

HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2004
TOGETHER WITH AUDITOR'S REVIEW REPORT**

HÜRRİYET GAZETECİLİK VE MATBAACILIK A.Ş.

AUDITOR'S REVIEW REPORT

To the Board of Directors of
Hürriyet Gazetecilik ve Matbaacılık A.Ş.

1. We have reviewed the accompanying consolidated interim balance sheet of Hürriyet Gazetecilik ve Matbaacılık A.Ş. (the "Company") at 30 June 2004 and the related consolidated interim statement of income and of cash flows for the six-month period then ended, all expressed in equivalent purchasing power of Turkish Lira at 30 June 2004. These consolidated interim financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated 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 consolidated 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. International Accounting Standard 34 ("IAS 34") Interim Financial Statements, requires that current interim statement of income, cumulative income statement including the transactions from the beginning of the account period related to the current year to the end of the interim period, and the income statements corresponding to the same period of the previous year be submitted. As stated in the Note 2, the Company prepared its consolidated interim period financial statements as of 30 June 2004 in accordance with the International Financial Reporting Standards ("IFRS") for the first time. Consequently, the consolidated interim statements of income, of cash flows and of changes in shareholders' equity for the six-month period ended 30 June 2004 and consolidated interim statements of income and notes to financial statements for the three-month period ended 30 June 2004 have not been presented on a comparative basis with the comparable financial period as required by International Accounting Standard 34 "Interim Financial Reporting".

4. Based on our review, except for the failure to include the comparative information referred to in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements have not been properly prepared, in all material respects, in accordance with International Financial Reporting Standards.
5. We want to draw your attention to the following paragraph

As explained in detail in Note 18, the Company filed two lawsuits regarding the tax and penalties declared by the Presidency of Tax Administration (“Tax Administration”) on various dates. Despite the fact that tax court’s decision for the first lawsuit was in favor of the Company, following the appeal of the Tax Administration, the decision of the superior court was against the Company by a majority of votes. Following to this, the Company appealed to the superior court in June 2004 for the review of this decision related to the first lawsuit and as of the report date the legal proceedings have not been concluded yet. Concerning the second lawsuit, the decision of the tax court declared on May 2004 was against the Company. As indicated by the Company management the Company will appeal to the superior court and demand suspension of execution after the judiciary recess. Management of the Company, in line with the Company’s legal advisor’s view, accounted for a provision amounting to TL5,517,399 million against these lawsuits in its financial statements for the six-months period ended 30 June 2004. The provision amount was provided for stamp and additional taxes, penalties and interests considering that the corporate taxes and funds had already been paid. The provision amount was provided for stamp and additional taxes, penalties and interests considering that the corporate taxes and funds had already been paid. There is uncertainty about the outcome of these lawsuits and accordingly the provision amount as legal proceedings have not been concluded at the date of this report.

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

Cansen Başaran Symes, SMMM

Istanbul, 1 September 2004

HÜRRİYET GAZETECİLİK VE MATBAACILIK ANONİM ŞİRKETİ

CONSOLIDATED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2004

CONTENTS		PAGE
CONSOLIDATED BALANCE SHEETS		1-2
CONSOLIDATED STATEMENT OF INCOME		3
CONSOLIDATED STATEMENT OF CASH FLOWS		4
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY		5
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS		6-42
NOTE 1	ORGANIZATION AND NATURE OF OPERATIONS	6
NOTE 2	BASIS OF PRESENTATION OF INTERIM FINANCIAL STATEMENTS	7-8
NOTE 3	GROUP ACCOUNTING	9-10
NOTE 4	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	11-17
NOTE 5	CASH AND CASH EQUIVALENTS	18
NOTE 6	TRADING SECURITIES	19
NOTE 7	TRADE RECEIVABLES	19-20
NOTE 8	TRANSACTIONS AND BALANCES WITH RELATED PARTIES	20-24
NOTE 9	INVENTORIES	24-25
NOTE 10	OTHER CURRENT ASSETS	25
NOTE 11	AVAILABLE-FOR-SALE INVESTMENTS	25
NOTE 12	INVESTMENTS IN ASSOCIATED COMPANIES	26
NOTE 13	INVESTMENT PROPERTIES, NET	26
NOTE 14	PROPERTY, PLANT AND EQUIPMENT, NET	27
NOTE 15	INTANGIBLE ASSETS, NET	28
NOTE 16	BANK BORROWINGS	29-30
NOTE 17	TRADE PAYABLES	30
NOTE 18	OTHER CURRENT LIABILITIES	31
NOTE 19	TAXATION ON INCOME	31-34
NOTE 20	RESERVE FOR EMPLOYMENT TERMINATION BENEFITS	34-35
NOTE 21	SHARE CAPITAL	35-36
NOTE 22	RETAINED EARNINGS AND LEGAL RESERVES	36-37
NOTE 23	GENERAL AND ADMINISTRATIVE, SELLING AND MARKETING, AND DISTRIBUTION EXPENSES	37
NOTE 24	FINANCIAL INCOME, NET	38
NOTE 25	OTHER EXPENSES, NET	38
NOTE 26	CASH USED IN OPERATING ACTIVITIES	39
NOTE 27	FOREIGN CURRENCY POSITION	40
NOTE 28	COMMITMENTS AND CONTINGENT LIABILITIES	41-42

HÜRRİYET GAZETECİLİK VE MATBAACILIK ANONİM ŞİRKETİ

CONSOLIDATED BALANCE SHEETS AT 30 JUNE 2004 AND 31 DECEMBER 2003

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

	Notes	(Unaudited) 30 June 2004	31 December 2003
ASSETS			
Current assets:			
Cash and cash equivalents	5	80,379,588	98,719,464
Available-for-sale investments	6	37,533,648	24,260,255
Trade receivables	7	99,205,168	98,547,186
Due from related parties	8	38,179,744	42,529,320
Inventories	9	15,780,877	18,085,708
Other current assets	10	7,989,617	4,381,137
Total current assets		279,068,642	286,523,070
Non-current assets:			
Available-for-sale investments	11	3,474,484	2,915,327
Investments in associated companies	12	11,606,805	11,698,474
Due from related parties	8	22,763,859	-
Investment properties, net	13	30,833,094	31,016,439
Property, plant and equipment, net	14	419,747,617	431,884,655
Intangible assets, net	15	11,274,888	12,472,064
Other non-current assets		190,419	161,080
Deferred tax assets	19	766,687	568,147
Total non-current assets		500,657,853	490,716,186
Total assets		779,726,495	777,239,256

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

HÜRRİYET GAZETECİLİK VE MATBAACILIK ANONİM ŞİRKETİ

CONSOLIDATED BALANCE SHEETS AT 30 JUNE 2004 AND 31 DECEMBER 2003

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

	Notes	(Unaudited) 30 June 2004	31 December 2003
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Bank borrowings	16	41,529,050	45,973,598
Trade payables	17	36,367,354	44,854,254
Due to related parties	8	2,227,225	2,522,972
Taxes on income	19	7,490,319	6,904,837
Other current liabilities	18	17,546,063	10,963,423
Total current liabilities		105,160,011	111,219,084
Non-current liabilities:			
Bank borrowings	16	61,036,732	37,309,348
Trade payables	17	32,364,052	39,993,061
Due to related parties	8	1,154,320	1,384,019
Reserve for employment termination benefits	20	4,420,995	3,931,080
Deferred tax liabilities	19	23,176,294	17,755,625
Total non-current liabilities		122,152,393	100,373,133
Total liabilities		227,312,404	211,592,217
Minority interest	3.5	13,058,193	13,854,379
Shareholders' equity:			
Share capital	21	416,742,560	245,142,682
Adjustment to share capital	21	52,448,254	171,284,528
Total paid-in capital	21	469,190,814	416,427,210
Translation reserve	2.b	(1,042,664)	(763,273)
Retained earnings	22	71,207,748	136,128,723
Total shareholders' equity		539,355,898	551,792,660
Total liabilities and shareholders' equity		779,726,495	777,239,256
Commitments and contingent liabilities	28		

These consolidated interim financial statements have been approved by the Board of Directors on 1 September 2004 .

