1.7450
b) Short term trade receivables ;					
	USD	3,340,880	1.3421	1,446,039	1.3958
	GBP	174,822	2.5780	131,690	2.4766
	SFR	98,013	1.1860	10,257	1.1167
	EURO	8,069,370	1.8268	4,193,473	1.7450
	JPY	3,756,078	0.01219	10,485,417	0.01302
c) Short term trade payables ;					
	USD	827,124	1.3486	583,498	1.4025
	SFR	22,637	1.1886	375	1.1239
	GBP	4,214	2.5900	3,760	2.4895
	JPY	-	-	46,430	0.01311
	SEK	67,600	0.2039	-	-
	EURO	455,394	1.8356	686,140	1.7534

	Currency	31 December 2004		31 December 2003	
		Amount	Exchange Rate	Amount	Exchange Rate
d) Financial liabilities ;					
	USD	3,034,151	1.3486	1,414,935	1.4025
	JPY	239,276,739	0.01219	389,081,592	0.01311
e) Order advances received;					
	USD	115,022	1.3486	939,064	-
	EURO	4,052	1.8356	1,102,558	-
	GBP	131	2.5900	131	-

31. Commitments in Favour of the Shareholders, Affiliates and Subsidiaries

As of 31 December 2004, historical value of the outstanding commitments and pledges in favour of the shareholders, affiliates and subsidiaries amount to TRY 14,203,190 (31 December 2003 – TRY 16,000,467 (TRY 14,055,195 in historical terms)).

32. Number of Employees

The average numbers of personnel during the year are as follows :

	2004	2003
Salary earners	375	387
Wage earners	382	369
	<u>757</u>	<u>756</u>

33. Other Issues Materially Affecting the Financial Statements or Requiring Disclosure for a Proper Interpretation and Understanding of the Financial Statements

a) With effect from January 1, 2005, the currency of the Republic of Turkey is redenominated, with one million Turkish Lira being converted into a new unit of currency known as the New Turkish Lira ("New Turkish Lira"). The smallest unit of currency is the New Kuruf, which represents one-hundredth of one New Turkish Lira. The current Turkish Lira banknotes will no longer be circulated as of the end of 2005.

In the announcement made by the Capital Markets Board in relation to “the financial statements and reports to be presented to public by companies subject to CMB regulations and Capital Markets Establishments during the stage of transition to the New Turkish Lira (TRY)”, it is stated that the financial statements for the periods ending at or before 31.12.2004 to be disclosed to public during 2005, including the financial data related to prior period that will be used for comparison purposes, be disclosed in terms of TRY. Accordingly, the financial statements as of 31 December 2004 are prepared in TRY, and the financial statements as of 31 December 2003 have been presented in TRY solely for comparison purposes.

b) TRY 9.683 of deferred tax provision calculated at a rate of 30% for the uncollected income amounting to TRY 32,276 (TRY 28,352 in historical terms) which has been accrued as of 31 December 2003 in relation to deposit accounts interest, is stated in the provision for long term debts and expenses account of the balance sheet dated 31 December 2003 (31 December 2004 – none).

c) The Company has made donations amounting to TRY 9,846 to various establishments during the period (31 December 2003 – TRY 5,233).

34. Explanation Related to the Amount Stated in the “Differences Arising From Inflation Adjustment of Shareholders’ Equity” Account

As of 31 December 2004 and 2003, the capital, share premium, legal reserves and extraordinary reserves stated in the shareholders’ equity items in the accompanying financial statements are shown at their book values and the differences arising from the inflation adjustment of the related shareholders’ equity items are stated in the “Differences Arising from the Inflation Adjustments of the Shareholders’ Equity”. The formation of differences arising from inflation adjustments stated in the "Differences Arising from Inflation Adjustment of Shareholders' Equity" account as of 31 December 2004 and 2003 is as follows (TRY) :

	<u>31 December 2004</u>	<u>31 December 2003</u>
Inflation adjustment on capital (Balance Sheet Note 36)	25,665,050	25,665,050
Inflation adjustment on share premium (Balance Sheet Note 36)	19,743	19,743
Inflation adjustment on legal reserves (Balance Sheet Note 36)	10,241,426	10,241,426
Inflation adjustment on extraordinary reserves (Balance Sheet Note 36)	84,359,531	143,098,434
	<u>120,285,750</u>	<u>179,024,653</u>

35. Explanation Regarding Whether Prior Period Financial Statements Are Audited Or Not
The Company’s financial statements for the prior period have been subject to independent audit.

