

Koç Holding A.Ş.

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2009 AND 2008

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

Notes	2009 (*) EUR'000	2009 (*) USD'000	2009 TRY'000	2008 TRY'000	
ASSETS					
Current assets:					
Cash and cash equivalents	6	4,674,639	6,706,928	10,098,622	8,329,395
Financial assets	7	912,528	1,309,248	1,971,334	732,529
Trade receivables	8	2,182,708	3,131,636	4,715,305	5,055,995
Loans and advances to customers	9	5,487,910	7,873,768	11,855,533	13,108,729
Inventories	10	1,555,802	2,232,184	3,361,000	3,645,752
Derivative financial instruments	19	115,800	166,144	250,163	251,782
Other current assets	22	624,273	895,671	1,348,614	1,509,891
		15,553,660	22,315,579	33,600,571	32,634,073
Assets held for sale	31	7,066	10,138	15,265	48,644
Total current assets		15,560,726	22,325,717	33,615,836	32,682,717
Non-current assets:					
Financial assets	7	2,793,569	4,008,067	6,034,947	6,859,844
Trade receivables	8	39,643	56,878	85,641	118,593
Loans and advances to customers	9	4,510,121	6,470,887	9,743,214	8,972,926
Investment property	11	55,707	79,926	120,344	75,428
Property, plant and equipment	12	4,920,399	7,059,533	10,629,539	10,383,655
Intangible assets	13	610,977	876,598	1,319,893	1,185,989
Goodwill	14	1,628,413	2,336,362	3,517,860	3,533,680
Deferred tax assets	17	240,017	344,364	518,509	370,835
Derivative financial instruments	19	58,363	83,736	126,082	31,406
Other non-current assets	22	312,256	448,009	674,567	675,010
Total non-current assets		15,169,465	21,764,360	32,770,596	32,207,366
Total assets		30,730,191	44,090,077	66,386,432	64,890,083
LIABILITIES					
Current liabilities:					
Deposits	15	9,547,967	13,698,926	20,626,473	20,615,877
Financial liabilities	16	3,930,955	5,639,930	8,492,043	9,387,366
Trade payables	8	1,890,216	2,711,984	4,083,434	3,422,458
Other payables	18	689,009	988,554	1,488,466	1,393,791
Derivative financial instruments	19	62,249	89,312	134,477	75,197
Insurance technical reserves	20	28,808	41,332	62,234	145,928
Current income tax liabilities	17	66,685	95,676	144,059	102,111
Other current liabilities	22	1,443,880	2,071,605	3,119,215	2,930,531
		17,659,769	25,337,319	38,150,401	38,073,259
Liabilities held for sale	31	3,355	4,813	7,247	34,039
Total current liabilities		17,663,124	25,342,132	38,157,648	38,107,298
Non-current liabilities:					
Deposits	15	159,762	229,218	345,133	276,089
Financial liabilities	16	2,975,595	4,269,228	6,428,177	8,190,795
Derivative financial instruments	19	115,676	165,965	249,894	103,503
Insurance technical reserves	20	171,814	246,509	371,169	271,672
Provisions for employee benefits	21	353,499	507,182	763,664	680,389
Deferred tax liabilities	17	383,663	550,460	828,828	761,936
Other non-current liabilities	22	212,875	305,421	459,873	366,741
Total non-current liabilities		4,372,884	6,273,983	9,446,738	10,651,125
Total liabilities		22,036,008	31,616,115	47,604,386	48,758,423
Equity:					
Paid-in share capital	23	1,117,966	1,603,999	2,415,141	2,012,618
Adjustment to share capital	23	447,756	642,417	967,288	967,288
		1,565,722	2,246,416	3,382,429	2,979,906
Share premium		4,298	6,167	9,286	9,286
Revaluation funds	23	(6,565)	(9,420)	(14,183)	(92,942)
Currency translation differences		23,935	34,341	51,707	52,312
Restricted reserves	23	1,050,693	1,507,480	2,269,812	501,537
Prior years' income	23	1,870,896	2,684,264	4,041,695	4,275,837
Profit for the year		661,579	949,200	1,429,210	2,023,555
Shareholders' equity		5,170,558	7,418,448	11,169,956	9,749,491
Minority interest	23	3,523,625	5,055,514	7,612,090	6,382,169
Total equity		8,694,183	12,473,962	18,782,046	16,131,660
Total liabilities and equity		30,730,191	44,090,077	66,386,432	64,890,083

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Commitments and contingent liabilities

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(*) Euro ("EUR") and US Dollar ("USD") amounts presented above have been translated from Turkish Lira ("TRY") for convenience purposes only, at the official TRY bid rate announced by the Central Bank of the Republic of Turkey ("CBRT") at 31 December 2009, and therefore do not form part of these consolidated financial statements (Note 2.1.3).

These consolidated financial statements as of and for the year ended 31 December 2009 have been approved for issue by the Board of Directors ("BOD") on 12 March 2010 and signed on its behalf of BOD by CFO (Chief Financial Officer), Ahmet F. Ashaboglu and by Accounting Director, Emine Alangoya. These consolidated financial statements will be definitive following their approval in the General Assembly.

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

Koç Holding A.Ş.

CONSOLIDATED INCOME STATEMENTS AND CONSOLIDATED STATEMENTS OF COPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

	Notes	2009 (*) EUR'000	2009 (*) USD'000	2009 TRY'000	2008 TRY'000
Continuing operations:					
Revenue	24	18,344,714	25,499,520	39,450,308	49,683,405
Interest, fee, commission and similar income	5	2,502,568	3,478,619	5,381,772	5,864,304
Total revenue	5	20,847,282	28,978,139	44,832,080	55,547,709
Cost of sales (-)	25	(15,603,007)	(21,688,493)	(33,554,267)	(43,664,270)
Interest, fee, commission and similar expenses (-)		(1,112,951)	(1,547,025)	(2,393,402)	(3,581,233)
Total costs	5	(16,715,958)	(23,235,518)	(35,947,669)	(47,245,503)
Gross profit non-finance		2,741,707	3,811,027	5,896,041	6,019,135
Gross profit finance		1,389,617	1,931,594	2,988,370	2,283,071
Gross profit	5	4,131,324	5,742,621	8,884,411	8,302,206
Marketing, selling and distribution expenses (-)	25	(955,471)	(1,328,124)	(2,054,740)	(2,143,103)
General administrative expenses (-)	25	(1,105,304)	(1,536,395)	(2,376,957)	(2,335,345)
Research and development expenses (-)	25	(43,551)	(60,536)	(93,656)	(115,986)
Other income	26	131,943	183,403	283,743	1,962,563
Other expense (-)	26	(544,869)	(757,377)	(1,171,741)	(632,404)
Operating profit		1,614,072	2,243,592	3,471,060	5,037,931
Financial income	27	837,251	1,163,796	1,800,509	3,267,881
Financial expense (-)	27	(982,338)	(1,365,469)	(2,112,517)	(5,225,127)
Profit before tax from continuing operations		1,468,985	2,041,919	3,159,052	3,080,685
Income tax expense from continuing operations		(241,090)	(335,120)	(518,464)	(586,077)
- Taxes on income (-)	17	(278,180)	(386,676)	(598,227)	(523,764)
- Deferred tax income/(expense)	17	37,090	51,556	79,763	(62,313)
Profit from continuing operations		1,227,895	1,706,799	2,640,588	2,494,608
Discontinued operations:					
Profit from discontinued operations		-	-	-	83,373
Profit for the year		1,227,895	1,706,799	2,640,588	2,577,981
Attributable to:					
Minority interest	23	563,301	782,999	1,211,378	554,426
Equity holders of the parent		664,594	923,800	1,429,210	2,023,555
Earnings per share	34			0.592	0.838
Profit for the period		1,227,895	1,706,799	2,640,588	2,577,981
Other comprehensive income:					
Fair value gains/(losses) on financial assets (net)		29,977	41,669	64,466	(27,745)
Cumulative gains/(losses) on hedging (net)		15,484	21,523	33,298	(119,049)
Revaluation differences on non-current assets (net)		334	465	719	53,709
Currency translation differences		(3,211)	(4,465)	(6,906)	113,952
Other comprehensive income (after tax)		42,584	59,192	91,577	20,867
Total comprehensive income		1,270,479	1,765,991	2,732,165	2,598,848
Attributable to:					
Minority interest		569,251	791,271	1,224,175	621,505
Equity holders of the parent		701,228	974,720	1,507,990	1,977,343

(*) EUR and USD amounts presented above have been translated from TRY for convenience purposes only, at the EUR and USD average CBRT bid rates for the year ended 31 December 2009, and therefore do not form part of these consolidated financial statements (Note 2.1.3).

Koç Holding A.Ş

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

	Capital		Revaluation funds			Restricted reserves		Retained earnings			Total equity	
	Paid-in share capital	Adjustment to share capital	Share premium	Financial assets fair value reserve	Cumulative gains/(losses) on hedging	Non-current assets revaluation fund differences	Legal reserves	Special reserves	Profit for the period	Prior years' income		Minority interest
Balances at 1 January 2008	1,745,700	967,288	8,068	22,969	(9,477)	-	54,579	163,708	2,295,419	2,611,345	7,206,319	15,058,381
Transfers	-	-	-	-	-	-	37,366	230,625	(2,295,419)	2,027,428	-	-
Capital increases	261,855	-	-	-	-	-	-	-	(261,855)	(261,855)	262,205	262,205
Dividends paid	-	-	-	-	-	-	-	-	(40,981)	(40,981)	(786,973)	(827,954)
Transactions with minority interests	5,063	-	1,218	-	-	-	14,151	1,108	-	(60,473)	7,941	(30,992)
Sale of subsidiary	-	-	-	-	-	-	-	-	-	-	(928,828)	(928,828)
Total comprehensive income	-	-	-	(21,504)	(103,089)	18,159	59,849	-	2,023,555	373	621,505	2,598,848
Balances at 31 December 2008	2,012,618	967,288	9,286	1,465	(112,566)	18,159	106,096	395,441	2,023,555	4,275,837	6,382,169	16,131,660
Balances at 1 January 2009	2,012,618	967,288	9,286	1,465	(112,566)	18,159	106,096	395,441	2,023,555	4,275,837	6,382,169	16,131,660
Transfers	-	-	-	-	-	-	34,121	1,734,154	(2,023,555)	255,280	-	-
Capital increases	402,523	-	-	-	-	-	-	-	-	(402,523)	164,589	164,589
Dividends paid	-	-	-	-	-	-	-	-	-	(71,628)	(363,312)	(434,940)
Transactions with minority interests	-	-	-	-	-	-	-	-	-	(15,897)	204,469	188,572
Total comprehensive income	-	-	-	51,044	27,414	301	(605)	-	1,429,210	626	1,224,175	2,732,165
Balances at 31 December 2009	2,415,141	967,288	9,286	52,509	(85,152)	18,460	140,217	2,129,595	1,429,210	4,041,695	7,612,090	18,782,046

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

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Koç Holding A.Ş.

CONSOLIDATED CASH FLOW STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

Notes	2009 (* EUR'000)	2009 (* USD'000)	2009 TRY'000	2008 TRY'000
Profit before tax from continuing operations	1,468,985	2,041,919	3,159,052	3,080,685
Profit before tax from discontinued operations	31	-	-	100,580
Adjustments to reconcile net cash generated:				
Depreciation and amortisation	5	429,973	597,672	855,213
Changes in provisions	5,35	449,846	625,295	501,753
Net interest income	35	(754,586)	(1,048,890)	(852,516)
Finance sector interest income	5,35	1,838,849	2,556,037	4,011,708
Finance sector interest expense	5,35	(914,062)	(1,270,564)	(2,580,763)
Exchange losses on borrowings (net)		(7,315)	(10,167)	(1,318,752)
Gain on sale of investments	26	-	-	(1,675,064)
Gain on sale of property, plant and equipment (net)	26	(4,364)	(6,066)	(61,428)
		2,507,326	3,485,236	2,061,416
Net changes in operating assets and liabilities	35	703,013	977,203	(2,366,992)
Income taxes paid		(258,674)	(359,562)	(618,417)
Cash flows from operating activities		2,951,665	4,102,877	(923,993)
Investing activities:				
Purchases of property, plant and equipment and intangible assets	5	(671,418)	(933,284)	(1,679,939)
Sales of property, plant and equipment and intangible assets		57,581	80,039	180,342
Acquisition of subsidiary, net of cash acquired (net)	3	(6,614)	(9,194)	(56,850)
Sales of subsidiaries (net)		-	-	1,847,222
Sales of investments		-	-	29,237
Transactions with minority interests (net)		93,767	130,338	(30,992)
Cash flows from investing activities		(526,684)	(732,101)	282,020
Financing activities:				
Share capital increases		76,535	106,385	262,205
Dividend payments		(202,251)	(281,132)	(827,954)
Increase/(decrease) in short-term borrowings (net)		(388,767)	(540,394)	(2,549,904)
Increase/(decrease) in long-term borrowings (net)		(744,244)	(1,034,514)	(1,777,198)
Non-finance sector interest income	27	178,791	248,522	350,976
Non-finance sector interest expense	27	(348,992)	(485,106)	(929,405)
Cash flows from financing activities		(1,428,928)	(1,986,239)	3,182,924
Cumulative gains/(losses) on hedging		14,113	19,618	(130,176)
Currency translation differences		203	280	50,093
Net increase in cash and cash equivalents		1,010,369	1,404,435	2,467,868
Cash and cash equivalents at the beginning of the year		2,850,015	3,961,575	3,661,087
Cash and cash equivalents at the end of the year	35	3,860,384	5,366,010	6,128,955

Koç Holding A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 1 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS

Koç Holding A.Ş. ("Koç Holding") was established on 11 December 1963 in Turkey as a corporation to coordinate the activities of, and liaise between, companies operating in different fields including trade, manufacturing, agriculture, finance and retailing.

As of 31 December 2009, the number of people employed by Koç Holding, Subsidiaries and Joint Ventures (collectively referred as the "Group") is 68.057.

The registered address of Koç Holding is as follows:

Nakkaştepe Azizbey Sok. No: 1

Kuzguncuk-İSTANBUL

Koç Holding shares are registered with the Capital Markets Board ("CMB") and its shares have been quoted on the Istanbul Stock Exchange ("ISE") since 10 January 1986. As of 31 December 2009, the principal shareholders and their respective shareholding rates in Koç Holding are as follows:

	%
Companies owned by Koç Family members	42.49
Koç Family members	26.87
Vehbi Koç Vakfı	7.15
Koç Holding Emekli ve Yardım Sandığı Vakfı	1.99
Other	21.50
	100.00

Koç Holding A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 1 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS (Continued)

Koç Holding is organised mainly in Turkey in five main business segments:

- Energy
- Automotive
- Consumer durables
- Finance ⁽¹⁾
- Other ⁽²⁾

(1) The finance segment includes three main groups; banking, insurance and consumer finance. In the segmental presentation of the accompanying consolidated financial statements, banking, leasing, factoring, portfolio management, custody and brokerage services are included in the banking sector.

(2) Other operations of Koç Holding mainly comprise of food, retail, tourism, information technologies and construction, none of which are of a sufficient size to be reported separately.

The subsidiaries ("Subsidiary") and the joint ventures ("Joint Venture") of the Group, their country of incorporation, nature of business and their respective business segments are as follows:

Energy Sector

Subsidiaries	Country of incorporation	Nature of business
Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş. ("Akpa")	Turkey	Trading
Aygaz A.Ş. ("Aygaz")	Turkey	LPG
Aygaz Doğal Gaz İletim A.Ş. ("Aygaz İletim") ⁽¹⁾	Turkey	LNG
Aygaz Doğal Gaz Toptan Satış A.Ş. ("Aygaz Toptan Satış") ⁽¹⁾	Turkey	LNG
Beykoz Tankercilik A.Ş. ("Beykoz Tankercilik") ⁽²⁾	Turkey	Petroleum Shipping
Damla Denizcilik A.Ş. ("Damla Denizcilik")	Turkey	Petroleum Shipping
Demir Export A.Ş. ("Demir Export")	Turkey	Mining
Deniz İşletmeciliği ve Tic. A.Ş. ("Ditaş")	Turkey	Petroleum Shipping
Enerji Yatırımları A.Ş. ("Enerji Yatırımları")	Turkey	Investment
Entek Elektrik Üretimi A.Ş. ("Entek")	Turkey	Power Generation
Kadıköy Tankercilik A.Ş. ("Kadıköy Tankercilik") ⁽²⁾	Turkey	Petroleum Shipping
Mogaz Petrol Gazları A.Ş. ("Mogaz")	Turkey	LPG
Türkiye Petrol Rafinerileri A.Ş. ("Tüpraş")	Turkey	Production and Trading of Petroleum Products
Üsküdar Tankercilik A.Ş. ("Üsküdar Tankercilik")	Turkey	Petroleum Shipping

Opet Aygaz B.V. ("Opet Aygaz BV") has been liquidated in 2009.

Joint Ventures

Joint Venture Partner	Country of incorporation	Nature of business
Opet Gıda ve İhtiyaç Mad. Tur. San. İç ve Dış Ticaret A.Ş. ("Opet Gıda") ⁽³⁾	Öztürk Family Turkey	Food Distribution
Opet International Limited ("Opet International")	Öztürk Family The UK	Petroleum Products Trading
Opet Petrolcülük A.Ş. ("Opet")	Öztürk Family Turkey	Petroleum Products Trading
Opet Trade B.V. ("Opet Trade BV")	Öztürk Family The Netherlands	Petroleum Products Trading
Opet Trade (Singapore) Pte. Ltd. ("Opet Singapore")	Öztürk Family Singapore	Petroleum Products Trading
Opet Trade Ireland ("Opet Trade Ireland") ⁽³⁾	Öztürk Family Ireland	Petroleum Products Trading

TBS Denizcilik ve Petrol Ürünleri Ticaret A.Ş. ("TBS Denizcilik") has been sold in 2009.

(1) Included in the scope of consolidation in 2009 (Note 3).

(2) Established in 2009.

(3) In the process of liquidation.

Automotive Sector

Subsidiaries	Country of incorporation	Nature of business
Beldesan Otomotiv Yan Sanayii ve Tic. A.Ş. ("Beldesan")	Turkey	Production
Beldeyama Motorlu Vasıtalar San. ve Tic. A.Ş. ("Beldeyama")	Turkey	Production
Otokar Otobüs Karoseri Sanayi A.Ş. ("Otokar")	Turkey	Production
Otokoç Otomotiv Tic. ve San. A.Ş. ("Otokoç")	Turkey	Trading
Tasfiye Halinde Otoyol Sanayi A.Ş. ("Otoyol") ⁽¹⁾	Turkey	Trading

Joint Ventures

Joint Venture Partner	Country of incorporation	Nature of business
Fer Mas Oto Ticaret A.Ş. ("Fer-Mas")	Fiat Auto S.p.A. Turkey	Trading
Ford Otomotiv Sanayi A.Ş. ("Ford Otosan")	Ford Motor Co. Turkey	Production
Mekatro Araştırma Geliştirme A.Ş. ("Mekatro") ⁽¹⁾	Fiat Auto S.p.A. Turkey	Research and Development
Platform Araştırma Geliştirme Tasarım ve Tic. A.Ş. ("Platform")	Fiat Auto S.p.A. Turkey	Research and Development
Tofaş Türk Otomobil Fabrikası A.Ş. ("Tofaş")	Fiat Auto S.p.A. Turkey	Production
Türk Traktör ve Ziraat Makinaları A.Ş. ("Türk Traktör")	CNH Trade NV Turkey	Production

(1) In the process of liquidation.

Koç Holding A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 1 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS (Continued)

Consumer Durables Sector

<u>Subsidiaries</u>	<u>Country of incorporation</u>	<u>Nature of business</u>
Archin Limited ("Archin") ^(*)	China	Sales and Service
Arçelik A.Ş. ("Arçelik")	Turkey	Production
Arctic Pro SRL ("Arctic Pro") ^(*)	Romania	Sales and Service
Ardutch B.V. ("Ardutch")	The Netherlands	Holding
Beko Cesko ("Beko Cesko") ^(*)	Czech Republic	Trading
Beko Deutschland GmbH ("Beko Deutschland")	Germany	Trading
Bekodutch B.V. ("Bekodutch")	The Netherlands	Production
Beko Elektronik Llc ("Beko Russia") ^(*)	Russia	Production
Beko Electronics España S.L. ("Beko España")	Spain	Trading
Beko France S.A. ("Beko France")	France	Trading
Beko Italy SRL ("Beko Italy")	Italy	Trading
Beko Llc ("Beko Llc")	Russia	Production
Beko Magyarország K.F.T. ("Beko Magyarország") ^(*)	Hungary	Trading
Beko Plc. ("Beko Plc")	The UK	Trading
Beko S.A. ("Beko Polska")	Poland	Trading
Beko S.A. Czech Republic ("Beko Czech")	Czech Republic	Trading
Beko Shanghai Trading Company Ltd. ("Beko Shanghai")	China	Trading
Beko S.A. Hungary ("Beko Hungary") ^(*)	Hungary	Trading
Beko Slovakia S.R.O. ("Beko Slovakia")	Slovakia	Trading
Blomberg Vertriebsgesellschaft GmbH ("Blomberg Vertrieb") ^(*)	Germany	Distribution
Blomberg Werke GmbH ("Blomberg Werke") ^(*)	Germany	Production
Changzhou Beko Electrical Appliances Co. Ltd. ("Beko China")	China	Trading
Elektra Bregenz AG ("Elektra Bregenz")	Austria	Trading
Fusion Digital Technology Ltd. ("Fusion Digital") ^(*)	The UK	Technology Application
Grundig AG ("Grundig AG") ^(*)	Switzerland	Sales and Service
Grundig Benelux B.V. ("Grundig Benelux") ^(*)	The Netherlands	Sales and Service
Grundig Ceska Republika S.r.o ("Grundig Ceska") ^(*)	Czech Republic	Sales and Service
Grundig Danmark A/S ("Grundig Denmark") ^(*)	Denmark	Sales and Service
Grundig España S.A. ("Grundig España")	Spain	Sales and Service
Grundig Intermedia Ges.m.b.H ("Grundig Austria")	Austria	Sales and Service
Grundig Intermedia GmbH ("Grundig GmbH")	Germany	Sales and Service
Grundig Italiana S.p.A. ("Grundig Italy")	Italy	Sales and Service
Grundig Magyarország Kft. ("Grundig Hungary") ^(*)	Hungary	Sales and Service
Grundig Multimedia B.V. ("Grundig Multimedia")	The Netherlands	Holding
Grundig Norge AS ("Grundig Norway")	Norway	Sales and Service
Grundig OY ("Grundig Finland") ^(*)	Finland	Sales and Service
Grundig Polska Sp. z o.o. ("Grundig Polska")	Poland	Sales and Service
Grundig Portuguesa Lda ("Grundig Portugal") ^(*)	Portugal	Sales and Service
Grundig Slovakia s.r.o. ("Grundig Slovakia") ^(*)	Slovakia	Sales and Service
Grundig Svenska AB. ("Grundig Sweden")	Sweden	Sales and Service
Ram Dış Ticaret A.Ş. ("Ram Dış Ticaret")	Turkey	Foreign Trade
Raupach Wollert GmbH ("Raupach")	Germany	Holding
SC Arctic SA ("Arctic")	Romania	Production

Grundig Elektronik A.Ş. ("Grundig Elektronik") merged with Arçelik on 30 June 2009 by acquiring related assets and liabilities as a whole and Grundig Elektronik was dissolved.