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

HÜRRİYET GAZETECİLİK VE MATBAACILIK ANONİM ŞİRKETİ

CONSOLIDATED INTERIM STATEMENT OF INCOME FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2004

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

	Notes	1 April - 30 June 2004	1 January - 30 June 2004
Net sales		112,107,171	205,575,457
Cost of sales		(68,875,488)	(129,587,165)
Gross profit		43,231,683	75,988,292
General and administrative, selling and marketing, and distribution expenses	23	(19,244,369)	(41,515,812)
Other operating expense, net	25	(1,974,671)	(151,037)
Operating profit		22,012,643	34,321,443
Financial (expense)/income, net	24	(1,372,926)	6,387,271
(Loss)/Income from associates		(233,899)	35,440
Loss on net monetary position		(1,687,937)	(9,704,287)
Income before taxation on income and minority interest		18,717,881	31,039,867
Taxation on income	19	(11,950,135)	(19,098,691)
Income before minority interest		6,767,746	11,941,176
Minority interest		965,274	796,186
Net income		7,733,020	12,737,362
Weighted average number of shares with face value of TL 1,000 each	4.R	416,742,560,000	416,742,560,000
Basic and diluted earnings per share in TL		19	31

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

HÜRRİYET GAZETECİLİK VE MATBAACILIK ANONİM ŞİRKETİ

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2004

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

	Notes	1 January - 30 June 2004
Net income		12,737,362
Cash flows from operating activities	26	(7,991,648)
Taxes paid		(12,584,014)
Net cash used by operating activities		(7,838,300)
Cash flows from investing activities:		
Purchase of other non-current assets		(29,339)
Purchase of property, plant and equipment	14	(10,960,411)
Purchase of intangible assets	15	(130,062)
Proceeds on sales of property, plant and equipment and intangible assets		1,262,235
Interest received		17,172,379
Inflation effect on investing activities		(1,303,615)
Net cash from investing activities		6,011,187
Cash flows from financing activities:		
Dividend payment		(24,894,733)
Net decrease in bank borrowings		(3,870,606)
Decrease in long-term trade payables		(7,547,918)
Interest paid		(6,983,736)
Inflation effect on financing activities		9,659,047
Net cash used by financing activities		(33,637,946)
Net decrease in cash and cash equivalents		(35,465,059)
Inflation effect on cash and cash equivalents		(8,008,057)
Cash and cash equivalents at the beginning of the year	5	112,695,004
Cash and cash equivalents at the end of the period	5	69,221,888

Cash and cash equivalents amounting to TL5,687,038 million (31 December 2003: TL14,793,311 million) is unavailable for use at the balance sheet date (Note 5).

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

HÜRRİYET GAZETECİLİK VE MATBAACILIK ANONİM ŞİRKETİ

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2004

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

	Capital	Adjustment to share capital	Total paid-in capital	Translation reserve	Retained earnings	Shareholders' equity total
Balance at 1 January 2004	245,142,682	171,284,528	416,427,210	(763,273)	136,128,723	551,792,660
Increase in share capital	171,599,878	(118,836,274)	52,763,604	-	(52,763,604)	-
Dividend paid	-	-	-	-	(24,894,733)	(24,894,733)
Currency translation differences	-	-	-	(279,391)	-	(279,391)
Net profit	-	-	-	-	12,737,362	12,737,362
Balance at 30 June 2004	416,742,560	52,448,254	469,190,814	(1,042,664)	71,207,748	539,355,898

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

HÜRRİYET GAZETECİLİK VE MATBAACILIK ANONİM ŞİRKETİ

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2004

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

Hürriyet Gazetecilik ve Matbaacılık A.Ş. (a Turkish corporation - “Hürriyet” or “the Company”) was established in 1960 and is registered in Istanbul (Turkey). The Company undertakes journalism, printing and advertising. The Company operates 7 printing plants in Turkey with locations in Istanbul, Ankara, Izmir, Adana, Antalya and Trabzon and in Germany. The Company is a member of the Doğan Şirketler Grubu Holding A.Ş. (“Doğan Holding”) through the investment of Doğan Yayın Holding A.Ş. (“Doğan Yayın”), which has a 67% share ownership in the Company.

The address of the registered office is as follows:

Hürriyet Medya Towers
34212 Güneşli, Istanbul
Turkey

The Company is registered with the Capital Market Board (“CMB”) and its shares have been quoted on the Istanbul Stock Exchange (“ISE”) since 1992.

The subsidiaries and associates of the Company and the nature of the business of the subsidiaries and associates are as follows:

<u>Company name</u>	<u>Country of incorporation</u>		<u>Nature of business</u>
Hürriyet TV Film Prodüksiyon A.Ş. ("Hür TV")	Turkey	Subsidiary	TV programme production
Doğan Basım ve Dağıtım İşleri A.Ş. ("Doğan Basım")	Turkey	Subsidiary	Publishing and administrative services
Doğan Ofset Yayıncılık ve Matbaacılık A.Ş. ("Doğan Ofset")	Turkey	Subsidiary	Magazine and book publishing
Hürriyet Zweigniederlassung GmbH. ("Hürriyet Zweigniederlassung")	Germany	Subsidiary	Newspaper publishing
DS Servis İdari Hizmetler ve Tic. A.Ş. ("DS Servis")	Turkey	Subsidiary	Administrative service
Hürriyet İnternet Hizmetleri ve Tic. A.Ş. ("Hürriyet İnternet")	Turkey	Subsidiary	Internet services
Egeser Servis İdari Hizmetleri ve Tic A.Ş. ("Egeser Servis")	Turkey	Subsidiary	Administrative service
Hür Servis İdari Hizmetler ve Tic A.Ş. ("Hür Servis")	Turkey	Subsidiary	Administrative service
Hür Medya İlançılık ve Reklamcılık Tic A.Ş. ("Hür Medya")	Turkey	Subsidiary	Advertising
Hürriyet Ticari ve Sınai Ürünleri Pazarlama A.Ş. (" Hürriyet Pazarlama")	Turkey	Subsidiary	Marketing
Doğan Haber Ajansı A.Ş. ("Doğan Haber")	Turkey	Associate	News agency
Doğan Kitapçılık A.Ş. ("Doğan Kitapçılık")	Turkey	Associate	Book publishing
Doğan Prodüksiyon ve Tic A.Ş. ("Doğan Prodüksiyon")	Turkey	Associate	TV programme production
Doğan Media International GmbH ("Doğan Media")	Germany	Associate	Distribution
Yaysat Yayın Pazarlama ve Dağıtım A.Ş. ("Yaysat")	Turkey	Associate	Distribution
DYG İlan ve Reklam Hizmetleri A.Ş. ("DYG İlan")	Turkey	Associate	Advertising
Digital Hizmetler A.Ş. ("Digital Hizmetler")	Turkey	Associate	Telecommunication
Doğan Telekomünikasyon Ticaret A.Ş. ("Doğan Telekom")	Turkey	Associate	Telecommunication

All Subsidiaries and associates are registered in Turkey, except Hürriyet Zweigniederlassung and Doğan Media, which are registered in Germany

The total number of employees of the Company and its Subsidiaries at 30 June 2004 is 1,534 (31 December 2003: 1,615).

The Company operates predominantly in one industry segment, media, and as the sales of the Company are made and the assets of the Company are located mainly in Turkey, no segmental information was provided.

HÜRRİYET GAZETECİLİK VE MATBAACILIK ANONİM ŞİRKETİ

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2004

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

NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

a) Turkish lira financial statements

The consolidated 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 and its Subsidiaries and Associates registered in Turkey maintain their books of account and prepare their statutory financial statements ("Statutory Financial Statements") in Turkish lira in accordance with the requirements of the Capital Market Board of Turkey ("CMB"), the Turkish Commercial Code (the "TCC"), tax legislation, and the Uniform Chart of Accounts issued by the Ministry of Finance. The foreign Subsidiaries and Associates maintain their books of account in accordance with the laws and regulations in force in the countries in which they are registered.

These consolidated 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, issued by the IASB.

International Accounting Standard 34 ("IAS 34") Interim Financial Statements, requires that current interim statement of income, cumulative income statement including the transactions from the beginning of the account period related to the current year to the end of the interim period, and the income statements corresponding to the same period of the previous year be submitted. The Company prepared its consolidated interim period financial statements as of 30 June 2004 in accordance with the International Financial Reporting Standards ("IFRS") for the first time. Consequently, the consolidated interim statements of income, of cash flows and of changes in shareholders' equity for the six-month period ended 30 June 2004 and consolidated interim statements of income and notes to financial statements for the three-month period ended 30 June 2004 have not been presented on a comparative basis with the comparable financial period as required by International Accounting Standard 34 "Interim Financial Reporting".

The preparation of consolidated interim financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The restatement for the changes in the general purchasing power of the Turkish lira as of 30 June 2004 is based on IAS 29 ("Financial Reporting in Hyperinflationary Economies"). IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date, and that corresponding figures for previous periods be restated in the same terms. One characteristic that necessitates the application of IAS 29 is a cumulative three-year inflation rate approaching or exceeding 100%. The restatement was calculated by means of conversion factors derived from the Turkish nationwide wholesale price index ("WPI") published by the State Institute of Statistics ("SIS"). Such indices and conversion factors used to restate the consolidated interim financial statements at 30 June 2004 are given below:

HÜRRİYET GAZETECİLİK VE MATBAACILIK ANONİM ŞİRKETİ

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2004

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

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

Dates	Index	Conversion factors	inflation rates
30 June 2004	7,982.7	1.000	110.3%
31 March 2004	7,862.2	1.015	181.1%
31 December 2003	7,382.1	1.081	207.7%

The main procedures for the above - mentioned restatement are as follows:

- Financial statements prepared in the currency of a hyperinflationary economy are stated in terms of the measuring unit current at the balance sheet date, and the corresponding figures for previous periods are restated in the same terms.
- Monetary assets and liabilities that are carried at amounts current at the balance sheet date are not restated because they are already expressed in terms of the monetary unit current at the balance sheet date.
- Non-monetary assets and liabilities which are not carried at amounts current at the balance sheet date and components of shareholders' equity are restated by applying the relevant monthly conversion factors.
- Comparative financial statements are restated by applying general inflation indices to the currency purchasing power at the latest balance sheet date.
- All items in the statement of income are restated by applying the relevant (monthly) conversion factors.
- The effect of inflation on the net monetary position of the Company is included in the statement of income as loss on net monetary position.

b) Translation of foreign subsidiary and associated company financial statements

The assets and liabilities of foreign subsidiary and associated company are translated into Turkish lira using the relevant foreign exchange rates prevailing at the year-end. The results of the foreign subsidiary and associate are translated into Turkish lira using average exchange rate for the year. Exchange differences arising on retranslation of the opening net assets of foreign subsidiary and associate and arising from using year-end and average exchange rates are included in the shareholders' equity as translation reserve.

