

Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. a member of PricewaterhouseCoopers  
BJK Plaza, Süleyman Seba Caddesi  
No: 48 B Blok Kat 9 Akaretler  
Beşiktaş 34357 İstanbul-Turkey  
www.pwc.com/tr  
Telephone +90 (212) 326 6060  
Facsimile +90 (212) 326 6050

CONVENIENCE TRANSLATION INTO ENGLISH OF  
INDEPENDENT AUDITOR'S REPORT  
ORIGINALLY ISSUED IN TURKISH  
INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Koç Holding A.Ş.

1. We have audited the accompanying consolidated financial statements of Koç Holding A.Ş. ("Koç Holding"), its subsidiaries and its joint-ventures (collectively referred to as the "Group") which comprise the consolidated balance sheet as of 31 December 2008 and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flows statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

2. The Group management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the financial reporting standards endorsed by the Capital Markets Board ("CMB"). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the auditing standards issued by the CMB. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

4. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Koç Holding A.Ş. as of 31 December 2008, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the financial reporting standards endorsed by the CMB (Note 2).

Emphasis of Matter

5. As explained in Note 2 to the consolidated financial statements, the consolidated financial statements include the accounts of the parent company, its subsidiaries and joint ventures. Subsidiaries are companies in which Koç Holding has power to control the financial and operating policies for the benefit of Koç Holding through the exercise of voting power relating to the shares held by Koç Holding and its subsidiaries together with the voting power which Koç Holding effectively exercises relating to the shares held by Koç family members and enterprises controlled by them. 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 its subsidiaries (through the "control basis") and one or more other parties. In effect the Koç family members allow Koç Holding to exercise the voting power in respect of their shares held in these companies. In the accompanying consolidated financial statements, the shares held by Koç family members are treated as minority interest.

Additional paragraph for Euro ("EUR") and US Dollar ("USD") translation

6. As explained in Note 2 to the consolidated financial statements, EUR and USD amounts shown in the accompanying consolidated financial statements have been included solely for the convenience of the reader of the consolidated financial statements and have been translated from New Turkish Lira ("TRY"), as a matter of arithmetic computation only, at the official EUR and USD bid rates announced by the Central Bank of the Republic of Turkey ("CBRT") at 31 December 2008 for the consolidated balance sheet, and the official EUR and USD average CBRT bid rates of the year 2008 for the consolidated income and cash flows statements. Such translations should not be construed as a representation that the YTL amounts have been or could be converted into EUR and USD at these or any other rates.

Additional paragraph for convenience translation into English

7. The accounting principles described in Note 2 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 - 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.

Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. a member of PricewaterhouseCoopers



Zeynep Uras, SMMM  
Partner

Istanbul, 12 March 2009

## Koç Holding A.Ş.

### CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2008 AND 2007

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

	Notes	2008 (* EUR'000)	2008 (* USD'000)	2008 TRY'000	Restated 2007 TRY'000
<b>ASSETS</b>					
<b>Current assets:</b>					
Cash and cash equivalents	6	3,890,787	5,507,766	8,329,395	4,913,347
Financial assets	7	342,175	484,381	732,529	1,574,153
Trade receivables	8	2,361,732	3,343,249	5,055,995	6,062,677
Loans and advances to customers	9	6,123,285	8,668,074	13,108,729	9,476,612
Inventories	10	1,716,366	2,429,675	3,674,397	4,527,185
Derivative financial instruments	17	132,281	187,256	283,188	25,131
Other current assets	22	691,910	979,466	1,481,246	1,096,311
		15,258,536	21,599,867	32,665,479	27,675,416
Assets held for sale	31	22,722	32,166	48,644	2,830,678
<b>Total current assets</b>		<b>15,281,258</b>	<b>21,632,033</b>	<b>32,714,123</b>	<b>30,506,094</b>
<b>Non-current assets:</b>					
Financial assets	7	3,204,337	4,536,034	6,859,844	6,641,554
Trade receivables	8	55,397	78,419	118,593	97,266
Loans and advances to customers	9	4,191,389	5,933,298	8,972,926	7,347,119
Investment property	11	35,234	49,876	75,428	48,573
Property, plant and equipment	12	4,883,085	6,912,457	10,453,708	9,898,467
Intangible assets	13	553,993	784,229	1,185,989	880,836
Goodwill	14	1,650,635	2,336,626	3,533,680	3,524,486
Deferred tax assets	17	173,223	245,213	370,835	351,234
Other non-current assets	22	282,585	400,024	604,957	411,456
<b>Total non-current assets</b>		<b>15,029,878</b>	<b>21,276,176</b>	<b>32,175,960</b>	<b>29,200,991</b>
<b>Total assets</b>		<b>30,311,136</b>	<b>42,908,209</b>	<b>64,890,083</b>	<b>59,707,085</b>
<b>LIABILITIES</b>					
<b>Current liabilities:</b>					
Customer deposits	15	9,629,987	13,632,134	20,615,877	16,792,234
Financial liabilities	16	4,384,980	6,207,344	9,387,366	6,658,282
Trade payables	8	1,588,385	2,248,505	3,400,414	4,669,589
Other payables	18	651,061	921,637	1,393,791	1,466,800
Derivative financial instruments	19	83,473	118,164	178,700	214,211
Insurance technical reserves	20	68,165	96,494	145,928	525,887
Current income tax liabilities	17	47,698	67,520	102,111	146,661
Other current liabilities	22	1,379,192	1,952,374	2,952,575	2,698,398
		17,832,941	25,244,172	38,176,762	33,172,062
Liabilities held for sale	31	15,900	22,508	34,039	1,313,885
<b>Total current liabilities</b>		<b>17,848,841</b>	<b>25,266,680</b>	<b>38,210,801</b>	<b>34,485,947</b>
<b>Non-current liabilities:</b>					
Customer deposits	15	128,965	182,562	276,089	138,844
Financial liabilities	16	3,826,044	5,416,118	8,190,795	7,781,417
Insurance technical reserves	20	126,902	179,642	271,672	712,729
Provisions for employee benefits	21	317,820	449,903	680,389	595,950
Deferred tax liabilities	17	355,912	503,826	761,936	639,599
Other non-current liabilities	22	171,310	242,505	366,741	294,218
<b>Total non-current liabilities</b>		<b>4,926,953</b>	<b>6,974,556</b>	<b>10,547,622</b>	<b>10,162,757</b>
<b>Total liabilities</b>		<b>22,775,794</b>	<b>32,241,236</b>	<b>48,758,423</b>	<b>44,648,704</b>
<b>Equity:</b>					
Paid-in share capital	23	940,124	1,330,833	2,012,618	1,745,700
Adjustment to share capital	23	451,835	639,614	967,288	967,288
Total share capital		1,391,959	1,970,447	2,979,906	2,712,988
Share premium		4,338	6,140	9,286	8,068
Revaluation funds	23	(43,415)	(61,457)	(92,942)	13,492
Translation differences		24,436	34,591	52,312	(7,537)
Restricted reserves	23	234,276	331,639	501,537	218,287
Prior years' income	23	1,997,308	2,827,374	4,275,837	2,611,345
Profit for the year		945,233	1,338,065	2,023,555	2,295,419
Shareholders' equity		4,554,135	6,446,799	9,749,491	7,852,062
Minority interest	23	2,981,207	4,220,174	6,382,169	7,206,319
<b>Total equity</b>		<b>7,535,342</b>	<b>10,666,973</b>	<b>16,131,660</b>	<b>15,058,381</b>
<b>Total liabilities and equity</b>		<b>30,311,136</b>	<b>42,908,209</b>	<b>64,890,083</b>	<b>59,707,085</b>
<b>Commitments and contingent liabilities</b>	<b>30</b>				

(\* Euro ("EUR") and US Dollar ("USD") amounts presented above have been translated from New Turkish Lira ("TRY") for convenience purposes only, at the official TRY bid rate announced by the Central Bank of the Republic of Turkey ("CBRT") on 31 December 2008, and therefore do not form part of these consolidated financial statements (Note 2.1).

These consolidated financial statements as of and for the year ended 31 December 2008 have been approved for issue by the Board of Directors ("BOD") on 12 March 2009 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.

## Koç Holding A.Ş.

## CONSOLIDATED INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

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

	Notes	2008 (*) EUR'000	2008 (*) USD'000	2008 TRY'000	Restated 2007 TRY'000
<b>Continuing operations:</b>					
Revenue	24	26,267,312	38,516,181	49,797,571	41,419,682
Interest, fee, commission and similar income	5	3,077,086	4,511,981	5,833,540	5,382,552
<b>Total revenue</b>	<b>5</b>	<b>29,344,398</b>	<b>43,028,162</b>	<b>55,631,111</b>	<b>46,802,234</b>
Cost of sales (-)		(23,224,552)	(34,054,532)	(44,029,105)	(35,931,440)
Interest, fee, commission and similar expenses (-)		(1,882,194)	(2,759,892)	(3,568,264)	(3,424,413)
<b>Total costs</b>	<b>5</b>	<b>(25,106,746)</b>	<b>(36,814,424)</b>	<b>(47,597,369)</b>	<b>(39,355,853)</b>
Gross profit non-finance		3,042,760	4,461,649	5,768,466	5,488,242
Gross profit finance		1,194,892	1,752,089	2,265,276	1,958,139
<b>Gross profit</b>	<b>5</b>	<b>4,237,652</b>	<b>6,213,738</b>	<b>8,033,742</b>	<b>7,446,381</b>
Marketing, selling and distribution expenses (-)		(1,089,963)	(1,598,230)	(2,066,352)	(1,904,382)
General administrative expenses (-)		(1,134,843)	(1,664,039)	(2,151,436)	(1,956,679)
Research and development expenses (-)		(61,181)	(89,710)	(115,986)	(70,982)
Other income		1,041,562	1,527,260	1,974,594	492,294
Other expense (-)	26	(336,963)	(494,096)	(638,817)	(412,503)
<b>Operating profit</b>		<b>2,656,264</b>	<b>3,894,923</b>	<b>5,035,745</b>	<b>3,594,129</b>
Financial income	27	1,739,975	2,551,354	3,298,645	2,409,143
Financial expense (-)	27	(2,771,234)	(4,063,505)	(5,253,705)	(1,936,147)
<b>Profit before tax from continuing operations</b>		<b>1,625,005</b>	<b>2,382,772</b>	<b>3,080,685</b>	<b>4,067,125</b>
<b>Income tax expense from continuing operations</b>		<b>(309,145)</b>	<b>(453,304)</b>	<b>(586,077)</b>	<b>(712,292)</b>
- Taxes on income (-)	18	(276,276)	(405,108)	(523,764)	(649,665)
- Deferred tax income/expense	18	(32,869)	(48,196)	(62,313)	(62,627)
<b>Profit from continuing operations</b>		<b>1,315,860</b>	<b>1,929,468</b>	<b>2,494,608</b>	<b>3,354,833</b>
<b>Discontinued operations:</b>					
Profit from discontinued operations		43,978	64,485	83,373	534,033
<b>Profit for the year</b>		<b>1,359,838</b>	<b>1,993,953</b>	<b>2,577,981</b>	<b>3,888,866</b>
<b>Attributable to:</b>					
Minority interest	23	292,450	428,824	554,426	1,593,447
<b>Equity holders of the parent</b>		<b>1,067,388</b>	<b>1,565,129</b>	<b>2,023,555</b>	<b>2,295,419</b>
<b>Earnings per share</b>	<b>33</b>			<b>1.005</b>	<b>1.272</b>

(\*) 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 2008, and therefore do not form part of these consolidated financial statements (Note 2.1).

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

## Koç Holding A.Ş.

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

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

	Capital		Revaluation funds		Restricted reserves			Retained earnings			Minority interest	Total equity
	Paid-in share capital	Adjustment to share capital	Financial assets fair value reserve	Non-current assets cumulative gain/(loss) revaluation on hedging fund	Translation differences	Legal reserves	Special reserves	Profit for the year	Prior years' income			
<b>Balances at 1 January 2007 (*)</b>	1,265,000	967,288	23,542	(7,482)	8,269	51,328	163,708	560,812	2,217,463	6,566,199	11,654,198	
Transfers	-	-	-	-	-	-	-	(560,812)	397,104	-	-	
Capital increases	480,700	-	-	-	-	-	163,708	(560,812)	(63,250)	48,846	472,585	
Dividends paid	-	-	-	-	-	-	-	-	(7,442)	(700,627)	(704,818)	
Financial assets fair value gain (net)	-	-	(573)	-	-	3,251	-	-	-	2,673	2,100	
Cumulative loss on hedging (net)	-	-	-	(1,985)	-	-	-	-	-	(2,519)	(4,514)	
Translation differences	-	-	-	-	(15,806)	-	-	-	-	(21,526)	(37,332)	
Transactions with minority interests	-	-	-	-	-	-	-	-	67,470	(169,235)	(101,765)	
Sale of subsidiary	-	-	-	-	-	-	-	-	-	(115,395)	(115,395)	
Addition to the scope of consolidation	-	-	-	-	-	-	-	-	-	4,456	4,456	
Profit for the year	-	-	-	-	-	-	2,295,419	2,295,419	-	1,593,447	3,888,866	
<b>Balances at 31 December 2007</b>	<b>1,745,700</b>	<b>967,288</b>	<b>22,969</b>	<b>(9,477)</b>	<b>(7,537)</b>	<b>54,579</b>	<b>163,708</b>	<b>2,295,419</b>	<b>2,611,345</b>	<b>7,206,319</b>	<b>15,058,381</b>	
<b>Balances at 1 January 2008 (*)</b>	<b>1,745,700</b>	<b>967,288</b>	<b>22,969</b>	<b>(9,477)</b>	<b>(7,537)</b>	<b>54,579</b>	<b>163,708</b>	<b>2,295,419</b>	<b>2,611,345</b>	<b>7,206,319</b>	<b>15,058,381</b>	
Transfers	-	-	-	-	-	37,366	230,625	(2,295,419)	2,027,428	-	-	
Capital increases	261,855	-	-	-	-	-	-	-	(261,855)	262,205	262,205	
Dividends paid	-	-	-	-	-	-	-	-	(40,981)	(786,973)	(827,954)	
Financial assets fair value loss (net)	-	-	(21,504)	-	-	-	-	-	-	(6,241)	(27,745)	
Non-current assets revaluation fund (net)	-	-	-	-	-	-	-	-	-	-	-	
Acquisition	-	-	-	17,359	-	-	-	-	-	36,058	53,417	
Amortisation and tax effect (net)	-	-	-	(278)	-	-	-	-	373	197	292	
Cumulative loss on hedging (net)	-	-	-	(103,089)	-	-	-	-	-	(15,960)	(119,049)	
Translation differences	-	-	-	-	59,849	-	-	-	-	53,024	113,951	
Transactions with minority interests	5,063	-	-	1,078	-	14,151	1,108	-	(60,473)	7,941	(30,992)	
Sale of subsidiary	-	-	-	-	-	-	-	-	-	(928,828)	(928,828)	
Profit for the year	-	-	-	-	52,312	106,096	395,441	2,023,555	4,275,837	554,427	2,577,982	
<b>Balances at 31 December 2008</b>	<b>2,012,618</b>	<b>967,288</b>	<b>1,465</b>	<b>(112,566)</b>	<b>52,312</b>	<b>106,096</b>	<b>395,441</b>	<b>2,023,555</b>	<b>4,275,837</b>	<b>6,382,169</b>	<b>16,131,660</b>	

(\*) Restated (Note 2.1).