Grundig S.A.S. ("Grundig France") merged with Beko France.

<u>Joint Ventures</u>	<u>Joint Venture Partner</u>	<u>Country of incorporation</u>	<u>Nature of business</u>
Arçelik-LG Klima San. ve Tic. A.Ş. ("Arçelik LG")	LG Electronics Inc.	Turkey	Air Conditioner Production

(*) Ceased its operations.

Koç Holding A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 1 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS (Continued)

Finance Sector

<u>Subsidiaries</u>		<u>Country of incorporation</u>	<u>Nature of business</u>
Koç Tüketici Finansmanı A.Ş. ("Koç Finans")		Turkey	Consumer Finance
Otokoç Sigorta Aracılık Hizmetleri A.Ş. ("Otokoç Sigorta") (1)		Turkey	Insurance
<u>Joint Ventures</u>	<u>Joint Venture Partner</u>	<u>Country of incorporation</u>	<u>Nature of business</u>
Koç Fiat Kredi Tüketici Finansmanı A.Ş. ("Fiat Finans")	Fiat Auto S.p.A.	Turkey	Finance
Koç Finansal Hizmetler A.Ş. ("Koç Finansal Hizmetler" or "KFS")	UniCredit S.p.A.	Turkey	Holding
Stiching Custody Services YKB ("Stiching Custody")	UniCredit S.p.A.	The Netherlands	Custody
UniCredit Menkul Değerler A.Ş. ("UniCredit Menkul")	UniCredit S.p.A.	Turkey	Brokerage
Yapı Kredi Azerbaijan C.J.S.C. ("Yapı Kredi Azerbaijan")	UniCredit S.p.A.	Azerbaijan	Banking
Yapı ve Kredi Bankası A.Ş. ("Yapı Kredi Bankası")	UniCredit S.p.A.	Turkey	Banking
Yapı Kredi Holding B.V. ("Yapı Kredi Holding")	UniCredit S.p.A.	The Netherlands	Financial Consulting
Yapı Kredi Invest LLC. ("Yapı Kredi Invest")	UniCredit S.p.A.	Azerbaijan	Brokerage
Yapı Kredi Nederland N.V. ("Yapı Kredi Nederland")	UniCredit S.p.A.	The Netherlands	Banking
Yapı Kredi Diversified Payment Rights Finance Company ("Yapı Kredi SPC") (2)	UniCredit S.p.A.	Cayman Islands	Special Purpose Company
Yapı Kredi Emeklilik A.Ş. ("Yapı Kredi Emeklilik")	UniCredit S.p.A.	Turkey	Life Insurance
Yapı Kredi Faktoring A.Ş. ("Yapı Kredi Faktoring")	UniCredit S.p.A.	Turkey	Factoring
Yapı Kredi Finansal Kiralama A.O. ("Yapı Kredi Finansal Kiralama")	UniCredit S.p.A.	Turkey	Leasing
Yapı Kredi Bank Moscow ("Yapı Kredi Moscow")	UniCredit S.p.A.	Russia	Banking
Yapı Kredi Portföy Yönetimi A.Ş. ("Yapı Kredi Portföy")	UniCredit S.p.A.	Turkey	Portfolio Management
Yapı Kredi Sigorta A.Ş. ("Yapı Kredi Sigorta")	UniCredit S.p.A.	Turkey	Insurance
Yapı Kredi Yatırım Menkul Değerler A.Ş. ("Yapı Kredi Menkul")	UniCredit S.p.A.	Turkey	Brokerage
Yapı Kredi Yatırım Ortaklığı A.Ş. ("Yapı Kredi Yatırım")	UniCredit S.p.A.	Turkey	Investment Trust

(1) Established in 2009.

(2) Although Yapı Kredi Bankası has no shareholding interest in the company, the special purpose company established for Yapı Kredi Bankası's securitisation transactions is included in the scope of consolidation.

Other Sectors

<u>Subsidiaries</u>		<u>Country of incorporation</u>	<u>Nature of business</u>
Ayvalık Marina ve Yat İşletmeciliği San. ve Tic. A.Ş. ("Ayvalık Marina")		Turkey	Tourism
Bilkom Bilişim Hizmetleri A.Ş. ("Bilkom")		Turkey	Trading
Bozkurt Tarım ve Gıda San. ve Tic. A.Ş. ("Bozkurt")		Turkey	Agriculture
Düzye Tüketim Malları Sanayi Pazarlama A.Ş. ("Düzye")		Turkey	Trading
Harranova Besi ve Tarım Ürünleri A.Ş. ("Harranova Besi")		Turkey	Agriculture and Food
Koçnet Haberleşme Teknoloji ve İletişim Hizm. A.Ş. ("Koçnet")		Turkey	Information Technology
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. ("Koç Sistem")		Turkey	Technology
Koç Yapı Malzemeleri Ticaret A.Ş. ("Koç Yapı Malzeme")		Turkey	Trading
Marmaris Altınyunus Turistik Tesisleri A.Ş. ("Mares")		Turkey	Tourism
Palmira Turizm Ticaret A.Ş. ("Palmira")		Turkey	Tourism
RMK Marine Gemi Yapım Sanayi ve Deniz Taş. İşl. A.Ş. ("RMK Marine")		Turkey	Ship Construction
Setur Servis Turistik A.Ş. ("Setur")		Turkey	Tourism
Setur Yalova Marina İşletmeciliği A.Ş. ("Yalova Marina") (*)		Turkey	Tourism
Tat Konserve Sanayi A.Ş. ("Tat Konserve")		Turkey	Food
Tat Tohumculuk A.Ş. ("Tat Tohumculuk")		Turkey	Agriculture
Tek-Art Kalamış ve Fenerbahçe Marmara Turizm Tesisleri A.Ş. ("Tek-Art Marina")		Turkey	Tourism
Zer Merkezi Hizmetler ve Ticaret A.Ş. ("Zer Ticaret")		Turkey	Trading
<u>Joint Ventures</u>	<u>Joint Venture Partner</u>	<u>Country of incorporation</u>	<u>Nature of business</u>
Koçtaş Yapı Marketleri Ticaret A.Ş. ("Koçtaş Yapı Market")	Kingfisher Plc	Turkey	Retail
Netsel Turizm Yatırımları A.Ş. ("Netsel")	Torunlar GYO A.Ş.	Turkey	Tourism
Ultra Kablo Televizyon ve Telekomünikasyon San. ve Tic. A.Ş. ("Ultra Kablo")	Doğan Yayın Holding A.Ş.	Turkey	Media and Communication

For the purposes of segment information in these consolidated financial statements, Koç Holding's stand-alone financial statements have been included within the "Other" segment (Note 5).

(*) Included in the scope of consolidation in 2009.

Koç Holding A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

2.1.1 Financial reporting standards

The CMB regulated the principles and procedures of preparation, presentation and announcement of financial statements prepared by the entities with the Communiqué No: XI-29, "Principles of Financial Reporting in Capital Markets" ("the Communiqué"). According to the Communiqué, entities shall prepare their financial statements in accordance with International Financial Reporting Standards ("IAS/IFRS") endorsed by the European Union. Until the differences of the IAS/IFRS as endorsed by the European Union from the ones issued by the International Accounting Standards Board ("IASB") are announced by Turkish Accounting Standards Board ("TASB"), IAS/IFRS issued by the IASB shall be applied. Accordingly, Turkish Accounting Standards/Turkish Financial Reporting Standards ("TAS/TFRS") issued by the TASB which are in line with the aforementioned standards shall be considered.

The consolidated financial statements are prepared within the framework of Communiqué XI, No:29 and related promulgations to this Communiqué as issued by the CMB, in accordance with the financial reporting standards accepted by the CMB ("CMB Financial Reporting Standards") which are based on IAS/IFRS. The consolidated financial statements and the related notes are presented in accordance with the formats recommended by the CMB including the compulsory disclosures.

With the decision taken on 17 March 2005, the CMB announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with the CMB Financial Reporting Standards. Accordingly, IAS 29, "Financial Reporting in Hyperinflationary Economies", issued by the IASB, has not been applied in the financial statements for the accounting year commencing 1 January 2005.

Koç Holding and its Subsidiaries and Joint Ventures registered in Turkey maintain their books of account and prepare their statutory financial statements ("Statutory Financial Statements") in TRY in accordance with the Turkish Commercial Code ("TCC"), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance, applicable Turkish insurance laws for insurance companies and banking law, accounting principles and instructions promulgated by the Banking Regulation and Supervision Agency ("BRSA") for banks and accounting principles issued by the CMB for listed companies. The foreign Subsidiaries and Joint Ventures maintain their books of account in accordance with the laws and regulations in force in the countries in which they are registered. These consolidated financial statements are based on the statutory records, which are maintained under historical cost conversion, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the CMB Financial Reporting Standards.

2.1.2 Comparatives and restatement of prior periods' financial statements

The current consolidated financial statements of the Group include comparative financial information to enable the determination of the financial position and performance. Comparative figures are reclassified, where necessary, to conform to changes in presentation in the current period consolidated financial statements. The reclassifications performed are not material to the consolidated financial statements.

2.1.3 EUR and USD amounts presented in the financial statements

EUR and USD amounts shown in the consolidated balance sheet prepared in accordance with CMB Financial Reporting Standards have been translated from TRY, as a matter of arithmetic computation only, at the official EUR and USD bid rates announced by the CBRT on 31 December 2009 of TRY2.1603 = EUR1 and TRY1.5057 = USD1, respectively and EUR and USD amounts shown in the consolidated income, comprehensive income and cash flow statements have been translated from TRY, as a matter of arithmetic computation only, at the average EUR and USD bid rates calculated from the official daily bid rates announced by the CBRT for year ended 31 December 2009 of TRY2.1505 = EUR1 and TRY1.5471 = USD1, respectively, and do not form part of these consolidated financial statements.

2.1.4 Convenience translation into English of consolidated financial statements

The accounting principles described in Note 2.1 to the consolidated financial statements (defined as CMB Financial Reporting Standards) differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting for the period between 1 January and 31 December 2005. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

2.2 Amendments in International Financial Reporting Standards

Standards, amendments and interpretations effective from 1 January 2009

- IFRS 1 (Amendment) "First-time Application of IFRS" and IAS 27 "Consolidated and Separate Financial Statements" ⁽¹⁾
- IAS 1 (Amendment), "Presentation of Financial Statements" ⁽²⁾
- IAS 19 (Amendment), "Employee Benefits" ⁽¹⁾
- IAS 23 (Amendment), "Borrowing Costs" ⁽¹⁾
- IAS 28 (Amendment), "Investment in Associates" (and accordingly, amendments in IAS 32 "Financial Instruments: Presentation" and in IFRS 7 "Financial Instruments Disclosures") ⁽¹⁾
- IAS 32 (Amendment), "Financial Instruments: Presentation" ⁽¹⁾
- IAS 36 (Amendment), "Impairment of Assets" ⁽¹⁾
- IAS 38 (Amendment), "Intangible Assets" ⁽¹⁾
- IAS 39 (Amendment), "Financial Instruments: Recognition and Measurement" ⁽¹⁾
- IFRS 2 (Amendment), "Share Based Payment" ⁽¹⁾
- IFRS 8, "Operating Segments" ⁽¹⁾
- IFRIC 15, "Agreements for the Construction of Real Estate" ⁽¹⁾
- IFRIC 16, "Hedges of a Net Investment in a Foreign Operation" ⁽¹⁾

(1) No significant effect to the consolidated financial statements.

(2) Applied in line with the changes in formats recommended by the CMB.

Amendments and interpretations effective from 1 January 2010

- IAS 27 (Amendment), "Consolidated and Separate Financial Statements"
- IAS 31 (Amendment), "Interests in Joint Ventures"
- IFRS 3 (Amendment), "Business Combinations"
- IFRS 5 (Amendment), "Non-current Assets Held for Sale and Discontinued Operations"
- IFRIC 17, "Distributions of Non-cash Assets to Owners"
- IFRIC 18, "Transfers of Assets from Customers"

The aforementioned amendments and interpretations have not been early adopted by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

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

2.3 Restatement and Errors in the Accounting Policies and Estimates

Material changes in accounting policies or material errors are corrected, retrospectively by restating the prior period consolidated financial statements. The effect of changes in accounting estimates affecting the current period is recognised in the current period; the effect of changes in accounting estimates affecting current and future periods is recognised in the current and future periods.

2.4 Summary of Significant Accounting Policies

Accounting policies used in the preparation of consolidated financial statements, consistent with the prior periods, are summarised below:

2.4.1 Group accounting

- a) The consolidated financial statements include the accounts of the parent company, Koç Holding, its Subsidiaries and its Joint Ventures (collectively referred to as the "Group") on the basis set out in sections (b) to (f) below. The financial statements of the companies included in the scope of consolidation have been prepared as of the date of the consolidated financial statements with adjustments and reclassifications for the purpose of fair presentation in accordance with CMB Financial Reporting Standards and the application of uniform accounting policies and presentation.
- b) Subsidiaries are companies over which Koç Holding has the power to control the financial and operating policies for the benefit of Koç Holding, either (a) through the power to exercise more than 50% of voting rights relating to shares in the companies as a result of ownership interest owned directly and indirectly by itself, and/or as a result of agreements by certain Koç Family members and companies owned by them whereby Koç Holding exercises control over the ownership interest of the shares held by them; or (b) although not having the power to exercise more than 50% of the ownership interest, otherwise has the power to exercise control over financial and operating policies.

The table below sets out all Subsidiaries included in the scope of consolidation and shows their ownership and effective interests (%) as of 31 December 2009 and 2008:

Subsidiaries	Proportion of effective interest		Direct and indirect ownership interest held by Koç Holding		Ownership interest held by Koç Family members		Total Ownership interest	
	2009	2008	2009	2008	2009	2008	2009	2008
Akpa	40.68	40.68	100.00	100.00	-	-	100.00	100.00
Archin	40.51	39.14	100.00	100.00	-	-	100.00	100.00
Arctic	39.18	37.84	96.71	96.68	-	-	96.71	96.68
Arctic Pro	40.51	39.14	100.00	100.00	-	-	100.00	100.00
Arçelik	40.51	39.14	40.51	39.14	11.42	12.63	51.93	51.77
Ardutch	40.51	39.14	100.00	100.00	-	-	100.00	100.00
Aygaz	40.68	40.68	40.68	40.68	10.53	10.53	51.21	51.21
Aygaz İletim	39.89	-	100.00	-	-	-	100.00	-
Aygaz Toptan Satış	39.89	-	100.00	-	-	-	100.00	-
Ayvalık Marina	49.34	49.34	95.57	95.57	4.43	4.43	100.00	100.00
Bekodutch	40.51	32.50	100.00	100.00	-	-	100.00	100.00
Beko Cesko	40.51	39.14	100.00	100.00	-	-	100.00	100.00
Beko China	40.51	39.14	100.00	100.00	-	-	100.00	100.00
Beko Czech	40.51	39.14	100.00	100.00	-	-	100.00	100.00
Beko Deutschland	40.51	39.14	100.00	100.00	-	-	100.00	100.00
Beko Espana	40.51	39.13	100.00	100.00	-	-	100.00	100.00
Beko France	40.49	39.12	99.96	99.96	-	-	99.96	99.96
Beko Hungary	40.51	39.14	100.00	100.00	-	-	100.00	100.00
Beko Italy	40.51	39.14	100.00	100.00	-	-	100.00	100.00
Beko Llc	40.51	39.14	100.00	100.00	-	-	100.00	100.00
Beko Magyarorszag	40.51	39.14	100.00	100.00	-	-	100.00	100.00
Beko Plc	20.26	19.57	50.00	50.00	50.00	50.00	100.00	100.00
Beko Polska	40.51	39.14	100.00	100.00	-	-	100.00	100.00
Beko Russia	40.51	32.50	100.00	100.00	-	-	100.00	100.00
Beko Shangai	40.51	39.14	100.00	100.00	-	-	100.00	100.00
Beko Slovakia	40.51	39.14	100.00	100.00	-	-	100.00	100.00
Beldesana	91.77	79.13	91.81	79.13	5.34	14.75	97.15	93.88
Beldeyama	91.77	76.57	100.00	96.76	-	-	100.00	96.76
Beykoz Tankercilik	34.13	-	80.00	-	-	-	80.00	-
Bilkom	82.29	82.27	99.94	99.94	0.06	0.06	100.00	100.00
Blomberg Vertrieb	40.51	39.14	100.00	100.00	-	-	100.00	100.00
Blomberg Werke	40.51	39.14	100.00	100.00	-	-	100.00	100.00
Bozkurt	73.99	73.92	83.89	83.89	16.11	16.11	100.00	100.00
Damla Denizcilik	34.13	34.15	80.00	80.00	-	-	80.00	80.00
Demir Export	2.34	2.34	2.34	2.34	50.48	50.48	52.82	52.82
Ditaş	34.13	34.15	80.00	80.00	-	-	80.00	80.00
Düzey	31.65	31.65	32.28	32.27	61.11	60.89	93.39	93.16
Elektra Bregenz	40.51	39.14	100.00	100.00	-	-	100.00	100.00
Enerji Yatırımları	83.66	83.71	96.50	96.50	-	-	96.50	96.50
Entek	34.99	39.88	86.09	88.61	13.14	-	99.23	88.61
Fusion Digital	40.51	32.50	100.00	100.00	-	-	100.00	100.00

Koç Holding A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

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

Subsidiaries	Proportion of effective interest		Direct and indirect ownership interest held by Koç Holding		Ownership interest held by Koç Family members		Total Ownership interest	
	2009	2008	2009	2008	2009	2008	2009	2008
Grundig AG	40.51	32.50	100.00	100.00	-	-	100.00	100.00
Grundig Austria	40.51	32.50	100.00	100.00	-	-	100.00	100.00
Grundig Benelux	40.51	32.50	100.00	100.00	-	-	100.00	100.00
Grundig Ceska	40.51	32.50	100.00	100.00	-	-	100.00	100.00
Grundig Denmark	40.51	32.50	100.00	100.00	-	-	100.00	100.00
Grundig Elektronik	-	32.50	-	83.03	-	-	-	83.03
Grundig Espana	40.51	32.50	100.00	100.00	-	-	100.00	100.00
Grundig Finland	40.51	32.50	100.00	100.00	-	-	100.00	100.00
Grundig France	-	32.50	-	100.00	-	-	-	100.00
Grundig GmbH	40.51	32.50	100.00	100.00	-	-	100.00	100.00
Grundig Hungary	40.51	32.50	100.00	100.00	-	-	100.00	100.00
Grundig Italy	40.51	32.50	100.00	100.00	-	-	100.00	100.00
Grundig Multimedia	40.51	32.50	100.00	100.00	-	-	100.00	100.00
Grundig Norway	40.51	32.50	100.00	100.00	-	-	100.00	100.00
Grundig Polska	40.51	32.50	100.00	100.00	-	-	100.00	100.00
Grundig Portugal	40.51	32.50	100.00	100.00	-	-	100.00	100.00
Grundig Slovakia	40.51	32.50	100.00	100.00	-	-	100.00	100.00
Grundig Sweden	40.51	32.50	100.00	100.00	-	-	100.00	100.00
Harranova Besi	41.95	31.69	74.62	64.36	15.38	25.64	90.00	90.00
Kadıköy Tankercilik	34.13	-	80.00	-	-	-	80.00	-
Koçnet	100.00	100.00	100.00	100.00	-	-	100.00	100.00
Koç Finans	64.71	63.57	94.50	94.50	5.50	5.50	100.00	100.00
Koç Yapı Malzeme	43.18	43.18	43.18	43.18	46.34	46.34	89.52	89.52
Koç Sistem	41.11	41.11	41.11	41.11	53.17	53.17	94.28	94.28
Mares	36.81	36.81	36.81	36.81	33.46	33.46	70.27	70.27
Mogaz	39.83	39.82	97.90	97.90	-	-	97.90	97.90
Opet Aygaz BV	-	30.00	-	100.00	-	-	-	100.00
Otokar	44.90	44.90	44.92	44.92	-	-	44.92	44.92
Otokoç	96.42	96.42	96.57	96.57	3.43	3.43	100.00	100.00
Otokoç Sigorta	48.22	-	50.02	-	49.98	-	100.00	-
Otoyol	53.95	53.95	53.95	53.95	10.18	10.18	64.13	64.13
Palmira	9.85	9.85	20.78	20.78	79.22	79.22	100.00	100.00
Ram Dış Ticaret	57.70	57.24	83.44	83.44	14.66	14.66	98.10	98.10
Raupach	40.51	39.14	100.00	100.00	-	-	100.00	100.00
RMK Marine	53.82	53.82	66.84	66.84	33.12	33.16	99.96	100.00
Setur	47.38	47.38	81.07	81.07	18.87	18.87	99.94	99.94
Tat Konserve	43.82	43.82	44.07	44.07	7.12	7.12	51.19	51.19
Tat Tohumculuk	16.15	16.15	33.00	33.00	3.00	3.00	36.00	36.00
Tek-Art Marina	50.50	50.50	51.94	51.94	47.46	47.46	99.40	99.40
Tüpraş	42.67	42.69	51.00	51.00	-	-	51.00	51.00
Üsküdar Denizcilik	34.13	34.15	80.00	80.00	-	-	80.00	80.00
Yalova Marina	47.63	-	100.00	-	-	-	100.00	-
Zer Ticaret	39.00	39.00	39.00	39.00	60.00	60.00	99.00	99.00

The balance sheets and income statements of the Subsidiaries are consolidated on line-by-line basis and the carrying value of the investment held by Koç Holding and its Subsidiaries is eliminated against the related equity. Intercompany transactions and balances between Koç Holding and its Subsidiaries are eliminated during the consolidation. The cost of, and the dividends arising from, shares held by Koç Holding in its Subsidiaries are eliminated from equity and income for the period, respectively.