HÜRRİYET GAZETECİLİK VE MATBAACILIK ANONİM ŞİRKETİ

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2004

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

NOTE 3 - GROUP ACCOUNTING

1. The consolidated financial statements include the accounts of the parent company, Hürriyet Gazetecilik ve Matbaacılık A.Ş., its subsidiaries, and its associates (altogether referred as the “Group”) on the basis set out in sections (2) to (6) below. The financial statements of the companies included in the consolidation are based on the statutory records, 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 and applying uniform presentation.
2. Subsidiaries are companies in which the Company has power to control the financial and operating policies for the benefit of the Company either (a) through the power to exercise more than 50% voting rights relating to shares in the companies as a result of shares owned directly and indirectly by itself and/or by companies whereby the Company exercises control over the voting rights of (but does not have the economic benefit of) the shares held by them; or (b) although not having the power to exercise more than 50% of the voting rights, through the exercise of actual dominant influence over the financial and operating policies.

The table below sets out all consolidated Subsidiaries and shows their shareholding structure at 30 June 2004 and 31 December 2003.

Name	Direct and indirect control by the Company and its Subsidiaries (%)
Hürriyet Zweigniederlassung	100.00
DS Servis	100.00
Egeser Servis	100.00
Hürriyet İnternet	100.00
Hür Servis	100.00
Hür Medya	100.00
Doğan Basım	99.99
Hür TV	99.92
Hürriyet Pazarlama	93.13
Doğan Ofset	54.85

3. Investments in associated undertakings are accounted for by the equity method of accounting. These are undertakings over which the Group generally has between 20% and 50% of the voting rights, or over which the Group has significant influence, but which it does not control. Unrealised gains on transactions between the Group and its associated undertakings are eliminated to the extent of the Group's interest in the associated undertakings; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Equity accounting is discontinued when the carrying amount of the investment in an associated undertaking reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated undertaking or significant influence of the Company ceases. The carrying amount of the investment at the date when significant influence ceases is regarded as cost thereafter.

HÜRRİYET GAZETECİLİK VE MATBAACILIK ANONİM ŞİRKETİ

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2004

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

NOTE 3 - GROUP ACCOUNTING (Continued)

The table below sets out the Associates and shows their shareholding structure at 30 June 2004 and 31 December 2003.

Name	Direct and indirect control by the Company and its Subsidiaries (%)
Doğan Kitapçılık	48.90
Doğan Haber	48.53
Doğan Media	41.02
Doğan Prodüksiyon	40.55
Doğan Telekom	27.94
Yaysat	25.00
Digital Hizmetler	22.74
DYG İlan	20.00

4. Available for sale investments in which the Group has controlling interests below 20% or above 20% over which the Company does not exercise a significant influence, or which are immaterial and that do not have quoted market price in active markets and whose fair values cannot be measured reliably, are carried at cost and restated to the equivalent purchasing power at 30 June 2004 less any provision for diminution in value (Note 11).
5. The results of Subsidiaries are included or excluded from their effective dates of acquisition and disposal, respectively.

The minority shareholders' share in the net assets and results for the year for Subsidiaries are separately classified in the consolidated balance sheets and statement of income as minority interest.

The losses applicable to the minority in a consolidated subsidiary may exceed the minority interest in the equity of the subsidiary. The excess, and any further losses applicable to the minority, are charged against the majority interest except to the extent that the minority has a binding obligation to, and is able to, make good the losses. If the subsidiary subsequently reports profits, the majority interest is allocated all such profits until the minority's share of losses previously absorbed by the majority has been recovered.

HÜRRİYET GAZETECİLİK VE MATBAACILIK ANONİM ŞİRKETİ

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2004

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

NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below:

Index to accounting policies:

	Page		Page
A Related parties	11	K Bank borrowings	14
B Trading securities	11	L Employment termination benefits	14
C Trade receivables and provision for doubtful receivables	11-12	M Provisions	14
D Inventories	12	N Share capital and dividends	14
E Investment properties and depreciation	12	O Foreign currency transactions and translation	14
F Property, plant, and equipment and depreciation	12	P Revenue recognition	14-15
G Financial leases	13	Q Barter agreements	15
H Goodwill and amortization	13	R Earnings per share	15
I Intangible assets and amortization	13	S Cash and cash equivalents	16
J Deferred taxes	13	T Offsetting	16
		U Comparatives	16
		V Financial instruments and financial risk management	16-17

A. Related parties

For the purposes of these consolidated financial statements, Doğan Şirketler Grubu Holding A.Ş. (“Doğan Holding”) and Doğan Yayın Holding A.Ş. (“Doğan Yayın”), shareholders, key management personnel and Board members, in each case together with their families and companies controlled or affiliated with them, and associates are considered and referred to as related parties. A number of transactions are entered into with related parties in the normal course of business. Transactions with related parties were priced at market rates (Note 8).

B. Trading securities

Trading securities are securities which were either acquired for generating a profit from short-term fluctuations in price or dealer’s margin, or are securities included in a portfolio in which a pattern of short-term profit making exists. Trading securities are initially recognised at cost and subsequently re-measured at fair value based on quoted bid prices. All related realised and unrealised gains and losses are included in the consolidated income statement as financial income (Note 6).

C. Trade receivables and provision for doubtful receivables

Trade receivables that are created by the Group by way of providing goods or services directly to a debtor are carried at amortised cost. Short duration receivables with no stated interest rate are measured at original invoice amount unless the effect of imputing interest is significant (Note 7).

A credit risk provision for trade receivables is established if there is objective evidence that the Group 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.

HÜRRİYET GAZETECİLİK VE MATBAACILIK ANONİM ŞİRKETİ

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2004

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

NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

D. Inventories

Inventories are valued at the lower of cost or net realizable value restated to the equivalent purchasing power at the balance sheet date. Cost elements included in inventories are materials, labour and an appropriate amount for production overheads. The cost of inventories is determined on the weighted average basis. Net realizable value is the estimated selling price in the ordinary course of business, less costs of completion and selling expenses (Note 9).

E. Investment properties and depreciation

Buildings and land held to earn rentals or for capital appreciation or both rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business are classified as investment property. Investment properties are carried at cost less accumulated depreciation (except land) under the cost method (Note 13). Depreciation is provided on the restated amounts for investment property on a straight-line basis. The depreciation periods for investment property, which approximate the economic useful lives of such assets, are 50 years.

Investment properties are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of asset net selling price or value in use.

F. Property, plant, and equipment and depreciation

Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is provided on restated amounts of property, plant and equipment using the straight-line method based on the estimated useful lives of the assets (Note 14).

The estimated useful lives are as follows:

Buildings	25-50 years
Machinery and equipment	10-15 years
Furniture and fixtures	4-10 years
Motor vehicles	5 years
Leasehold improvements	5 years

Property, plant and equipment is reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of asset net selling price or value in use.

Gains or losses on disposals of property, plant and equipment are included in the related income and expense accounts, as appropriate.

HÜRRİYET GAZETECİLİK VE MATBAACILIK ANONİM ŞİRKETİ

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2004

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

NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Financial leases

Assets acquired under finance lease agreements are capitalised at the inception of the lease at the fair value of the leased asset or at the present value of the lease payment, whichever is the lower, less accumulated depreciation in each case restated to equivalent purchasing power at the balance sheet date. Minimum lease payments are treated as comprising capital and interest elements: The capital elements are treated as reducing the capitalised obligation under the lease and the interest element is charged to the consolidated statement of income. Depreciation on the relevant asset is also charged to the consolidated statement of income over a period depending on the useful life of the asset.

H. Goodwill and amortization

Goodwill represents the difference between the fair value of purchase consideration and the attributable share of the Company in the fair value of the underlying net assets of the company acquired. Goodwill is amortised using the straight-line method over 5 to 20 years. The carrying value of goodwill is reviewed annually and adjusted for permanent impairment where it is considered necessary (Note 15).

I. Intangible assets and amortization

Intangible assets comprise acquired intellectual property, trademarks and other identified rights. They are recorded at their acquisition cost and amortised using the straight-line method over their estimated useful 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 15).

J. Deferred taxes

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements. Currently enacted tax rates are used to determine deferred income tax.

In substance, temporary differences arise from the differences in the periods of the recognition of income and expenses in accordance with IFRS and tax legislation.

Deferred tax liabilities are recognised for all taxable temporary differences, where 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.

HÜRRİYET GAZETECİLİK VE MATBAACILIK ANONİM ŞİRKETİ

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2004

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

NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Bank borrowings

Bank borrowings are recognized initially at proceeds received, net of transaction costs incurred. Bank borrowings are subsequently stated at amortised cost using the effective yield method; any difference between the proceeds and redemption value is recognized in the income statement over the period of the borrowings (Note 16).

L. 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 achieves the retirement age (58 for women and 60 for men), whose employment is terminated without due cause, is called up for military service, or dies. Employment termination benefit represents the present value of the estimated total reserve of the future probable obligation of the Company arising from the retirement of the employees calculated in accordance with the Turkish Labour and Press Labour Laws (Note 20).