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

## Koç Holding A.Ş.

### CONSOLIDATED CASH FLOW STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

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

	Notes	2008 (* EUR'000)	2008 (* USD'000)	2008 TRY'000	Restated 2007 TRY'000
<b>Operating activities:</b>					
Profit before tax from continuing operations		1,625,005	2,382,772	3,080,685	4,067,125
Profit before tax from discontinued operations	31	53,054	77,794	100,580	619,750
<b>Adjustments to reconcile net cash generated:</b>					
Depreciation and amortisation	5	451,109	661,469	855,213	847,401
Changes in provisions	5.34	156,639	229,683	296,957	51,309
Net interest income	34	(387,584)	(568,320)	(734,781)	(648,499)
Banking sector interest income	5.34	1,950,162	2,859,554	3,697,117	3,211,050
Banking sector interest expense	5.34	(1,258,621)	(1,845,536)	(2,386,093)	(1,990,483)
Exchange losses on borrowings (net)		(695,618)	(1,019,996)	(1,318,752)	(955,028)
Gain on sale of investments	26	(883,566)	(1,295,587)	(1,675,064)	(648,831)
Gain on sale of property, plant and equipment (net)	26	(32,402)	(47,512)	(61,428)	(26,335)
		978,178	1,434,321	1,854,434	4,527,459
Net changes in operating assets and liabilities	34	(1,136,837)	(1,666,962)	(2,155,215)	(1,792,461)
Income taxes paid		(326,204)	(478,318)	(618,417)	(623,431)
<b>Cash flows from operating activities</b>		<b>(484,863)</b>	<b>(710,959)</b>	<b>(919,198)</b>	<b>2,111,567</b>
<b>Investing activities:</b>					
Purchases of property, plant and equipment and intangible assets	5	(889,820)	(1,304,757)	(1,686,920)	(1,711,389)
Sale of property, plant and equipment and intangible assets		95,127	139,486	180,342	227,262
Acquisitions (net)	3	(29,987)	(43,971)	(56,856)	(7,877)
Sale of subsidiaries (net)		974,376	1,428,743	1,847,222	766,400
Sale of investments		15,422	22,614	29,237	29,818
Transactions with minority		(16,348)	(23,971)	(30,992)	(101,765)
<b>Cash flows from investing activities</b>		<b>148,770</b>	<b>218,144</b>	<b>282,039</b>	<b>(797,551)</b>
<b>Financing activities:</b>					
Share capital increases		138,308	202,804	262,205	472,585
Dividend payments		(436,731)	(640,385)	(827,954)	(704,818)
Increase in short-term borrowings (net)		1,345,028	1,972,236	2,549,904	457,013
Increase/(decrease) in long-term borrowings (net)		937,440	1,374,583	1,777,198	(1,354,865)
Non-banking sector interest income	27	201,361	295,259	381,740	331,800
Non-banking sector interest expense	27	(505,319)	(740,957)	(957,983)	(903,868)
<b>Cash flows from financing activities</b>		<b>1,680,087</b>	<b>2,463,540</b>	<b>3,185,110</b>	<b>(1,702,153)</b>
Cumulative loss on hedging		(68,665)	(100,685)	(130,176)	(9,215)
Translation differences		26,426	38,745	50,093	(6,599)
Net increase in cash and cash equivalents		1,301,755	1,908,785	2,467,868	(403,951)
Cash and cash equivalents at the beginning of the year		1,931,157	2,831,686	3,661,087	4,065,038
<b>Cash and cash equivalents at the end of the year</b>	<b>34</b>	<b>3,232,912</b>	<b>4,740,471</b>	<b>6,128,955</b>	<b>3,661,087</b>

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

## Koç Holding A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

(Amounts expressed in thousands of New 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 2008, the number of people employed by Koç Holding, Subsidiaries and Joint Ventures (collectively referred as the "Group") is 70,750.

The registered address of Koç Holding is as follows:

Nakkaştepe Azizbey Sok. No: 1  
Kuzguncuk-İSTANBUL

Koç Holding is 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 2008, 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	28.03
Vehbi Koç Vakfı	7.15
Koç Holding Emekli ve Yardım Sandığı Vakfı	1.99
Other	20.34
	<b>100.00</b>

## Koç Holding A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

(Amounts expressed in thousands of New 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 <sup>(1)</sup>
- Other <sup>(2)</sup>

(1) The finance segment includes three main sectors; 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.

Geographical segment information has not been included in the consolidated financial statements since geographical segments other than Turkey are not material 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
Damla Denizcilik A.Ş. ("Damla Denizcilik") <sup>(*)</sup>	Turkey	Shipping of Crude Oil and Petroleum Products
Demir Export A.Ş. ("Demir Export")	Turkey	Mining
Deniz İşletmeciliği ve Tic. A.Ş. ("Ditaş")	Turkey	Shipping of Crude Oil and Petroleum Products
Enerji Yatırımları A.Ş. ("Enerji Yatırımları")	Turkey	Investment
Entek Elektrik Üretimi A.Ş. ("Entek")	Turkey	Power Generation
Mogaz Petrol Gazları A.Ş. ("Mogaz")	Turkey	LPG
Opet Aygaz B.V. ("Opet Aygaz BV")	The Netherlands	Distribution
Türkiye Petrol Rafinerileri A.Ş. ("Tüpraş")	Turkey	Production and Trading of Petroleum Products
Üsküdar Tankercilik A.Ş. ("Üsküdar Tankercilik") <sup>(*)</sup>	Turkey	Shipping of Crude Oil and Petroleum Products

(\* Established in 2008.

Opet Aygaz Bulgaria EAD ("Opet Aygaz Bulgaria") has been sold in 2008.

#### 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")	Turkey	Food Distribution
Opet International Limited ("Opet International")	The UK	Trading
Opet Petrolcülük A.Ş. ("Opet")	Turkey	Trading of Petroleum Products
Opet Trade B.V. ("Opet Trade BV")	The Netherlands	Trading
Opet Trade (Singapore) Pte. Ltd. ("Opet Singapore") <sup>(*)</sup>	Singapore	Trading
Opet Trade Ireland ("Opet Trade Ireland")	Ireland	Trading
TBS Denizcilik ve Petrol Ürünleri Ticaret A.Ş. ("TBS Denizcilik") (Note 31)	O.W. Bunker & Trading Turkey	Marine Fuel Supplier

(\* Established in 2008.

#### 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") (Note 31) <sup>(*)</sup>	Turkey	Trading

(\* The company name of Otoyol Sanayi A.Ş. has been changed as Tasfiye Halinde Otoyol Sanayi A.Ş.

Otomotiv Lastikleri Tevzi A.Ş. ("Otomotiv Lastikleri") was disposed in 2008.

#### 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	Spare Part Trading
Ford Otomotiv Sanayi A.Ş. ("Ford Otosan")	Ford Motor Co. Turkey	Production
Mekatro Araştırma Geliştirme A.Ş. ("Mekatro")	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 Global NV Turkey	Production

## Koç Holding A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

(Amounts expressed in thousands of New 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>
Arçelik A.Ş. ("Arçelik")	Turkey	Production
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 Espana")	Spain	Trading
Beko France S.A. ("Beko France")	France	Trading
Beko Italy SRL ("Beko Italy") <sup>(1)</sup>	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 S.A. Hungary ("Beko Hungary")	Hungary	Trading
Beko Slovakia S.R.O. ("Beko Slovakia")	Slovakia	Trading
Blomberg Vertriebsgesellschaft GmbH ("Blomberg Vertrieb") <sup>(2)</sup>	Germany	Distribution
Blomberg Werke GmbH ("Blomberg Werke") <sup>(2)</sup>	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") <sup>(2)</sup>	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 Elektronik A.Ş. ("Grundig Elektronik") <sup>(3)</sup>	Turkey	Production
Grundig España S.A. ("Grundig Espana")	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") <sup>(4)</sup>	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
Grundig S.A.S. ("Grundig France")	France	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

(1) The company name of Arcelitalia SRL has been changed as Beko Italy SRL.

(2) In the process of liquidation.

(3) The company name of Beko Elektronik A.Ş. has been changed as Grundig Elektronik A.Ş.

(4) Acquired by Grundig Elektronik (Note 3).

<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

## Koç Holding A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

(Amounts expressed in thousands of New 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

Koç Allianz Hayat ve Emeklilik A.Ş. ("Koç Allianz Hayat") and Koç Allianz Sigorta A.Ş. ("Koç Allianz Sigorta") were disposed in 2008 (Note 26).

<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") <sup>(1)</sup>	UniCredit S.p.A.	Turkey	Brokerage
Yapı Kredi Azerbaijan C.J.S.C. ("Yapı Kredi Azerbaycan")	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") <sup>(2)</sup>	UniCredit S.p.A.	Azerbaijan	Portfolio Management
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") <sup>(3)</sup>	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

Yapı Kredi Bank Deutschland A.G. ("Yapı Kredi Deutschland") was sold in 2008.

(1) Acquired by Koç Finansal Hizmetler (Note 3).

(2) Established in 2008.

(3) 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 Tanım ve Gıda San. ve Tic. A.Ş. ("Bozkurt")	Turkey	Agriculture
Düzyey Tüketim Malları Sanayi Pazarlama A.Ş. ("Düzyey") <sup>(1)</sup>	Turkey	Trading
Harranova Besi ve Tanım Ürünleri A.Ş. ("Harranova Besi") <sup>(1)</sup>	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 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
Tat Konserve Sanayi A.Ş. ("Tat Konserve") <sup>(1)</sup>	Turkey	Food
Tat Tohumculuk A.Ş. ("Tat Tohumculuk") <sup>(1)</sup>	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") <sup>(1)</sup>	Kingfisher Plc	Turkey	Retail
Netsel Turizm Yatırımları A.Ş. ("Netsel")	Toray İnşaat A.Ş.	Turkey	Tourism
Ultra Kablolu 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).

(\*) In accordance with the strategic plans, the Group management decided on the sale of the Group's shares in Migros. Consequently, Migros and its subsidiaries ("Migros Group") have been accounted for in accordance with IFRS 5 in the consolidated financial statements (Note 31). Therefore, the Migros Group has been presented as "Discontinued Operations" until the date on which the Group's control ceased and since the other companies operating in the "Food and Retail" sector have not been considered as a separate reportable segment, they have been presented within "Other" sectors (Note 5).

##### Discontinued Operations

<u>Discontinued Operations</u>	<u>Country of incorporation</u>	<u>Nature of business</u>
Migros Türk T.A.Ş. ("Migros")	Turkey	Retail
Ramstore Bishkek LLP ("Ramstore Bishkek")	Kyrgyzstan	Retail
Ramstore Bulgaria A.D. ("Ramstore Bulgaria")	Bulgaria	Retail
Ramstore Kazakhstan LLP ("Rambutya")	Kazakhstan	Retail
Ramstore Macedonia DOO ("Ramstore Makedonya")	Macedonia	Retail
Ramstore Sınırlı Sorumlu Türk Gıda Müessesesi ("Ramstore")	Azerbaijan	Retail

## Koç Holding A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

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

#### NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

##### 2.1 Basis of presentation

###### 2.1.1 Financial reporting standards

The consolidated financial statements of Koç Holding have been prepared in accordance with the accounting and reporting principles endorsed by the CMB, namely "CMB 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"). The Communiqué is effective for the annual periods starting from 1 January 2008 and supersedes the Communiqué No: XI-25, "Accounting Standards in Capital Markets". 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.

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 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.

As the differences of the IAS/IFRS endorsed by the European Union from the ones issued by the IASB have not been announced by TASB as of the date of preparation of these consolidated financial statements, the consolidated financial statements have been prepared within the framework of Communiqué XI, No: 29 and related promulgations to this Communiqué as issued by the CMB, in accordance with the CMB Financial Reporting Standards which are based on IAS/IFRS. The consolidated financial statements and the related notes to them are presented in accordance with the formats recommended by the CMB, with the announcements dated 17 April 2008 and 9 January 2009, including the compulsory disclosures. Accordingly, necessary reclassifications have been made in the comparative financial statements.