Subsidiaries are consolidated from the date on which the control is transferred to the Group and are no longer consolidated from the date that the control ceases. Where necessary, accounting policies for Subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Koç Holding A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

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

c) Joint Ventures are companies in respect of which there are contractual arrangements through which an economic activity is undertaken subject to joint control by Koç Holding and one or more other parties. Koç Holding exercises such joint control through the power to exercise voting rights relating to shares in the companies as a result of ownership interest directly and indirectly by itself and/or as a result of written agreements by certain Koç Family members and companies, whereby Koç Holding exercises control over the voting rights of the shares held by them. The Group's interest in Joint Ventures is accounted for by way of proportionate consolidation. According to this method, the Group includes its share of the assets, liabilities, income and expenses of each Joint Venture in the relevant components of the financial statements.

The table below sets out the Joint Ventures and shows their ownership and effective interests (%) as of 31 December 2009 and 2008:

Joint Ventures	Proportion of effective interest		Direct and indirect ownership interest held by Koç Holding		Ownership interest held by Koç Family members		Total Ownership interest	
	2009	2008	2009	2008	2009	2008	2009	2008
Arçelik LG Klima	23.23	22.61	50.00	50.00	-	-	50.00	50.00
Fer-Mas	37.36	37.36	37.86	37.86	-	-	37.86	37.86
Fiat Finans	37.59	37.59	37.86	37.86	-	-	37.86	37.86
Ford Otosan	38.46	38.46	38.46	38.46	2.58	2.58	41.04	41.04
Koç Finansal Hizmetler	40.21	38.44	44.12	44.84	5.88	5.16	50.00	50.00
Koçtaş Yapı Market	42.64	42.64	49.92	49.92	0.08	0.08	50.00	50.00
Mekatro	36.46	36.46	37.86	37.86	-	-	37.86	37.86
Netsel	27.78	27.78	50.00	50.00	-	-	50.00	50.00
Opet	17.59	19.32	41.33	50.00	8.67	-	50.00	50.00
Opet Gıda	17.59	19.32	50.00	50.00	-	-	50.00	50.00
Opet International	17.59	19.32	50.00	50.00	-	-	50.00	50.00
Opet Trade BV	17.59	19.32	50.00	50.00	-	-	50.00	50.00
Opet Trade Ireland	17.59	19.32	50.00	50.00	-	-	50.00	50.00
Opet Trade Singapore	17.59	19.32	50.00	50.00	-	-	50.00	50.00
Platform	37.21	37.21	37.86	37.86	-	-	37.86	37.86
Stiching Custody	32.89	31.44	50.00	50.00	-	-	50.00	50.00
TBS Denizcilik	-	9.66	-	25.00	-	-	-	25.00
Tofaş	37.59	37.59	37.59	37.59	0.27	0.27	37.86	37.86
Türk Traktör	37.50	37.50	37.50	37.50	-	-	37.50	37.50
Ultra Kablo	41.13	40.53	50.00	50.00	-	-	50.00	50.00
UniCredit Menkul	39.42	38.44	50.00	50.00	-	-	50.00	50.00
Yapı Kredi Azerbaycan	32.89	31.44	50.00	50.00	-	-	50.00	50.00
Yapı Kredi Bankası	32.89	31.44	50.00	50.00	-	-	50.00	50.00
Yapı Kredi Emeklilik	30.90	29.53	50.00	50.00	-	-	50.00	50.00
Yapı Kredi Faktoring	32.88	31.43	50.00	50.00	-	-	50.00	50.00
Yapı Kredi Finansal Kiralama	32.80	31.37	50.00	50.00	-	-	50.00	50.00
Yapı Kredi Holding	32.89	31.44	50.00	50.00	-	-	50.00	50.00
Yapı Kredi Invest	32.89	31.44	50.00	50.00	-	-	50.00	50.00
Yapı Kredi Menkul	32.88	31.43	50.00	50.00	-	-	50.00	50.00
Yapı Kredi Moscow	32.89	31.44	50.00	50.00	-	-	50.00	50.00
Yapı Kredi Nederland	32.89	31.44	50.00	50.00	-	-	50.00	50.00
Yapı Kredi Portföy	32.87	31.42	50.00	50.00	-	-	50.00	50.00
Yapı Kredi SPC	-	-	-	-	-	-	-	-
Yapı Kredi Sigorta	30.90	29.53	50.00	50.00	-	-	50.00	50.00
Yapı Kredi Yatırım	18.44	17.62	50.00	50.00	-	-	50.00	50.00

d) Available-for-sale financial assets in which the Group together with Koç Family members, have ownership interests below 20%, or over which the Group does not exercise a significant influence or which are immaterial and do not have quoted market prices in active markets and whose fair values cannot be reliably measured, are carried at cost, less any provision for diminution in value.

Available-for-sale financial assets, in which the Group together with Koç Family members, have ownership interests below 20% or which the Group does not exercise a significant influence and that have quoted market prices in active markets and whose fair values can be reliably measured, are carried at fair value in the consolidated financial statements.

e) The minority shares in the net assets and operating results of Subsidiaries are separately classified in the consolidated balance sheets and income statements as "minority interest". Certain Koç Family members and companies controlled by them have interests in the share capital of certain Subsidiaries. In the consolidated financial statements, these interests of Koç Family members and companies controlled by them are treated as minority interest and are not included in the Group's net assets and profits attributable to shareholders of Koç Holding.

f) All balances and transactions of/with the Joint Ventures in the notes to the consolidated financial statements are presented with the total ownership interest of the Group in the Joint Ventures.

2.4.2 Segment reporting

Operating segments are reported in a manner consistent with the reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments. As the sectors merged under "Other" do not meet the required quantitative thresholds to be a reportable segment, these have been merged for the purpose of segment reporting.

For an operating segment to be identified as a reportable segment, its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10 per cent or more of the combined revenue, internal and external, of all operating segments; the absolute amount of its reported profit or loss is 10 per cent or more of the combined profit or loss or its assets are 10 per cent or more of the combined assets of all operating segments. Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if the management believes that information about the segment would be useful to users of the financial statements.

2.4.3 Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each Subsidiaries and Joint Ventures of the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in TRY, which is Koç Holding's functional and presentation currency.

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

Foreign currency transactions and balances

Foreign currency transactions are translated using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currency are translated using the exchange rates at the balance sheet date. Foreign exchange gains and losses resulting from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated financial statement as interest, fee, commission and similar income by the Group companies operating in the finance sector and as financial income or expense by the Group companies operating in non-finance sectors.

Financial statements of foreign subsidiaries and joint ventures

The assets and liabilities, presented in the financial statements of foreign Subsidiaries and Joint Ventures prepared in accordance with the Group's accounting policies, are translated into TRY at the exchange rate at the date of that balance sheet whereas income and expenses are translated at the average exchange rates. Exchange differences resulting from using the exchange rates at the balance sheet date and the average exchange rates are recognised as the "currency translation differences" under the equity.

2.4.4 Discontinued operations and non-current assets (or disposal groups) held for sale

Discontinued operation is a major line of business or geographical area of operations that is part of a single co-ordinated plan to dispose of or is held-for-sale.

Net assets related with the discontinued operations are measured at fair value less cost to sell. A single amount on the face of the income statements comprising the total of the post-tax profit or loss of discontinued operations and the post-tax gain or loss recognised on the disposal of the assets constituting the discontinued operation is disclosed. Also, the net cash flows of the discontinued operations associated with the operating, investment and financing activities are specified in the related note.

Group of assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use. Liabilities directly associated with those assets are also classified similarly. Disposal group assets are measured at the lower of its carrying amount after deduction of the liabilities directly associated with those assets and its fair value less costs to sell.

2.4.5 Related parties

For the purpose of these consolidated financial statements, shareholders, Koç Holding A.Ş. key management personnel and BOD members, their families and the companies over which these related parties exercise control and significant influence, subsidiaries and joint ventures excluded from the scope of consolidation are considered and expressed as "related parties".

2.4.6 Financial assets

The appropriate classification of financial assets is determined at the time of the purchase and re-evaluated by management on a regular basis.

"Financial assets at fair value through profit or loss" are either acquired for generating a profit from short-term fluctuations in price or dealers' margin, or included in a portfolio in which a pattern of short-term profit making exists. Financial assets at fair value through profit or loss are initially recognised at cost and are subsequently re-measured at fair value based on quoted bid prices. All related realised and unrealised gains and losses are included in the income statement.

Debt securities with fixed maturities, where management has both the intent and the ability to hold to the maturity excluding the financial assets classified as originated loans and advances to customers are classified as "held-to-maturity financial assets". Held-to-maturity financial assets are carried at amortised cost using the effective yield method.

"Available-for-sale financial assets" are non-derivatives that are not designated in financial assets at fair value through profit or loss, held-to-maturity financial assets or loans and receivables. These are included in non-current assets unless management has the intention of holding these investments for less than 12 months from the balance sheet date, or unless they will need to be sold to raise operating capital, in which case they are included in current assets.

Available-for-sale financial assets are subsequently measured at fair value. Available-for-sale financial assets that are quoted in active markets are measured based on current bid prices. If the market for a financial asset is not active the fair value is determined by using valuation techniques such as discounted cash flow analysis and option pricing models. Debt securities that are quoted in an active market but have trading volumes considerably lower compared to their issue amounts are valued using the indicative prices announced by the CBRT.

Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are deferred to the equity net of tax under "financial assets fair value reserve" until the financial asset is sold, collected or otherwise disposed of. Unrealised gains and losses arising from changes in the fair value of available-for-sale debt securities are the differences between the fair value of such securities and their amortised costs at the balance sheet date. When available-for-sale securities are sold, collected or otherwise disposed of, related deferred gains and losses in equity are released to the income statement. If the difference between the amortised cost and the fair value of the available-for-sale securities is permanent, gains and losses are carried in the income statement.

"Available-for-sale financial assets" are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise "cash and cash equivalents", "trade receivables" and "loans and advances to customers".

2.4.7 Repurchase and resale transactions

Securities sold subject to linked repurchase agreements ("repo") are classified in the consolidated financial statements as held-to-maturity or available-for-sale financial assets with the counter party liability included in deposits. The portion of the difference between the sale and repurchase price of these agreements in the current period is treated as interest expense and accrued over the life of the repurchase agreement.

Securities purchased under agreements to resell ("reverse repurchase agreements") are recorded as cash and cash equivalents in the consolidated financial statements. The difference between the purchase and resale price of these repurchase agreements is treated as interest income and accrued over the life of the reverse repurchase agreement.

2.4.8 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term liquid investments with original maturities of 3 months or less.

2.4.9 Trade receivables

Trade receivables that are created by way of providing goods or services directly to a debtor are carried at amortised cost. Trade receivables, net of unearned financial income, are measured at amortised cost, using the effective interest rate method, less the unearned financial income. Short duration receivables with no stated interest rate are measured at the original invoice amount unless the effect of imputing interest is significant.

A credit risk provision for trade receivables is recognised if there is objective evidence for the inability to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount. The recoverable amount is the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to other income.

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

2.4.10 Loans and advances to customers

Loans originated by the Group by providing money directly to the borrower are categorised as loans and advances to customers and are carried at amortised cost, less any provision for loan losses.

All loans and advances are recognised in the consolidated financial statements when cash is advanced to borrowers.

A credit risk provision for loan impairment is established if there is objective evidence that the Group will not be able to collect all the amounts due. The amount of the provision for impaired loans and loans under legal follow-up is the difference between the carrying amount and the recoverable amount. The recoverable amount is the net present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of loans.

The provision for loan impairment also covers losses where there is objective evidence that probable losses are present in components of the loan portfolio at the balance sheet date. These have been estimated based upon historical patterns of losses in each component, the internal credit risk rating of the borrowers and the current economic climate in which the borrowers operate. The level of provision is also in line with the applicable Banking Legislation.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. When a loan or receivable is uncollectible, it is written off against the allowance account for loans or receivables. Subsequent recoveries of amounts previously written off are credited against related account in the income statement.

2.4.11 Credit finance income/expenses

Credit finance income/expenses represent imputed finance charges on credit sales and purchases. Such income and expenses are recognised using the effective yield method over the period of credit sales and purchases, and included under financial income and expenses.

2.4.12 Inventories

Cost elements included in inventories are materials, labour and an appropriate amount of factory overheads. The cost of inventories for merchandise stocks is determined by the weighted average method. Inventories are valued at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

2.4.13 Investment property

Land and buildings that are held in the production or supply of goods or services or for administrative purposes or for long-term rental yields or for capital appreciation or both rather than for the sale in the ordinary course of business are classified as "investment property". Investment properties are carried at cost less accumulated depreciation (except for land).

Investment properties are reviewed for possible impairment losses and where the carrying amount of the investment property is greater than the estimated recoverable amount, it is written down to its recoverable amount. Recoverable amount of the investment property is the higher of future net cash flows from the utilisation of this investment property or fair value less cost to sell.

2.4.14 Property, plant and equipment and related depreciation

Property, plant and equipment are carried at cost less accumulated depreciation in each case. Depreciation is provided for property, plant and equipment on a straight-line basis. Land is not depreciated as it is deemed to have an indefinite useful life.

The depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

Buildings	10 - 50 years
Land improvements	10 - 50 years
Machinery and equipment	4 - 25 years
Furniture and fixtures	4 - 15 years
Motor vehicles	4 - 15 years
Leasehold improvements	Lease period or useful lives
Other property, plant and equipment	4 - 10 years

Useful life and the depreciation method are constantly reviewed, and accordingly, parallels are sought between the depreciation method and the period and the useful life to be derived from the related asset.

Property, plant and equipment 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. Recoverable amount of the property, plant and equipment is the higher of future net cash flows from the utilisation of this property, plant and equipment or fair value less cost to sell.

Repairs and maintenance are charged to the income statements during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related assets.

Machinery and equipment are capitalised and amortised when their capacity is fully available for use and their physical situations meet the determined production capacities.

Gains or losses on disposals of property, plant and equipment are determined by comparing proceeds with their restated carrying amounts and are included in the related income and expense accounts, as appropriate.

2.4.15 Intangible assets and related amortisation

Intangible assets comprise of expenditures to acquire usage rights, brands, development costs, information systems and other identified rights. They are initially recognised at acquisition cost and amortised on a straight-line basis over their estimated useful lives. Intangible assets with indefinite useful lives are not amortised, however are tested for impairment annually. Whenever there is an indication that the intangible is impaired, the carrying amount of the intangible asset is reduced to its recoverable amount and the impairment loss is recognised as an expense.

The amortisation periods for intangible assets, which approximate the economic useful lives of such assets, are as follows:

Rights	5 - 10 years
Brand	10 years
Development costs	2 - 10 years
Other intangible assets	5 - 13 years

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(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

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

2.4.16 Leases

a) The Group as the lessee

Finance leases

Leases of property, plant and equipment where the Group substantially assumes all the risks and rewards of ownership are classified as finance leases. Finance leases are included in the property, plant and equipment at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate. The property, plant and equipment acquired under finance leases are depreciated over the useful life of the asset. An impairment loss is recognised when a decrease in the carrying amount of the leased property is identified. Interest expenses and foreign exchange losses related to the finance lease liabilities are accounted in the income statement. Lease payments are deducted from finance lease liabilities.

Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

b) The Group as the lessor

Finance leases

Assets held under a finance lease are presented in balance sheet as a receivable at an amount equal to the present value of lease payments. Interest income is determined over the term of the lease using the net investment period, which reflects a constant periodic rate of return and the deferred financial income on the transaction date is recognised as unearned finance income.

Operating leases

Assets leased out under operating leases are included in property, plant and equipment in the consolidated balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income is recognised in the consolidated income statement on a straight-line basis over the lease term.

2.4.17 Business combinations and goodwill

A business combination is the bringing together of separate entities or businesses into one reporting entity. Business combinations are accounted for using the purchase method in the scope of IFRS 3.

The cost of a business combination is allocated by recognising the acquiree's identifiable assets, liabilities and contingent liabilities at the date of acquisition. Any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination cost is accounted for as goodwill. In business combinations, the acquirer recognises identifiable assets, intangible assets and/or contingent liabilities which are not included in the acquiree's financial statements and which can be separated from goodwill, at their fair values in the consolidated financial statements. The goodwill previously recognised in the financial statements of the acquiree is not considered as an identifiable asset.

Any excess of the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the business combination is accounted for as income in the related period.

The carrying value of goodwill is reviewed annually at the same time for impairment and the impairment provision, if any, is immediately recognised in the consolidated income statements.

Legal mergers arising between companies controlled by the Group are not considered within the scope of IFRS 3. Consequently, there is no recognition of any goodwill in these transactions. Similarly, the effects of all transactions between the legally merged enterprises, whether occurring before or after the legal merger, are eliminated in the preparation of the consolidated financial statements.

Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with equity owners of the Group. For purchases from minority interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is deducted from equity. Gains or losses on disposals to minority interests are also recorded in equity. For disposals to minority interests, differences between any proceeds received and the relevant share of minority interests are also recorded in equity.

2.4.18 Taxes on income

Taxes include current period income tax liabilities and deferred tax liabilities. A provision is recognised for the current period tax liability based on the period results of the Group at the balance sheet date.

Deferred income tax is provided for 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.

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.

When the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority and there is a legally enforceable right to set off current tax assets against current tax liabilities, deferred tax assets and deferred tax liabilities are offset accordingly.

2.4.19 Financial liabilities and deposits

Financial liabilities and deposits are measured initially at fair value, net of transaction costs incurred. These financial liabilities are subsequently stated at amortised cost using the effective interest method. Financial liabilities subject to hedging are accounted within the framework of hedge accounting.

2.4.20 Trade payables

Trade payables are payments to be made arising from the purchase of goods and services from suppliers within the ordinary course of business. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.4.21 Employee benefits

a) Provision for employment termination benefits

The provision for employment termination benefits, as required by Turkish Labour Law, is recognised in these financial statements as they are earned. The total provision represents the present value of future probable obligation of the Group arising from the retirement of its employees regarding the actuarial projections.

b) Pension rights

Personnel of Yapı Kredi Bankası, a Joint Venture of the Group, are members of the Yapı ve Kredi Bankası Anonim Şirketi Mensupları Yardım ve Emekli Sandığı Vakfı ("the Fund") which was established in accordance with the 20th temporary article of the Social Security Law No. 506. The technical financial statements of the Fund are audited in accordance with the Article 38 of the Insurance Supervision Law and the "Regulation regarding the Actuaries" by a registered independent actuary.

Temporary article 23 paragraph one of the Banking Act published in the Official Gazette dated 1 November 2005 numbered 25983 stated that foundations like the Fund are to be transferred to the Social Security Institution ("SSI") within three years beginning from the published date of the article.

Law article related to the transfer was cancelled (pursuant application by the President on 2 November 2005) by the decision of Constitutional Court (decision no: E.2005/39, K. 2007/33 dated 22 March 2007) published in the Official Gazette No. 26479 dated 31 March 2007, and the effect of the law article stopped from the date of the publication of the decision.

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

The reasoning of the Constitutional Court regarding the abrogation of the corresponding article was published in the Official Gazette dated 15 December 2007, numbered 26372. With the publication of the reasoning of the decision, the Grand National Assembly of Turkey ("GNAT") started to work on new legal arrangements regarding the transfer of the fund members to SSI and the related articles of the "Law Regarding the Changes in Social Insurance and General Health Insurance Law and Other Related Laws and Regulations" numbered 5754 ("the New Law") regulating the transfer of the funds were approved by the GNAT on 17 April 2008. The New Law was published in the Official Gazette dated 8 May 2008, numbered 26870 and came into force.

In the New Law, it has been decided to form a committee whose members are the representatives of the SSI, the Ministry of Finance, Turkish Treasury, State Planning Organisation, BRSA and Saving Deposit Insurance Fund representing the Fund and one member representing the Fund members. This committee is in charge of the calculation of the value of the payment that would need to be made to SSI to settle the obligation using a technical interest rate of 9,8% taking into consideration the excess of salaries and income in accordance with the SSI arrangements over the income and expense of the insurance branches of the Funds related to the members of the Fund as of the date of the transfer including the members who have left the scheme and salaries and income of whom were paid by the Funds. In accordance with the New Law, the social rights and payments of Fund members and their beneficiaries which are not provided although they are included in the Fund Title Deed will be provided by the Fund and the employers of the Fund members.