M. Provisions

Provisions are recognised when the Group 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.

N. 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.

O. Foreign currency transactions and translation

Income and expenses arising in foreign currencies 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 into Turkish lira at the exchange rates prevailing at the balance sheet dates. Exchange gains or losses arising from settlement and translation of foreign currency items have been included in the consolidated income statement.

P. Revenue recognition

Revenue from newspaper sales is recognized at the time of delivery of the newspapers by the distribution company to the vendor at the invoiced values. Revenue arising through advertising is recognized at the time of publishing, at the invoiced values. Net sales represent the invoiced value of goods shipped less sales returns and commission, and excluding sales taxes. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognized as interest income on a time proportion basis that takes into account the effective yield on the asset. Newspaper sale returns are recorded at the time of sale, based on previous experience and other relevant factors.

HÜRRİYET GAZETECİLİK VE MATBAACILIK ANONİM ŞİRKETİ

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2004

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

NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest income:

Interest income is recognised on a time proportion basis that takes into account the effective yield on the asset.

Rental income:

Rental income of investment properties is recognized on an accrual basis.

Service income:

Service income consisting of building contribution shares, electricity, and LPG is recognized on an accrual basis.

Q. Barter agreements

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred (Note 28).

R. 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 (Note 22). 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.

30 June 2004

Net income	12,737,362
Weighted average number of ordinary shares in issue	416,742,560,000
Earnings per share (expressed in full TL per share)	31

There was no difference between basic and diluted earnings per share for any class of shares for any of the periods.

HÜRRİYET GAZETECİLİK VE MATBAACILIK ANONİM ŞİRKETİ

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2004

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

NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S. Cash and cash equivalents

Cash and cash equivalents include cash and amounts due from banks, and trading securities with maturity periods of less than three months (Note 5).

T. Offsetting

Financial assets and liabilities are offset and the net amount is reported in the consolidated 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.

U. 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.

V. Financial instruments and financial risk management

Interest rate risk

The Group 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 the 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 counterparties may be unable to meet the terms of their agreements. These risks are monitored by limiting the aggregate risk to any individual counterparty. The credit risk is generally highly diversified due to the large number of entities comprising the customer bases.

Foreign currency risk

The Group is exposed to the foreign exchange risk through the impact of rate changes in the translation of foreign currency denominated liabilities to local currency. These risks are monitored and limited by the analysis of foreign currency position (Note 27).

HÜRRİYET GAZETECİLİK VE MATBAACILIK ANONİM ŞİRKETİ

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2004

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

NOTE 4 - 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 and its Subsidiaries 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 and its Subsidiaries could 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 value.

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

The carrying value of trade receivables along with the related allowances for uncollectibility is estimated to be their fair values.

Monetary Liabilities

Trading liabilities have been estimated at their fair values.

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

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

HÜRRİYET GAZETECİLİK VE MATBAACILIK ANONİM ŞİRKETİ

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2004

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

NOTE 5 - CASH AND CASH EQUIVALENTS

The analysis of cash and cash equivalents at 30 June 2004 and 31 December 2003 is as follows:

	30 June 2004	31 December 2003
Cash in hand	581,545	793,249
Banks		
- demand deposits	2,955,398	1,220,466
- time deposits	68,149,182	81,912,438
- blocked time deposits	8,693,463	14,793,311
	80,379,588	98,719,464

At 30 June 2004, interest rates for local currency time deposits are between 20.00% and 27.00% (31 December 2003:25.00% - 44.70%), and interest rates for foreign currency time deposits are between %1.00 and %6.00 (31 December 2003: 1.00% - 8.12%).

Cash and cash equivalents included in the consolidated statements of cash flows as at 30 June 2004 and 31 December 2003 are as follows:

	30 June 2004	31 December 2003
Cash and banks	71,092,638	98,719,464
Trading securities with maturities less than 3 months	-	24,260,255
Less: interest accruals	(1,870,750)	(10,284,715)
	69,221,888	112,695,004

As of 30 June 2004, cash and cash equivalents amounting to TL 5,687,038 million (31December 2003: TL14,793,311 million) are not available for use.

Period remaining to maturity for time deposits

	30 June 2004	31 December 2003
0-1 month	54,915,906	58,558,586
1-3 months	12,435,737	8,702,516
3-6 months	3,006,425	-
6-12 months	6,484,577	6,130,640
12+ months	-	23,314,007
	76,842,645	96,705,749

HÜRRİYET GAZETECİLİK VE MATBAACILIK ANONİM ŞİRKETİ

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2004

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

NOTE 6 - TRADING SECURITIES

	30 June 2004	31 December 2003
Treasury bills and government bonds	34,721,710	20,923,409
Eurobond	2,811,938	3,336,846
	37,533,648	24,260,255

As of 30 June 2004, treasury bills and government bonds have interest rates between 24.98% and 29.08% (31 December 2003: 25.00%-26.00%). As of 30 June 2004, Eurobond has an interest rate of 11.00% (31 December 2003 11.00%).

Maturity analysis for trading securities as of 30 June 2004 and 31 December 2003 is as follows:

	30 June 2004	31 December 2003
1-30 days	-	24,260,255
180 +	37,533,648	-
	37,533,648	24,260,255

As of 30 June 2004 there are no pledged trading securities (31 December 2003: pledged trading securities include treasury bills amounting to TL20,867,192 million with respect to guarantees for newspaper paper imported through Doğan Dış Ticaret A.Ş., and Eurobond amounting to TL3,336,846 with respect to external guarantees of the Company; totally TL24,204,038 million).

NOTE 7 - TRADE RECEIVABLES

	30 June 2004	31 December 2003
Trade receivables - net of unearned credit finance income	87,644,699	80,751,212
Cheques and notes receivable - net of unearned credit finance income	17,739,494	24,393,741
	105,384,193	105,144,953
Less: Provision for doubtful receivables	(6,179,025)	(6,597,767)
Trade receivables - net	99,205,168	98,547,186

In accordance with the factoring agreement signed between the Company and Doğan Factoring, trade receivables amounting to TL67,204,350 million of the Company (31 December 2003: TL56,551,655 million) relating to advertisements and printed materials are followed by Doğan Factoring.

HÜRRİYET GAZETECİLİK VE MATBAACILIK ANONİM ŞİRKETİ

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2004

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

NOTE 7 - TRADE RECEIVABLES (Continued)

The movement of provision for doubtful receivables during the six month period ended 30 June 2004 is as follows:

	2004
1 January	6,597,767
Provisions provided during the year (Note 25)	259,195
Collections	(132,847)
Monetary gain	(545,090)
30 June	6,179,025

NOTE 8 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

i) Balances with related parties:

a) Due from related companies **Short-term:**

	30 June 2004	31 December 2003
Doğan Gazetecilik A.Ş. (“Doğan Gazetecilik”)	8,986,447	3,945,443
Doğan Dağıtım Satış ve Pazarlama A.Ş. (“Doğan Dağıtım”)	4,851,804	6,232,759
Doğan Dış Ticaret	4,618,758	5,311,697
Milliyet Verlags und Handels GmbH (“Milliyet Verlags”)	3,376,338	3,313,100
Doğan Media	3,003,587	3,373,647
Doğan Haber	2,121,121	-
Doğan Otomobilcilik A.Ş. (“Doğan Oto”) (*)	1,838,310	12,342,869
Eko TV Televizyon Yayıncılık A.Ş. (“Eko Televizyon”)	1,192,530	1,108,915
Doğan Burda Rizzoli Dergi Yayıncılık ve Pazarlama A.Ş. (“DBR”)	1,030,261	399,616
Doğan Müzik Yapım ve Ticaret A.Ş. (“DMC”)	971,764	201,339
Milliyet Haber Ajansı A.Ş. (“Milha”)	915,530	274,663
Doğan Müzik Kitap Mağazacılık Pazarlama A.Ş. (“DMK”)	634,464	982,034
Doğan Yayın	288,096	-
DTV Haber ve Görsel Yayıncılık A.Ş. (“DTV Haber”)	181,120	1,911,653
Diğer	4,169,614	3,131,585
	38,179,744	42,529,320

(*) Due from Doğan Oto amounting to TL1,838,310 million (31 December 2003: TL12,342,869 million) represents the receivable resulted from the sale of shares of Milta Turizm İşletmeleri A.Ş., an associate of Hürpa, to Doğan Oto on 29 December 2003, amounting to TL12,342,869 million.