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 adjustment of prior periods' financial statements

The 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 prior periods' financial statements have been restated in order to conform to the presentation of the current period consolidated financial statements prepared within the framework of Communiqué No: XI-29 and related promulgations to it as issued by CMB. The effects of changes as a result of these restatements to the equity have been disclosed in Note 23.

In addition, the consolidated statement of income for the year ended 31 December 2007 has been re-presented due to the fact that discontinued operations of the Group have been accounted for and presented in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

###### 2.1.3 EUR and USD translations

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 2008 of TRY2.1408 = EUR1 and TRY1.5123 = USD1, respectively and EUR and USD amounts shown in the consolidated 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 2008 of TRY1.8958 = EUR1 and TRY1.2929 = 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 2008

- IFRIC 11, "IFRS 2 - Group and Treasury Share Transactions"
- IFRIC 12, "Service Concession Arrangements"
- IFRIC 13, "Customer Loyalty Programmes"
- IFRIC 14, "IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction"

The aforementioned interpretations do not have material effect on the consolidated financial statements.

Standards, amendments and interpretations that are not yet effective in 2008 and have not been early adopted

Effective from 1 January 2009:

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

Effective from annual periods on or after 1 July 2009:

- IAS 27 (Amendment), "Consolidated and Separate Financial Statements"
- IAS 28 (Amendment), "Investments in Associates" (and accordingly amendments in IAS 32 "Financial Instruments: Presentation" and IFRS 7 "Financial Instruments - Disclosures")
- 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"

Effects of the aforementioned amendments to the consolidated financial statements will be evaluated and applied starting from the effective dates.

## Koç Holding A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

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

#### NOTE 2 - BASIS OF PRESENTATION OF 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 (but does not have the economic benefit of) the shares held by them; or (b) although not having the power to exercise more than 50% of the 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 2008 and 2007:

Subsidiaries	Proportion of effective interest		Direct and indirect ownership interest held by Koç Holding		Ownership interest shares held by Koç Family members		Total ownership interest	
	2008	2007	2008	2007	2008	2007	2008	2007
Akpa	40.68	40.68	100.00	100.00	-	-	100.00	100.00
Arctic	37.84	37.84	96.68	96.68	-	-	96.68	96.68
Arçelik	39.14	39.14	39.14	39.14	12.63	12.63	51.77	51.77
Arducth	39.14	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
Ayvalık Marina	49.34	49.13	95.57	95.57	4.43	4.43	100.00	100.00
Bekodutch	32.50	28.36	100.00	100.00	-	-	100.00	100.00
Beko Cesko	39.14	39.14	100.00	100.00	-	-	100.00	100.00
Beko China	39.14	39.14	100.00	100.00	-	-	100.00	100.00
Beko Czech	39.14	39.14	100.00	100.00	-	-	100.00	100.00
Beko Deutschland	39.14	39.14	100.00	100.00	-	-	100.00	100.00
Beko Espana	39.13	39.13	100.00	100.00	-	-	100.00	100.00
Beko France	39.12	39.12	99.96	99.96	-	-	99.96	99.96
Beko Hungary	39.14	39.14	100.00	100.00	-	-	100.00	100.00
Beko Italy	39.14	39.14	100.00	100.00	-	-	100.00	100.00
Beko Lic	39.14	39.14	100.00	100.00	-	-	100.00	100.00
Beko Magyarorszag	39.14	39.14	100.00	100.00	-	-	100.00	100.00
Beko Plc	19.57	19.57	50.00	50.00	50.00	50.00	100.00	100.00
Beko Polska	39.14	39.14	100.00	100.00	-	-	100.00	100.00
Beko Russia	32.50	28.36	100.00	100.00	-	-	100.00	100.00
Beko Slovakia	39.14	39.14	100.00	100.00	-	-	100.00	100.00
Beldesan	79.13	79.13	79.13	79.13	14.75	14.75	93.88	93.88
Beldeyama	76.57	63.30	96.76	79.99	-	0.01	96.76	80.00
Bilkom	82.27	82.27	99.94	99.94	0.06	0.06	100.00	100.00
Blomberg Vertrieb	39.14	39.14	100.00	100.00	-	-	100.00	100.00
Blomberg Werke	39.14	39.14	100.00	100.00	-	-	100.00	100.00
Damla Denizcilik	34.15	-	80.00	-	-	-	80.00	-
Bozkurt	73.92	73.92	83.89	83.89	16.11	16.11	100.00	100.00
Demir Export	2.34	2.34	2.34	2.34	50.48	50.48	52.82	52.82
Ditaş	34.15	34.15	80.00	80.00	-	-	80.00	80.00
Düzey	31.65	31.60	32.27	32.27	60.89	60.89	93.16	93.16
Elektra Bregenz	39.14	39.14	100.00	100.00	-	-	100.00	100.00
Enerji Yatırımları	83.71	83.71	96.50	96.50	-	-	96.50	96.50
Entek	39.88	38.02	88.61	84.74	-	-	88.61	84.74
Fusion Digital	32.50	28.14	100.00	100.00	-	-	100.00	100.00
Grundig AG <sup>(1)</sup>	32.50	14.18	100.00	50.00	-	-	100.00	50.00
Grundig Austria <sup>(1)</sup>	32.50	14.18	100.00	50.00	-	-	100.00	50.00
Grundig Benelux <sup>(1)</sup>	32.50	14.18	100.00	50.00	-	-	100.00	50.00
Grundig Ceska <sup>(1)</sup>	32.50	14.18	100.00	50.00	-	-	100.00	50.00
Grundig Denmark <sup>(1)</sup>	32.50	14.18	100.00	50.00	-	-	100.00	50.00
Grundig Elektronik <sup>(2)</sup>	32.50	28.36	83.03	72.46	-	-	83.03	72.46
Grundig Espana <sup>(1)</sup>	32.50	14.18	100.00	50.00	-	-	100.00	50.00
Grundig Finland <sup>(1)</sup>	32.50	14.18	100.00	50.00	-	-	100.00	50.00
Grundig France <sup>(1)</sup>	32.50	14.18	100.00	50.00	-	-	100.00	50.00
Grundig GmbH <sup>(1)</sup>	32.50	14.18	100.00	50.00	-	-	100.00	50.00
Grundig Hungary <sup>(1)</sup>	32.50	14.18	100.00	50.00	-	-	100.00	50.00
Grundig Italy <sup>(1)</sup>	32.50	14.18	100.00	50.00	-	-	100.00	50.00
Grundig Multimedia <sup>(1)</sup>	32.50	14.18	100.00	50.00	-	-	100.00	50.00
Grundig Norway <sup>(1)</sup>	32.50	14.18	100.00	50.00	-	-	100.00	50.00
Grundig Polska <sup>(1)</sup>	32.50	14.18	100.00	50.00	-	-	100.00	50.00
Grundig Portugal <sup>(1)</sup>	32.50	14.18	100.00	50.00	-	-	100.00	50.00
Grundig Slovakia <sup>(1)</sup>	32.50	14.18	100.00	50.00	-	-	100.00	50.00
Grundig Slovenia <sup>(3)</sup>	-	14.18	-	50.00	-	-	-	50.00
Grundig Sweden <sup>(1)</sup>	32.50	14.18	100.00	50.00	-	-	100.00	50.00
Harranova Besi	31.69	33.05	64.36	74.36	25.64	25.64	90.00	100.00

## Koç Holding A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

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

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

Subsidiaries	Proportion of effective interest		Direct and indirect ownership interest held by Koç Holding		Ownership interest shares held by Koç Family members		Total ownership interest	
	2008	2007	2008	2007	2008	2007	2008	2007
Kav Danışmanlık <sup>(4)</sup>	-	18.98	-	18.98	-	29.76	-	48.74
Koçnet	100.00	86.07	100.00	100.00	-	-	100.00	100.00
Koç Allianz Hayat <sup>(5)</sup>	-	49.87	-	51.00	-	-	-	51.00
Koç Allianz Sigorta <sup>(5)</sup>	-	43.41	-	43.41	-	3.68	-	47.09
Koç Finans	63.57	63.26	94.50	94.50	5.50	5.50	100.00	100.00
Koç 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
Migros <sup>(5)</sup>	-	50.83	-	50.83	-	0.02	-	50.85
Mogaz	39.82	36.20	97.90	88.97	-	-	97.90	88.97
Opet Aygaz Bulgaria <sup>(5)</sup>	-	29.96	-	100.00	-	-	-	100.00
Opet Aygaz BV	30.00	29.96	100.00	100.00	-	-	100.00	100.00
Otokar <sup>(6)</sup>	44.90	44.09	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
Otomotiv Lastikleri <sup>(5)</sup>	-	52.55	-	57.09	-	32.57	-	89.66
Otoyol	53.95	53.95	53.95	53.95	10.18	10.18	64.13	64.13
Palmira	9.85	9.80	20.78	20.78	79.22	79.22	100.00	100.00
Ram Dış Ticaret	57.24	52.86	83.44	83.44	14.66	14.66	98.10	98.10
Rambutya <sup>(5)</sup>	-	50.83	-	100.00	-	-	-	100.00
Ramstore <sup>(5)</sup>	-	50.83	-	100.00	-	-	-	100.00
Ramstore Bishkek <sup>(5)</sup>	-	50.83	-	100.00	-	-	-	100.00
Ramstore Bulgaria <sup>(5)</sup>	-	50.83	-	100.00	-	-	-	100.00
Ramstore Makedonya <sup>(5)</sup>	-	50.32	-	99.00	-	-	-	99.00
Raupach	39.14	39.14	100.00	100.00	-	-	100.00	100.00
RMK Marine	53.82	53.82	66.84	66.84	33.16	33.10	100.00	99.94
Setur	47.38	47.14	81.07	81.07	18.87	18.67	99.94	99.74
Tat Konserve	43.82	39.39	44.07	44.07	7.12	7.12	51.19	51.19
Tat Tohumculuk <sup>(6)</sup>	16.15	14.82	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	42.69	42.69	51.00	51.00	-	-	51.00	51.00
Üsküdar Denizcilik	34.15	-	80.00	-	-	-	80.00	-
Zer Ticaret	39.00	39.00	39.00	39.00	60.00	60.00	99.00	99.00

(1) Grundig Elektronik acquired other 50% shares of Grundig Multimedia (Note 3).

(2) The pre-emptive rights not used in relation with the capital increase of Grundig Elektronik, have been purchased by Arçelik.

(3) Liquidated in 2008.

(4) Kav Danışmanlık Pazarlama ve Ticaret A.Ş. ("Kav Danışmanlık") merged with Koç Holding (Note 3).

(5) Excluded from the scope of consolidation following share transfers.

(6) Although the ownership interest of Koç Holding in these subsidiaries is less than 50%, Koç Holding has the power to exercise control over financial and operating policies of these companies.

The balance sheets and statements of income 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.

**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 (but does not have the economic benefit 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.

## Koç Holding A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

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

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

The table below sets out the Joint Ventures and shows their ownership and effective interests (%) as of 31 December 2008 and 2007:

Subsidiaries	Proportion of effective interest		Direct and indirect ownership interest held by Koç Holding		Ownership interest shares held by Koç Family members		Total ownership interest	
	2008	2007	2008	2007	2008	2007	2008	2007
Arçelik LG Klima	22.61	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	37.59	37.59	0.27	0.27	37.86	37.86
Ford Otosan	38.46	38.01	38.46	38.46	2.58	2.58	41.04	41.04
Koç Finansal Hizmetler	38.44	38.14	44.84	44.84	5.16	5.16	50.00	50.00
Koçtaş Yapı Market	42.64	38.10	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	55.00	55.00	-	-	55.00	55.00
Opet	19.32	19.79	50.00	50.00	-	-	50.00	50.00
Opet Gıda	19.32	19.79	50.00	50.00	-	-	50.00	50.00
Opet International	19.32	19.79	50.00	50.00	-	-	50.00	50.00
Opet Trade BV	19.32	19.79	50.00	50.00	-	-	50.00	50.00
Opet Trade Ireland	19.32	19.79	50.00	50.00	-	-	50.00	50.00
Opet Trade Singapore Platform	19.32	-	50.00	-	-	-	50.00	-
Stiching Custody	37.21	37.21	37.86	37.86	-	-	37.86	37.86
TBS	31.44	35.87	50.00	50.00	-	-	50.00	50.00
Tofaş	9.66	9.62	25.00	25.00	-	-	25.00	25.00
Trakmak <sup>(1)</sup>	37.59	37.59	37.59	37.59	0.27	0.27	37.86	37.86
Türk Traktör	-	39.38	-	39.38	-	17.50	-	56.88
Ultra Kablo	37.50	37.50	37.50	37.50	-	-	37.50	37.50
UniCredit Menkul <sup>(2)</sup>	40.53	25.36	50.00	50.00	-	-	50.00	50.00
Yapı Kredi Azerbaycan	38.44	-	50.00	-	-	-	50.00	-
Yapı Kredi Bankası	31.44	31.19	50.00	50.00	-	-	50.00	50.00
Yapı Kredi Deutschland <sup>(3)</sup>	31.44	31.19	50.00	50.00	-	-	50.00	50.00
Yapı Kredi SPC	-	-	-	-	-	-	-	-
Yapı Kredi Emeklilik	25.75	29.60	50.00	50.00	-	-	50.00	50.00
Yapı Kredi Faktoring	31.43	31.18	50.00	50.00	-	-	50.00	50.00
Yapı Kredi Finansal Kiralama	31.37	31.12	50.00	50.00	-	-	50.00	50.00
Yapı Kredi Holding	31.44	31.19	50.00	50.00	-	-	50.00	50.00
Yapı Kredi Invest	31.44	-	50.00	-	-	-	50.00	-
Yapı Kredi Menkul	31.43	33.64	50.00	50.00	-	-	50.00	50.00
Yapı Kredi Moscow	31.44	31.19	50.00	50.00	-	-	50.00	50.00
Yapı Kredi Nederland	31.44	35.86	50.00	50.00	-	-	50.00	50.00
Yapı Kredi Portföy	31.42	33.32	50.00	50.00	-	-	50.00	50.00
Yapı Kredi Sigorta	29.53	29.60	50.00	50.00	-	-	50.00	50.00
Yapı Kredi Yatırım	17.62	18.59	50.00	50.00	-	-	50.00	50.00

(1) New Holland Trakmak Traktör ve Ziraat Makinaları A.Ş. ("Trakmak") merged with Türk Traktör.