The main opposition party has applied to the Constitutional Court at 19 June 2008 for cancellation of some articles and requested them to be ineffective until the case of abrogation is finalised. As of the date of the publication of the financial statements, there is no decision of the Constitutional Court announced regarding the court case of abrogation. The Bank provided provision for the technical deficit based on the report prepared by a registered actuary in accordance with the rates determined by the New Law.

2.4.22 Insurance technical reserves

Life mathematical reserves

Life mathematical reserves consist of actuarial mathematical reserves (with minimum income guarantee to the policyholders) and life profit share reserves and represent the total liability of the Subsidiaries and Joint Ventures of the Group in the insurance sector to the policyholders in the life branch.

Life mathematical reserves are provided for future compensations the payments of which are guaranteed by the Subsidiary and Joint Venture of the Group operating in the life insurance branch. In accordance with the Insurance Law, the remaining amount of life branch premiums that are collected in accordance with life insurance agreements, after deduction of expense charges, mortality risk premium and commissions are accounted for as life mathematical reserves. The approval of mathematical reserves is made by the actuaries based on current mortality tables that are valid for Turkish insurance companies and prepared by considering the mortality statistics prepared abroad. The life profit share, calculated in accordance with collections from life insurance premiums, is reserved in respect of the income generated from investments financed with these reserves.

Outstanding claims provision

Full outstanding claims provision is recorded for the estimated ultimate cost of settling claims incurred as of the balance sheet date, less amounts already paid in respect of these claims. Claim provisions are accounted for based on reports of experts or initial assessments of policyholders and experts. Additional outstanding claims provision is booked for all claims that are notified after, but occurred before the balance sheet date (IBNR).

Unearned premium reserve

Unearned premium reserve is calculated as the unearned portion of the premiums on a daily basis in respect of all policies in force as of balance sheet date.

Liability adequacy test

At each balance sheet date, the Subsidiaries and Joint Ventures of the Group in the insurance sector perform liability adequacy tests to ensure the adequacy of the contract liabilities related to the issued policies in force as of balance sheet date. In performing these tests, current best estimates of future contractual cash flows are used. Any deficiency is immediately charged to consolidated income statement.

2.4.23 Provisions, contingent assets and contingent liabilities

Provisions are recognised when the Group has a present legal or 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.

Where the effect of the time value of money is material, the amount of provision shall be the present value of the expenditures expected to be required to settle the obligation. The discount rate reflects current market assessments of the time value of money and the risks specific to the liability. The discount rate shall be a pre-tax rate and shall not reflect risks for which future cash flow estimates have been adjusted.

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are not included in the consolidated financial statements and treated as contingent assets or liabilities.

2.4.24 Revenue recognition

Revenues include the invoiced amounts of goods and services sold. Revenues are recognised on an accrual basis at the time deliveries are made, risks and benefits related to the product are transferred, income amount is reliably measured and when it is highly probable that the Group will obtain future economic benefits. Interest income is realised according to the cut-off basis and accrued income is determined through taking into consideration the effective interest rate and the rate effective until maturity date. 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 recognised on an accrual basis as financial income.

Contract revenue and costs related to the projects are recognised when the amount of revenue can be reliably measured and the increase in the revenue due to change in the scope of the contract related with the project is probable. Contract revenue is measured at the fair value of the consideration received or receivable. Projects are fixed priced contracts and revenue is recognised in accordance with the percentage of completion method. The portion of the total contract revenue corresponding to the completion rate is recognised as contract revenue in the relevant period.

Banking

Interest income and expenses are recognised in the income statement on an accrual basis. When loans and advances to customers are considered doubtful of collection by management, they are written down to their recoverable amount, and interest income is thereafter recognised based in the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount. Interest income includes coupons earned on fixed income investment securities and amortised discount and premium on treasury bills and government bonds.

Banking service income is registered as income in the period during which it is collected, other fee and commission income and expenses are recognised on an accrual basis.

Insurance

Premium income represents premiums on policies written during the year, net of cancellations.

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

2.4.25 Offsetting

Each material class of similar items according to their nature or function are presented separately in the financial statements. If a line item is not individually material, it is aggregated with other similar items according to their nature or function. If the essence of the transaction and events requires offsetting, presentation of these transactions and events at their net values or following up of the assets at their amounts after the deduction of impairment, is not evaluated as a breach of the non-deductibility rule.

2.4.26 Dividends

Dividend income is recognised by the Group at the date the right to collect the dividend is realised. Dividend payables are recognised as a result of profit distribution in the period they are declared.

2.4.27 Research and development costs

Research and development costs are recognised and expensed in the income statement in the period in which they are incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility and only if the cost can be measured reliably. Other development expenditures are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in subsequent periods. Development costs that have been capitalised are amortised from the commencement of the commercial production of the product on a straight-line basis over their estimated useful lives (2-10 years).

2.4.28 Warranties

Warranty expenses are recorded as a result of repair and maintenance expenses for products produced and sold, authorised services' labour and material costs for products under the scope of the warranty terms without any charge to the customers, initial maintenance costs and estimated costs based on statistical information for possible future warranty services and returns of products with respect to the products sold during the period.

2.4.29 Government grants

Government grants along with investment, research and development grants are accounted for on an accrual basis for estimated amounts expected to be realised under grant claims filed by the Group. These grants are accounted for as deferred income in the consolidated balance sheet and are credited to consolidated income statement on a straight-line basis over the expected lives of related assets.

2.4.30 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, one that takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of that asset in the period in which the asset is prepared for its intended use or sale. Borrowing costs that are not in this scope are recognised directly the income statement.

2.4.31 Derivative financial instruments, embedded derivatives and hedging activities

Derivative financial instruments are initially recognised in the consolidated balance sheet at cost and subsequently are re-measured at their fair value. The derivative instruments of the Group mainly consist of foreign exchange forward contracts and currency swap instruments. These derivative transactions, even though providing effective economic hedges under the Group risk management position, do not generally qualify for hedge accounting under the specific rules and are therefore treated as derivatives held for trading.

In addition, on the date a derivative contract is entered into, the Group designates certain derivatives as either a hedge of the fair value of a recognised asset or liability ("fair value hedge"), or a hedge of a forecasted transaction or of a firm commitment ("cash flow hedge").

Changes in the fair value of derivatives that are designated as being and qualify as cash flow hedges and are highly effective, are recognised in equity as "cumulative loss on hedging". Where the forecasted transaction or firm commitment results in the recognition of an asset or of a liability, the gains and losses previously booked under equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts booked under equity are transferred to the consolidated income statement and classified as revenue or expense in period in which the hedged firm commitment or forecasted transaction affects the consolidated income statement.

The portion of the gain or loss on the hedging instrument of a net investment in a foreign operation that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in profit or loss.

The gain or loss on the hedging instrument relating to the effective portion of the hedge that has been recognised directly in equity is recognised in profit or loss on disposal of the foreign operation.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the committed or forecasted transaction ultimately is recognised in the income statement. However, if a committed or forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated income statement.

2.4.32 Earnings per share

Earnings per share disclosed in the consolidated income statement are determined by dividing net income by the weighted average number of shares outstanding during the period concerned.

In Turkey, companies can increase their share capital through a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings and inflation adjustment to equity. For the purpose of earnings per share computations, the weighted average number of shares in existence during the period has been adjusted in respect of bonus share issues without a corresponding change in resources, by giving them retroactive effect for the period in which they were issued and each earlier period as if the event had occurred at the beginning of the earliest period reported.

2.4.33 Events after the balance sheet date

The Group adjusts the amounts recognised in its financial statements to reflect the adjusting events after the balance sheet date. If non-adjusting events after the balance sheet date have material influence on the economic decisions of users of the financial statements, they are disclosed in the notes to the consolidated financial statements.

2.4.34 Cash flow

Cash flows during the period are classified and reported by operating, investing and financing activities in the cash flow statements. Cash flows from operating activities represent the cash flows generated from the Group's activities.

Cash flows related to investing activities represent the cash flows that are used in or provided from the investing activities of the Group (fixed investments and financial investments).

Cash flows arising from financing activities represent the cash proceeds from the financing activities of the Group and the repayments of these funds.

2.5 Significant Accounting Estimates and Assumptions

Preparation of consolidated financial statements requires the usage of estimations and assumptions which may affect the reported amounts of assets and liabilities as of the balance sheet date, disclosure of contingent assets and liabilities and reported amounts of income and expenses during financial period. The accounting assessments, forecasts and assumptions are reviewed continuously considering the past experiences, other factors and the reasonable expectations about the future events under current conditions. Although the estimations and assumptions are based on the best estimates of the management's existing incidents and operations, they may differ from the actual results.

Koç Holding A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 3 - BUSINESS COMBINATIONS

Business combinations in 2009

Aygaz, a Subsidiary of the Group, acquired 50% shares of Koç Statoil Gaz Toptan Satış A.Ş. and Koç Statoil Gaz İletim A.Ş. from Statoil Hydra ASA, its joint venture partner on 9 January 2009. Thus, the shares of the Group in related companies increased to 100%. Following the acquisition, the company names have been changed and registered as Aygaz Doğal Gaz İletim A.Ş. and Aygaz Doğal Gaz Satış A.Ş., respectively.

The details of the net assets acquired and the goodwill are as follows:

Acquisition cost	17,224
Net assets acquired	(19,887)
Negative goodwill	(2,663)

The fair values of identifiable assets and liabilities arising from the acquisition (50%) are as follows:

Cash and cash equivalents	3,000
Trade receivables	5,088
Inventories	218
Other assets	859
Property, plant and equipment	15,205
Intangible assets	137
Trade payables	(3,324)
Deferred tax liabilities	(564)
Other liabilities	(732)
Net assets acquired	19,887

Acquisition cost	(17,224)
Cash and cash equivalents - acquired	3,000
Cash outflow on acquisition (net)	(14,224)

Business combinations in 2008

i) Grundig Elektronik, a Subsidiary of the Group, acquired 50% shares of Grundig Multimedia B.V., a Joint Venture of the Group, from Alba Europe Ltd, its joint venture partner on 31 March 2008. Thus, the shares of Grundig Elektronik in Grundig Multimedia B.V. increased to 100%.

The details of the net assets acquired and the goodwill are as follows:

Acquisition cost ⁽¹⁾	70,849
Liabilities attributable to the acquisition ⁽²⁾	13,595
Total acquisition cost	84,444
Net assets acquired	(73,891)
Goodwill	10,553

(1) Costs directly attributable to the acquisition were included.

(2) The portion of the purchase consideration was determined as certain percentages of revenue earned under the Grundig brand in United Kingdom and Ireland between the years 2008 - 2012 and will be paid in five yearly installments. The percentages are 4% for the years 2008 - 2010 (the consideration will not exceed EUR2,000,000 for the year 2008 and EUR3,000,000 for the years 2009 and 2010, per annum) and 2% for the years 2011 and 2012.

The fair values of identifiable assets and liabilities arising from the acquisition (50%) are as follows:

Cash and cash equivalents	15,603
Trade receivables	92,092
Inventories	60,509
Financial assets	36
Investment property	4,170
Property, plant and equipment	1,047
Intangible assets	94,301
Other current and non-current assets	4,640
Financial liabilities	(11,304)
Trade payables	(113,746)
Deferred tax liabilities	(21,612)
Other liabilities	(51,845)
Net assets acquired	73,891

Acquisition cost	(70,849)
Cash and cash equivalents - acquired	15,603
Cash outflow on acquisition (net)	(55,246)

ii) Koç Finansal Hizmetler, a Joint Venture of the Group, acquired all the shares of San Menkul Değerler A.Ş. on 15 August 2008. Following the acquisition, the company's name has been changed and registered as UniCredit Menkul Değerler A.Ş.

The details of the goodwill are as follows:

Acquisition cost	1,604
Net assets acquired	(489)
Goodwill	1,115

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 4 - INTEREST IN JOINT VENTURES

The aggregate amounts of assets, liabilities and profit/loss of the Joint Ventures, which are proportionately consolidated in the consolidated financial statements, before consolidation adjustments are as follows:

	2009	2008
Current assets	20,974,484	20,341,826
Non-current assets	19,267,879	18,888,753
Total assets	40,242,363	39,230,579
Current liabilities	28,944,324	29,145,267
Non-current liabilities	4,893,507	4,743,814
Equity	6,404,532	5,341,498
Total liabilities and equity	40,242,363	39,230,579
	2009	2008
Total revenue	13,727,725	14,835,796
Operating profit (net)	1,451,952	1,357,289
Profit for the year (net)	1,060,968	950,965

NOTE 5 - SEGMENT REPORTING

Segment information, prepared under the management approach, is presented below:

a) Revenue

	2009	2008
Energy	24,488,346	34,370,139
Automotive	5,942,984	6,434,925
Consumer durables	6,809,509	6,952,812
Finance	5,381,772	5,864,304
Other	2,209,469	1,925,529
	44,832,080	55,547,709

b) Operating profit

	2009	2008
Energy	1,347,584	1,556,962
Automotive	400,855	466,390
Consumer durables	635,429	445,916
Finance	953,644	867,046
Other (*)	133,548	1,701,617
	3,471,060	5,037,931

(*) Gain on sale of investment realised in 2008 amounting to TRY 1,654,211 thousand has been disclosed under the "other" sector in which Koç Holding is classified.

c) Segment analysis

1 January - 31 December 2009	Energy	Automotive	Consumer Durables	Finance	Other	Elimination	Total
External revenue	24,488,346	5,942,984	6,809,509	5,381,772	2,209,469	-	44,832,080
Inter segment revenue	103,225	174,497	132,498	41,790	139,422	(591,432)	-
Revenue	24,591,571	6,117,481	6,942,007	5,423,562	2,348,891	(591,432)	44,832,080
Total cost	(22,329,515)	(5,323,799)	(4,717,755)	(2,435,191)	(1,702,824)	561,415	(35,947,669)
Gross profit	2,262,056	793,682	2,224,252	2,988,371	646,067	(30,017)	8,884,411
Operating expenses							
Marketing and distribution	(405,793)	(225,959)	(1,132,363)	(37,244)	(253,381)	-	(2,054,740)
General administrative	(558,138)	(144,596)	(336,926)	(1,104,159)	(272,937)	39,799	(2,376,957)
Research and development	(2,108)	(40,547)	(50,843)	-	(158)	-	(93,656)
Other income/expenses (net)	51,567	18,275	(68,691)	(893,324)	13,957	(9,782)	(887,998)
Operating profit	1,347,584	400,855	635,429	953,644	133,548	-	3,471,060
						inter Segment Elimination	
1 January - 31 December 2008	Energy	Automotive	Consumer Durables	Finance	Other	Elimination	Total
External revenue	34,370,139	6,434,925	6,952,812	5,864,304	1,925,529	-	55,547,709
Inter segment revenue	61,838	65,194	117,691	119,329	87,731	(451,783)	-
Revenue	34,431,977	6,500,119	7,070,503	5,983,633	2,013,260	(451,783)	55,547,709
Total cost	(31,952,225)	(5,540,223)	(5,059,238)	(3,642,501)	(1,472,327)	421,011	(47,245,503)
Gross profit	2,479,752	959,896	2,011,265	2,341,132	540,933	(30,772)	8,302,206
Operating expenses							
Marketing and distribution	(420,801)	(265,239)	(1,184,001)	(61,432)	(211,630)	-	(2,143,103)
General administrative	(519,070)	(161,051)	(318,404)	(1,084,924)	(290,888)	38,992	(2,335,345)
Research and development	(2,398)	(57,177)	(56,394)	-	(17)	-	(115,986)
Other income/expenses (net)	19,479	(10,039)	(6,550)	(327,730)	1,663,219	(8,220)	1,330,159
Operating profit	1,556,962	466,390	445,916	867,046	1,701,617	-	5,037,931

Koç Holding A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 5 - SEGMENT REPORTING (Continued)

g) Finance sector operating results

	2009	2008
Net revenue		
Interest income	3,954,445	4,011,708
Fee and commission income	1,260,597	1,673,831
Other operating income	166,730	178,765
	5,381,772	5,864,304
Operating expenses		
Interest expense	(1,965,690)	(2,580,763)
Fee and commission expense	(424,433)	(942,409)
Provision expense for loan impairment losses	(808,263)	(211,609)
Other operating expenses	(1,229,742)	(1,262,477)
	(4,428,128)	(4,997,258)
Operating profit	953,644	867,046

NOTE 6 - CASH AND CASH EQUIVALENTS

	2009			2008		
	Banking	Other	Total	Banking	Other	Total
Cash in hand	326,424	2,114	328,538	301,977	2,112	304,089
Cheques received	92	149,779	149,871	186	147,625	147,811
Due from banks						
- Demand deposits	132,969	525,076	658,045	261,888	524,977	786,865
- Time deposits	835,516	5,492,154	6,327,670	1,221,039	3,655,049	4,876,088
Money markets	790,730	-	790,730	113,981	-	113,981
Central banks						
- Reserve requirements	1,429,277	-	1,429,277	1,610,037	-	1,610,037
- Other balances	357,609	-	357,609	444,425	-	444,425
Other	1,265	55,617	56,882	1,880	44,219	46,099
	3,873,882	6,224,740	10,098,622	3,955,413	4,373,982	8,329,395

As of 31 December 2009, total long-term bank balances amount to TRY90,524 thousand (2008: TRY203,964 thousand).

As of 31 December 2009, total blocked deposits amount to TRY289,945 thousand (2008: TRY398,547 thousand).

Reserve deposits at the central banks

	2009	2008
Central Bank of the Republic of Turkey	1,329,487	1,546,541
Other central banks	99,790	63,496
	1,429,277	1,610,037

In accordance with the CBRT regulations, banks operating in Turkey are required to provide obligatory provisions at the CBRT equal to 5% of local currency obligations (2008: 6%) and 9% of foreign currency obligations (2008: 9%). These funds cannot be used for financing the daily operations of the banks.

Balances with the central banks other than reserve requirements represent funds deposited to various central banks in an interest free demand account for liquidity

NOTE 7 - FINANCIAL ASSETS

	2009			2008		
	Short-term	Long-term	Total	Short-term	Long-term	Total
Financial assets at fair value through profit or loss	199,551	-	199,551	214,480	-	214,480
Available-for-sale financial assets	293,610	835,329	1,128,939	229,965	794,904	1,024,869
Held-to-maturity financial assets	1,478,173	5,199,618	6,677,791	288,084	6,064,940	6,353,024
	1,971,334	6,034,947	8,006,281	732,529	6,859,844	7,592,373

a) Financial assets at fair value through profit or loss

	2009			2008		
	Banking	Other	Total	Banking	Other	Total
Debt securities:						
Government bonds	9,492	23,365	32,857	17,724	22,140	39,864
Eurobond	50,054	16,644	66,698	77,370	16,248	93,618
Treasury bills	54,031	-	54,031	32,921	-	32,921
Other	8,155	26,444	34,599	17,793	21,490	39,283
	121,732	66,453	188,185	145,808	59,878	205,686
Equity securities:						
Listed	11,366	-	11,366	8,771	23	8,794
	133,098	66,453	199,551	154,579	59,901	214,480

Koç Holding A.Ş.

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NOTE 7 - FINANCIAL ASSETS (Continued)

b) Available-for-sale financial assets

	2009			2008		
	Banking	Other	Total	Banking	Other	Total
Debt securities:						
Government bonds	308,634	146,906	455,540	244,157	176,505	420,662
Eurobond	321,287	147,008	468,295	176,521	149,907	326,428
Treasury bills	24,627	-	24,627	34,389	1,063	35,452
Other	52,860	-	52,860	123,694	-	123,694
	707,408	293,914	1,001,322	578,761	327,475	906,236
Equity securities:						
Listed	12,142	36,773	48,915	26,644	9,943	36,587
Unlisted	41,869	36,833	78,702	43,137	38,909	82,046
	761,419	367,520	1,128,939	648,542	376,327	1,024,869

The list of equity securities and the shareholding rates are as follows:

	2009		2008	
	(%)	(%)	(%)	(%)
Listed:				
Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı A.Ş.	11,090	15.22	15,677	15.22
Altinyunus Çeşme Turistik Tesisler A.Ş.	35,692	30.00	9,451	30.00
Türk Traktör ve Ziraat Makinaları A.Ş.	1,081	0.22	492	0.22
Mastercard Incorporated	958	0.03	5,724	0.03
Visa Incorporated	-	0.01	5,191	0.01
Other	94	-	52	-
	48,915		36,587	
Unlisted:				
Banque de Commerce et de Placements S.A.	29,470	15.34	27,797	15.34
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	9,652	88.00	5,876	88.00
Takas ve Saklama Bankası A.Ş.	6,190	2.43	6,190	2.43
Koç Bilgi ve Savunma Teknolojileri A.Ş.	5,180	92.23	5,180	92.23
Promena Elektronik Ticaret A.Ş.	5,000	50.00	5,000	50.00
Körfez Hava Ulaştırma A.Ş.	4,000	100.00	-	-
Koç Statoil Gaz Toptan Satış A.Ş. (Note 3)	-	-	12,554	50.00
Koç Statoil Gaz İletim A.Ş. (Note 3)	-	-	3,291	50.00
Other	19,210	-	16,158	-
	78,702		82,046	

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Available-for-sale financial assets that do not have a quoted fair value or fair value cannot be reliably measured through alternative methods, are measured at cost less any impairment.

Subsidiaries, joint ventures or associates that are not material, in which the Group, together with Koç Family members, have attributable interests of 20% or more, are not included to the scope of consolidation and classified as available-for-sale financial assets. These are measured at fair value or carried at cost less provision for diminution in value when fair value cannot be reliably measured. The effect on the consolidated financial position and financial performance of the subsidiaries and joint ventures that are not included in the scope of consolidation is below 1%.