HÜRRİYET GAZETECİLİK VE MATBAACILIK ANONİM ŞİRKETİ

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2004

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

NOTE 8 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Long-term:

	30 June 2004	31 December 2003
Doğan Yayın (*)	22,763,859	-

(*) Group has transferred the bank borrowing received from Barclays Bank PLC on 27 January 2004 amounting to US\$15,000,000 (TL22,288,665 million), with an interest rate of 4.92% and maturity date of 27 January 2006 to the Group's shareholder Doğan Yayın with the same conditions (Note 16). The amount includes an interest accrual amounting to TL475,194 million as of 30 June 2004.

b) Due to related companies:

Short-term:

	30 June 2004	31 December 2003
Doğan Yayın	620,005	481,131
Hürbim Bilgisayar ve Teknik Hizmetler A.Ş. ("Hürbim")	428,804	4,892
Doğan Media	366,504	-
Doğan Dış Ticaret	174,735	670,653
Milta Turizm İşletmeleri A.Ş. ("Milta Turizm")	120,556	47,388
Doğan İletişim Elektronik Servis Hizmetleri A.Ş. ("Doğan Online")	108,326	-
Doğan Faktoring	-	978,655
Doğan Dağıtım	13,536	99,450
Diğer	394,759	240,803
	2,227,225	2,522,972

Long - term:

Doğan Dağıtım	1,154,320	1,384,019
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Non-current payables to Doğan Dağıtım represent deposits taken for the distribution of newspapers.

c) Bank accounts:

	30 June 2004	31 December 2003
Dışbank Malta Limited	25,228,515	18,044,783
Türk Dış Ticaret Bankası A.Ş. ("Dışbank")	3,688,281	22,187,542
	28,916,796	40,232,325

d) Bank Borrowings:

	30 June 2004	31 December 2003
Dışbank	5,452,405	7,444,590

HÜRRİYET GAZETECİLİK VE MATBAACILIK ANONİM ŞİRKETİ

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2004

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

NOTE 8 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

ii) Transactions with related parties:

a) Service and product sales:

	1 April - 30 June 2004	1 January - 30 June 2004
Doğan Dağıtım	17,700,054	34,670,339
Doğan Gazetecilik	6,995,848	11,692,168
Doğan ve Egmont Yayıncılık A.Ş. ("Doğan Egmont")	1,108,011	1,129,448
DBR	65,804	219,752
Diğer	598,927	2,578,107
	26,468,644	50,289,814

Newspapers are sold through Doğan Dağıtım.

b) Service and product purchases:

	1 April - 30 June 2004	1 January - 30 June 2004
Doğan Dış Ticaret	22,251,411	38,279,321
Doğan Haber	3,840,790	7,084,044
Doğan Dağıtım	3,164,909	5,856,850
Doğan Yayın	1,621,514	2,869,301
Doğan Gazetecilik	1,419,328	1,629,437
DTV Haber	938,672	1,833,596
ANS Uluslararası Yapım Yayın Reklamcılık A.Ş. ("ANS")	789,650	1,599,659
Hürbim	658,671	1,338,572
Eko Televizyon	629,694	1,363,450
Doğan Online	422,285	673,247
Doğan Media	72,415	243,661
Diğer	1,115,150	1,287,271
	36,924,489	64,058,409

The Company purchases essential raw materials from Doğan Dış Ticaret.

Doğan Dağıtım provides newspaper distribution services to the Company. The amount of services and goods purchased from Doğan Dağıtım includes newspaper returns, distribution and transportation expenses.

HÜRRİYET GAZETECİLİK VE MATBAACILIK ANONİM ŞİRKETİ

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2004

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

NOTE 8 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

c) Fixed asset purchases:

	1 April - 30 June 2004	1 January - 30 June 2004
Doğan Dağıtım	198,480	198,480
Doğan Gazetecilik	54,599	54,599
Doğan Dış Ticaret	15,270	15,270
Other	14,865	14,865
	283,214	283,214

d) Other transactions with related parties:

	1 April - 30 June 2004	1 January - 30 June 2004
Other income, net		
Other income:		
DBR	217,951	425,440
Doğan Dağıtım	197,728	522,233
Doğan Yayın	193,399	290,206
Eko Televizyon	170,281	170,281
Doğan Gazetecilik	87,224	87,224
Yaysat	85,005	170,422
Doğan Kitapçılık	48,168	104,364
Dergi Pazarlama Planlama A.Ş. ("Dergi Pazarlama")	35,366	35,366
Doğan Dış Ticaret	9,560	9,560
Doğan Prodüksiyon	7,045	7,644
Diğer	288,299	536,512
	1,340,026	2,359,252
Other expenses:		
Doğan Media	28,847	78,025
Doğan Dağıtım	24,861	51,243
Diğer	4,623	5,747
	58,331	135,015
Other income, net	1,281,695	2,224,237

HÜRRİYET GAZETECİLİK VE MATBAACILIK ANONİM ŞİRKETİ

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2004

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

NOTE 8 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

	1 April - 30 June 2004	1 January - 30 June 2004
Financial income, net		
Financial income:		
Doğan Yayın	2,941,947	3,396,046
Dışbank	1,765,466	3,573,349
	4,707,413	6,969,395
Financial expense:		
Doğan Factoring	273,908	273,908
Doğan Yayın	5,368	397,005
	279,276	670,913
Financial income, net	4,428,137	6,298,482
Payments made to members of the Board and key management personnel	301,322	510,721

NOTE 9 - INVENTORIES

	30 June 2004	31 December 2003
Promotion stocks	10,698,219	12,390,266
Impairment for promotion stocks	(3,914,379)	(4,422,973)
Promotion stocks, net	6,783,840	7,967,293
Raw materials and supplies	6,904,603	8,301,278
Finished goods and merchandise	1,066,254	1,316,347
Spares	509,702	52,509
Semi-finished goods	439,901	428,723
Order advances for raw material purchases	76,577	19,558
	15,780,877	18,085,708

Promotion stocks include promotion goods and properties.

HÜRRİYET GAZETECİLİK VE MATBAACILIK ANONİM ŞİRKETİ

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2004

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

NOTE 9 - INVENTORIES (Continued)

The movement of impairment for promotion stocks during the six months period is as follows:

	2004
1 January	4,422,973
Impairment during the period (Note 25)	945,985
Provisions no longer required (Note 25)	(1,454,579)
30 June	3,914,379

NOTE 10 - OTHER CURRENT ASSETS

	30 June 2004	31 December 2003
Prepaid expenses	4,675,994	1,827,805
Advances given to personnel	1,517,326	1,231,122
Job advances	927,722	983,864
Value Added Tax ("VAT") deductible	407,450	37,464
Other current assets	461,125	300,882
	7,989,617	4,381,137

NOTE 11 - AVAILABLE - FOR - SALE INVESTMENTS

	%	30 June 2004	%	31 December 2003
Doğan Havacılık San. ve Tic. A.Ş. ("Doğan Havacılık")	9.00	1,905,768	9.00	1,794,873
Doğan Raks (*)	3.00	1,496,262	3.00	1,496,262
Doğan Faktoring	5.00	688,198	5.00	688,198
Doğan Dış Ticaret	1.75	328,702	-	-
Coats İplik Sanayi A.Ş.	0.50	244,929	0.50	244,929
Other		306,887		187,327
		4,970,746		4,411,589
Impairment (*)		(1,496,262)		(1,496,262)
		3,474,484		2,915,327

(*) The Company has identified impairment for the available-for-sale investment Doğan Raks and provided a provision for the whole impairment.

HÜRRİYET GAZETECİLİK VE MATBAACILIK ANONİM ŞİRKETİ

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2004

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

NOTE 12 - INVESTMENTS IN ASSOCIATED COMPANIES

	%	30 June 2004	%	31 December 2003
Doğan Media	43.93	4,392,682	41.02	3,874,057
Doğan Prodüksiyon	40.55	3,147,912	40.55	3,894,766
Doğan Kitapçılık	48.90	1,883,895	48.90	1,677,519
Yaysat	25.00	1,156,258	25.00	1,113,668
Doğan Haber	48.54	659,665	48.54	821,362
Digital Hizmetler	22.74	125,504	22.74	138,752
DYG İlan	20.00	126,079	20.00	79,481
Doğan Telekom	27.94	114,810	27.94	98,869
		11,606,805		11,698,474

NOTE 13 - INVESTMENT PROPERTIES, NET

	1 January 2004	Additions	30 June 2004
Cost:			
Land and land improvements	18,232,457	-	18,232,457
Buildings	13,033,258	-	13,033,258
Total	31,265,715	-	31,265,715
Accumulated Depreciation:			
Buildings	249,276	183,345	432,621
Total	249,276	183,345	432,621
Net book value	31,016,439		30,833,094

At 31 December 2004, investment properties, which are carried at cost less accumulated depreciation, amounting to TL43,861,007 million were valued by a certified real estate valuation companies. Accordingly, the fair value of the investment properties amounts to TL 31,120,430 million. Impairment has been identified for investment properties with carrying values of TL43,706,554 million and fair values of TL25,887,734 million and TL 17,818,820 million of impairment expense has been provided as of 31 December 2003. There is no any change in fair value of the investment properties as of 30 June 2004.