(2) Acquired by Koç Finansal Hizmetler (Note 3).

(3) Excluded from the scope of consolidation following the share transfers.

**d)** Available-for-sale investments, 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 investments, 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 statements of income 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 such Joint Ventures.

#### 2.4.2 Segment reporting

A reportable segment is a business segment or a geographical segment identified based on the foregoing definitions for which segment information is required to be disclosed. A business segment is a distinguishable component of an enterprise that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of an enterprise that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

A business segment or geographical segment should be identified as a reportable segment if a majority of its revenue is earned from sales to external customers and if its revenue from sales to external customers and from transactions with other segments is 10% or more of the total revenue, external and internal, of all segments; or its segment result, whether profit or loss, is 10% or more of the combined result of all segments in profit or the combined result of all segments in loss, whichever is the greater in absolute amount; or its assets are 10% or more of the total assets of all segments.

The Group has chosen business segments as the Group's primary segment reporting format based on the risks and returns on products produced and services rendered reflecting the primary source of the enterprise's risks and returns.

Geographical segments have not been disclosed in these consolidated financial statements as the secondary segment reporting format on the grounds of materiality as the operations of the Group in geographical areas other than Turkey are not reportable geographical segments individually when compared with the overall consolidated 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.

## Koç Holding A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

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

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

##### 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 net revenue 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 "translation differences" under the equity.

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

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held for sale, and represents a separate major line of business or geographical area of operations. Discontinued operation is a part of a single co-ordinate plan to dispose of a separate major line of business or geographical area of operations; or is a subsidiary acquired exclusively with a view to resale.

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 measurement to fair value less cost to sell or the disposal of the assets constituting the discontinued operation is disclosed. In addition to this, an analysis of the single amount into the revenue/expenses and pre-tax profit or loss of discontinued operations are disclosed. Also, the net cash flows of the discontinued operations associated with the operating, investment and financing activities are specified in the related note.

Disposal group assets held for sale 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 key management personnel, BOD members and Koç Family, 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

"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 consolidated 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 investments are carried at amortised cost using the effective yield method.

Investment securities intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in the interest rates, exchange rates or equity prices, or client's servicing activity are classified as "available-for-sale financial assets". 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 investments are subsequently measured at fair value. Available-for-sale investments 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 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 statement of income. 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 statement of income.

"Loans and receivables" 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".

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

##### 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 investments with the counter party liability included in customer 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 loans to banks 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 three months or less.

##### 2.4.9 Trade receivables and provision for doubtful receivables

Trade receivables that are created by the Group by way of providing goods or services directly to a debtor are carried at amortised cost. 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 established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount. 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.

## Koç Holding A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

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

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

##### 2.4.10 Loans and advances to customers and provisions for loan impairment

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 movement in provision is charged against the income for the period. When a loan is deemed uncollectible, it is written-off against the related provision for impairment. The loan is written-off after all the necessary legal proceedings have been completed and the amount of the loan loss is finally determined.

##### 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 year 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	3 - 50 years
Machinery and equipment	3 - 35 years
Furniture and fixtures	4 - 15 years
Motor vehicles	4 - 15 years
Leasehold improvements	Shorter of lease period or usef lives

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 statements of income 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.

##### 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 capitalised 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. Each lease payment is allocated between the liability and finance charges to achieve a constant rate on the finance balance outstanding. The corresponding lease obligations, net of finance charges, are included as finance lease obligations. The interest element of the finance cost is charged to the income statement over the lease period. The property, plant and equipment acquired under finance leases are depreciated over the useful life of the asset.

Obligations under finance leases are stated in the consolidated financial statements at the acquisition values of the related property, plant and equipment. Future interest payments inherent in the lease contract are charged to the consolidated statement of income over the period of the lease.

## Koç Holding A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

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

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

##### 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 consolidated income statement on a straight-line basis over the period of the lease.

##### b) The Group as the lessor

###### Finance leases

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income, total of deferred financial income on the transaction date, is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

##### 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 statements of income.

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 interest

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 customer deposits

Financial liabilities and customer 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 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.

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.

## Koç Holding A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

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

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

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.

#### 2.4.21 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 statement of income.

#### 2.4.22 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.

#### 2.4.23 Revenue recognition

##### Finance sector

###### 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.

Fee and commission income and expense on banking services are recorded as income or expense at the time of effecting the transactions to which they relate.

##### Insurance

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

##### Other sectors

Revenues of the Group companies operating in the energy, automotive, consumer durables and other segments 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.

#### 2.4.24 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.

#### 2.4.25 Research and development costs

Research and development costs are recognised and expensed in the statement of income 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).

#### 2.4.26 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.

## Koç Holding A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

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

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

##### 2.4.27 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.

##### 2.4.28 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 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.

##### 2.4.29 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 in IAS 39, "Financial Instruments: Recognition and Measurement", 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 statement of income and classified as revenue or expense in period in which the hedged firm commitment or forecasted transaction affects the consolidated statement of income.

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 under IAS 39, 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 statement of income. 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 statement of income.

##### 2.4.30 Earnings per share

Earnings per share disclosed in the consolidated statement of income 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.

##### 2.4.31 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.

##### 2.4.32 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 Decisions

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.

#### NOTE 3 - BUSINESS COMBINATIONS

##### 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 <sup>(1)</sup>	70,849
Liabilities attributable to the acquisition <sup>(2)</sup>	13,595
Total acquisition cost	84,444
Net assets acquired	(73,891)
Goodwill at the acquisition date	10,553
Effect of the change in contingent liabilities attributable to acquisition <sup>(3)</sup>	(4,332)
<b>Goodwill</b>	<b>6,221</b>

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

#### NOTE 3 - BUSINESS COMBINATIONS (Continued)

(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 instalments. 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.

(3) The royalty income forecasts from the sales in United Kingdom and Ireland under Grundig brand, which are used for determination of the contingent liability at the acquisition date, were revised in accordance with the actual sales realised in 2008. Decrease in the contingent liability resulted from the change in royalty income forecasts are adjusted reciprocally with goodwill in compliance with IFRS 3.

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)
<b>Net assets acquired</b>	<b>73,891</b>
Acquisition cost	(70,849)
Cash and cash equivalents - acquired	15,603
<b>Cash outflow on acquisition (net)</b>	<b>(55,246)</b>

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)
<b>Goodwill</b>	<b>1,115</b>

##### Business combinations in 2007

Ardutch, a Subsidiary of the Group, acquired all the shares of Changzhou Casa Shinco Electrical Appliances Co. Ltd., a company operating in People's Republic of China on 24 September 2007. Following the acquisition, the company's name has been changed and registered as Chagzhou Beko Electrical Appliances Co. Ltd.

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

Total acquisition cost <sup>(*)</sup>	12,576
Net assets acquired	(10,987)
<b>Goodwill</b>	<b>1,589</b>

(\*) Costs directly attributable to the acquisition were included.

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

Cash and cash equivalents	4,699
Inventories	3,824
Property, plant and equipment	16,531
Intangible assets	1,575
Trade and other receivables	6,293
Financial liabilities	(4,294)
Trade and other payables	(17,641)
<b>Net assets acquired</b>	<b>10,987</b>
Acquisition cost	(12,576)
Cash and cash equivalents - acquired	4,699
<b>Cash outflow on acquisition (net)</b>	<b>(7,877)</b>

##### Legal mergers in 2008

- Türk Traktör ve Ziraat Makinaları A.Ş. merged with NH Trakmak Traktör ve Ziraat Makinaları A.Ş. on 31 March 2008,
- Koç Holding A.Ş. merged with Kav Danışmanlık Pazarlama ve Ticaret A.Ş. on 23 July 2008, by acquiring related assets and liabilities as a whole.

##### Legal mergers in 2007

- Ardutch B.V. merged with Izodutch B.V. on 1 January 2007,
- Yapı Kredi Menkul Değerler A.Ş. merged with Koç Menkul Değerler A.Ş. on 12 January 2007,
- Enternasyonel Turizm Yatırım A.Ş. merged with Bayındırlık İşleri A.Ş. and Akdeniz Marmara Turizm ve Ticaret A.Ş. on 8 February 2007,
- Opet Petrolcülük A.Ş. merged with Opet Madeni Yağ Sanayi ve Tic. A.Ş. on 7 May 2007,
- Beko Llc. merged with Izocam Llc. on 1 July 2007,
- Yapı Kredi Niderland N.V. merged with Koçbank Niderland N.V. on 2 July 2007,
- Otokoç Otomotiv Tic. ve San. A.Ş. merged with Birmot Birleşik Motor Sanayi ve Tic. A.Ş. on 30 November 2007, by acquiring related assets and liabilities as a whole.

## Koç Holding A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

(Amounts expressed in thousands of New 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:

	2008	2007
Current assets	20,341,826	15,929,005
Non-current assets	18,888,753	16,169,442
<b>Total assets</b>	<b>39,230,579</b>	<b>32,098,447</b>
Current liabilities	29,145,267	24,169,096
Non-current liabilities	4,743,814	3,616,100
Equity	5,341,498	4,313,251
<b>Total liabilities and equity</b>	<b>39,230,579</b>	<b>32,098,447</b>
Total revenue	14,995,949	13,683,299
Operating profit (net)	1,355,103	1,200,714
Profit for the period (net)	950,965	840,004

## NOTE 5 - SEGMENT REPORTING

	2008	2007
<b>a) Revenue</b>		
Energy	34,561,056	26,231,431
Automotive	6,434,925	6,510,009
Consumer durables	6,876,061	7,110,024
Finance	5,833,540	5,382,552
Other	1,925,529	1,568,218
	<b>55,631,111</b>	<b>46,802,234</b>
<b>b) Operating profit</b>		
Energy	1,569,619	1,594,610
Automotive	476,100	481,429
Consumer durables	432,320	530,045
Finance	850,520	716,816
Other (*)	1,707,186	271,229
	<b>5,035,745</b>	<b>3,594,129</b>

(\*) Gain on sale of investment amounting to TRY1,654,211 thousand (Note 26) has been disclosed under the "Other" sector in which Koç Holding is classified (2007: TRY156,685 thousand).

## c) Segment analysis for the period

## 1 January - 31 December 2008

	Finance						Inter Segment		Total	
	Energy	Automotive	Consumer Durables	Banking	Insurance	Consumer Finance	Intra Segment	Other Elimination		
External revenue	34,561,056	6,434,925	6,876,061	4,716,499	875,731	241,310	-	5,833,540	1,925,529	55,631,111
Inter segment revenue	61,838	65,194	117,691	57,213	60,266	1,850	-	119,329	87,731	(451,783)
<b>Revenue</b>	<b>34,622,894</b>	<b>6,500,119</b>	<b>6,993,752</b>	<b>4,773,712</b>	<b>935,997</b>	<b>243,160</b>	<b>-</b>	<b>5,952,869</b>	<b>2,013,260</b>	<b>55,631,111</b>
<b>Total costs</b>	<b>(32,144,411)</b>	<b>(5,647,829)</b>	<b>(5,074,300)</b>	<b>(2,687,720)</b>	<b>(835,631)</b>	<b>(179,497)</b>	<b>6,616</b>	<b>(3,696,232)</b>	<b>(1,492,552)</b>	<b>(47,597,369)</b>
<b>Gross profit</b>	<b>2,478,483</b>	<b>956,814</b>	<b>1,919,452</b>	<b>2,085,992</b>	<b>100,366</b>	<b>63,663</b>	<b>6,616</b>	<b>2,256,637</b>	<b>520,708</b>	<b>8,033,742</b>
<b>Operating expenses</b>										
Marketing, selling and distribution	(420,801)	(265,239)	(1,107,250)	(45,431)	(7,491)	(8,510)	-	(61,432)	(211,630)	(2,066,352)
General administrative	(523,419)	(157,969)	(303,342)	(948,798)	(113,079)	(19,280)	-	(1,081,157)	(270,663)	(2,151,436)
Research and development	(2,398)	(57,177)	(56,394)	-	-	-	-	-	(17)	(115,986)
Other income/expenses (net)	25,097	(10,039)	(6,550)	(293,326)	(2,400)	(32,004)	-	(327,730)	1,663,219	(1,335,777)
	<b>1,556,962</b>	<b>466,390</b>	<b>445,916</b>					<b>786,318</b>	<b>1,701,617</b>	<b>5,035,745</b>
Inter segment profit elimination	12,657	9,710	(13,596)					64,202	5,569	(78,542)
<b>Operating profit</b>	<b>1,569,619</b>	<b>476,100</b>	<b>432,320</b>					<b>850,520</b>	<b>1,707,186</b>	<b>5,035,745</b>