Provision for impairment of unlisted financial assets amounts to TRY81,198 thousand as of 31 December 2009 (2008: TRY81,904 thousand).

c) Held-to-maturity financial assets

	2009			2008		
	Banking	Other	Total	Banking	Other	Total
Debt securities:						
Government bonds	3,428,381	-	3,428,381	3,397,059	-	3,397,059
Eurobond	3,126,931	-	3,126,931	2,955,965	-	2,955,965
Treasury bills	104,684	-	104,684	-	-	-
Other	-	17,795	17,795	-	-	-
	6,659,996	17,795	6,677,791	6,353,024	-	6,353,024

The details of debt securities that are pledged under repurchase agreements are as follows:

	2009	2008
Held-to-maturity financial assets	696,718	372,482
Financial assets at fair value through profit or loss	33,327	53,227
Available-for-sale financial assets	-	9,320
	730,045	435,029

The details of debt securities that are blocked in favour of the Turkish Treasury by the Subsidiary and Joint Venture of the Group in the insurance sector are as follows:

	2009	2008
Available-for-sale financial assets	291,025	260,733
Financial assets at fair value through profit or loss	11,288	33,832
	302,313	294,565

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NOTE 8 - TRADE RECEIVABLES AND PAYABLES

Trade receivables	2009	2008
Trade receivables	3,419,910	3,582,627
Notes and cheques receivables	1,436,784	1,629,036
Less: Provision for doubtful receivables	(191,094)	(159,180)
Due from related parties (Note 28)	135,346	122,105
	4,800,946	5,174,588
Short-term trade receivables	4,715,305	5,055,995
Long-term trade receivables	85,641	118,593
	4,800,946	5,174,588

Movement of provision for doubtful receivables is as follows. Beginning of the period 1 January

Increase during the period	42,892	43,782
Collections	(10,978)	(6,833)
Transfers ⁽¹⁾	-	(1,166)
Disposals from the scope of consolidation ⁽²⁾	-	(23,079)
Acquisitions	-	8,025

End of the period - 31 December **191,094** **159,180**

(1) Transferred to assets held for sale.

(2) Related to the sale of Koç Allianz Sigorta and Koç Allianz Hayat in 2008.

Trade payables	2009	2008
Trade payables	3,895,608	3,270,501
Notes payables	16,736	7,065
	3,912,344	3,277,566
Due to related parties (Note 28)	171,090	144,892
	4,083,434	3,422,458

NOTE 9 - LOANS AND ADVANCES TO CUSTOMERS

2009	Corporate and commercial loans	Consumer loans	Credit card receivables	Leasing receivables	Factoring receivables	Total
Performing loans	11,243,896	4,253,524	3,541,553	855,954	484,979	20,379,906
Watch listed loans	740,949	182,333	205,750	164,333	-	1,293,365
Loans under legal follow-up	620,376	357,011	401,944	142,117	4,087	1,525,535
Gross	12,605,221	4,792,868	4,149,247	1,162,404	489,066	23,198,806
Less: Provision for impairment	(731,846)	(260,078)	(518,632)	(80,708)	(8,795)	(1,600,059)
Net	11,873,375	4,532,790	3,630,615	1,081,696	480,271	21,598,747
Short-term loans and advances						11,855,533
Long-term loans and advances						9,743,214
						21,598,747

2008	Corporate and commercial loans	Consumer loans	Credit card receivables	Leasing receivables	Factoring receivables	Total
Performing loans	11,863,614	4,041,507	3,525,316	1,224,500	482,782	21,137,719
Watch listed loans	406,664	125,318	197,454	83,086	-	812,522
Loans under legal follow-up	444,894	199,005	246,931	91,549	2,492	984,871
Gross	12,715,172	4,365,830	3,969,701	1,399,135	485,274	22,935,112
Less: Provision for impairment	(464,350)	(102,290)	(224,623)	(56,838)	(5,356)	(853,457)
Net	12,250,822	4,263,540	3,745,078	1,342,297	479,918	22,081,655
Short-term loans and advances						13,108,729
Long-term loans and advances						8,972,926
						22,081,655

Movement of provision for impairment on loans and advances to customers is as follows:

	2009	2008
Beginning of the period - 1 January	853,457	1,017,653
Provisions for loan losses	1,352,086	449,580
Recoveries of amounts previously provided	(519,487)	(253,569)
Write-off during the period as uncollectible	(85,350)	(179,050)
Disposals due to sale of non-performing loan portfolio	-	(181,234)
Currency translation differences	(647)	77
End of the period - 31 December	1,600,059	853,457

Koç Holding A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 9 - LOANS AND ADVANCES TO CUSTOMERS (Continued)

Net investment in finance leases is shown below:

	2009	2008
Gross investment in finance leases	1,062,310	1,480,115
Less: Unearned finance income	(206,356)	(255,615)
	855,954	1,224,500

Leasing receivables consist of rentals over the terms of leases. The rentals according to their maturities are as follows:

	2009	2008
2009	-	605,860
2010	446,839	401,347
2011 and over	615,471	472,908
Less: Unearned finance income	(206,356)	(255,615)
	855,954	1,224,500

NOTE 10 - INVENTORIES

	2009	2008
Raw materials and supplies	1,205,073	1,513,497
Finished goods	1,044,102	987,293
Merchandise	877,528	925,149
Work in progress	326,919	326,703
Other inventories	13,174	13,618
Less: Provision for impairment	(105,796)	(120,508)
	3,361,000	3,645,752

Movement of provision for impairment on inventories is as follows:

	2009	2008
Beginning of the period - 1 January	120,508	51,358
Increase during the period	79,050	81,225
Realised due to sale of inventories	(93,533)	(13,642)
Reversal of provisions	(581)	(7,439)
Currency translation differences	352	4,070
Acquisitions ⁽¹⁾	-	6,336
Transfers ⁽²⁾	-	(1,400)
End of the period - 31 December	105,796	120,508

(1) Related to the acquisition of Grundig Multimedia.

(2) Transferred to assets held for sale.

NOTE 11 - INVESTMENT PROPERTY

	2009	2008
As of 1 January		
Cost	115,662	53,285
Accumulated depreciation	(40,234)	(4,712)
Net book value	75,428	48,573
Net book value at the beginning of the year	75,428	48,573
Acquisitions (Note 3)	-	4,170
Additions	-	70
Disposals	-	(2,473)
Transfers (*)	49,091	31,513
Disposals from the scope of consolidation	-	(6,378)
Currency translation differences	69	1,230
Provision for impairment	(2,777)	-
Current period depreciation	(1,467)	(1,277)
Net book value at the end of the year	120,344	75,428
As of 31 December		
Cost	171,830	115,662
Accumulated depreciation	(51,486)	(40,234)
Net book value	120,344	75,428

(*) Transferred from property, plant and equipment.

The fair value of the investment property has been determined as TRY164,275 thousand as of 31 December 2009 (2008: TRY87,058 thousand).

Koç Holding A.Ş**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

	Land and land improvements	Buildings	Machinery and equipment	Motor vehicles	Furniture and fixtures	Constructions in progress	Leasehold improvements	Total
1 January 2009								
Cost	2,623,787	2,429,673	10,161,438	848,551	958,424	593,343	348,288	17,963,504
Accumulated depreciation	(193,045)	(1,112,399)	(5,124,327)	(297,619)	(681,121)	-	(171,338)	(7,579,849)
Net book value	2,430,742	1,317,274	5,037,111	550,932	277,303	593,343	176,950	10,383,655
Opening net book value	2,430,742	1,317,274	5,037,111	550,932	277,303	593,343	176,950	10,383,655
Acquisitions (Note 3)	535	40	12,386	1,498	199	114	433	15,205
Additions	7,701	30,968	186,151	146,658	96,124	675,741	20,155	1,163,498
Disposals	(3,176)	(17,754)	(15,246)	(59,726)	(13,754)	(830)	(727)	(111,213)
Transfers ⁽¹⁾	124,997	9,314	482,703	52,065	85,870	(831,459)	27,419	(49,091)
Addition to the scope of consolidation ⁽²⁾	535	40	12,386	1,498	199	114	433	15,205
Currency translation differences	(179)	(3,814)	(4,942)	(1,015)	695	152	67	(9,036)
Impairment	-	(1,626)	-	-	-	-	-	(1,626)
Current period depreciation	(52,434)	(62,786)	(475,210)	(75,473)	(77,421)	-	(33,734)	(777,058)
Closing net book value	2,508,721	1,271,656	5,235,339	616,437	369,215	437,175	190,996	10,629,539
31 December 2009								
Cost	2,753,981	2,375,064	10,668,614	934,765	1,100,254	437,175	383,634	18,653,487
Accumulated depreciation	(245,260)	(1,103,408)	(5,433,275)	(318,328)	(731,039)	-	(192,638)	(8,023,948)
Net book value	2,508,721	1,271,656	5,235,339	616,437	369,215	437,175	190,996	10,629,539

(1) TRY49,091 thousand have been transferred between property, plant and equipment and investment property. Other transfers have been realised between constructions in progress and other line items within property, plant and equipment.

(2) TRY15,205 thousand is related with the addition of Aygaz Topkan Satış and Aygaz İletim to the scope of consolidation.

Total mortgages on property, plant and equipment amount to TRY55,335 thousand as of 31 December 2009.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	Land and land improvements	Buildings	Machinery and equipment	Motor vehicles	Furniture and fixtures	Constructions in progress	Leasehold improvements	Total
1 January 2008								
Cost	2,505,807	2,492,756	9,624,504	705,409	891,423	511,125	265,525	16,996,549
Accumulated depreciation	(149,957)	(1,145,370)	(4,778,579)	(273,607)	(670,067)	-	(143,574)	(7,161,154)
Net book value	2,355,850	1,347,386	4,845,925	431,802	221,356	511,125	121,951	9,835,395
Opening net book value	2,355,850	1,347,386	4,845,925	431,802	221,356	511,125	121,951	9,835,395
Acquisitions (Note 3)	-	242	342	162	205	96	-	1,047
Additions	7,136	9,197	164,242	129,867	120,975	908,337	49,840	1,389,594
Disposals	(14,107)	(6,463)	(13,485)	(48,947)	(14,352)	(8,355)	(1,933)	(107,642)
Transfers ⁽¹⁾	135,712	60,883	490,547	78,700	35,839	(818,024)	45,091	28,748
Disposals from the scope of consolidation ⁽²⁾	(9,285)	(30,755)	(4,196)	(1,266)	(5,295)	(918)	(155)	(51,870)
Currency translation differences	778	12,734	14,848	588	546	1,405	(105)	30,794
Impairment	-	(11,798)	(17,250)	-	(855)	(323)	(346)	(30,572)
Current period depreciation	(45,342)	(64,152)	(443,862)	(39,974)	(81,116)	-	(37,393)	(711,839)
Closing net book value	2,430,742	1,317,274	5,037,111	550,932	277,303	593,343	176,950	10,383,655
31 December 2008								
Cost	2,623,787	2,429,673	10,161,438	848,551	958,424	593,343	348,288	17,963,504
Accumulated depreciation	(193,045)	(1,112,399)	(5,124,327)	(297,619)	(681,121)	-	(171,338)	(7,579,849)
Net book value	2,430,742	1,317,274	5,037,111	550,932	277,303	593,343	176,950	10,383,655

(1) TRY28,748 thousand have been transferred between property, plant and equipment, assets held for sale, investment property and intangible assets. Other transfers are realised from constructions in progress to other line items within property, plant and equipment.

(2) Related to the sales of Koç Allianz Sigorta, Koç Allianz Hayat, Otomotiv Lastikleri and Opet Aygaz Bulgaria.

Total mortgages on property, plant and equipment amount to TRY12,689 thousand as of 31 December 2008.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2009

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 13 - INTANGIBLE ASSETS

	Rights	Brand	Development costs	Other	Total
1 January 2009					
Cost	751,220	276,156	619,401	71,116	1,717,893
Accumulated amortisation	(263,243)	(26,501)	(195,845)	(46,315)	(531,904)
Net book value	487,977	249,655	423,556	24,801	1,185,989
Acquisitions (Note 3)	137	-	-	-	137
Additions	71,455	-	191,099	17,832	280,386
Disposals	(2)	-	(2,998)	(231)	(3,231)
Addition to the scope of consolidation (*)	137	-	-	-	137
Currency translation differences	2,469	-	-	139	2,608
Current period amortisation	(65,161)	(8,154)	(64,541)	(8,277)	(146,133)
Closing net book value	497,012	241,501	547,116	34,264	1,319,893
31 December 2009					
Cost	823,739	276,156	798,341	86,784	1,985,020
Accumulated amortisation	(326,727)	(34,655)	(251,225)	(52,520)	(665,127)
Net book value	497,012	241,501	547,116	34,264	1,319,893

(*) Related with the addition of Aygaz Toptan Satış and Aygaz İletim to the scope of consolidation.

Total research and development expenditures incurred as of 31 December 2009 amount to TRY254,602 thousand (2008: TRY300,621 thousand).

Intangible assets with indefinite useful lives consist of brands and amount to TRY194,702 thousand.

	Rights	Brand	Development costs	Other	Total
1 January 2008					
Cost	722,551	110,526	448,393	65,973	1,347,443
Accumulated amortisation	(245,715)	(18,347)	(157,072)	(45,473)	(466,607)
Net book value	476,836	92,179	291,321	20,500	880,836
Acquisitions ⁽¹⁾	-	93,929	-	372	94,301
Fair value differences ⁽¹⁾	-	71,701	-	-	71,701
Additions	34,103	-	199,818	9,432	243,353
Disposals	(723)	-	(136)	(652)	(1,511)
Transfers ⁽²⁾	756	-	(15,418)	(136)	(14,798)
Disposals from the scope of consolidation ⁽³⁾	(2,300)	-	-	-	(2,300)
Currency translation differences	15,606	-	778	199	16,583
Current period amortisation	(36,301)	(8,154)	(52,807)	(4,914)	(102,176)
Closing net book value	487,977	249,655	423,556	24,801	1,185,989
31 December 2008					
Cost	751,220	276,156	619,401	71,116	1,717,893
Accumulated amortisation	(263,243)	(26,501)	(195,845)	(46,315)	(531,904)
Net book value	487,977	249,655	423,556	24,801	1,185,989

(1) As a result of the Grundig acquisition (the 50%) realised in 2004, the corresponding 50% of intangible assets have been accounted for. According to the Grundig acquisition realised in 2008 (the other 50%), all the intangible assets with the net book value amounting to TRY45.200 thousand have been accounted for with their total fair value determined as TRY188,602 thousand (Grundig brand: TRY173,446 thousand, trademark license: TRY13,061 thousand and other: TRY2,095 thousand) in accordance with IFRS 3. Consequently, the portion related to the acquisition in 2008 (50%: TRY94,301 thousand) has been accounted for as the acquisition, and the difference between the portion related to the acquisition realised in 2004 (50%: TRY94,301 thousand) and the net book value (50%: TRY22,600 thousand) has been accounted for as fair value gain (TRY71,701 thousand).

(2) Transferred to property, plant and equipment.

(3) Related to the sales of Koç Allianz Sigorta, Koç Allianz Hayat, Otomotiv Lastikleri and Opet Aygaz Bulgaria.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2009

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 14 - GOODWILL

	2009	2008
Opening net book value - 1 January	3,533,680	3,524,486
Acquisitions	-	11,668
Disposals ⁽¹⁾	(13,074)	(332)
Change in contingent liabilities ⁽²⁾	(2,807)	(2,799)
Currency translation differences	61	657
Closing net book value - 31 December	3,517,860	3,533,680

(1) As a result of the transactions with minority interests, partial disposal of goodwill is realised.

(2) The increases or decreases from the re-determination of the contingent liabilities, determined at the date of acquisition, by taking into account the results realised in 2008 and 2009, are adjusted reciprocally with goodwill in compliance with IFRS 3.

The allocation of the goodwill is as follows:

	2009	2008
Tüpraş	2,736,463	2,736,463
Yapı Kredi Bankası	633,788	633,788
Opet	138,984	152,058
Other	8,625	11,371
	3,517,860	3,533,680

The recoverable amount of a cash generating unit is determined based on the value in use or fair value less cost to sell calculations. These calculations, use cash flow projections based on financial budgets approved by the management. The cash flow projections beyond the budgeted period are extrapolated using the estimated growth rates and discounted with the ratios stated below.

The budget period and key assumptions used in the calculations of recoverable amount are as follows:

Cash-generating unit	Method used	Period	Ratio 1	Ratio 2	Ratio 3
Tüpraş	Fair value. USD	10 years	6.6 - 8.3%	1%	9.5%
Yapı Kredi Bankası	Value in use. TRY	8 years	4.5 - 5.2%	2%	19.0-11.5%
Opet	Fair value. USD	10 years	4.0 - 5.8%	2%	9.5%

Ratio 1: Budgeted gross profit / budgeted net interest margin

Ratio 2: Growth rate used extrapolate cash flows beyond the budget period

Ratio 3: Discount rate applied to the cash flow projections.

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NOTE 15 - DEPOSITS

	2009			2008		
	Demand	Time	Total	Demand	Time	Total
TRY deposits						
Saving deposits	720,134	6,971,791	7,691,925	522,046	7,393,889	7,915,935
Commercial deposits	985,944	2,218,551	3,204,495	700,467	3,170,922	3,871,389
Deposits from banks	66,739	143,129	209,868	56,352	48,753	105,105
Funds deposited under repurchase agreements	-	65,054	65,054	-	70,477	70,477
	1,772,817	9,398,525	11,171,342	1,278,865	10,684,041	11,962,906
Foreign currency deposits						
Saving deposits	1,038,468	4,105,931	5,144,399	877,317	4,210,098	5,087,415
Commercial deposits	1,088,905	2,560,737	3,649,642	884,688	2,520,641	3,405,329
Deposits from banks	71,706	380,226	451,932	59,967	63,860	123,827
Funds deposited under repurchase agreements	-	554,291	554,291	-	312,489	312,489
	2,199,079	7,601,185	9,800,264	1,821,972	7,107,088	8,929,060
			20,971,606			20,891,966
Short-term deposits			20,626,473			20,615,877
Long-term deposits			345,133			276,089
			20,971,606			20,891,966

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2009

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 16 - FINANCIAL LIABILITIES

	2009	2008
Short-term financial liabilities		
Bank borrowings	8,048,831	9,158,904
Debt securities in issue	440,534	227,784
Leasing payables	2,678	678
	8,492,043	9,387,366
Long-term financial liabilities		
Bank borrowings	5,719,774	7,027,934
Debt securities in issue	704,443	1,158,927
Leasing payables	3,960	3,934
	6,428,177	8,190,795
	14,920,220	17,578,161

The details of the loans obtained in 2006 in order to finance the cost of acquisition of Tüpraş shares and to re-structure the Group's existing loans are given below:

- a loan from the consortium composed of JP Morgan Europe Limited and JP Morgan Chase Bank N.A. in an amount of USD950,000,000 with a maturity of 7 years which bears an interest rate of Libor+1.9;
- a loan from the consortium composed of Akbank T.A.Ş. Malta Branch, Türkiye Garanti Bankası A.Ş. Luxembourg Branch, Türkiye İş Bankası A.Ş. Bahrain Offshore Branch, Standard Bank Plc, Türkiye Vakıflar Bankası T.A.O. Bahrain Offshore Branch, Türkiye Halk Bankası A.Ş. in an amount of USD1,800,000,000 with a maturity of 10 years which bears an interest rate of Libor+2.3 until 2013 and an interest rate of Libor+2.8 afterwards.

Following the principal repayments regarding the loans detailed above, the borrowings decreased to USD1,502,192,354 as of 31 December 2009.

As of 31 December 2009, Yapı Kredi Bankası, a Joint Venture of the Group, has a securitisation borrowing deal from Standard Chartered Bank and Unicredit Markets and Investment Banking amounting to TRY871,880 thousand (31 December 2008: TRY983,149 thousand). The interest rate of this borrowing ranges between Euribor/Libor+0.18% and 0.35% and the maturity ranges between 7 and 8 years; the repayments will begin in the first period of 2010.

Yapı Kredi Bankası has obtained subordinated loans amounting to TRY1,112,012 thousand (31 December 2008: TRY1,110,301 thousand), (EUR525,000,000) with 10 years maturity and repayment option at the end of 5 years. These loans were borrowed from Merrill Lynch Capital Corporation (EUR250,000,000), Goldman Sachs International Bank (EUR175,000,000), and Citibank (EUR100,000,000) with UniCredit S.p.A. as guarantor. For the first 5 years, the interest rates of the loans are determined as Euribor+2%, Euribor+2.2% and Euribor+1.8%, respectively.

In 2009, Yapı Kredi Bankası provided syndication loans amounting to TRY322,726 thousand (USD68,000,000 and EUR105,300,000) and TRY716,056 thousand (USD198,750,000 and EUR199,750,000), which have interest rates of Libor+2.5% and Libor+2.25% respectively, with maturity dates in 2010.

Koç Holding obtained a loan in the amount of approximately USD770,000,000 in 2009, comprising two tranches of USD320,000,000 and EUR339,000,000, from a consortium including 14 financial institutions and to be used to meet various financing needs of Koç Group companies. The principal repayment of this loan, the USD-denominated part with 1-year maturity and the EUR-denominated part with 3-year maturity, will be due at maturity. For both the USD and EUR parts of the loan, interest payment options are available once every 3 or 6 months and interest rates are determined as Libor+2.50% for USD and Euribor+4.50% for EUR per annum. Following the principal repayments regarding the loans detailed above, the borrowings decreased to approximately USD742,000,000 as of 31 December 2009.

The details of collaterals, mortgages and pledges given related with the loans of the Group are disclosed in Note 30.