36. Explanation Regarding Book Values of Capital, Share Premium and Reserves

As of 31 December 2004, the stated and adjusted values of the capital, share premium and reserves are as follows (TRY):

	<u>Stated Value</u>	<u>Inflation Adjustment</u>	<u>Adjusted Value</u>
Cash and cash equivalents	823,656	35,641,394	36,465,050
Revaluation surplus fund	<u>9,976,344</u>	<u>(9,976,344)</u>	<u>-</u>
	<u>10,800,000</u>	<u>25,665,050</u>	<u>36,465,050</u>
Share premium*	-	19,743	19,743
Legal reserves*	-	10,241,426	10,241,426
Extraordinary reserves*	-	84,359,531	84,359,531

* At the 2003 Ordinary Shareholders' Meeting held on 14 April 2004, resolution is made to deduct portions of TRY 42,213,820, TRY 1,182,955, TRY 538 and TRY 46,321,595 out of the prior period losses totaling TRY 89,718,909 in the restated 2003 balance sheet expressed in terms of the purchasing power of the Turkish Lira as at 31 December 2003 from extraordinary legal reserves, legal reserves, share premium and inflation adjustment differences in shareholder's equity accounts respectively, and therefore these transactions are reflected in the accompanying balance sheets.

As of 31 December 2003, the stated and adjusted values of the capital, share premium and reserves are as follows (TRY):

	<u>Stated Value</u>	<u>Inflation Adjustment</u>	<u>Adjusted Value</u>
Cash and cash equivalents	823,656	35,641,394	36,465,050
Revaluation surplus fund	<u>9,976,344</u>	<u>(9,976,344)</u>	<u>-</u>
	<u>10,800,000</u>	<u>25,665,050</u>	<u>36,465,050</u>
Share premium	538	19,743	20,281
Legal reserves	1,182,955	10,241,426	11,424,381
Extraordinary reserves	42,213,820	143,098,434	185,312,254

37. Financial Expenses and Foreign Exchange Income and Expenses Included In Net Monetary Gain or Loss

Financial expenses and exchange income and losses which are included in the net monetary gain/(loss) and which are separately stated in the income statements for the years ended 31 December 2004 and 2003 are as follows (TRY):

31 December 2004		
	Historical Values	Adjusted Values
		Effects of net monetary position on Profit/(Loss)
Foreign exchange income	4,573,709	4,805,865
Foreign exchange losses	4,075,724	4,318,938
Financial expenses	1,672,122	1,745,890
Gain on maturity difference	6,460,919	6,728,306
Loss on maturity difference	841,237	884,577

31 December 2003		
	Historical Values	Adjusted Values
		Effects of net monetary position on Profit/(Loss)
Foreign exchange income	5,607,817	6,515,063
Foreign exchange losses	5,095,286	5,892,473
Financial expenses	982,291	1,160,327
Gain on maturity difference	6,116,005	7,108,017
Loss on maturity difference	1,169,879	1,362,446

38. Whether the Financial Statements of the Subsidiaries Not Included in the Consolidation are Prepared in accordance with the CBM Communiqué Nr XI/20

The financial statements of Alarko S.A., one of the subsidiaries not included in the scope of the CMB Communiqué Nr XI/21, are prepared in accordance with the Swiss fiscal legislation. The financial statements of affiliates other than Tek-çz çzölasyon ve Yapı Elemanları San. A.Ş. and those of subsidiaries other than Tüm Tesisat ve İnşaat A.Ş. as of 31 December 2004 and 2003 are prepared in accordance with the CMB standards, hence with the CMB Communiqué Nr XI/20.