## 1 January - 31 December 2007

	Finance						Inter Segment		Total	
	Energy	Automotive	Consumer Durables	Banking	Insurance	Consumer Finance	Intra Segment	Other Elimination		
External revenue	26,231,431	6,510,009	7,110,024	3,975,526	1,225,465	181,561	-	5,382,552	1,568,218	46,802,234
Inter segment revenue	70,324	63,381	149,490	34,336	73,052	6,857	-	114,245	105,227	(502,667)
<b>Revenue</b>	<b>26,301,755</b>	<b>6,573,390</b>	<b>7,259,514</b>	<b>4,009,862</b>	<b>1,298,517</b>	<b>188,418</b>	<b>-</b>	<b>5,496,797</b>	<b>1,673,445</b>	<b>46,802,234</b>
<b>Total costs</b>	<b>(23,976,358)</b>	<b>(5,647,829)</b>	<b>(5,317,659)</b>	<b>(2,257,650)</b>	<b>(1,152,965)</b>	<b>(128,080)</b>	<b>9,719</b>	<b>(3,528,976)</b>	<b>(1,243,942)</b>	<b>(39,355,853)</b>
<b>Gross profit</b>	<b>2,325,397</b>	<b>925,561</b>	<b>1,941,855</b>	<b>1,752,212</b>	<b>145,552</b>	<b>60,338</b>	<b>9,719</b>	<b>1,967,821</b>	<b>429,503</b>	<b>7,446,381</b>
<b>Operating expenses</b>										
Marketing, selling and distribution	(324,836)	(288,666)	(1,030,668)	(63,664)	(12,395)	(9,301)	-	(85,360)	(174,852)	(1,904,382)
General administrative	(470,646)	(166,371)	(321,454)	(828,150)	(146,894)	(16,730)	-	(991,774)	(218,733)	(1,956,679)
Research and development	(2,739)	(35,577)	(32,492)	-	-	-	-	-	(174)	(70,982)
Other income/expenses (net)	51,475	35,637	(8,347)	(215,148)	7,188	(10,700)	-	(218,660)	227,705	(79,791)
	<b>1,578,651</b>	<b>470,584</b>	<b>548,894</b>					<b>672,027</b>	<b>263,449</b>	<b>3,594,129</b>
Inter segment profit elimination	15,959	10,845	(18,849)					44,789	7,780	(60,524)
<b>Operating profit</b>	<b>1,594,610</b>	<b>481,429</b>	<b>530,045</b>					<b>716,816</b>	<b>271,229</b>	<b>3,594,129</b>

## Koç Holding A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

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

## NOTE 5 - SEGMENT REPORTING (Continued)

## d) Segment assets and liabilities

	2008	2007
<b>Total assets</b>		
Energy	15,440,875	15,528,346
Automotive	3,528,236	3,367,058
Consumer durables	6,208,600	5,588,673
Finance	35,745,811	30,059,380
Other	3,547,082	1,981,716
<b>Segment assets</b>	<b>64,470,604</b>	<b>56,525,173</b>
Assets held for sale	48,644	2,830,678
Deferred tax assets	370,835	351,234
<b>Total assets</b>	<b>64,890,083</b>	<b>59,707,085</b>
<b>Total liabilities</b>		
Energy	9,099,123	8,805,833
Automotive	2,000,777	1,946,886
Consumer durables	4,665,200	4,157,740
Finance	30,891,547	26,258,099
Other	1,203,690	1,380,001
<b>Segment liabilities</b>	<b>47,860,337</b>	<b>42,548,559</b>
Liabilities held for sale	34,039	1,313,885
Deferred tax liabilities	761,936	639,599
Current income tax liabilities	102,111	146,661
<b>Total liabilities</b>	<b>48,758,423</b>	<b>44,648,704</b>

## e) Segment capital expenditures, depreciation and amortisation

	2008	2007
<b>Capital expenditures</b>		
Energy	725,694	572,709
Automotive	397,120	403,667
Consumer durables	267,248	324,911
Finance	114,632	93,987
Other	135,304	96,940
<b>Segment capital expenditures</b>	<b>1,639,998</b>	<b>1,492,214</b>
Discontinued operations	46,922	219,175
<b>Total capital expenditures</b>	<b>1,686,920</b>	<b>1,711,389</b>

## Depreciation and amortisation

Energy	314,906	298,942
Automotive	183,196	149,331
Consumer durables	174,768	157,566
Finance	85,077	86,997
Other	57,345	44,290
<b>Segment depreciation and amortisation</b>	<b>815,292</b>	<b>737,126</b>
Discontinued operations	39,921	110,275
<b>Total depreciation and amortisation</b>	<b>855,213</b>	<b>847,401</b>

## f) Non-cash expenses/(income)

	2008					Total
	Energy	Automotive	Consumer durables	Finance	Other	
<b>Changes in provisions</b>						
Customer premiums	-	(3,257)	10,268	-	-	7,011
Warranty and assembly provision	(206)	(6,755)	(10,945)	-	(174)	(18,080)
Insurance technical reserves	-	-	-	89,510	-	89,510
Provision for loans and doubtful receivables	5,764	8,431	28,105	(15,406)	2,436	29,330
Provision for the Fund	-	-	-	85,044	-	85,044
Employee termination benefits	1,904	4,886	4,148	(3,233)	(3,285)	4,420
Impairment on property, plant and equipment	-	18,349	-	926	11,297	30,572
Impairment on inventories	68,211	-	2,278	-	(1,339)	69,150
	<b>75,673</b>	<b>21,654</b>	<b>33,854</b>	<b>156,841</b>	<b>8,935</b>	<b>296,957</b>

## Changes in provisions

	2007					Total
	Energy	Automotive	Consumer durables	Finance	Other	
<b>Changes in provisions</b>						
Customer premiums	-	(2,527)	(4,108)	-	-	(6,635)
Warranty and assembly provision	206	3,901	(94,036)	-	1,995	(87,934)
Insurance technical reserves	-	-	-	87,249	-	87,249
Provision for loans and doubtful receivables	6,088	1,969	(623)	35,083	9,040	51,557
Provision for the Fund	-	-	-	2,519	-	2,519
Employee termination benefits	13,729	(10,799)	2,735	(5,219)	2,589	3,035
Impairment on property, plant and equipment	-	-	-	-	-	-
Impairment on inventories	(2,565)	1,618	4,016	-	(1,551)	1,518
	<b>17,458</b>	<b>(5,838)</b>	<b>(92,016)</b>	<b>119,632</b>	<b>12,073</b>	<b>51,309</b>

## Koç Holding A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

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

## NOTE 5 - SEGMENT REPORTING (Continued)

## g) Finance sector operating results

	2008	2007
<b>Finance sector operating profit</b>		
Banking operating profit (*)	875,001	712,449
Consumer finance operating profit	3,701	16,870
Insurance operating loss	(28,182)	(12,503)
<b>Total</b>	<b>850,520</b>	<b>716,816</b>

## (\*) Banking operating profit

<b>Net revenues</b>		
Interest income	3,697,117	3,211,050
Commission income	915,362	669,593
Foreign exchange gains (net)	49,910	63,605
Other operating income	54,110	31,278
<b>Total operating revenues</b>	<b>4,716,499</b>	<b>3,975,526</b>

<b>Operating expenses</b>		
Interest expense	(2,386,093)	(1,990,483)
Commission expense	(167,044)	(165,400)
Provision expense for loan impairment losses	(211,609)	(160,898)
Other operating expenses	(1,076,752)	(946,296)
<b>Total operating expenses</b>	<b>(3,841,498)</b>	<b>(3,263,077)</b>
<b>Banking operating profit</b>	<b>875,001</b>	<b>712,449</b>

## NOTE 6 - CASH AND CASH EQUIVALENTS

	2008			2007		
	Banking	Other	Total	Banking	Other	Total
Cash in hand	301,977	2,112	304,089	217,961	1,687	219,648
Cheques received	186	147,625	147,811	540	173,893	174,433
Due from banks						
- Demand deposits	261,888	524,977	786,865	220,669	764,157	984,826
- Time deposits	1,221,039	3,655,049	4,876,088	460,368	1,162,001	1,622,369
- Reverse repurchase agreements	-	9,748	9,748	-	9,916	9,916
Money markets	113,981	-	113,981	209,870	-	209,870
Central banks						
- Reserve requirements	1,610,037	-	1,610,037	1,376,495	-	1,376,495
- Other balances	444,425	-	444,425	271,236	-	271,236
Other	1,880	34,471	36,351	3,962	40,592	44,554
	<b>3,955,413</b>	<b>4,373,982</b>	<b>8,329,395</b>	<b>2,761,101</b>	<b>2,152,246</b>	<b>4,913,347</b>

As of 31 December 2008, total long-term bank balances amount to TRY203,964 thousand (2007: TRY106,374 thousand). All reverse repurchase agreements are with maturity periods of less than three months.

As of 31 December 2008, total blocked deposits amount to TRY398,547 thousand (2007: TRY145,563 thousand).

## Reserve deposits at the central banks

	2008	2007
Central Bank of the Republic of Turkey	1,546,541	1,363,582
Other central banks	63,496	12,913
	<b>1,610,037</b>	<b>1,376,495</b>

Reserve deposits requirements of the CBRT represent the minimum deposits, as required by the Turkish Banking Law, calculated on the basis of local and foreign currency denominated customer deposits taken at the rates determined by the CBRT which are 6% (2007: 6%) and 9% (2008: 11%), respectively. These funds cannot be used for financing the daily operations of the banks.

## Other balances with the central 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 requirements.

## NOTE 7 - FINANCIAL ASSETS

	2008			2007		
	Short-term	Long-term	Total	Short-term	Long-term	Total
Financial assets at fair value through profit or loss	214,480	-	214,480	346,088	-	346,088
Available-for-sale investments	229,965	794,904	1,024,869	289,279	1,055,017	1,344,296
Held-to-maturity investments	288,084	6,064,940	6,353,024	938,786	5,586,537	6,525,323
	<b>732,529</b>	<b>6,859,844</b>	<b>7,592,373</b>	<b>1,574,153</b>	<b>6,641,554</b>	<b>8,215,707</b>

## a) Financial assets at fair value through profit or loss

	2008			2007		
	Banking	Other	Total	Banking	Other	Total
<b>Debt securities:</b>						
Government bonds	17,724	22,140	39,864	10,430	150,637	161,067
Eurobond	77,370	16,248	93,618	80,853	52,734	133,587
Treasury bills	32,921	-	32,921	14,312	288	14,600
Other	17,793	21,490	39,283	503	20,910	21,413
	145,808	59,878	205,686	106,098	224,569	330,667
<b>Equity securities:</b>						
Listed	8,771	23	8,794	9,579	5,842	15,421
	<b>154,579</b>	<b>59,901</b>	<b>214,480</b>	<b>115,677</b>	<b>230,411</b>	<b>346,088</b>

## Koç Holding A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

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

## NOTE 7 - FINANCIAL ASSETS (Continued)

## b) Available-for-sale investments

	2008			2007		
	Banking	Other	Total	Banking	Other	Total
<b>Debt securities:</b>						
Government bonds	244,157	176,505	420,662	92,948	851,052	944,000
Eurobond	176,521	149,907	326,428	14,795	144,482	159,277
Treasury bills	34,389	1,063	35,452	49,661	994	50,655
Other	123,694	-	123,694	37,244	-	37,244
	578,761	327,475	906,236	194,648	996,528	1,191,176
<b>Equity securities:</b>						
Listed	26,644	9,943	36,587	30,368	23,426	53,794
Unlisted	43,137	38,909	82,046	28,225	71,101	99,326
	<b>648,542</b>	<b>376,327</b>	<b>1,024,869</b>	<b>253,241</b>	<b>1,091,055</b>	<b>1,344,296</b>

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

	2008		2007	
	TRY'000	(%)	TRY'000	(%)
<b>Listed:</b>				
Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı A.Ş.	15,677	15.22	16,928	15.22
Altrnyunus Çeşme Turistik Tesisler A.Ş.	9,451	30.00	23,426	30.00
Mastercard Incorporated	5,724	0.03	13,372	0.06
Visa Incorporated	5,191	0.01	-	-
Other	544	-	68	-
	<b>36,587</b>		<b>53,794</b>	
<b>Unlisted:</b>				
Banque de Commerce et de Placements S.A.	27,797	15.34	19,110	15.34
Koç Statoil Gaz Toptan Satış A.Ş.	12,554	50.00	12,554	50.00
Takas ve Saklama Bankası A.Ş.	6,190	2.43	6,180	2.43
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	5,876	88.00	4,053	67.00
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
Koç Statoil Gaz İletim A.Ş.	3,291	50.00	3,291	50.00
Demrad Döküm Ürünleri Sınai ve Tic. A.Ş.	-	-	27,953	99.99
Other	16,158	-	16,005	-
	<b>82,046</b>		<b>99,326</b>	

Unlisted available-for-sale investments (that are not quoted in an active market), 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.

Available-for-sale investments, in which the Group, together with Koç Family members, have attributable interests of 20% or more, which are either immaterial, or where a significant influence is not exercised by Koç Holding, are carried at cost less provision for diminution in value. These companies have neither been accounted for using the equity method nor consolidated line-by-line due to the insignificance of their combined impact on the net worth, financial position and results of Koç Holding.

Provision for impairment of unlisted financial assets amounts to TRY81,904 thousand as of 31 December 2008 (2007: TRY93,909 thousand).