The redemption schedule of long-term bank borrowings is as follows:

	2009	2008
2010	-	2,486,749
2011	1,569,162	1,353,484
2012	1,430,144	980,448
2013	761,413	840,061
2014	683,637	755,442
2015 and over	1,983,821	1,774,611
	6,428,177	8,190,795

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2009

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 17 - TAX ASSETS AND LIABILITIES

	2009	2008
Current income tax liabilities		
Domestic	589,549	496,974
Foreign	8,681	16,340
Less: Prepaid corporate tax	(454,171)	(411,203)
Current income tax liabilities (net)	144,059	102,111
Deferred tax liabilities		
Domestic	782,740	748,184
Foreign	46,088	13,752
	828,828	761,936
Deferred tax assets		
Domestic	(501,145)	(353,058)
Foreign	(17,364)	(17,777)
	(518,509)	(370,835)
Deferred tax liabilities (net)	310,319	391,101

Turkish tax legislation does not permit a parent company, its subsidiaries and joint ventures to file a consolidated tax return. Therefore, tax liabilities, as reflected in consolidated financial statements, have been calculated on a separate-entity basis.

Corporation Tax rate is 20% in Turkey. Corporation Tax is payable on the total income of the company after adjusting for certain disallowable expenses, exempt income and allowances.

Income tax expenses in the consolidated income statements are summarised as follows:

	2009	2008
Current period tax expense	598,227	523,764
Deferred tax expense /(income)	(79,763)	62,313
	518,464	586,077
Profit before tax	3,159,052	3,080,685
Domestic tax rate	20%	20%
Tax calculated at domestic tax rate	631,810	616,137
Tax effect of		
Income not subject to tax	(91,762)	(236,071)
Expenses not deductible	29,329	62,728
Carry forward tax losses	31,355	148,991
Utilizable investment incentives	(80,207)	-
Tax rate differences	(2,061)	(5,708)
Tax expense	518,464	586,077

Koç Holding, its Subsidiaries and Joint Ventures recognise deferred tax assets and liabilities based upon temporary differences arising between their financial statements prepared in accordance with CMB Financial Reporting Standards and their statutory financial statements. These temporary differences usually result in the recognition of revenue and expenses in different reporting periods for CMB Financial Reporting Standards and tax purposes.

The principal tax rates (%) of the tax authorities in each country used to calculate deferred taxes as of 31 December 2009 are as follows:

Country	Tax rate	Country	Tax rate	Country	Tax rate
Germany	31.5	Finland	26.0	Italy	37.3
Australia	30.0	France	33.3	Hungary	16.0
Austria	25.0	The Netherlands	25.5	Norway	28.0
Azerbaijan	22.0	The UK	28.0	Poland	19.0
Czech Republic	21.0	Ireland	12.5	Romania	16.0
China	25.0	Spain	30.0	Russia	20.0
Denmark	28.0	Switzerland	24.0	Slovakia	19.0

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2009

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 17 - TAX ASSETS AND LIABILITIES (Continued)

The breakdown of cumulative temporary differences and deferred tax assets and liabilities provided using principal tax rates, are as follows:

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	2009	2008	2009	2008
Property, plant and equipment and intangible assets	4,492,635	4,302,833	(890,922)	(855,804)
Derivative financial instruments	21,753	115,201	(3,328)	(22,349)
Utilizable investment incentives	(1,277,235)	-	80,207	-
Provision for impaired loans	(514,681)	(368,761)	102,834	73,786
Provision for the Fund	(432,030)	(387,183)	86,406	77,437
Carryforward of unused tax losses	(334,261)	(508,665)	67,299	102,220
Provision for employment termination benefits	(328,002)	(290,523)	65,625	57,803
Warranty and assembly reserves	(202,809)	(212,624)	40,244	42,177
Unused research and development incentives	(135,067)	(84,204)	27,012	16,841
Inventories	(109,987)	(154,452)	21,964	30,890
Provision for lawsuits	(64,775)	(63,978)	12,955	12,796
Impairment of investments	(61,873)	(62,293)	12,230	12,314
Provision for unused vacation	(51,730)	(54,082)	10,279	10,817
Expense accruals (net)	(51,513)	(56,371)	10,303	11,277
Deferred income	(34,550)	(20,557)	6,910	4,112
Provision for credit card bonus	(24,235)	(28,337)	4,894	5,668
Unearned credit finance income (net)	(22,430)	(50,489)	3,723	9,966
Other (net)	(133,949)	(98,999)	31,046	18,948
Deferred tax assets/(liabilities) (net)			(310,319)	(391,101)

In the Subsidiaries' and Joint Ventures' financial statements prepared in accordance with CMB Financial Reporting Standards, net deferred tax assets and liabilities of the related companies are separately classified under deferred tax assets and liabilities accounts in Koç Holding's consolidated balance sheet. Temporary differences and deferred tax assets and liabilities presented above, which are prepared on the basis of gross amounts, show the net deferred tax position.

The details of carry forward tax losses and unused investment incentives which are not considered in the deferred tax calculation are as follows:

	2009	2008
Carry forward tax losses ⁽¹⁾	1,061,044	1,091,786
Unused investment incentives ⁽²⁾	345,932	1,506,106

(1) The expiration schedule of carry forward tax losses is as follows:

	2009	2008
2009	-	17,546
2010	33,851	23,670
2011	152,971	177,554
2012	49,342	128,051
2013	667,438	744,965
2014	157,442	-
	1,061,044	1,091,786

(2) Three-year limitation has been executed for the investment incentive allowance with Law No. 5479 and for the investment incentives qualified as a result of prior period investment expenditures amounting to TRY1,506,106 as of 31 December 2008 have not been taken into consideration in the tax calculation starting from 1 January 2009.

The Constitutional Court, at the meeting on 15 October 2009, ruled for the cancellation of the expressions "2006, 2007 and 2008" included in the provisional article of the Income Tax Law related with the investment incentive. In accordance with the ruling by the court, the expiration of the investment allowance entitled to three years time as of 31 December 2005 was repealed (Note 36). Accordingly, Group's unused investment allowances became utilizable. The Group has prepared its consolidated financial statements by considering in the tax calculations the amount of investment incentives that are estimated to be utilized in the following periods. The Group has investment allowance amounting to TRY319,765 thousand subject to withholding and TRY26,167 thousand not subject to withholding that can be utilized in the following periods but not considered in the deferred tax calculation.

Movements of deferred tax assets and liabilities are as follows:

	2009	2008
Beginning of the period - 1 January	(391,101)	(288,365)
Charge to the income statement:		
- Continuing operations	79,763	(62,313)
Charge to the equity:		
- Financial assets fair value reserve	(540)	2,267
- Cumulative gains/(losses) on hedging	2,947	11,127
- Non-current assets revaluation fund	393	(18,129)
- Currency translation differences	(653)	(2,914)
Acquisitions (Note 3)	(564)	(21,612)
Additions to the scope of consolidation	(564)	-
Disposals from the scope of consolidation (*)	-	(11,162)
End of the period - 31 December	(310,319)	(391,101)

(*) Related with the sale of Koç Allianz Sigorta, Koç Allianz Hayat and Otomotiv Lastikleri shares in 2008.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2009

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NOTE 18 - OTHER PAYABLES

	2009	2008
Taxes and duties payable	1,444,928	1,370,546
Social security premiums payable	41,175	23,245
Rescheduled taxes payable	2,363	-
	1,488,466	1,393,791

NOTE 19 - DERIVATIVE FINANCIAL INSTRUMENTS

	2009		2008	
	Asset	Liability	Asset	Liability
Derivatives held for trading	311,929	161,765	271,717	109,875
Derivatives held for hedging	64,316	222,606	11,471	68,825
	376,245	384,371	283,188	178,700

Derivatives held for trading:

	2009			2008		
	Contract amount	Fair values		Contract amount	Fair values	
		Asset	Liability		Asset	Liability
Currency swaps	7,345,368	238,444	23,426	4,351,004	139,590	24,855
Currency forwards	2,457,284	23,193	29,401	2,387,000	70,544	32,944
Interest rate swaps	5,148,430	34,567	92,964	2,683,846	56,331	52,058
Option agreements	2,866,261	15,725	15,907	527,816	2,317	18
Commodity futures	4,062	-	67	27,539	2,935	-
	17,821,405	311,929	161,765	9,977,205	271,717	109,875

Derivatives held for hedging:

	2009			2008		
	Contract amount	Fair values		Contract amount	Fair values	
		Asset	Liability		Asset	Liability
Currency swaps	-	-	-	159,923	11,019	-
Currency forwards	511,537	-	2,053	513,693	165	5,211
Interest rate swaps	3,833,775	64,316	220,553	2,036,088	-	63,614
Option agreements	-	-	-	5,178	287	-
	4,345,312	64,316	222,606	2,714,882	11,471	68,825

NOTE 20 - INSURANCE TECHNICAL RESERVES

	2009	2008
Unearned premiums reserve - net of reinsurers' share	108,857	104,266
Claim provisions - net of reinsurers' share	55,815	41,662
Life mathematical reserves - net of reinsurers' share	268,731	271,672
	433,403	417,600
Short term insurance technical reserves	62,234	145,928
Long term insurance technical reserves	371,169	271,672
	433,403	417,600

The movement for insurance technical reserves is as follows:

	2009	2008
Beginning of the period - 1 January	417,600	1,238,616
Change in reserve for unearned premiums - net of reinsurance	4,591	50,043
Paid claims during the period	(27,593)	(84,545)
Life earned premium and income	84,031	97,658
Payments associated with the life insurance during the period	(68,405)	(71,908)
Disposals from the scope of consolidation (*)	-	(910,527)
Other increases in the provisions	23,179	98,263
End of the period - 31 December	433,403	417,600

(*) Related to the sales of Koç Allianz Sigorta and Koç Allianz Hayat.

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NOTE 21 - EMPLOYEE BENEFITS

	2009	2008
Provision for employment termination benefits	331,634	293,206
Provision for the Fund	432,030	387,183
	763,664	680,389
Provision for employment termination benefits:		
-Domestic	328,002	290,523
-Foreign	3,632	2,683
	331,634	293,206

Under the Turkish Labour Law, the Company and its Turkish Subsidiaries and Joint Ventures are required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, who is called up for military service, dies or retires after completing 25 years of service (20 years for women) and reaches the retirement age (58 for women and 60 for men).

As of 31 December 2009, the amount payable consists of one month's salary limited to a maximum of TRY2,365.16 (2008: TRY2,137.18) for each year of service.

The liability is not funded as there is no funding requirement.

The provision has been calculated by estimating the present value of the future probable obligation of Koç Holding and its Subsidiaries and Joint Ventures registered in Turkey arising from the retirement of employees.

The principal assumption is that the maximum liability 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 TRY2,427.04 effective from 1 January 2010 (1 January 2009: TRY2,260.04) has been taken into consideration in calculating the reserve for employment termination benefit of the Group.

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

	2009	2008
Discount rate (%)	5.92	6.26
Turnover rate to estimate the probability of retirement (%)	98	98

Movements in the provision for employment termination benefits are as follows:

	2009	2008
Beginning of the period - 1 January	293,206	293,811
Interest expense	15,878	18,393
Actuarial losses/(gains)	9,101	13,101
Increase during the period	75,831	53,472
Payments during the period	(62,400)	(82,481)
Currency translation differences	18	190
Disposals from the scope of consolidation	-	(3,280)
End of the period - 31 December	331,634	293,206

Provision for the Fund:

Yapı Kredi Bankası, a Joint Venture of the Group, accounted for a provision amounting to TRY432,030 thousand (Note 2.4.21) for the technical deficit based on the report prepared by a registered actuary as of 30 November 2009 in accordance with the technical interest rate of 9.8% determined by the New Law and CSO 1980 mortality table (2008: TRY387,183 thousand).

The amounts recognised in the income statement:

	2009	2008
Provision expenses for the Fund (Note 26)	44,847	85,044

Provision for the Fund is determined as follows:

	2009	2008
Transferrable pension benefits	538,982	518,069
Transferrable post-employment benefits	80,585	13,522
Present value of funded obligations	619,567	531,591
Fair value of plan assets	(187,537)	(144,408)
	432,030	387,183

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NOTE 21 - EMPLOYEE BENEFITS (Continued)

Movements in the provision for the Fund are as follows:

	Pension benefit plans		Post-employment medical benefits	
	2009	2008	2009	2008
Beginning of the period - 1 January	518,069	401,322	13,522	15,500
Service cost	28,991	27,168	19,629	17,230
Interest cost	50,771	44,314	1,325	1,519
Contributions by plan participants	24,599	23,052	13,083	12,153
Actuarial losses/(gains)	(30,229)	69,706	50,166	(16,977)
Benefits paid	(53,219)	(47,493)	(17,140)	(15,903)
End of the period - 31 December	538,982	518,069	80,585	13,522

Movements in the fair value of the Fund assets are as follows:

	2009	2008
	Beginning of the period - 1 January	144,408
Return on plan assets	42,758	26,997
Employer contributions	28,991	27,168
Employee contributions	24,599	23,052
Benefits paid	(53,219)	(47,492)
End of the period - 31 December	187,537	144,408

Plan assets are comprised as follows:

	2009		2008	
	Amount	(%)	Amount	(%)
Government bonds and treasury bills	90,259	48	72,104	50
Property and equipment	56,913	30	47,298	33
Bank placements	14,664	8	8,620	6
Short term receivables	13,454	7	3,831	3
Other	12,247	7	12,555	8
	187,537	100	144,408	100

The principal actuarial assumptions used are as follows:

	2009	2008
Discount rate (%)	9.80	9.80
Mortality rate:		

Based on statistical data, the average life expectancy for men and women retiring at the ages of 64 and 63, respectively, is 15 years for men and 19 years for women.

NOTE 22 - OTHER ASSETS AND LIABILITIES

a) Other current assets

	2009	2008
Value added tax receivables	285,823	380,458
Prepaid expenses	208,570	240,003
Taxes and funds deductible	189,347	300,047
Deposits and guarantees given	134,882	67,812
Advances given	128,676	152,403
Precious metals	94,460	37,262
Assets held for sale	53,942	50,550
Prepaid taxes and funds	38,005	65,879
Payments for credit card settlements	32,557	22,041
Interbank cheque clearing account	8,977	16,025
Other	173,375	177,411
	1,348,614	1,509,891

b) Other non-current assets

	2009	2008
Spare parts and materials	327,807	280,587
Prepaid expenses	281,006	276,310
Advances given	54,736	107,464
Other	11,018	10,649
	674,567	675,010

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(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 22 - OTHER ASSETS AND LIABILITIES (Continued)

	2009	2008
c) Other current liabilities		
Credit card payables	1,083,852	1,007,376
Advances received	205,914	215,654
Warranty and assembly provision	202,547	198,666
Payables to personnel and premium accruals	156,357	182,944
Blocked accounts	138,805	135,701
Provision for lawsuits	111,936	113,642
Provision for losses related to loan commitments (Note 30,a)	97,717	86,849
Interbank cheque clearing account	93,938	87,044
Accruals for sales and other marketing expenses	87,100	84,117
Deferred income	81,942	47,771
Import deposits and transfer orders	77,336	185,459
Provision for unused vacation	57,306	53,949
Collaterals obtained for derivative transactions	51,279	20,754
Transitory accounts	49,171	39,394
Deposits and guarantees received	27,848	14,501
Provision for credit cards and promotion campaigns	24,235	28,337
Export commitment accruals	19,131	20,248
Provision for the non-core assets option agreement	18,726	20,491
Accruals for license expenses	15,567	18,598
Accrual for Energy Market Regulation Authority participation share	13,407	13,631
Provision for the advertising publication agreement	6,076	14,049
Other	499,025	341,356
	3,119,215	2,930,531
d) Other non-current liabilities		
Revenue share (*)	265,853	200,824
Warranty provision	58,970	51,632
Deposits and guarantees received	56,705	33,596
Government grants	56,703	52,924
Other	21,642	27,765
	459,873	366,741

(*) Revenue share, that is collected by Tüpraş, in accordance with Petroleum Market Law and Liquefied Petroleum Gas ("LPG") Market Regulation, is classified in "cash and cash equivalents" as demand deposits with special interest rates.

NOTE 23 - EQUITY

Share Capital

Koç Holding 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 Kr1.

Koç Holding's registered and issued share capital is as follows:

	2009	2008
Limit on registered share capital (historical)	3,000,000	3,000,000
Issued share capital in nominal value	2,415,141	2,012,618

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

The shareholding structures of Koç Holding are as follows:

	2009		2008	
	Share %	Amount	Share %	Amount
Temel Ticaret ve Yatırım A.Ş.	42.39	1,023,794	42.39	853,162
Semahat Arsel	6.42	154,947	6.42	129,123
Suna Kıraç	5.25	126,764	5.25	105,637
Rahmi M, Koç	5.23	126,311	5.23	105,259
Mustafa V, Koç	3.20	77,271	3.20	64,392
Ali Y, Koç	3.05	73,747	3.20	64,322
İpek Kıraç	1.93	46,558	1.93	38,798
Ömer M, Koç	1.79	43,298	2.80	56,442
Rahmi M, Koç ve Mahdumları Maden. İnşaat.				
Turizm. Ulaştırma. Yatırım ve Ticaret A.Ş.	0.10	2,532	0.10	2,110
Total Koç Family members and companies owned by Koç Family members	69.36	1,675,222	70.52	1,419,245
Vehbi Koç Vakfı	7.15	172,767	7.15	143,973
Koç Holding Emekli ve Yardım Sandığı Vakfı	1.99	48,049	1.99	40,041
Other	21.50	519,103	20.34	409,359
Paid-in share capital	100.00	2,415,141	100.00	2,012,618
Adjustment to share capital (*)		967,288		967,288
Total share capital		3,382,429		2,979,906

(*) "Adjustment to share capital" represents the restatement effect of cash and cash equivalent contributions to share capital measured in accordance with the CMB Financial Reporting Standards. "Adjustment to share capital" has no use other than being transferred to paid-in share capital.

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NOTE 23 - EQUITY (Continued)

The issued share capital of Koç Holding amounting to TRY2,012,618 thousand was increased by TRY402,523 thousand to TRY2,415,141 thousand through the transfer from reserves on 15 April 2009.

The analysis of shares by group is as follows:

Group	Unit of shares	TRY'000	Nature of shares
A	64,645,087,838	646,451	Registered
B	176,869,012,162	1,768,690	Registered
	241,514,100,000	2,415,141	

The Articles of Koç Holding set out the following privileges for A-group shares:

1. In accordance with Article 11, pre-emptive rights not used by B-group shareholders, can be used by A-group shareholders within the terms of CMB Legislation.
2. In accordance with Article 25, A-group shareholders have two voting rights for each share owned at the General Assembly meeting (except for meetings with an agenda to change the Articles).

Revaluation Funds

Increases of carrying amounts as a result of revaluations recognised directly in the equity are followed in the headings below:

	2009	2008
Financial assets fair value reserve	52,509	1,465
Cumulative gains/(losses) on hedging	(85,152)	(112,566)
Non-current assets revaluation fund	18,460	18,159
Total revaluation funds	(14,183)	(92,942)

The movements in the revaluation funds are presented in the statements of changes in equity.

Restricted Reserves

The details of these restricted reserves are as follows:

	2009	2008
Legal reserves	140,217	106,096
Special reserves	2,129,595	395,441
Total	2,269,812	501,537

Within the scope of the Exemption for Sale of Participation Shares, the 75% portion of gains in statutory financial statements arising from the sale of investments was transferred to "Special Reserves" (Note 26).

Dividend Distribution

Quoted companies are subject to dividend requirements regulated by the CMB as follows:

In accordance with the CMB Decision dated 27 January 2010, concerning allocation basis of profit from operations of 2009, minimum profit distribution obligation will not be applied for the corporations in the traded stock exchange (2008: 20%). According to the Board's decision and Communiqué No: IV-27 issued by CMB regarding allocation basis of profit of publicly owned companies, the distribution of the relevant amount may be realised as cash, as bonus shares, partly as cash and bonus shares or the relevant amount can be retained within the company.

In addition, according to aforementioned Board Decision, it is stipulated that companies which have the obligation to prepare consolidated financial statements, calculate the net distributable profit amount by taking into account the net profits for the period in the consolidated financial statements that will be prepared and announced to the public in accordance with the Communiqué IX No: 29, "Principles of Financial Reporting in Capital Markets" providing the profits can be met by the sources in their statutory records.

In accordance with Article 32 of the Company's Articles of Association, a contribution of a minimum 1% and maximum 2% (according to the decision of the General Assembly) of the amount remaining after the first legal reserves set aside over income before tax, financial obligations and initial dividends, is paid to Koç Holding Emekli ve Yardım Sandığı Vakfı. In addition, save for the first dividend determined according to the Capital Markets Law, 3% of the amount remaining after the first legal reserves, financial obligations and 5% of the paid-in capital are deducted from the income before tax, is allocated to share certificate owners. However, the share to be paid to the owners of the dividend shares may not be more than 1/10 of the amount remaining after the first legal reserves and first dividend calculated according to CMB regulations are deducted from the net profit.

The total amount of net income after the deduction of accumulated losses at statutory records and inflation adjustment difference that can be subject to dividend distribution is TRY1,558,698 thousand.

The allocation of the minority interest is as follows:

	2009	2008
Koç Family members	1,519,077	1,291,387
Other	6,093,013	5,090,782
	7,612,090	6,382,169

The allocation of profit attributable to minority interest is as follows:

	2009	2008
Koç Family members	224,145	38,501
Other	987,233	515,925
	1,211,378	554,426
Profit from continuing operations attributable to minority interest	1,211,378	513,423
Profit from discontinued operations attributable to minority interest	-	41,003
	1,211,378	554,426

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NOTE 24 - OPERATING REVENUE

	2009	2008
Domestic sales	29,913,801	37,172,792
Foreign sales	10,570,259	13,741,492
Gross sales	40,484,060	50,914,284
Less: Discounts and returns	(1,033,752)	(1,230,879)
Operating revenue	39,450,308	49,683,405
Sales of goods	38,834,680	48,970,605
Sales of services	615,628	712,800
Operating revenue	39,450,308	49,683,405

Finance sector operating revenue is disclosed in Note 5.