HÜRRİYET GAZETECİLİK VE MATBAACILIK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2004

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

NOTE 14 - PROPERTY, PLANT AND EQUIPMENT, NET

	1 January 2004	Cumulative translation difference	Additions	Disposals	Transfers	30 June 2004
Cost:						
Land and land improvements	38,537,602	(125,826)	2,891,300	-	-	41,303,076
Buildings	208,715,427	(1,120,271)	123,888	(568,228)	-	207,150,816
Machinery and equipment	450,012,787	(4,196,608)	3,891,196	(3,072,493)	132,525	446,767,407
Motor vehicles	2,899,715	-	192,428	(310,533)	-	2,781,610
Furniture and fixtures	60,734,351	(339,191)	752,716	(102,002)	-	61,045,874
Leasehold improvements	20,571,131	-	-	(1,647)	-	20,569,484
Advances given for fixed asset purchase	-	-	2,850,064	-	-	2,850,064
Total	781,471,013	(5,781,896)	10,701,592	(4,054,903)	132,525	782,468,331
Construction in progress	451,948	(39,397)	258,819	-	(132,525)	538,845
Total	781,922,961	(5,821,293)	10,960,411	(4,054,903)	-	783,007,176
Accumulated Depreciation:						
Land and land improvements	174,362	-	14,135	-	-	188,497
Buildings	30,144,843	(851,625)	2,380,850	(39,723)	-	31,634,345
Machinery and equipment	249,994,496	(2,908,183)	15,803,162	(2,860,026)	-	260,029,449
Motor vehicles	2,226,312	-	109,968	(310,533)	-	2,025,747
Furniture and fixtures	52,960,442	(258,333)	1,232,614	(95,025)	-	53,839,698
Leasehold improvements	14,537,851	-	1,005,045	(1,073)	-	15,541,823
Total	350,038,306	(4,018,141)	20,545,774	(3,306,380)	-	363,259,559
Net book value	431,884,655					419,747,617

Finance leased assets, which are classified under machinery and equipment, amounts to TL18,967,890 millions as of 30 June 2004 (31 December 2003: TL18,967,890 million). These assets have been fully depreciated as of 31 December 2002.

At 30 June 2004 there are mortgages on property, plant and equipment amounting to TL43,012,500 million (31 December 2003: TL46,511,952 million).

HÜRRİYET GAZETECİLİK VE MATBAACILIK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2004

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

NOTE 15 - INTANGIBLE ASSETS, NET

	1 January 2004	Additions	Disposals	30 June 2004
Cost				
Rights	7,967,976	502	-	7,968,478
Software and other intangible assets	3,485,343	129,560	(650,072)	2,964,831
	11,453,319	130,062	(650,072)	10,933,309
Accumulated amortization:				
Rights	7,767,154	173,111	-	7,940,265
Software and other intangible assets	2,696,070	281,603	(136,360)	2,841,313
	10,463,224	454,714	(136,360)	10,781,578
Net book value	990,095			151,731
Goodwill	14,206,559	-	-	14,206,559
Accumulated amortization	(2,724,590)	(358,812)	-	(3,083,402)
Net book value	11,481,969			11,123,157
Total net book value	12,472,064			11,274,888

HÜRRİYET GAZETECİLİK VE MATBAACILIK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2004

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

NOTE 16 - BANK BORROWINGS

	Effective Interest Rate per Annum (%)		Original Foreign Currency		TL million	
	30 June 2004	31 December 2003	30 June 2004	31 December 2003	30 June 2004	31 December 2003
Short-term bank borrowings:						
- Euro	2.89	7-9	4,092,983	8,976,072	7,395,481	16,938,290
- CHF	-	-	-	1,198,545	-	1,447,371
- TL	25	-	8,775,422	2,155,378	8,775,422	2,155,378
- US\$	3.60-7	4-12	10,108,194	12,177,089	15,019,876	18,380,082
Total					31,190,779	38,921,121
Short-term portion of long-term borrowings:						
- US\$	3.60-12.75	-	5,414,699	4,672,375	8,045,760	7,052,477
- Euro	5	-	1,268,776	-	2,292,511	-
Total					10,338,271	7,052,477
Total short-term bank borrowings					41,529,050	45,973,598
Long-term bank borrowings:						
- US\$	4-6	4-12	20,730,854	9,963,751	30,804,206	15,039,272
- Euro	3.95-7	5-7	16,732,007	10,900,565	30,232,526	20,569,902
- CHF			-	1,407,888		1,700,174
Total long-term bank borrowings					61,036,732	37,309,348

Group has transferred the bank borrowing received from Barclays Bank PLC on 27 January 2004 amounting to USD 15,000,000 (TL 22,288,665 million), with an interest rate of 4.92% and maturity date of 27 January 2006 to the Group's shareholder Doğan Yayın with the same conditions (Note 8).

HÜRRİYET GAZETECİLİK VE MATBAACILIK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2004

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

NOTE 16 - BANK BORROWINGS (Continued)

The redemption schedule of long-term borrowings is summarized below:

	30 June 2004	31 December 2003
Year		
2005	7,173,960	12,613,652
2006	34,125,673	7,527,161
2007 and later	19,737,099	17,168,535
Total	61,036,732	37,309,348

NOTE 17 - TRADE PAYABLES

	30 June 2004	31 December 2003
Short term trade payables	36,367,354	44,483,525
Notes payable	-	370,729
	36,367,354	44,854,254
Long-term payables to suppliers	32,364,052	39,993,061

Long-term payables to suppliers relate to the purchase of machinery and equipment.

The redemption schedule of long-term payables is summarized below:

	30 June 2004	31 December 2003
Year		
2005	7,812,121	14,715,269
2006	9,311,919	9,587,705
2007 and later	15,240,012	15,690,087
	32,364,052	39,993,061

NOTE 18 - OTHER CURRENT LIABILITIES

	30 June 2004	31 December 2003
Provisions for lawsuits	8,049,113	4,306,190
Taxes and funds payable	3,880,734	2,139,163
Advances from customers	2,366,766	2,318,388
Miscellaneous expense accruals	1,147,804	908,538
Deferred income	800,291	131,654
Other	1,301,355	1,159,490
	17,546,063	10,963,423

HÜRRİYET GAZETECİLİK VE MATBAACILIK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2004

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

NOTE 18 - OTHER CURRENT LIABILITIES (Continued)

The movement schedule of provisions for lawsuits during the year is as follows:

	2004
At 1 January	4,306,190
Charge for the period	4,121,632
Monetary gain	(378,709)
30 June	8,049,113

The Company filed two lawsuits regarding the tax and penalties declared by the Presidency of Tax Administration ("Tax Administration") on various dates.

The first lawsuit was filed by the Company in due period before the tax court with the allegation of unfair assessment of the tax base and penalties which were imposed by the tax office on 28 August 2001 and 17 October 2001. Deciding in favor of the Company, the tax court concluded to cancellation on 28 March 2002. However, tax office appealed to the decision before the Council of State, and the Council of State resolved on 14 June 2004 against the Company with a majority of votes (3 to 2). The Company demanded that the verdict in favor of the Company by the tax court on 22 June 2004 deemed as lawful by the Company be ratified. Considering that the Corporate tax and Fund allowance had already been paid, in reference to this lawsuit, the tax base (stamp and additional taxes) amounts to TL126,409 million, penalty amounts to TL2,776,966 million, and the interest amount calculated by the Company at 30 June 2004 is TL3,689,097 million.

The second lawsuit was filed by the Company in due period before İstanbul Tax Court with the allegation of unfair assessment of the tax and penalties by the tax office which were notified on 12 November 2003. The court resolved the approval of the year 2001 corporate tax and fund allowance, the assessment of which was requested in the Tax Review Report, to decrease the penalty for late payment by 50%, to cancel completely the late payment penalty for provisional tax on 26 May 2004. The management decided to lodge an appeal before the Council of State against this verdict of the tax court and demand stay of execution. Together with the suits filed in 1999 the verdicts of which have not been notified to the Company yet, after deducting the paid corporate tax and fund allowance, the tax base subject to the lawsuit is TL3,766,123 million, penalty amounts to TL4,817,969 million, estimated interest amount calculated by the Company as of 30 June 2004 is TL9,104,134 million.

Management of the Company, in line with the Company's legal advisor's view, allocated a provision of TL5,517,399 million for tax base and penalties in the financial statements at 30 June 2004.

NOTE 19 - TAXATION ON INCOME

	30 June 2004	31 December 2003
Corporation and income taxes payable	13,169,498	25,643,750
Less: prepaid tax	(5,679,179)	(18,738,913)
Taxes on income, net	7,490,319	6,904,837
Deferred tax liabilities	27,143,413	20,357,531
Deferred tax assets	(4,733,806)	(3,170,053)
Deferred tax liability, net	22,409,607	17,187,478
Total taxes	29,899,926	24,092,315

HÜRRİYET GAZETECİLİK VE MATBAACILIK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2004

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

NOTE 19 - TAXATION ON INCOME (Continued)

Turkish tax legislation does not permit a parent Company, its subsidiaries and its associates to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the consolidated financial statements, have been calculated on a separate-entity basis.

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%. 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 June 2004. The rate for other temporary differences is 30%.

In accordance with Tax Law No: 5024 “Law Related to Changes in Tax Procedure Law, Income Tax Law and Corporate Tax Law” that was published in the Official Gazette on 30 December 2003 to amend the tax base for non-monetary assets and liabilities, effective from 1 January 2004, the income and corporate taxpayers will prepare the statutory financial statements by adjusting the non-monetary assets and liabilities for the changes in the general purchasing power of the Turkish lira. Corporate taxpayers are obliged to prepare the opening balance sheets restated for inflation at 31 December 2003. Corporate taxpayers submitted their opening balance sheets restated for inflation at 31 December 2003 in accordance with the General Communiqué on Tax Procedure Law No: 328 (“Communiqué”) dated 28 February 2004 and declare the advance corporation tax for the second quarter of 2004 in accordance with General Communiqué on Tax Procedure Law No: 338 that has been published on 13 August 2004 in the Official Gazette. 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 should conform to the depreciation periods set out in the Tax Procedure Law.