## c) Held-to-maturity investments

	2008			2007		
	Banking	Other	Total	Banking	Other	Total
<b>Debt securities:</b>						
Government bonds	3,397,059	-	3,397,059	3,685,476	-	3,685,476
Eurobond	2,955,965	-	2,955,965	2,777,013	23,678	2,800,691
Treasury bills	-	-	-	38,256	-	38,256
Other	-	-	-	900	-	900
	<b>6,353,024</b>	<b>-</b>	<b>6,353,024</b>	<b>6,501,645</b>	<b>23,678</b>	<b>6,525,323</b>

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

	2008	2007
Financial assets at fair value through profit or loss	53,227	50,907
Available-for-sale investments	9,320	-
Held-to-maturity investments	372,482	882,447
	<b>435,029</b>	<b>933,354</b>

The details of debt securities that are blocked in favour of the Turkish Treasury by the subsidiaries and joint ventures of the Group in the insurance sector are as follows:

	2008	2007
Financial assets at fair value through profit or loss	33,832	158,857
Available-for-sale investments	260,733	685,404
Held-to-maturity investments	-	19,911
	<b>294,565</b>	<b>864,172</b>

## Koç Holding A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

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

## NOTE 8 - TRADE RECEIVABLES AND PAYABLES

	2008	2007
<b>Trade receivables</b>		
Trade receivables	3,582,627	4,288,909
Notes and cheques receivables	1,627,040	1,768,436
Other	1,996	3,033
	5,211,663	6,060,378
Less: Provision for doubtful receivables	(159,180)	(138,451)
	5,052,483	5,921,927
Due from related parties (Note 28)	122,105	238,016
Total trade receivables	5,174,588	6,159,943
Less: Long-term trade receivables	(118,593)	(97,266)
<b>Short-term trade receivables</b>	<b>5,055,995</b>	<b>6,062,677</b>

Movement of provision for doubtful receivables is as follows:

	2008	2007
<b>Beginning of the period - 1 January</b>	<b>138,451</b>	<b>138,483</b>
Increase during the period	43,782	40,237
Collections	(6,833)	(21,685)
Transfers <sup>(1)</sup>	(1,166)	(6,332)
Disposals from the scope of consolidation <sup>(2)</sup>	(23,079)	(12,252)
Acquisitions <sup>(3)</sup>	8,025	-
<b>End of the period - 31 December</b>	<b>159,180</b>	<b>138,451</b>

(1) Transferred to assets held for sale.

(2) Related to the sale of Koç Allianz Sigorta, Koç Allianz Hayat and Otomotiv Lastikleri in 2008; Birleşik Oksijen Sanayi and Türk Demirdöküm in 2007.

(3) Related to the acquisition of Grundig Multimedia.

	2008	2007
<b>Trade payables</b>		
Trade payables	3,236,186	4,410,541
Notes payables	7,065	9,046
Other	12,271	10,244
	3,255,522	4,429,831
Due to related parties (Note 28)	144,892	239,758
<b>Short-term trade payables</b>	<b>3,400,414</b>	<b>4,669,589</b>

## NOTE 9 - LOANS AND ADVANCES TO CUSTOMERS

	Corporate and commercial loans	Consumer loans	Credit card loans	Leasing loans	Factoring loans	Total
<b>2008</b>						
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
<b>Gross</b>	<b>12,715,172</b>	<b>4,365,830</b>	<b>3,969,701</b>	<b>1,399,135</b>	<b>485,274</b>	<b>22,935,112</b>
Less: Provision for impairment	(464,350)	(102,290)	(224,623)	(56,838)	(5,356)	(853,457)
<b>Net</b>	<b>12,250,822</b>	<b>4,263,540</b>	<b>3,745,078</b>	<b>1,342,297</b>	<b>479,918</b>	<b>22,081,655</b>
Less: Long-term loans and advances						(8,972,926)
<b>Short-term loans and advances</b>						<b>13,108,729</b>

	Corporate and commercial loans	Consumer loans	Credit card loans	Leasing loans	Factoring loans	Total
<b>2007</b>						
Performing loans	8,835,205	3,074,399	3,117,558	1,111,977	341,932	16,481,071
Watch listed loans	109,757	108,103	181,118	44,309	-	443,287
Loans under legal follow-up	590,715	79,578	202,618	42,078	2,037	917,026
<b>Gross</b>	<b>9,535,677</b>	<b>3,262,080</b>	<b>3,501,294</b>	<b>1,198,364</b>	<b>343,969</b>	<b>17,841,384</b>
Less: Provision for impairment	(644,233)	(80,875)	(250,753)	(37,737)	(4,055)	(1,017,653)
<b>Net</b>	<b>8,891,444</b>	<b>3,181,205</b>	<b>3,250,541</b>	<b>1,160,627</b>	<b>339,914</b>	<b>16,823,731</b>
Less: Long-term loans and advances						(7,347,119)
<b>Short-term loans and advances</b>						<b>9,476,612</b>

As of 31 December 2008, the fair value of the guarantees received related with the Group's watch listed loans and loans under legal follow-up amounts to TRY534,328 thousand (2007: TRY255,037 thousand).

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

	2008	2007
<b>Beginning of the period - 1 January</b>	<b>1,017,653</b>	<b>979,907</b>
Provisions for loan losses during the period	449,580	301,176
Recoveries of amounts previously provided	(253,569)	(112,600)
Write-off during the period as uncollectible	(179,050)	(155,765)
Disposals due to sale of non-performing loan portfolio	(181,234)	-
Translation differences	77	4,935
<b>End of the period - 31 December</b>	<b>853,457</b>	<b>1,017,653</b>

## Koç Holding A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

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

## NOTE 9 - LOANS AND ADVANCES TO CUSTOMERS (Continued)

Net investment in finance leases is shown below:

	2008	2007
Gross investment in finance leases	1,480,115	1,360,268
Less: Unearned finance income	(255,615)	(248,291)
<b>Investment in finance leases (net)</b>	<b>1,224,500</b>	<b>1,111,977</b>

Leasing receivables consist of rentals over the terms of leases.

The rentals according to their maturities are as follows:

	2008	2007
2008	-	548,556
2009	605,860	386,172
2010 and over	874,255	425,540
Less: Unearned finance income	(255,615)	(248,291)
	<b>1,224,500</b>	<b>1,111,977</b>

## NOTE 10 - INVENTORIES

	2008	2007
Raw materials and supplies	1,496,300	2,086,727
Finished goods	912,550	1,193,359
Merchandise	930,684	951,951
Work in progress	322,918	291,889
Other inventories	11,945	3,259
<b>Total inventories (net)</b>	<b>3,674,397</b>	<b>4,527,185</b>

Movement of provision for impairment on inventories is as follows:

	2008	2007
<b>Beginning of the period - 1 January</b>	<b>51,358</b>	<b>50,083</b>
Increase during the period	85,295	27,652
Reversal of provisions	(7,439)	-
Acquisitions <sup>(1)</sup>	6,336	-
Transfers <sup>(2)</sup>	(1,400)	-
Disposals from the scope of consolidation <sup>(3)</sup>	-	(243)
Realised due to sale of inventory	(13,642)	(26,134)
<b>End of the period - 31 December</b>	<b>120,508</b>	<b>51,358</b>

(1) Related to the acquisition of Grundig Multimedia.

(2) Transferred to assets held for sale.

(3) Related to the disposal of Türk Demirdöküm.

## NOTE 11 - INVESTMENT PROPERTY

	2008	2007
<b>As of 1 January</b>		
Cost	53,285	162,783
Accumulated depreciation	(4,712)	(11,728)
<b>Net book value</b>	<b>48,573</b>	<b>151,055</b>
<b>Opening net book value</b>	<b>48,573</b>	<b>151,055</b>
Acquisitions (Note 3)	4,170	-
Additions	70	85
Disposals	(2,473)	(105)
Transfers <sup>(1)</sup>	31,513	8,786
Disposals from the scope of consolidation <sup>(2)</sup>	(6,378)	(98,417)
Translation differences	1,230	(10,849)
Current period depreciation	(1,277)	(1,982)
<b>Closing net book value</b>	<b>75,428</b>	<b>48,573</b>
<b>As of 31 December</b>		
Cost	115,662	53,285
Accumulated depreciation	(40,234)	(4,712)
<b>Net book value</b>	<b>75,428</b>	<b>48,573</b>

(1) Transferred from property, plant and equipment.

(2) Related to the sales of Koç Allianz Sigorta in 2008 and Ramenka in 2007.

As of 31 December 2008 the fair value of the investment property has been determined as TRY87,058 thousand (2007: TRY48,760 thousand).

## Koç Holding A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

(Amounts expressed in thousands of New 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
<b>1 January 2008</b>								
Cost	2,505,807	2,492,756	9,697,399	706,896	984,461	511,125	265,525	17,163,969
Accumulated depreciation	(149,957)	(1,145,370)	(4,788,402)	(275,094)	(763,105)	-	(143,574)	(7,265,502)
<b>Net book value</b>	<b>2,355,850</b>	<b>1,347,386</b>	<b>4,908,997</b>	<b>431,802</b>	<b>221,356</b>	<b>511,125</b>	<b>121,951</b>	<b>9,898,467</b>
<b>Opening net book value</b>	<b>2,355,850</b>	<b>1,347,386</b>	<b>4,908,997</b>	<b>431,802</b>	<b>221,356</b>	<b>511,125</b>	<b>121,951</b>	<b>9,898,467</b>
Acquisitions (Note 3)	-	242	342	162	205	96	-	1,047
Additions	7,136	9,197	164,242	129,867	120,975	915,318	49,840	1,396,575
Disposals	(14,107)	(6,463)	(13,485)	(48,947)	(14,352)	(8,355)	(1,933)	(107,642)
Transfers <sup>(1)</sup>	135,712	60,883	490,547	78,700	35,839	(818,024)	45,091	28,748
Disposals from the scope of consolidation <sup>(2)</sup>	(9,285)	(30,755)	(4,196)	(1,266)	(5,295)	(918)	(155)	(51,870)
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)
<b>Closing net book value</b>	<b>2,430,742</b>	<b>1,317,274</b>	<b>5,100,183</b>	<b>550,932</b>	<b>277,303</b>	<b>600,324</b>	<b>176,950</b>	<b>10,453,708</b>
<b>31 December 2008</b>								
Cost	2,623,787	2,429,673	10,234,333	850,038	1,051,462	600,324	348,288	18,137,905
Accumulated depreciation	(193,045)	(1,112,399)	(5,134,150)	(299,106)	(774,159)	-	(171,338)	(7,684,197)
<b>Net book value</b>	<b>2,430,742</b>	<b>1,317,274</b>	<b>5,100,183</b>	<b>550,932</b>	<b>277,303</b>	<b>600,324</b>	<b>176,950</b>	<b>10,453,708</b>

(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.

There are TRY12,689 thousand of mortgages on property, plant and equipment as of 31 December 2008.

	Land and land improvements	Buildings	Machinery and equipment	Motor vehicles	Furniture and fixtures	Constructions in progress	Leasehold improvements	Total
<b>1 January 2007</b>								
Cost	2,488,144	3,106,849	9,491,726	676,619	1,136,952	1,015,391	747,202	18,662,883
Accumulated depreciation	(123,551)	(1,326,858)	(5,165,814)	(290,251)	(850,810)	-	(357,424)	(8,114,708)
<b>Net book value</b>	<b>2,364,593</b>	<b>1,779,991</b>	<b>4,325,912</b>	<b>386,368</b>	<b>286,142</b>	<b>1,015,391</b>	<b>389,778</b>	<b>10,548,175</b>
<b>Opening net book value</b>	<b>2,364,593</b>	<b>1,779,991</b>	<b>4,325,912</b>	<b>386,368</b>	<b>286,142</b>	<b>1,015,391</b>	<b>389,778</b>	<b>10,548,175</b>
Acquisitions (Note 3)	-	9,174	6,608	749	-	-	-	16,531
Additions	33,875	23,269	187,723	135,651	106,371	986,268	54,574	1,527,731
Disposals	(17,805)	(57,452)	(20,244)	(46,452)	(7,318)	(49,145)	(1,922)	(200,338)
Transfers <sup>(1)</sup>	13,877	(78,274)	950,316	19,783	(49,372)	(1,393,725)	(224,800)	(762,195)
Additions to the scope of consolidation <sup>(2)</sup>	3,942	15,867	7,494	1,366	2,958	-	881	32,508
Disposals from the scope of consolidation <sup>(3)</sup>	(4,448)	(220,954)	(92,943)	(2,900)	(30,067)	(42,457)	(20,525)	(414,294)
Translation differences	(444)	(45,467)	(18,299)	(4,989)	(2,634)	(5,207)	107	(76,933)
Current period depreciation	(37,740)	(78,768)	(437,570)	(57,774)	(84,724)	-	(76,142)	(772,718)
<b>Closing net book value</b>	<b>2,355,850</b>	<b>1,347,386</b>	<b>4,908,997</b>	<b>431,802</b>	<b>221,356</b>	<b>511,125</b>	<b>121,951</b>	<b>9,898,467</b>
<b>31 December 2007</b>								
Cost	2,505,807	2,492,756	9,697,399	706,896	984,461	511,125	265,525	17,163,969
Accumulated depreciation	(149,957)	(1,145,370)	(4,788,402)	(275,094)	(763,105)	-	(143,574)	(7,265,502)
<b>Net book value</b>	<b>2,355,850</b>	<b>1,347,386</b>	<b>4,908,997</b>	<b>431,802</b>	<b>221,356</b>	<b>511,125</b>	<b>121,951</b>	<b>9,898,467</b>

(1) The property, plant and equipment amounting to TRY794,267 thousand, TRY8,786 thousand and TRY40,858 thousand have been transferred to assets held for sale (Note 31), to investment property (Note 11) and from other non-current assets, respectively.

(2) Related to the addition of Harranova Besi to the scope of the consolidation.

(3) Related to the sales of Türk Demirdöküm, Birleşik Oksijen Sanayi and Ramenka.