NOTE 25 - EXPENSES BY NATURE

Expense by nature includes cost of goods sold, marketing, selling and distribution expenses, general administrative expenses and research and development expenses.

	2009	2008
Raw materials, supplies and merchandise	30,690,378	40,093,510
Changes in work in progress, finished goods and merchandise	(9,404)	242,402
Personnel expenses	2,407,676	2,384,109
Depreciation and amortisation charges	912,524	807,848
Transportation, distribution and storage expenses	570,965	631,445
Energy and utility expenses	423,455	493,949
Warranty and assembly costs	412,604	381,330
Advertisement and promotion expenses	350,510	388,747
Rent expenses	290,259	201,306
Maintenance and repair expenses	197,849	204,769
Taxes, duties and charges	116,579	122,336
Outsourcing expenses	106,050	136,546
Litigation and consultancy expenses	98,581	97,304
Sales, incentives and premium expenses	84,946	96,846
Information systems and communication expenses	83,796	86,849
Insurance expenses	74,178	72,104
Travel expenses	59,133	43,173
Royalty expenses	23,807	26,279
Grants and donations	23,324	30,996
Other	1,162,410	1,716,856
	38,079,620	48,258,704

The functional breakdown of amortisation, depreciation and personnel expenses is as follows:

	2009	2008
Depreciation and amortization charges		
Cost of sales	670,626	584,923
Marketing, selling and distribution expenses	45,479	38,060
General administrative expenses	176,933	175,849
Research and development expenses	30,153	15,183
Other expenses	1,467	1,277
Total	924,658	815,292
Personnel expenses		
Cost of sales	816,207	791,362
Marketing, selling and distribution expenses	344,748	329,581
General administrative expenses	1,211,588	1,220,222
Research and development expenses	35,133	42,944
Total	2,407,676	2,384,109

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NOTE 26 - OTHER INCOME/EXPENSES

	2009	2008
Other income		
Income from incentives	44,783	26,799
Reversal of provisions	39,055	55,820
Rent income	34,645	22,750
Gain on sale of property, plant and equipment	22,200	86,913
Dividend income	4,228	23,966
Gain on sale of investments	-	1,675,064
Other	138,832	71,251
	283,743	1,962,563
Other expenses		
Provision expenses	(1,059,352)	(469,003)
Provision expenses for the Fund	(44,847)	(85,044)
Loss on sale of property, plant and equipment	(12,815)	(25,485)
Other	(54,727)	(52,872)
	(1,171,741)	(632,404)
Gain on sale of investments		2008
Migros Türk T.A.Ş.		1,148,348
Koç Allianz Sigorta A.Ş.		314,155
Koç Allianz Hayat ve Emeklilik A.Ş.		187,379
Opet Aygaz Bulgaria EAD		20,827
Demrad Döküm Ürünleri Sınai ve Tic. A.Ş.		4,329
Other		26
		1,675,064

A Share Transfer Agreement was signed on 13 February 2008 between Koç Holding and Moonlight Capital SA, controlled by the funds managed by BC Partners, regarding the transfer of 50.83% of Migros shares. Share transfer was concluded on 30 May 2008 following the obtainment of all required permission and the fulfillment of all other prerequisites. In accordance with the Share Transfer Agreement, a cash dividend in the amount of TRY53,626 thousand paid to Koç Holding by Migros in 2008 was deducted from the sales price, and a total balance of TRY1,922,440 thousand including the price adjustment effected to take into consideration the closing balance sheet of Migros, dated 31 May 2008, was paid to Koç Holding in cash.

Following the Share Transfer Agreement signed with Allianz SE on 20 April 2008 for the sale of 43.41% and 49.00% of shares owned by Koç Holding in Koç Allianz Sigorta and Koç Allianz Hayat, respectively; the share transfer was completed on 21 July 2008 after the necessary permissions were obtained and all other prerequisites were fulfilled. The entire share transfer amounts of EUR228,215,920 and EUR125,219,348, including price adjustments applied in the scope of the Share Transfer Agreement, were paid in cash to Koç Holding for the shares owned by Koç Holding in Koç Allianz Sigorta and Koç Allianz Hayat, respectively.

Within the scope of the Exemption for Sale of Participation Shares, the 75% portion of gains in statutory financial statements arising from the sale of investments in 2008 with the amount of TRY1.734.154 thousand classified in "Special Reserves" in the Equity (Note 23).

NOTE 27 - FINANCIAL INCOME/EXPENSES

	2009	2008
Financial income		
Foreign exchange gains	1,136,817	2,199,938
Interest income	384,489	350,976
Credit finance income	240,538	598,402
Gains on derivative financial instruments	32,104	102,913
Other financial income	6,561	15,652
	1,800,509	3,267,881
Financial expenses		
Foreign exchange losses	(1,201,321)	(3,809,192)
Interest expenses	(750,507)	(929,405)
Credit finance charges	(60,184)	(311,042)
Losses on derivative financial instruments	(69,515)	(155,302)
Other financial expenses	(30,990)	(20,186)
	(2,112,517)	(5,225,127)

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NOTE 28 - RELATED PARTY DISCLOSURES

(a) Related party balances

	2009			2008		
	Joint Ventures	Other	Total	Joint Ventures	Other	Total
Cash and cash equivalents	1,103,581	-	1,103,581	1,377,191	-	1,377,191
Trade receivables	107,427	27,919	135,346	78,972	43,133	122,105
Trade payables	141,968	29,122	171,090	92,664	52,228	144,892
Loans and advances to customers	26,400	13,958	40,358	10,550	3,707	14,257
Deposits	57,613	950,509	1,008,122	21,034	265,173	286,207
Financial liabilities	430,496	-	430,496	241,490	-	241,490

(b) Related party transactions

	2009			2008		
	Joint Ventures	Other	Total	Joint Ventures	Other	Total
Sales of goods and services	1,087,999	133,028	1,221,027	1,264,723	72,786	1,337,509
Purchases of goods and services	1,136,836	99,969	1,236,805	954,862	138,575	1,093,437

(c) Key management compensation

Total compensation provided to key management personnel by Koç Holding in 2009 amounts to TRY16,999 thousand (2008: TRY15,528 thousand). The amount is comprised of short-term employee benefits.

NOTE 29 - GOVERNMENT GRANTS

The Group is entitled by the following incentives and rights:

- 100 % exemption from customs duty on machinery and equipment imported,
- Exemption from VAT on investment goods supplied from home and abroad, exemption from taxes, duties and charges,
- Incentives under the jurisdiction of the research and development law (100% corporate tax exemption, Social Security Institution incentives, etc.),
- Inward processing permission certificates,
- Cash refund from TÜBİTAK-Teydeb for research and development expenditures,
- Insurance premium employer share incentive,
- Discounted corporate tax incentive,
- Investment incentive allowance (Note 17).

NOTE 30 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

The summary of commitments regarding the non-finance sector companies is as follows;

	2009	2008
Guarantees given	3,669,744	2,456,862
Mortgages given	77,694	52,449
Guarantees taken	3,127,482	3,057,455
Mortgages taken	1,654,229	1,565,730

Collaterals, pledges and mortgages "CPM" given by the Parent Company, Koç Holding, as of 31 December 2009 and 2008 are as follows:

	2009	2008
A. CPM's given in the name of its own legal personality	170,626	339,509
B. CPM's given on behalf of the fully consolidated companies	608,750	548,728
C. CPM's given on behalf of third parties for ordinary course of business (*)	-	508,724
D. Total amount of other CPM's given	-	-
i) Total amount of CPM's given on behalf of the majority shareholder	-	-
ii) Total amount of CPM's given to on behalf of other group companies which are not in scope of B and C.	-	-
iii) Total amount of CPM's given on behalf of third parties which are not in scope of C.	-	-
	1,288,100	888,237

(*) Includes the commitments given regarding to the loan obtained for the main operations of the Parent Company, Koç Holding, from a consortium including 14 financial institutions that is intended to meet various financing needs of Koç Group companies (Subsidiaries and Joint Ventures) (Note 16).

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(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 30 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

Commitments - given:

a) Commitments - Banking

As of 31 December 2009, debt securities, amounting to TRY775,241 thousand (2008: TRY1,423,113 thousand), included in the financial assets are pledged;

- to the CBRT due to legal requirements,
- to Istanbul Menkul Kıymetler Borsası Takas ve Saklama Bankası A.Ş. due to stock exchange and money market operations and,
- to various banks, due to loan agreements as guarantees.

The summary of significant commitments and contingent liabilities related to banking sector companies is as follows:

Credit related commitments

	2009	2008
Letters of guarantee		
- Foreign currency	3,522,557	3,652,093
- TRY	2,900,668	2,752,364
Letter of credits	75,858	106,847
Acceptance credits	1,369,118	1,390,782
Other commitments and contingencies	219,171	335,155
	8,087,372	8,237,241
Less: Provision for losses on credit related commitments (Note 22.c)	(97,717)	(86,849)
	7,989,655	8,150,392

Custody services:

The Group's Joint Ventures in the finance sector provide custody services to third parties. The assets held in a fiduciary capacity are not included in these consolidated financial statements. As of 31 December 2009, the Group has custody accounts amounting to TRY12,811,713 thousand (2008: TRY12,289,814 thousand).

b) Commitments - Energy

- Koç Holding's shares in Arçelik and Aygaz, with the nominal values of TRY160,460 thousand and TRY10,000 thousand, respectively, were pledged as collateral against the loan amounting to USD950,000,000 taken from the consortium composed of JP Morgan Europe Limited and JP Morgan Chase Bank N.A., in addition shares in Tüpraş with the nominal value of TRY127.714 thousand were pledged as collateral against the loan amounting to USD1,800,000,000 taken by Enerji Yatırımları, a Subsidiary of the Group, from the consortium of Akbank T.A.Ş. Malta Branch, Türkiye Garanti Bankası A.Ş. Luxembourg Branch, Türkiye İş Bankası A.Ş. Bahrain Offshore Branch, Standard Bank Plc, Türkiye Vakıflar Bankası T.A.O. Bahrain Offshore Branch and Türkiye Halk Bankası A.Ş. The dividends and voting rights for these shares remain with Koç Holding (Note 16).
- Several financial and non-financial covenants exist with respect to the loans obtained in order to finance the cost of Tüpraş share purchase and to re-finance the Group's existing loans in 2006. In the event that these covenants are not fulfilled, the aforementioned creditors have the right to recall the outstanding loans (Note 16).
- National petroleum stock is provided through the obligation of refinery, fuel and LPG distribution licensees to keep a minimum of twenty times the average daily product supplied in their own storages or licensed storage facilities, whether as a whole or separately according to their status. According to the Petroleum Market Law, in order to ensure a sustainable oil market, to prevent the risks in crisis or extraordinary cases and to meet the requirements of international agreements, it is required to keep petroleum stock at an amount equal to at least ninety days of the net import in the previous year's average daily consumption, and refineries have been obliged to retain the complementary portion of the national petroleum stock.
- The Group is responsible for cleaning environmental pollution that could be caused as a result of its operations. There are no material lawsuits against the Group regarding environmental matters as of date of these consolidated financial statements. The environmental impact of the storage of chemical materials, environmental air quality and emission, collection and quality of waste water, garbage dump, surface and underground water and overall refinery operations have been analyzed by an expert advisor company of the Group. As a result of the evaluation regarding the expenditures to be made the Group management has the opinion that necessary expenditures have been completed as of 31 December 2009 and 2008.

c) Commitments - Automotive

- In the scope of the borrowing agreements signed in 2007, Ford Otosan, a Joint Venture of the Group, is required to process its export proceeds up to an amount EUR8,208,000, EUR10,260,000 and EUR20,109,600 through deposit accounts at Garanti Bankası A.Ş., İş Bankası A.Ş. and Akbank T.A.Ş., respectively for the year 2009. In accordance with the borrowing agreements signed in 2009, Ford Otosan is required to process its export proceeds up to an amount of EUR61,560,000, EUR8,208,000 and EUR2,975,000 through deposit accounts at Garanti Bankası A.Ş., Ziraat Bankası A.Ş. and Türkiye İhracat Kredi Bankası A.Ş., respectively for the year 2009. Ford Otosan fulfilled its export commitments as of 31 December 2009.
- As of 31 December 2009, Tofaş, a Joint Venture of the Group, carried out an export transaction amounting to USD128,704,000 within the scope of an export incentive certificate, requiring an export commitment of USD481,957,800 to be fulfilled by 27 October 2010.
- As of 31 December 2009, the total amount of the guarantees given for the bank borrowing of Ford Otosan, a Joint Venture of the Group, amount to TRY99,471 thousand (2008: TRY109,718 thousand).

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NOTE 31 - DISCONTINUED OPERATIONS

a) Assets and liabilities held for sale

IFRS 5 has been applied for the purpose of the accounting for the assets and liabilities of the subsidiaries and joint ventures that are planned to be sold or liquidated.

A summary of information regarding assets and liabilities held for sale is as follows:

Assets held for sale	2009	2008
Cash and cash equivalents	12,878	12,108
Trade receivables	211	9,849
Inventories	-	362
Property, plant and equipment	1,222	1,399
Other assets	954	24,926
	15,265	48,644
Liabilities held for sale	2009	2008
Trade payables	292	3,232
Provision for employment termination benefits	83	173
Other liabilities	6,872	30,634
	7,247	34,039

b) Income from discontinued operations

IFRS 5 has been applied for the presentation of the Migros Group, which was considered as discontinued operation (Note 26).

	2009	2008
Revenue (net)	-	1,937,085
Cost of sales (-)	-	(1,425,259)
Gross profit	-	511,826
Marketing, selling and distribution expenses (-)	-	(309,316)
General administrative expenses (-)	-	(83,798)
Other income/expense (net)	-	(5,722)
Operating profit	-	112,990
Financial income/expense (net)	-	(12,410)
Profit before tax	-	100,580
Taxes on income (net)	-	(17,207)
Profit for the period	-	83,373

c) Summary of cash flow information related to discontinued operations

	2009	2008
Cash flow from operating activities	-	49,560
Cash flow from investing activities	-	171,682
Cash flow from financing activities	-	(231,900)

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial Instruments and Financial Risk Management

Financial Risk Management

The Group is exposed to variety of financial risks due to its operations. These risks include credit risk, market risk (foreign exchange risk and interest rate risk) and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group also uses derivative financial instruments to hedge risk exposures.

Financial risk management is carried out by the Subsidiaries and Joint Ventures of the Group under policies approved by their own Boards of Directors.

A) Credit Risk

Credit risk is the risk that a counterparty cannot fulfill its obligations in the agreements that the Group is party to. The Group monitors the credit risk by credit ratings and limitations to the total risk of a single counterparty. The credit risk is diversified as a result of the large number of entities comprising the customer bases and the entities' penetration to different business segments.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2009

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NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Credit risk management procedures

Finance sector

Credit risk which is inherent in all products ranging from loans to customers and commitments to letters of credit is monitored through detailed credit policies and procedures by the management of companies operating in the finance sector.

Yapı Kredi Bankası identifies loan limits for each customer considering statutory regulations, the internal scoring system, financial analysis reports and geographical and industry concentration and considering credit policies determined by Board of the Directors each year. The limits defined by the Board of Directors for each correspondent bank are followed up daily by Treasury Management for the transactions related with placements with domestic and correspondent banks or treasury operations such as forward buy and sell transactions. Moreover, daily positions and limit controls of each Treasury and Fund Management employee who is authorised for transactions in the market are controlled by the system. In the loan granting process, liquid collaterals are obtained to the greatest extent possible. Long-term projections of the companies are analysed both by financial analysis specialists and head office when granting long-term and project finance loans. Since credit and interest risks are higher in long-term commitments, their pricing is coordinated with Treasury Management.

Other sectors

The Group's non-finance sector companies are exposed to credit risk arising from their trade receivables, financial assets, derivative instruments and bank deposits.

A majority of the trade receivables stem from the dealers over which the Group exerts a significant control mechanism. Credit risk by dealer is followed up by taking into account the relevant customers' financial position, past experience and other related factors, and guarantees are obtained to the greatest extent possible. Moreover, the risk management program (E-risk), which enables the daily follow-up of trade receivables' risk arising from the Group's activities, aims to minimise the potential adverse effects of market fluctuations.

In financial asset management it is ensured that investments are made in highly liquid instruments with low level of volatility and financially strong banks are chosen for transactions.

Credit risk details

The maximum exposure of the Group's financial assets to credit risk is as follows:

	Trade receivables	Loans and advances to customers	Cash and cash equivalents	Financial assets	Derivative financial instruments
31 December 2009					
Maximum exposure to credit risk as of reporting date (A+B+C+D+E)	4.800.946	21.598.747	10.098.622	7.867.298	376.245
A. Net book value of neither past due nor impaired financial assets	4,092,957	19,584,535	10,098,622	7,867,298	376,245
B. Net book value of restructured financial assets	124,909	34,744	-	-	-
C. Net book value of past due but not impaired financial assets	539,175	2,053,993	-	-	-
D. Net book value of impaired assets	43,905	233,846	-	-	-
- Gross amount	234,999	1,525,534	-	-	-
- Impairment	(191,094)	(1,291,688)	-	-	-
- Secured with guarantees	43,469	379,075	-	-	-
E. Collective provision for impairment (-)	-	(308,371)	-	-	-
31 December 2008					
Maximum exposure to credit risk as of reporting date (A+B+C+D+E)	5,174,588	22,081,655	8,329,395	7,464,946	283,188
A. Net book value of neither past due nor impaired financial assets	4,256,680	20,774,678	8,329,395	7,464,946	283,188
B. Net book value of restructured financial assets	42,315	15,744	-	-	-
C. Net book value of past due but not impaired financial assets	826,429	1,159,819	-	-	-
D. Net book value of impaired assets	49,164	377,764	-	-	-
- Gross amount	208,344	984,871	-	-	-
- Impairment	(159,180)	(607,107)	-	-	-
- Secured with guarantees	37,947	250,268	-	-	-
E. Collective provision for impairment (-)	-	(246,350)	-	-	-

As of 31 December 2009, neither past due nor impaired trade receivables amounting to TRY2,179,954 thousand (2008: TRY2,633,925 thousand) and past due but not impaired trade receivables amounting to TRY211,664 thousand (2008: TRY553,070 thousand) have been secured with guarantees.

As of 31 December 2009, the fair value of guarantees taken related to watch listed loans and loans under legal follow-up amount to TRY788,007 thousand (2008: TRY644,113 thousand).

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NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Trade receivables

a) Details of neither past due nor impaired or restructured trade receivables' credit quality:

	2009	2008
New customers (Less than 3 months)	165,629	278,756
Public institutions and corporations	117,762	97,916
Other customers with no payment defaults	3,648,198	3,615,024
Customers with prior collection delays	286,277	307,299
	4,217,866	4,298,995

b) Analysis of past due trade receivables:

<i>Not impaired</i>	2009	2008
0 - 1 month	189,432	216,162
1 - 3 months	231,972	213,351
3 - 12 months	81,452	362,744
Over 1 year	36,319	34,172
	539,175	826,429

As of 31 December 2009, past due but not impaired trade receivables amounting to TRY211.664 thousand are secured with guarantees (2008: TRY553.070 thousand).

<i>Impaired</i>	2009	2008
0 - 3 months	47,695	12,932
3 - 6 months	7,315	13,570
Over 6 months	179,989	181,842
Less: Provision for loan losses	(191,094)	(159,180)
	43,905	49,164

All the impaired trade receivables of the Group are past due. As of 31 December 2009, impaired receivables amounting to TRY43,469 thousand are secured by guarantees (2008: TRY37,947 thousand).

Loans and advances to customers

a) As of 31 December 2009, the details of neither past due nor impaired or restructured corporate and commercial loans credit quality are as follows:

	Rating Class	Concentration Level
Above average	1 - 4	30.3%
Average	5+ - 6	47.9%
Below average	7+ - 9	21.8%

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NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

b) Details of the past due but not impaired loans and advances:

31 December 2009	Corporate and commercial loans	Consumer loans	Credit card receivables	Leasing receivables	Total
Past due up to 30 days	385,215	225,887	299,832	5,199	916,133
Past due 30-60 days	33,881	109,134	95,027	503	238,545
Past due 60-90 days	705,467	82,495	110,750	603	899,315
Total	1,124,563	417,516	505,609	6,305	2,053,993

31 December 2008	Corporate and commercial loans	Consumer loans	Credit card receivables	Leasing receivables	Total
Past due up to 30 days	260,445	212,862	248,466	6,310	728,083
Past due 30-60 days	82,585	99,517	137,818	4,874	324,794
Past due 60-90 days	20,174	26,829	59,641	298	106,942
Total	363,204	339,208	445,925	11,482	1,159,819

c) Sector-specific details of loans and advances to customers:

	2009	%	2008	%
Production	4,709,913	22	5,016,221	23
Consumer loans	4,532,792	21	4,263,537	19
Credit card receivables	3,630,616	17	3,745,078	17
Food and retail	959,127	4	1,013,632	5
Public sector	617,075	3	690,219	3
Financial institutions	655,573	3	486,368	2
Real estate	182,898	1	132,440	1
Other sectors	6,310,753	29	6,734,160	30
	21,598,747	100	22,081,655	100

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Cash and cash equivalents

As of 31 December 2009 and 2008, no cash and cash equivalents are past due or impaired. A significant portion of the bank deposits that are classified under cash and cash equivalents are held in banks operating in Turkey.

Financial assets

As of 31 December 2009 and 2008, no debt securities classified under financial assets are past due or impaired.

The rating of debt securities is as follows:

	2009	2008
Moody's Credit Rating		
Aaa	45,262	18,079
Aa	8,668	82,426
Aa2	5,737	-
Ba2	50,451	-
Baa (*)	7,107,384	49,003
Ba3	529,329	7,254,601
Unrated	120,467	60,837
	7,867,298	7,464,946

(*) Securities consist of Republic of Turkey government bonds and treasury bills.