However, while the draft General Communiqué on Tax Procedure Law No: 338 issued by the Ministry of Finance regarding the procedures to be applied for the six-month period ended 30 June 2004 is present at hand, as it has not been published in the Official Gazette, there are no communiqués in force as of the date of these financial statements. Thus, the corporate tax at 30 June 2004 has been calculated in the light of Tax Law No:5024 and the draft communiqué. The Company has decided to prepare its opening tax balance sheet restated for inflation in accordance with Tax Law No: 5024 instead to use the balance sheet prepared in accordance with the CMB’s accounting principles related to hyperinflation as permitted by Tax Law No: 5024.

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

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

HÜRRİYET GAZETECİLİK VE MATBAACILIK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2004

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

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

HÜRRİYET GAZETECİLİK VE MATBAACILIK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2004

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

NOTE 19 - TAXATION ON INCOME (Continued)

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

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to 5 years. Tax losses cannot be carried back to offset profits from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within four months following the close of the financial year to which they relate. Tax returns are open for 5 years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax return and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Provision for taxes for the six month period ended 30 June 2004 is summarized as follows:

	1 April- 30 June 2004	1 January- 30 June 2004
- Current	(10,310,642)	(13,876,562)
- Deferred	(1,639,493)	(5,222,129)
Taxation on income	(11,950,135)	(19,098,691)

Deferred taxes

The Company calculates deferred tax assets and liabilities based on the temporary differences between the IFRS financials and financials prepared according to Turkish tax legislation. In substance, differences arise from the differences in accounting periods for the recognition of income and expenses in accordance with IFRS and tax legislation.

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

The movement of deferred taxes during the six months period is as follows:

	2004
Deferred tax liabilities - net at 1 January	17,187,478
Deferred taxation income on consolidated statements of income	5,222,129
Deferred tax liabilities - net at 30 June	22,409,607

HÜRRİYET GAZETECİLİK VE MATBAACILIK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2004

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

NOTE 19 - TAXATION ON INCOME (Continued)

The temporary differences giving rise to deferred income tax assets and deferred tax liabilities are as follows:

	Cumulative temporary differences		Deferred tax assets/ (liabilities)	
	30 June 2004	31 December 2003	30 June 2004	31 December 2003
Provision for employee termination benefits	4,420,995	3,931,080	1,326,299	1,179,325
Difference between tax base and carrying value of trade receivables and due from related parties	1,287,964	1,853,945	425,028	611,802
Impairment on promotion stocks	5,461,898	4,580,651	1,815,411	1,378,926
Other, net	3,890,227	-	1,167,068	-
Deferred tax assets	15,061,084	10,365,676	4,733,806	3,170,053
Difference between tax base and carrying value of property, plant and equipment and intangible assets	(90,478,032)	(63,323,511)	(27,143,413)	(18,997,054)
Difference between tax base and carrying value of time deposits	-	(2,911,508)	-	(873,453)
Other, net	-	(1,623,416)	-	(487,024)
Deferred tax liabilities	(90,478,032)	(67,858,435)	(27,143,413)	(20,357,531)
Deferred tax liabilities-net			(22,409,607)	(17,187,478)

Due to the fact that "Subsidiaries", which are independent taxpayers, have represented the net amount of deferred tax assets and liabilities in their financial statements in accordance with IFRS; effects of the mentioned net offs have been reflected to the consolidated financial statements of the Holding. Temporary differences and deferred tax assets/ liabilities mentioned above have been prepared according to their gross amounts.

NOTE 20 - RESERVE FOR EMPLOYMENT TERMINATION BENEFITS

There are no agreements for pension commitments other than the legal requirement as explained below:

Under the Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and who achieves the retirement age (58 for women and 60 for men) and whose employment is terminated without due cause, is called up for military service or who dies. At 30 June 2004 the amount payable consists of one month's salary limited to a maximum of TL1,574,740,000 (31 December 2003: TL1,389,950,000) for each year of service. In addition, according to press sector regulations, companies should make payments to personnel who work for a minimum of 5 years and whose employment is terminated without due cause. The maximum payable amount is 30 days' salary for each year. The monthly salary figure is calculated by adding all cash and non-cash payments received during the year and dividing by twelve.

HÜRRİYET GAZETECİLİK VE MATBAACILIK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2004

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

NOTE 20 - RESERVE FOR EMPLOYMENT TERMINATION BENEFITS (Continued)

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

	30 June 2004	31 December 2003
Discount rate	6%	6%
Turnover rate to estimate the probability of retirement	91%	91%

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

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

	2004
1 January 2004	3,931,080
Charge for the period, including payments	825,640
Monetary gain	(335,725)
30 June 2004	4,420,995

NOTE 21 - SHARE CAPITAL

The Company adopted the registered share capital system available to companies registered with the CMB and set a limit on its registered share capital representing registered type shares with a nominal value of TL1,000. There are no privileged shares. The Company's historical authorised and paid-in share capital at 30 June 2004 and 31 December 2003 is as follows:

	30 June 2004	31 December 2003
Limit on registered share capital (historical)	500,000,000	250,000,000
Historical authorised and paid-in share capital	416,742,560	245,142,682

Companies in Turkey may exceed the limit for registered share capital in case of issuance of free capital shares to existing shareholders.

HÜRRİYET GAZETECİLİK VE MATBAACILIK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2004

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

NOTE 21 - SHARE CAPITAL (Continued)

The shareholding structure of the Company is as follows:

	30 June 2004	Share (%)	31 December 2003	Share (%)
Doğan Yayın	279,217,515	67	163,344,908	67
Publicly owned	137,525,045	33	81,797,774	33
	416,742,560	100	245,142,682	100
Adjustment to share capital	52,448,254		171,284,528	
Total share capital	469,190,814		416,427,210	

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

NOTE 22 - RETAINED EARNINGS AND LEGAL RESERVES

Public companies distribute dividends according to CMB regulations as follows:

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.

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 20% 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 20% 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.

In accordance with Communiqué XI/25, companies that are obliged to prepare consolidated financial statements will not consider the profits of their subsidiaries, joint ventures and associate companies which have not held their general assemblies relating to dividend distribution in the calculation of dividend.

Profits of the subsidiaries, joint ventures and associate companies of the Company will not be taken into consideration in the calculation of dividend since their general assemblies have not been held.

HÜRRİYET GAZETECİLİK VE MATBAACILIK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2004

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

NOTE 22 - RETAINED EARNINGS AND LEGAL RESERVES (Continued)

Company's shareholders' equity structure, in accordance with communique XI no: 25, is as follows:

	30 June 2004	31 December 2003
Share Capital	416,742,560	245,142,682
Legal Reserves	11,170,063	8,067,578
Extraordinary Reserves	2,108,245	301,546
Inflation effect to shareholders' equity	55,651,016	207,127,585
Translation reserves	(1,042,664)	(763,273)
Net income for the period	12,737,362	55,713,149
Retained Earnings	41,989,316	36,203,393
Total Equity	539,355,898	551,792,660

The differences between the historical and restated figures are as follows:

	30 June 2004			31 December 2003		
	Historical figures	Restated figures	Inflation effect to shareholder's equity	Historical figures	Restated figures	Inflation effect to shareholder's equity
Share Capital	416,742,560	469,190,814	52,448,254	245,142,682	416,427,210	171,284,528
Legal Reserves	11,170,063	14,316,103	3,146,040	8,067,578	43,890,960	35,823,382
Extraordinary Reserves	2,108,245	2,164,967	56,722	301,546	321,221	19,675
Total	430,020,868	485,671,884	55,651,016	253,511,806	460,639,391	207,127,585

NOTE 23 - GENERAL AND ADMINISTRATIVE, SELLING AND MARKETING, AND DISTRIBUTION EXPENSES

	1 April - 30 June 2004	1 January - 30 June 2004
Transportation, storage and travel	3,490,879	6,419,515
Services outsourced	3,035,511	7,278,632
Depreciation and amortization	2,899,726	5,356,309
Advertisement	2,633,214	7,089,037
Promotion	1,632,063	3,556,793
Consulting	1,583,900	3,205,566
Payroll	1,535,140	2,924,289
Repair and maintenance	909,453	1,611,238
Communication	859,969	1,326,528
Other	664,514	2,747,905
	19,244,369	41,515,812

HÜRRİYET GAZETECİLİK VE MATBAACILIK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2004

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

NOTE 24 - FINANCIAL (EXPENSE)/INCOME - NET

	1 April - 30 June 2004	1 January - 30 June 2004
Financial income:		
Interest on bank deposits	4,284,509	7,636,180
Amortised cost valuation income	1,800,744	5,516,018
Interest income on trading securities	589,343	2,020,280
Overdue charges on credit sales	287,193	657,842
Foreign exchange gains	-	7,648,693
	6,961,789	23,479,013
Financial expenses:		
Interest on bank borrowings	(4,664,590)	(7,292,229)
Foreign exchange losses	(3,015,883)	(8,235,256)
Other	(654,242)	(1,564,257)
	(8,334,715)	(17,091,742)
Financial (expense)/ income - net	(1,372,926)	6,387,271