There are TRY186,320 thousand of mortgages on property, plant and equipment as of 31 December 2007.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

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

## NOTE 13 - INTANGIBLE ASSETS

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

(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.

Total research and development expenditures incurred in 2008 amount to TRY315,804 thousand.

	Rights	Brand	Development Costs	Other	Total
<b>1 January 2007</b>					
Cost	733,484	284,684	300,891	68,921	1,387,980
Accumulated amortisation	(236,491)	(10,193)	(134,713)	(52,997)	(434,394)
<b>Net book value</b>	<b>496,993</b>	<b>274,491</b>	<b>166,178</b>	<b>15,924</b>	<b>953,586</b>
Acquisitions (Note 3)	1,575	-	-	-	1,575
Additions	23,471	-	149,651	10,451	183,573
Disposals	(169)	-	(118)	(197)	(484)
Transfers <sup>(1)</sup>	(4,521)	(174,158)	(21)	(926)	(179,626)
Disposals from the scope of consolidation <sup>(2)</sup>	(1,230)	-	(719)	(77)	(2,026)
Translation differences	(3,008)	-	-	(53)	(3,061)
Current period amortisation	(36,275)	(8,154)	(23,650)	(4,622)	(72,701)
<b>Closing net book value</b>	<b>476,836</b>	<b>92,179</b>	<b>291,321</b>	<b>20,500</b>	<b>880,836</b>
<b>31 December 2007</b>					
Cost	722,551	110,526	448,393	65,973	1,347,443
Accumulated amortisation	(245,715)	(18,347)	(157,072)	(45,473)	(466,607)
<b>Net book value</b>	<b>476,836</b>	<b>92,179</b>	<b>291,321</b>	<b>20,500</b>	<b>880,836</b>

(1) Transferred to assets held for sale (Note 31).

(2) Related to the sales of Türk Demirdöküm, Birleşik Oksijen Sanayi and Ramenka.

Total research and development expenditures incurred in 2007 amount to TRY220,633 thousand.

## NOTE 14 - GOODWILL

	2008	2007
<b>Opening net book value - 1 January</b>	<b>3,524,486</b>	<b>3,800,853</b>
Acquisitions (Note 3)	7,336	1,589
Additions <sup>(1)</sup>	1,533	18,573
Disposals	(332)	(1,264)
Translation differences	657	-
Transfers <sup>(2)</sup>	-	(295,265)
<b>Closing net book value - 31 December</b>	<b>3,533,680</b>	<b>3,524,486</b>

(1) Additions represent adjustment to the cost of acquisition of Yapı Kredi Bankasi in 2005, based on the contingencies (Note 30) realised in the current periods.

(2) Transferred to assets held for sale (Note 31).

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

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#### NOTE 15 - CUSTOMER DEPOSITS

	2008			2007		
	Demand	Time	Total	Demand	Time	Total
<b>TRY deposits</b>						
Saving deposits	522,046	7,393,889	7,915,935	465,234	5,178,244	5,643,478
Commercial deposits	700,467	3,170,922	3,871,389	615,107	2,714,669	3,329,776
Deposits from banks	56,352	48,753	105,105	19,686	23,036	42,722
Funds deposited under repurchase agreements	-	70,477	70,477	-	699,648	699,648
	<b>1,278,865</b>	<b>10,684,041</b>	<b>11,962,906</b>	<b>1,100,027</b>	<b>8,615,597</b>	<b>9,715,624</b>
<b>Foreign currency deposits</b>						
Saving deposits	877,317	4,210,098	5,087,415	753,471	3,467,239	4,220,710
Commercial deposits	884,688	2,520,641	3,405,329	743,989	1,665,829	2,409,818
Deposits from banks	59,967	63,860	123,827	22,226	233,716	255,942
Funds deposited under repurchase agreements	-	312,489	312,489	-	328,984	328,984
	<b>1,821,972</b>	<b>7,107,088</b>	<b>8,929,060</b>	<b>1,519,686</b>	<b>5,695,768</b>	<b>7,215,454</b>
Less: Long-term deposits			(276,089)			(138,844)
<b>Short-term deposits</b>			<b>20,615,877</b>			<b>16,792,234</b>

#### NOTE 16 - FINANCIAL LIABILITIES

	2008	2007
Short-term financial liabilities		
Bank borrowings	9,158,904	6,541,930
Debt securities in issue	227,784	114,515
Leasing payables	678	1,837
	<b>9,387,366</b>	<b>6,658,282</b>
Long-term financial liabilities		
Bank borrowings	7,027,934	6,828,565
Debt securities in issue	1,158,927	951,324
Leasing payables	3,934	1,528
	<b>8,190,795</b>	<b>7,781,417</b>
	<b>17,578,161</b>	<b>14,439,699</b>

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, Calyon Corporate and Investment Bank, JP Morgan Plc., WestLB AG. London Branch and JP Morgan Chase Bank N.A. in an amount of USD1,000,000,000 with a maturity of 3 years which bears an interest rate of Libor+1.0;
- 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 JP Morgan Europe Limited, JP Morgan Plc. and JP Morgan Chase Bank N.A. in an amount of USD550,000,000 with a maturity of 2 years and a 1 year option period which bears an interest rate of Libor+1.2;
- 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, were obtained.

Following the principal repayments amounting to USD1,861,984,558 regarding the loans detailed above, the total borrowings decreased to USD2,438,015,442 as of 31 December 2008.

As of 31 December 2008, Yapı ve 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 TRY983,149 thousand (2007: TRY771,305 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.

As of 31 December 2008, Yapı ve Kredi Bankası has subordinated loans amounting to TRY1,110,301 thousand (2007: TRY875,385 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.

As of 31 December 2008, Yapı Kredi Bankası provided a 1 year dual tranche multi-currency term loan facility amounting to TRY739,902 thousand (USD500,000,000) with an interest rate of Libor+0.75% per annum.

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 financial liabilities is as follows:

	2008	2007
2009	-	2,440,828
2010	2,486,749	1,022,530
2011	1,353,484	897,212
2012	980,448	855,406
2013	840,061	691,942
2014 and over	2,530,053	1,873,499
	<b>8,190,795</b>	<b>7,781,417</b>

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

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#### NOTE 17 - TAX ASSETS AND LIABILITIES

	2008	2007
Current income tax liabilities		
Domestic	496,974	620,358
Foreign	16,340	12,026
Less: Prepaid corporate tax	(411,203)	(485,723)
<b>Current income tax liabilities (net)</b>	<b>102,111</b>	<b>146,661</b>
Deferred tax liabilities		
Domestic	748,184	631,749
Foreign	13,752	7,850
	<b>761,936</b>	<b>639,599</b>
Deferred tax assets		
Domestic	(353,058)	(347,866)
Foreign	(17,777)	(3,368)
	<b>(370,835)</b>	<b>(351,234)</b>
<b>Deferred tax liabilities (net)</b>	<b>391,101</b>	<b>288,365</b>

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 these consolidated financial statements, have been calculated on a separate-entity basis.

The 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:

	2008	2007
Current period tax expense	523,764	649,665
Deferred tax expense (net)	62,313	62,627
	<b>586,077</b>	<b>712,292</b>
<b>Profit before tax</b>	<b>3,080,685</b>	<b>4,067,125</b>
Domestic tax rate	20%	20%
Tax calculated at domestic tax rate	616,137	813,425
Tax effects of income not subject to tax	(236,071)	(90,790)
Expenses not deductible	62,728	54,814
Tax losses	148,991	(65,417)
Tax rate differences	(5,708)	260
<b>Tax charge</b>	<b>586,077</b>	<b>712,292</b>

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 2008 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	25.0	Slovakia	19.0

## Koç Holding A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

(Amounts expressed in thousands of New 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)	
	2008	2007	2008	2007
Property, plant and equipment and intangible assets	4,272,518	4,021,797	(849,741)	(782,309)
Tax losses carried forward	(508,665)	(439,328)	102,220	94,476
Provision for the Fund (Note 21)	(387,183)	(302,139)	77,437	60,428
Provision for impaired loans	(368,761)	(342,430)	73,786	68,486
Provision for employment termination benefits (Note 21)	(290,523)	(291,946)	57,803	58,272
Warranty and assembly reserves	(212,624)	(226,623)	42,177	47,093
Inventories	(154,452)	(75,519)	30,890	16,509
Derivative financial instruments	145,516	(172,793)	(28,412)	33,472
Unused research and development incentives	(84,204)	-	16,841	-
Provision for lawsuits	(63,978)	(47,498)	12,796	9,500
Provision for doubtful receivables	(63,476)	(45,141)	12,696	9,075
Impairment of investments	(62,293)	(68,017)	12,314	13,604
Provision for unused vacation	(54,082)	(39,158)	10,817	7,769
Unearned credit finance income (net)	(50,489)	(27,942)	9,966	5,649
Provision for credit card bonus (Note 22.c)	(28,337)	(18,007)	5,668	3,602
Deferred income	(20,557)	(20,582)	4,112	4,488
Unused investment incentives	-	(418,673)	-	42,705
Other (net)	(91,894)	(79,220)	17,529	18,816
<b>Deferred tax assets / (liabilities) (net)</b>			<b>(391,101)</b>	<b>(288,365)</b>

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:

	2008	2007
Carry forward tax losses <sup>(1)</sup>	1,099,469	361,201
Unused investment incentives <sup>(2)</sup>	1,506,106	1,183,719
(1) The expiration schedule of carry forward tax losses is as follows:		
	2008	2007
2008	-	4,752
2009	17,546	17,546
2010	23,670	23,670
2011	212,468	214,405
2012	100,828	100,828
2013	744,957	-
	<b>1,099,469</b>	<b>361,201</b>

(2) Investment incentives for which the Group is qualified as a result of investment expenditures of prior periods cannot be deductible from taxable income after 1 January 2009.

Movements of deferred tax assets and liabilities are as follows:

	2008	2007
<b>Beginning of the period - 1 January</b>	<b>(288,365)</b>	<b>(242,357)</b>
Charge to the income statement:		
- Continuing operations	(62,313)	(62,627)
- Discontinued operations	-	(32,276)
Charge to the equity:		
- Financial assets fair value reserve	2,267	(806)
- Cumulative gain/(loss) on hedging	11,127	4,701
- Non-current assets revaluation fund	(18,129)	-
- Translation differences	(2,914)	1,786
Acquisitions (Note 3)	(21,612)	-
Additions to the scope of consolidation	-	2,219
Disposals from the scope of consolidation <sup>(1)</sup>	(11,162)	22,196
Transfers <sup>(2)</sup>	-	18,799
<b>End of the period - 31 December</b>	<b>(391,101)</b>	<b>(288,365)</b>

(1) Related to the sales of Koç Allianz Sigorta, Koç Allianz Hayat and Otomotiv Lastikleri in 2008; Birleşik Oksijen Sanayi, Türk Demirdöküm and Ramenka in 2007.

(2) Transferred to the assets held for sale (Note 31).

## Koç Holding A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

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

## NOTE 18 - OTHER PAYABLES

	2008	2007
Taxes and duties payable	1,370,546	1,430,553
Social security premiums payable	23,245	30,105
Rescheduled taxes payable	-	6,142
	<b>1,393,791</b>	<b>1,466,800</b>

## NOTE 19 - DERIVATIVE FINANCIAL INSTRUMENTS

	2008		2007	
	Asset	Liability	Asset	Liability
Derivatives held for trading	271,717	109,875	24,290	159,360
Derivatives held for hedging	11,471	68,825	841	54,851
	<b>283,188</b>	<b>178,700</b>	<b>25,131</b>	<b>214,211</b>

Derivatives held for trading:

	2008			2007		
	Contract amount	Fair values		Contract amount	Fair values	
		Asset	Liability		Asset	Liability
Currency swaps	4,351,004	139,590	24,855	1,923,539	5,845	34,372
Currency forwards	2,387,000	70,544	32,944	1,457,422	9,651	34,047
	6,738,004	210,134	57,799	3,380,961	15,496	68,419
Interest rate swaps	2,683,846	56,331	52,058	1,202,192	8,212	82,353
Option agreements	527,816	2,317	18	1,098,450	532	783
Commodity futures	27,539	2,935	-	293,450	50	7,805
	<b>9,977,205</b>	<b>271,717</b>	<b>109,875</b>	<b>5,975,053</b>	<b>24,290</b>	<b>159,360</b>

Derivatives held for hedging:

	2008			2007		
	Contract amount	Fair values		Contract amount	Fair values	
		Asset	Liability		Asset	Liability
Currency swaps	159,923	11,019	-	108,896	-	7,921
Currency forwards	513,693	165	5,211	152,465	-	10,856
	673,616	11,184	5,211	261,361	-	18,777
Interest rate swaps	2,036,088	-	63,614	949,467	841	36,074
Option agreements	5,178	287	-	-	-	-
	<b>2,714,882</b>	<b>11,471</b>	<b>68,825</b>	<b>1,210,828</b>	<b>841</b>	<b>54,851</b>

## NOTE 20 - INSURANCE TECHNICAL RESERVES

	2008	2007
Unearned premiums reserve - net of reinsurers' share	104,266	348,017
Claim provisions - net of reinsurers' share	41,662	177,870
<b>Insurance technical reserves - current</b>	<b>145,928</b>	<b>525,887</b>
Life mathematical reserves - net of reinsurers' share	271,672	712,729
<b>Insurance technical reserves - non-current</b>	<b>271,672</b>	<b>712,729</b>
<b>Total insurance technical reserves</b>	<b>417,600</b>	<b>1,238,616</b>

The movement for insurance technical reserves is as follows:

	2008	2007
<b>Beginning of the period - 1 January</b>	<b>1,238,616</b>	<b>1,151,367</b>
Premiums written during the period	325,621	644,086
Premiums earned during the period	(275,578)	(611,509)
Paid claims during the period	(84,545)	(73,378)
Payments associated with the life insurance during the period	(71,908)	(136,674)
Disposals from the scope of consolidation <sup>(*)</sup>	(910,527)	-
Other increases in the provisions	195,921	264,724
<b>End of the period - 31 December</b>	<b>417,600</b>	<b>1,238,616</b>

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

## Koç Holding A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

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

#### NOTE 21 - EMPLOYEE BENEFITS

	2008	2007
Provision for employment termination benefits	293,206	293,811
Provision for the Fund	387,183	302,139
	<b>680,389</b>	<b>595,950</b>
Provision for employment termination benefits:		
- Domestic	290,523	291,946
- Foreign	2,683	1,865
	<b>293,206</b>	<b>293,811</b>

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 2008, the amount payable consists of one month's salary limited to a maximum of TRY2,173.18 (2007: TRY2,030.19) 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 TRY2,260.05 effective from 1 January 2009 (1 January 2008: TRY2,087.92) 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 were used in the calculation of the total liability:

	2008	2007
Discount rate (%)	6.26	5.71
Turnover rate to estimate the probability of retirement (%)	98	99

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

	2008	2007
<b>Beginning of the period - 1 January</b>	<b>293,811</b>	<b>312,977</b>
Interest expense	18,393	17,871
Actuarial losses/(gains)	13,101	11,045
Increase during the period	53,472	57,799
Payments during the period	(82,481)	(83,716)
Transfers <sup>(1)</sup>	(173)	(14,065)
Translation differences	363	35
Additions to the scope of consolidation <sup>(2)</sup>	-	233
Disposals from the scope of consolidation <sup>(3)</sup>	(3,280)	(8,368)
<b>End of the period - 31 December</b>	<b>293,206</b>	<b>293,811</b>

(1) Transferred to liabilities held for sale (Note 31).