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NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

B) Market Risk

a) Foreign Exchange Risk

The difference between the foreign currency denominated and foreign currency indexed assets and liabilities are defined as the "Net Foreign Currency Position" and it is the basis of currency risk. Another important dimension of the currency risk is the changes of the exchange rates of different foreign currencies in "Net Foreign Currency Position" (cross currency risk).

Yapı Kredi Bankası, a Joint Venture of the Group, keeps the currency risk exposure within the related legal limits follows the currency risk on a daily basis and presents the results to the Asset and Liability Committee. The other Subsidiaries and Joint Ventures of the Group keep the currency risk exposure within the limits approved by their Board of Directors. Koç Holding, the parent company, continuously reviews the risk limits of the Subsidiaries and Joint Ventures, taking into account the overall economic conditions and developments in the market, hence determines new limits, when necessary. Futures contracts such as swaps, options and forwards are also employed as instruments for currency risk management, when needed for hedging purposes.

Assets and liabilities denominated in foreign currency held by the Group before consolidation adjustments are as follows:

	2009	2008
Assets	21,619,519	22,847,302
Liabilities	(25,219,656)	(26,077,144)
Net balance sheet position	(3,600,137)	(3,229,842)
Off-balance sheet derivative instruments net position	968,225	(41,915)
Net foreign currency position	(2,631,912)	(3,271,757)

Tüpraş, a Subsidiary of the Group, manages its foreign currency risk resulting from its net financial liabilities by reflecting the effects of the changes in foreign currencies to its selling prices of petroleum products. As of 31 December 2009, Tüpraş has raw materials and petroleum products amounting to TRY1,232,460 thousand (2008: TRY1,130,893 thousand).

In addition, the repayment obligation related to the loans of Tofaş, a Joint Venture of the Group, obtained for investment purposes, is guaranteed by Fiat Auto S.p.A and Peugeot Citroen Automobiles S.A. (the "Purchasers") through future purchases. Accordingly, the exposure to foreign exchange and interest rate risks are undertaken by the Purchasers. Therefore, the net foreign currency liability position should be considered lower by TRY340,223 thousand when assessing foreign exchange risk (2008: TRY316,649 thousand).

As of 31 December 2009 and 2008, if EUR and USD had appreciated/depreciated by 10% against TRY with all other variables held constant, profit before tax and minority interests would have been TRY263,191 thousand (2008: TRY327,175 thousand) lower/higher, mainly as a result of foreign exchange losses/gains on the translation of the foreign exchange position. The net effect of the mentioned foreign exchange losses/gains on net profit/equity is approximately TRY144,844 thousand.

31 December 2009	USD	EUR	Other	Total
Foreign currency net asset/liability	183,349	228,930	(52,265)	360,014
Hedged items	70,517	(179,216)	11,876	(96,823)
	253,866	49,714	(40,389)	263,191
31 December 2008	USD	EUR	Other	Total
Foreign currency net asset/liability	283,782	104,837	(65,635)	322,984
Hedged items	30,300	(54,477)	28,368	4,191
	314,082	50,360	(37,267)	327,175

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NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

	2009			
	USD	EUR	Other	Total
Assets:				
Cash and cash equivalents	2,800,382	2,314,322	320,165	5,434,869
Financial assets	3,502,079	723,770	72,042	4,297,891
Trade receivables	400,694	1,277,679	273,459	1,951,832
Loans and advances to customers	5,562,861	3,242,056	293,139	9,098,056
Inventories	44,210	158,527	169,392	372,129
Deferred tax assets	-	1,247	16,117	17,364
Other assets	133,996	196,999	116,383	447,378
Total assets	12,444,222	7,914,600	1,260,697	21,619,519
Liabilities:				
Deposits	6,350,918	3,796,218	468,559	10,615,695
Financial liabilities	4,974,282	5,423,287	106,337	10,503,906
Trade payables	2,394,094	571,760	57,290	3,023,144
Insurance technical reserves	132,468	27,757	-	160,225
Current income tax liabilities	-	1,105	13,578	14,683
Provisions for employee benefits	-	2,477	1,155	3,632
Deferred tax liabilities	-	37,820	8,268	46,088
Other liabilities	425,949	343,478	82,856	852,283
Total liabilities	14,277,711	10,203,902	738,043	25,219,656
Net balance sheet position	(1,833,489)	(2,289,302)	522,654	(3,600,137)
Derivative financial assets	5,607,509	2,208,629	177,119	7,993,257
Derivative financial liabilities	(6,312,676)	(416,473)	(295,883)	(7,025,032)
Off-balance sheet derivative instruments net position	(705,167)	1,792,156	(118,764)	968,225
Net foreign currency position	(2,538,656)	(497,146)	403,890	(2,631,912)
Net foreign currency monetary position	(2,582,866)	(655,673)	234,498	(3,004,041)
Fair value of currency derivatives held for hedging	1,925	128	-	2,053
Hedged foreign currency liabilities	273,771	8,195	-	281,966

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NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

	2008			
	USD	EUR	Other	Total
Assets:				
Cash and cash equivalents	3,482,984	2,630,835	242,102	6,355,921
Financial assets	3,288,681	677,638	100,153	4,066,472
Trade receivables	477,498	1,296,038	291,737	2,065,273
Loans and advances to customers	5,605,260	3,451,845	312,793	9,369,898
Inventories	34,557	240,131	213,611	488,299
Deferred tax assets	-	5,138	12,639	17,777
Other assets	141,613	283,304	52,069	476,986
Assets held for sale	6,601	75	-	6,676
Total assets	13,037,194	8,585,004	1,225,104	22,847,302
Liabilities:				
Deposits	6,331,197	3,214,201	374,326	9,919,724
Financial liabilities	7,299,781	5,332,978	29,368	12,662,127
Trade payables	1,905,843	628,208	50,088	2,584,139
Insurance technical reserves	131,124	34,747	-	165,871
Current income tax liabilities	-	3,257	1,534	4,791
Provisions for employee benefits	-	2,021	662	2,683
Deferred tax liabilities	-	4,505	9,247	13,752
Other liabilities	207,066	413,225	103,533	723,824
Liabilities held for sale	-	233	-	233
Total liabilities	15,875,011	9,633,375	568,758	26,077,144
Net balance sheet position	(2,837,817)	(1,048,371)	656,346	(3,229,842)
Derivative financial assets	2,752,287	988,725	77,177	3,818,189
Derivative financial liabilities	(3,055,285)	(443,957)	(360,862)	(3,860,104)
Off-balance sheet derivative instruments net position	(302,998)	544,768	(283,685)	(41,915)
Net foreign currency position	(3,140,815)	(503,603)	372,661	(3,271,757)
Net foreign currency monetary position	(3,175,372)	(743,734)	159,050	(3,760,056)
Fair value of currency derivatives held for hedging	8,284	(2,023)	-	6,261
Hedged foreign currency liabilities	314,810	24,285	-	339,095

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NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Import and export details

Export	2009	2008
EUR	4,849,533	5,371,716
USD	3,702,560	7,121,683
Other	595,780	431,089
	9,147,873	12,924,488
Import		
EUR	2,943,918	3,483,563
USD	16,871,640	25,963,299
Other	1,548,414	26,213
	21,363,972	29,473,075

b) Interest Rate Risk

The Group is exposed to interest rate risk arising from the rate changes on interest-bearing liabilities and assets. The Group manages this risk by offsetting interest-bearing assets and liabilities' residual terms of revaluation and by using derivative instruments for hedging purposes.

The monitoring of interest rate sensitive assets and liabilities and sensitivity analysis of Yapı Kredi Bankası, a Joint Venture of the Group, regarding the effect of interest rate fluctuations on the financial statements are performed by the Risk Management Department for all interest sensitive instruments. The results are presented monthly to the Asset and Liability Committee. By using sensitivity and scenario analyses, the possible loss effects on the equity are analysed due to the interest rate volatility not only within current year but also for the future periods. The effects of the volatility of market interest rates on positions and on cash flows are also closely monitored.

The weighted average effective annual interest rates (%) for the financial assets and liabilities of the Group are as follows:

	2009			2008		
	USD	EUR	TRY	USD	EUR	TRY
Assets						
Cash and cash equivalents	2.42	1.28	8.47	4.59	3.86	19.17
Financial assets						
- Assets at fair value	7.60	7.51	8.70	9.56	8.98	20.18
- Available-for-sale financial assets	7.40	7.30	11.97	6.42	7.74	15.38
- Held-to-maturity financial assets	6.81	5.40	11.51	10.85	5.50	19.02
Loans and advances to customers	6.04	6.43	17.74	6.30	7.77	25.24
Liabilities						
Financial liabilities	2.02	2.89	10.10	4.11	5.84	20.71
Deposits	1.90	1.84	7.87	4.41	3.36	20.15

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NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Group's financial assets and liabilities in carrying amounts classified in terms of periods remaining to contractual repricing dates are as follows:

31 December 2009	Up to 3 months	3 months - 1 year	1 year - 5 years	5 years and over	Non-interest bearing	Total
Assets						
Cash and cash equivalents	8,140,212	77,595	73,084	6,951	1,800,780	10,098,622
Financial assets						
- Assets at fair value	71,940	41,676	31,512	8,550	45,873	199,551
- Available-for-sale financial assets	328,589	133,904	93,504	443,486	129,456	1,128,939
- Held-to-maturity financial assets	2,384,125	704,453	1,366,582	2,222,631	-	6,677,791
Loans and advances to customers	6,517,197	5,475,157	6,032,893	3,309,368	264,132	21,598,747
Total	17,442,063	6,432,785	7,597,575	5,990,986	2,240,241	39,703,650
Liabilities						
Deposits	15,564,487	877,841	489,424	67,019	3,972,835	20,971,606
Financial liabilities	7,145,049	6,564,672	1,162,395	36,367	11,737	14,920,220
Total	22,709,536	7,442,513	1,651,819	103,386	3,984,572	35,891,826
31 December 2008	Up to 3 months	3 months - 1 year	1 year - 5 years	5 years and over	Non-interest bearing	Total
Assets						
Cash and cash equivalents	6,098,864	149,331	83,640	126,097	1,871,463	8,329,395
Financial assets						
- Assets at fair value	28,025	69,683	66,165	20,301	30,306	214,480
- Available-for-sale financial assets	287,194	102,589	198,812	290,552	145,722	1,024,869
- Held-to-maturity financial assets	2,340,929	603,895	1,178,408	2,229,792	-	6,353,024
Loans and advances to customers	7,652,606	5,922,102	5,515,039	2,617,129	374,779	22,081,655
Total	16,407,618	6,847,600	7,042,064	5,283,871	2,422,270	38,003,423
Liabilities						
Deposits	16,778,416	692,132	226,789	49,302	3,145,327	20,891,966
Financial liabilities	6,488,984	9,341,369	1,573,774	171,253	2,781	17,578,161
Total	23,267,400	10,033,501	1,800,563	220,555	3,148,108	38,470,127

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NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

The interest rate position is as follows:

	2009	2008
Fixed interest rate financial instruments		
<i>Financial assets</i>		
Cash and cash equivalents	8,168,398	6,457,932
Assets at fair value through profit or loss	139,409	154,602
Assets held for sale	781,752	623,576
Loans and advances to customers	15,743,584	16,583,459
Total	24,833,143	23,819,569
<i>Financial liabilities</i>		
Deposits	16,995,200	17,746,639
Financial liabilities	4,545,202	7,234,820
Total	21,540,402	24,981,459
Floating interest rate financial instruments		
<i>Financial assets</i>		
Cash and cash equivalents	129,444	-
Assets at fair value through profit or loss	14,269	29,572
Assets held for sale	217,731	255,571
Loans and advances to customers	5,591,031	5,123,417
Total	5,952,475	5,408,560
<i>Financial liabilities</i>		
Deposits	3,571	-
Financial liabilities	10,363,281	10,340,560
Total	10,366,852	10,340,560

As of 31 December 2009, if the annual interest rate on TRY basis were 100 base points higher/lower, and all other variables remained constant, due to the changes in the carrying values of financial investments; the profit before tax would be TRY1,723 thousand (2008: TRY2,112 thousand) and due to its direct effect on equity, the equity would be TRY20,982 thousand (2008: TRY11,339 thousand) lower/higher.

C) Liquidity Risk

Liquidity risk comprises the risks arising from the inability to fund the increase in the assets, the inability to cover the liabilities due and the operations performed in illiquid markets. In the framework of liquidity risk management, funding sources are being diversified, and sufficient cash and cash equivalents are held. In order to meet instant cash necessities it is ensured that the cash and cash equivalent assets level does not fall below a predetermined portion of the short term liabilities.

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NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

As of 31 December 2009 and 2008 the undiscounted contractual cash flows of the financial liabilities of the Group are as follows:

2009	Demand or up to 3 months	3-12 months	1-5 years	5 years and over	Total
Non-derivative financial instruments					
Financial liabilities	4,922,422	7,654,408	7,615,266	3,170,534	23,362,630
Deposits	19,626,813	1,078,055	307,388	82,368	21,094,624
Trade payables	5,619,061	441,749	-	-	6,060,810
Other liabilities	4,485,083	304,311	337,201	165,490	5,292,085
Derivative financial instruments					
Cash inflow	6,130,178	879,779	3,092,013	760,408	10,862,378
Cash outflow	(6,187,300)	(561,297)	(2,870,766)	(731,497)	(10,350,860)
2008	Demand or up to 3 months	3-12 months	1-5 years	5 years and over	Total
Non-derivative financial instruments					
Financial liabilities	4,593,472	5,529,722	6,868,779	2,626,615	19,618,588
Deposits	19,950,388	808,557	263,422	70,089	21,092,456
Trade payables	3,260,143	145,054	-	-	3,405,197
Other liabilities	4,322,231	91,081	366,741	-	4,780,053
Derivative financial instruments					
Cash inflow	3,620,942	1,709,583	1,009,927	164,323	6,504,775
Cash outflow	(2,452,703)	(1,563,907)	(2,023,192)	(164,323)	(6,204,125)

Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the net debt/total capital ratio. Net debt is calculated as total borrowings less cash and cash equivalents and tax liabilities (current period and deferred tax liabilities).

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NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Net debt/total capital ratio as of 31 December 2009 and 2008 is as follows:

	2009	2008
Total liabilities	46,631,499	47,894,376
Cash and banks	(8,669,345)	(6,719,358)
Net debt	37,962,154	41,175,018
Total equity	18,782,046	16,131,660
Total capital	56,744,200	57,306,678
Net debt/total capital ratio	67%	72%

NOTE 33 - FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES)

Fair value of financial instruments

The estimated fair values of financial instruments have been determined by the Group, using available market information and appropriate valuation methodologies. However, judgement 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 Group could realise in a current market exchange.

The following methods and assumptions are used to estimate the fair value of the financial instruments:

Financial assets

The carrying values of significant portion of cash and cash equivalents are assumed to approximate to their fair value due to their short-term nature.

The carrying values of trade receivables are assumed to approximate to their fair value.

Fair values of held to maturity financial assets are determined based on market price, or in the case where the price can not be determined, on market prices quoted for the securities of the same nature in terms of interest, maturity and other similar conditions.

The estimated fair value of loans and advances to customers are determined by calculating the discounted cash flows using the current market interest rates for loans with fixed interest rates. For loans with floating interest rates, it is assumed that the carrying value approximates to the fair value.

Financial liabilities

The fair values of short term borrowings and trade payables are assumed to approximate to their carrying values due to their short-term nature. The estimated fair values of long-term financial liabilities are determined by calculating the discounted cash flows, using the current market interest rates for the fixed interest loans.

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NOTE 33 -FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES) (Continued)

The estimated fair value of demand deposits expresses the amount to be paid at the moment of withdrawal. The fair value of the overnight deposits indicates the book value. The estimated fair value of the fixed interest deposits is determined by calculating the discounted cash flows, using the market interest rates applied to similar loan and other debts. In case where the maturities are short, the carrying values are assumed to reflect the fair values.

In the framework of the methods and assumptions explained above, carrying and fair values of financial assets and liabilities as of 31 December 2009 and 2008 are presented in the following table:

	2009		2008	
	Carrying value	Fair value	Carrying value	Fair value
Assets				
Cash and cash equivalents	10,098,622	10,100,519	8,329,395	8,336,865
Held-to-maturity financial assets	6,677,791	7,009,532	6,353,024	6,241,359
Loans and advances to customers	21,958,747	21,646,954	22,081,655	22,231,004
Liabilities				
Deposits	20,971,606	21,081,078	20,891,966	20,891,974
Financial liabilities	14,920,220	14,877,542	17,578,161	17,508,705

Fair Value Estimation

The classification of the Group's financial assets and liabilities at fair value is as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);

Level 3: Inputs for the asset or liability that is not based on observable market data (that is, unobservable inputs).

The Group's assets and liabilities measured at fair value as of 31 December 2009 are as follows:

Assets	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	199,456	95	-	199,551
Available-for-sale financial assets	1,021,430	2,981	104,528	1,128,939
Derivative financial instruments	-	376,245	-	376,245
Total Assets	1,220,886	379,321	104,528	1,704,735
Liabilities	Level 1	Level 2	Level 3	Total
Derivative financial instruments	-	384,371	-	384,371
Total Liabilities	-	384,371	-	384,371

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NOTE 34 - EARNINGS PER SHARE

	2009	2008
Earnings per share from continuing operations:		
Profit from continuing operations	2,640,588	2,494,608
Profit from continuing operations attributable to minority interest (Note 23)	(1,211,378)	(513,423)
Profit from continuing operations attributable to equity holders of the parent	1,429,210	1,981,185
Weighted average number of shares with nominal value TRY1 each	2,415,141,000	2,415,141,000
Earnings per share from continuing operations (TRY)	0.592	0.820
Earnings per share from discontinued operations:		
Profit from discontinued operations (Note 31)	-	83,373
Profit from discontinued operations attributable to minority interest (Note 23)	-	(41,003)
Profit from discontinued operations attributable to equity holders of the parent	-	42,370
Weighted average number of shares with nominal value TRY1 each	2,415,141,000	2,415,141,000
Earnings per share from discontinued operations (TRY)	0.000	0.018
Earnings per share:		
Profit for the period	2,640,588	2,577,981
Profit attributable to minority interest	(1,211,378)	(554,426)
Profit attributable to equity holders of the parent	1,429,210	2,023,555
Weighted average number of shares with nominal value TRY1 each	2,415,141,000	2,415,141,000
Earnings per share (TRY)	0.592	0.838

The calculation of earnings per share of prior periods has been adjusted retrospectively due to the issuance of bonus shares.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2009

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NOTE 35 - SUPPLEMENTARY CASH FLOW INFORMATION

As of 31 December 2009 and 2008, supplementary information for the details included in the consolidated cash flow statements:

	2009	2008
Changes in reserves and provisions:		
Sales and customer premiums accruals	2,983	7,011
Provision for warranty and assembly	11,219	(18,080)
Insurance technical reserves	15,803	89,510
Provision for loans and trade receivables	864,513	234,126
Provision for the Fund	44,847	85,044
Provision for employment termination benefits	38,338	4,420
Provision for impairment on property, plant and equipment	4,403	30,572
Provision for impairment on inventories	(14,712)	69,150
	967,394	501,753
Add back net interest income:		
Non-finance interest income	(384,489)	(350,976)
Finance interest income	(3,954,445)	(4,011,708)
Non-finance interest expenses	750,507	929,405
Finance interest expenses	1,965,690	2,580,763
	(1,622,737)	(852,516)
Net changes in the operating assets and liabilities:		
Inventories	300,262	800,551
Trade receivables	361,543	718,706
Other assets	200,743	(680,305)
Trade payables	646,781	(1,167,150)
Other liabilities	341,670	294,797
Financial assets	19,506	287,211
	1,870,505	253,810
Changes in banking segment assets and liabilities:		
Cash and cash equivalents with original maturities of more than 3 months	113,440	(97,590)
Reserve deposits at the central banks and blocked deposits	289,362	(486,526)
Loans and advances to customers	(442,748)	(5,711,992)
Deposits	79,640	3,960,888
Financial assets	(398,369)	(285,582)
	(358,675)	(2,620,802)
	1,511,830	(2,366,992)
Cash and cash equivalents:		
Cash and cash equivalents	10,098,622	8,329,395
Cash and cash equivalents held for sale	12,878	12,108
Less: Long-term bank deposits	(90,524)	(203,964)
Less: Reserve deposits with the central banks	(1,429,277)	(1,610,037)
Less: Blocked deposits	(289,945)	(398,547)
	8,301,754	6,128,955

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NOTE 36 - EVENTS AFTER THE BALANCE SHEET DATE

- i) Koç Holding obtained a loan in the amount of approximately USD425,000,000, comprising two tranches of USD120,000,000 and EUR211,500,000 from a consortium including 21 financial institutions and to be used to meet various financing needs of Koç Group Companies in 2010. The principal repayment of this loan, the USD denominated part with 39-month maturity and the EUR denominated part with 27-month maturity, will be due at maturity. For both the USD and EUR parts of the loan, interest payment options are available monthly, quarterly and semi-annually and the interest rates are determined as LIBOR + 3.25% per annum for the USD portion and EURIBOR + 2.75% per annum for the Euro portion.
- ii) Approximately USD720,000,000 of the loan, comprising of two tranches of USD320,000,000 and EUR339,000,000, obtained in 2009 from a consortium including 14 financial institutions (Note 16) has been paid in 2010.
- iii) Law numbered 5479 established a restriction for the utilisation of investment incentives in three years' period. The Constitutional Court, at the meeting on 15 October 2009, ruled for the cancellation of the expressions "2006, 2007 and 2008" included in the provisional article of the Income Tax Law related with the investment incentive. In accordance with the ruling by the court, the expiration of the investment allowance qualified as of 31 December 2005 has been repealed with the promulgation of the decision in the Official Gazette on 8 January 2010.