NOTE 25 - OTHER OPERATING EXPENSES - NET

	1 April - 30 June 2004	1 January - 30 June 2004
Other operating income:		
Reversal of provisions for impairment of promotion stocks	1,454,579	1,454,579
Rent income	922,245	1,562,092
Service income	788,842	1,596,687
Reversal of provisions for lawsuits	463,805	528,308
Dividend income	40,311	40,311
	3,669,782	5,181,977
Other operating expenses:		
Provisions for lawsuits	(4,580,750)	(4,649,940)
Amortization of goodwill	(179,406)	(358,812)
Provision for doubtful receivables	(92,691)	(259,195)
Provisions for impairment of promotion stocks	(80,850)	(945,985)
	(4,933,697)	(6,213,932)
Other operating (expenses)/income, net	(710,756)	880,918
Other operating expenses, net	(1,974,671)	(151,037)

HÜRRİYET GAZETECİLİK VE MATBAACILIK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2004

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

NOTE 26 - CASH USED IN OPERATING ACTIVITIES

	Notes	30 June 2004
Adjustments:		
Depreciation	13,14	20,729,119
Amortization	15	454,714
Amortization of goodwill		358,812
Minority interest		(796,186)
Taxes	19	19,098,691
Employee termination benefit, net		825,640
Income from associates		(35,440)
Interest income, net		(8,538,091)
Cumulative translation reserve		1,691,232
Other provisions, net		3,653,071
Inflation effect on non-operating activities		7,118,047
		44,559,609
Changes in assets and liabilities:		
Increase in available for sale investments		(559,157)
Increase in trade receivables		(1,076,724)
Decrease in due from related companies		3,783,595
Decrease in banks		(9,286,944)
Increase in trading securities		(29,895,768)
Decrease in inventories		2,813,425
Increase in other current assets		(3,608,480)
Decrease in trade payables		(8,486,900)
Decrease in due to related companies		(525,446)
Increase in other current liabilities		2,092,289
Inflation effect on operating activities		(7,801,147)
Cash used by operating activities		(7,991,648)

HÜRRİYET GAZETECİLİK VE MATBAACILIK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2004

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

NOTE 27 - FOREIGN CURRENCY POSITION

Turkish lira equivalents of assets and liabilities denominated in foreign and local currency at 30 June 2004 and 31 December 2003 are as follows;

	30 June 2004					
	USDS	Euro	Other	Total FC	TL	Total
Assets						
Cash and cash equivalents	14,714,195	3,189,212	1,997	17,905,404	62,474,184	80,379,588
Trading securities	-	2,739,725	-	2,739,725	34,793,923	37,533,648
Trade receivables and due from related parties	6,319,360	11,259,468	4,112	17,582,940	119,801,972	137,384,912
Due from related parties long-term	22,763,859	-	-	22,763,859	-	22,763,859
Inventories	-	1,223,630	-	1,223,630	14,557,247	15,780,877
Other current assets	2,787	-	-	2,787	7,986,830	7,989,617
Non-current assets	-	35,870,920	-	35,870,920	442,023,074	477,893,994
Total	43,800,201	54,282,955	6,109	98,089,265	681,637,230	779,726,495
Liabilities						
Short term bank borrowings	23,065,636	9,687,992	-	32,753,628	8,775,422	41,529,050
Trade payables and due to related parties	3,483,865	17,267,883	4,118,404	24,870,152	13,724,427	38,594,579
Taxes payable and other current liabilities	110,366	279,170	-	389,536	24,646,846	25,036,382
Long term bank borrowings	30,804,206	30,232,526	-	61,036,732	-	61,036,732
Long term trade payables and due to related parties	11,307,463	13,270,387	5,174,734	29,752,584	3,765,788	33,518,372
Other non-current liabilities	-	384,916	-	384,916	27,212,373	27,597,289
Total	68,771,536	71,122,874	9,293,138	149,187,548	78,124,856	227,312,404
Net foreign currency position	(24,971,335)	(16,839,919)	(9,287,029)	(51,098,283)	603,512,374	552,414,091
	31 December 2003					
	USDS	Euro	Other	Total FC	TL	Total
Assets						
Cash and cash equivalents	50,988,861	19,198,887	140,464	70,328,212	28,391,252	98,719,464
Trading securities	-	-	-	-	24,260,255	24,260,255
Trade receivables and due from related parties	9,286,488	565,652	34,551	9,886,691	131,189,815	141,076,506
Inventories	-	-	-	-	18,085,708	18,085,708
Other current assets	492	-	-	492	4,380,645	4,381,137
Non-current assets	-	38,808,372	-	38,808,372	451,907,814	490,716,186
Total	60,275,841	58,572,911	175,015	119,023,767	658,215,489	777,239,256
Yükümlülükler						
Short term bank borrowings	25,432,558	16,938,290	1,447,208	43,818,056	2,155,542	45,973,598
Trade payables and due to related parties	354,099	1,591,662	24,970	1,970,731	45,406,495	47,377,226
Taxes payable and other current liabilities	21,547	9,323	-	30,870	17,837,390	17,868,260
Long term bank borrowings	15,039,272	20,569,902	1,700,174	37,309,348	-	37,309,348
Long term trade payables and due to related parties	13,163,616	19,296,979	7,450,810	39,911,405	1,465,675	41,377,080
Other non-current liabilities	-	-	-	-	21,686,705	21,686,705
Total	54,011,092	58,406,156	10,623,162	123,040,410	88,551,807	211,592,217
Net foreign currency position	6,264,749	166,755	(10,448,147)	(4,016,643)	569,663,682	565,647,039

Following exchange rates have been used in the translation of foreign currency denominated balance sheet items as of 30 June 2004; TL1,485,911 = US\$1 and TL1,806,868 = Euro 1 (31 December 2003: TL1,395,835 = US\$1 and TL1,745,072 = Euro1).

HÜRRİYET GAZETECİLİK VE MATBAACILIK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2004

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

NOTE 28 - COMMITMENTS AND CONTINGENT LIABILITIES

Commitments and contingencies from which the management does not anticipate any significant losses or liabilities are summarised below:

	Currency	Original amount	30 June 2004	Original amount	31December 2003
a) Guarantees given:					
Letters of guarantee	TL	1,629,304	1,629,304	3,630,624	3,630,624
	US\$	143,818	213,701	150,419	227,042
Financial notes	TL	202,223	202,223	218,676	218,676
Guarantee notes	TL	1,714	1,714	1,853	1,853
Other	US\$	83,975,098	124,779,522	81,012,430	122,280,055
	Euro	20,396,971	36,854,634	14,038,084	26,490,557
	TL	4,156,529	4,156,529	14,473,301	14,473,301
			167,837,627	167,322,108	

b) Commitments given

As of 30 June 2004, Group companies have, in respect of their bank borrowings, mortgages amounting to TL 43,012,500 million (31 December 2003: TL 46,511,952 million), blocked bank deposits amounting to TL 1,946,765 million (31 December 2003:Blocked financial assets and bank deposits amounting to TL 28,541,285 million) and commitments amounting to TL 18,674,837 million (31 December 2003: TL 27,450,276 million).

c) Barter Agreements:

The Company, as is common practice in the media sector, has entered into barter agreements. These agreements involve the exchange of goods or services without cash collections or payments. With respect to these on-going barter agreements the Company has remaining amount of US\$1,645,314 advertising commitment to issue and has the right to obtain various types of services and products amounting to US\$944,749.

HÜRRİYET GAZETECİLİK VE MATBAACILIK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2004

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

NOTE 28 - COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

d) Court cases:

Law cases against the Company amount to TL67,375,735 million (31 December 2003 : TL77,190,378 million).

As explained in Note 18, The Company filed two lawsuits regarding the tax and penalties declared by the Presidency of Tax Administration ("Tax Administration") on various dates.

The first lawsuit was filed by the Company in due period before the tax court with the allegation of unfair assessment of the tax base and penalties which were imposed by the tax office on 28 August 2001 and 17 October 2001. Deciding in favor of the Company, the tax court concluded to cancellation on 28 March 2002. However, tax office appealed to the decision before the Council of State, and the Council of State resolved on 14 June 2004 against the Company with a majority of votes (3 to 2). The Company demanded that the verdict in favor of the Company by the tax court on 22 June 2004 deemed as lawful by the Company be ratified. Considering that the Corporate tax and Fund allowance had already been paid, in reference to this lawsuit, the tax base (stamp and additional taxes) amounts to TL126,409 million, penalty amounts to TL2,776,966 million, and the interest amount calculated by the Company at 30 June 2004 is TL3,689,097 million.

The second lawsuit was filed by the Company in due period before İstanbul Tax Court with the allegation of unfair assessment of the tax and penalties by the tax office which were notified on 12 November 2003. The court resolved the approval of the year 2001 corporate tax and fund allowance, the assessment of which was requested in the Tax Review Report, to decrease the penalty for late payment by 50%, to cancel completely the late payment penalty for provisional tax on 26 May 2004. The management decided to lodge an appeal before the Council of State against this verdict of the tax court and demand stay of execution. Together with the suits filed in 1999 the verdicts of which have not been notified to the Company yet, after deducting the paid corporate tax and fund allowance, the tax base subject to the lawsuit is TL3,766,123 million, penalty amounts to TL4,817,969 million, estimated interest amount calculated by the Company as of 30 June 2004 is TL9,104,134 million.

Management of the Company, in line with the Company's legal advisor's view, allocated a provision of TL5,517,399 million for tax base and penalties in the financial statements at 30 June 2004.

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