(2) Related to the addition of Harranova Besi to the scope of consolidation.

(3) Related to the sales of Koç Allianz Sigorta, Koç Allianz Hayat and Otomotiv Lastikleri in 2008; Birleşik Oksijen Sanayi and Türk Demirdöküm in 2007.

#### Provision for the Fund:

As of 31 December 2008, Yapı Kredi Bankası, a Joint Venture of the Group, accounted provision amounting to TRY387,183 thousand for the technical deficit based on the report prepared by a registered actuary as of 30 November 2008 in accordance with the technical interest rate of 9.8% determined by the New Law and CSO 1980 mortality table. (2007: The provision for the technical deficit calculated as of 31 December 2006 in accordance with the decision of the Council of Ministers numbered 2006/11345 published in the Official Gazette dated 15 December 2006 and numbered 26377 using a technical interest rate 10.24% amounts to TRY302,139 thousand).

The amounts recognised in the income statement:

	2008	2007
Provision expenses for the Fund (Note 26)	(85,044)	(2,519)

Provision for the Fund accounted for in the balance sheet is determined as follows:

	2008	2007
Transferrable pension benefits	518,069	354,219
Transferrable post-employment benefits	13,522	33,191
Present value of funded obligations	531,591	387,410
Fair value of plan assets	(144,408)	(85,271)
<b>Provision for the Fund</b>	<b>387,183</b>	<b>302,139</b>

## Koç Holding A.Ş.

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

#### NOTE 21 - EMPLOYEE BENEFITS (Continued)

Plan assets are comprised as follows:

	2008		2007	
	Amount	(%)	Amount	(%)
Government bonds and treasury bills	72,104	50	26,962	32
Property, plant and equipment	47,298	33	48,816	57
Bank placements	8,620	6	6,050	7
Short term receivables	3,831	3	540	1
Other	12,555	8	2,903	3
	<b>144,408</b>	<b>100</b>	<b>85,271</b>	<b>100</b>

The principal actuarial assumptions used are as follows:

	2008	2007
Discount rate (%):	9.80	10.24

Mortality rate:

Average life expectation has been mentioned according to the mortality table based on statistical data, as 19 years for men and 15 years for women who have retired at the age of 64 and 63, respectively.

#### NOTE 22 - OTHER ASSETS AND LIABILITIES

a) Other current assets	2008	2007
Value added tax receivables	336,449	325,698
Prepaid expenses	224,680	149,422
Taxes and funds deductible	211,069	154,696
Prepaid taxes and funds	198,867	34,572
Advances given	123,758	136,836
Deposits and guarantees given	67,812	11,460
Income accruals	61,791	25,450
Precious metals	37,262	66,921
Payments for credit card settlements	22,041	21,924
Interbank cheque clearing account	16,025	27,431
Other	181,492	141,901
	<b>1,481,246</b>	<b>1,096,311</b>

b) Other non-current assets	2008	2007
Prepaid expenses	276,310	173,898
Spare parts and materials	217,514	204,207
Advances given	107,464	29,631
Other	3,669	3,720
	<b>604,957</b>	<b>411,456</b>

c) Other current liabilities	2008	2007
Credit card payables	1,007,376	897,511
Advances received	215,654	138,773
Warranty and assembly provision	198,666	216,120
Import deposits and transfer orders	185,459	117,323
Payables to personnel and premium accruals	182,944	177,476
Blocked accounts	135,701	89,554
Provision for lawsuits	113,642	118,438
Interbank cheque clearing account	87,044	148,475
Provision for losses related to loan commitments (Note 30.a)	86,849	65,937
Provision for unused vacation	53,949	39,158
Deferred income	47,771	36,335
Transitory accounts	39,394	61,287
Provision for credit card bonus	28,337	18,007
Sales and customer premiums accruals	21,282	14,271
Provision for the non-core assets option agreement (Note 30.a)	20,491	26,422
Export commitment accruals	20,248	19,973
Accruals for license expenses	18,598	8,376
Subrogation payables	16,386	10,335
Deposits and guarantees received	14,501	9,438
Provision for the advertising publication agreement (Note 30.a)	14,049	17,637
Other	444,234	467,552
	<b>2,952,575</b>	<b>2,698,398</b>

## Koç Holding A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

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

#### NOTE 22 - OTHER ASSETS AND LIABILITIES (Continued)

<b>d) Other non-current liabilities</b>	<b>2008</b>	<b>2007</b>
Revenue share (*)	200,824	136,019
Deposits and guarantees received	52,924	47,113
Warranty provision	51,632	52,258
Other	61,361	58,828
	<b>366,741</b>	<b>294,218</b>

(\*) According to Petroleum Market Law, Tüpraş, a Subsidiary of the Group, has been collecting the revenue share over the sales of petroleum products and non-refinery imports of petroleum products since 1 January 2005, and over the sales of Liquefied Petroleum Gas ("LPG") since 16 September 2005 in accordance with the LPG Market Regulation. Blocked demand deposits with special interest rates related to revenue share have been classified within "Cash and cash equivalents".

#### 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 YK1.

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

	<b>2008</b>	<b>2007</b>
Limit on registered share capital (historical)	3,000,000	3,000,000
Issued share capital in nominal value	2,012,618	1,745,700

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:

	2008		2007	
	Share %	TRY'000	Share %	TRY'000
Temel Ticaret ve Yatırım A.Ş.	42.39	853,162	42.44	740,815
Semahat Arsel	6.42	129,123	6.42	112,137
Suna Kıraç	5.25	105,637	5.26	91,715
Rahmi M. Koç	5.23	105,259	5.23	91,362
Mustafa V. Koç	3.20	64,392	3.20	55,945
Ali Y. Koç	3.20	64,322	3.20	55,883
Ömer M. Koç	2.80	56,442	2.81	49,080
İpek Kıraç	1.93	38,798	1.93	33,737
Rahmi M. Koç ve Mahdumları Maden, İnşaat, Turizm, Ulaştırma, Yatırım ve Ticaret A.Ş.	0.10	2,110	0.11	1,835

<b>Total Koç Family members and companies owned by Koç Family members</b>	<b>70.52</b>	<b>1,419,245</b>	<b>70.60</b>	<b>1,232,509</b>
Vehbi Koç Vakfı	7.15	143,973	7.17	125,191
Koç Holding Emekli ve Yardım Sandığı Vakfı	1.99	40,041	1.97	34,453
Other	20.34	409,359	20.26	353,547
<b>Paid-in share capital</b>	<b>100.00</b>	<b>2,012,618</b>	<b>100.00</b>	<b>1,745,700</b>
Adjustment to share capital (*)		967,288		967,288
<b>Total share capital</b>		<b>2,979,906</b>		<b>2,712,988</b>

(\*) "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.

The issued share capital of Koç Holding amounting to TRY1,745,700 thousand was increased by TRY261,855 thousand to TRY2,007,555 thousand through the transfer from reserves on 22 May 2008. As a result of the transfer of all assets and liabilities at 31 December 2007 of Kav Danışmanlık to Koç Holding as a whole, the two companies were merged in accordance with the clauses of Turkish Commercial Code and the Corporate Tax Law, and CMB legislation. The merger ratio has been determined as 99.748% derived by weighted average of discounted cash flow analysis, comparison valuation and equity method based on IFRS prepared by an independent expert firm. As a result of the merger, the share capital of Koç Holding was divided to the determined ratio and increased by TRY5,063 thousand to TRY2,012,618 thousand. Subsequently, related amendments to articles of association were registered to the trade registry on 23 July 2008.

According to the Articles of Association ("the Articles") of Koç Holding, there exist 100 registered shares. The holders of registered shares are entitled to receive 3% of the profit before tax, which remains after taxes, 5% of legal reserves and 5% of the paid capital have been deducted. However, this cannot be higher than 10% of the amount obtained after deducting legal reserves, taxes and first dividend from distributable profit. Registered share holders do not have any interest in the capital of Koç Holding and do not have any voting rights. In the event of liquidation, registered shareholders are not entitled to receive any portion of the liquidation proceeds.

Dividends are paid to Koç Holding Emekli ve Yardım Sandığı Vakfı up to 2% but not less than 1% of the profit before tax remaining after deducting taxes, 5% legal reserves rate determined by CMB and the first dividend.

The analysis of shares by group is as follows:

Group	Unit of shares	TRY'000	Nature of shares
A	53,870,906,532	538,709	Registered
B	147,390,843,468	1,473,909	Registered
	<b>201,261,750,000</b>	<b>2,012,618</b>	

## Koç Holding A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

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#### NOTE 23 - EQUITY (Continued)

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

- 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.
- 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:

	<b>2008</b>	<b>2007</b>
Financial assets fair value reserve	1,465	22,969
Cumulative gain/(loss) on hedging	(112,566)	(9,477)
Non-current assets revaluation fund	18,159	-
<b>Total revaluation funds</b>	<b>(92,942)</b>	<b>13,492</b>

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

##### Restricted Reserves

The Turkish Commercial Code stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Group's paid-in share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital. In addition, according to Exemption for Sale of Participation Shares and Property, a 75% portion of corporations' profits arising from such sales are not withdrawn within 5 years and are followed in special reserves.

The details of these restricted reserves are as follows:

	<b>2008</b>	<b>2007</b>
Legal reserves	106,096	54,579
Special reserves (*)	395,441	163,708
<b>Total</b>	<b>501,537</b>	<b>218,287</b>

(\*) 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 the current period (Note 26), in the amount of TRY1,734,154 thousand, will be transferred to "Special Reserves".

##### Prior Years' Income

In accordance with the CMB regulations effective until 1 January 2008, "Capital, Share Premiums, Legal Reserves, Special Reserves and Extraordinary Reserves" were recorded at their statutory carrying amounts and the inflation adjustment differences related to such accounts were recorded under "inflation adjustment differences" at the initial application of inflation accounting. "Equity Inflation Adjustment Differences" could have been utilised in issuing bonus shares and offsetting accumulated losses, carrying amount of extraordinary reserves could have been utilised in issuing bonus shares, cash dividend distribution and offsetting accumulated losses.

In accordance with the Communiqué No:XI-29 and related announcements of CMB, effective from 1 January 2008, "Share Capital", "Restricted Reserves" and "Share Premiums" shall be carried at their statutory amounts. The valuation differences shall be classified as follows:

- the difference arising from the "Paid-in Capital" and not been transferred to capital yet, shall be classified under the "Inflation Adjustment to Share Capital";

- the difference due to the inflation adjustment of "Restricted Reserves" and "Share Premium" and the amount has not been utilised in dividend distribution or capital increase yet, shall be classified under "Prior Years' Income",

Other equity items shall be carried at the amounts calculated based on CMB Financial Reporting Standards.

Accordingly, "Prior Years' Income" is restated as follows:

<b>As of 31 December 2007 - as previously reported</b>	<b>1,540,305</b>
Extraordinary reserves and inflation adjustment	970,062
Inflation adjustment to legal reserves	96,260
Inflation adjustment to share premium	4,718
<b>As of 1 January 2008 - as restated</b>	<b>2,611,345</b>

<b>As of 31 December 2006 - as previously reported</b>	<b>1,140,760</b>
Extraordinary reserves and inflation adjustment	975,725
Inflation adjustment to legal reserves	96,260
Inflation adjustment to share premium	4,718
<b>As of 1 January 2007 - as restated</b>	<b>2,217,463</b>

##### Dividend Distribution

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

In accordance with the CMB Decision dated 9 January 2009, concerning allocation basis of profit from operations of 2008, minimum profit distribution shall be applied as 20% (2007: 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 or as bonus shares or partly as cash and bonus shares; and in the event that the first dividend amount to be specified is less than 5% of the paid-up capital, the relevant amount can be retained within the company. However, companies that made capital increases before distributing dividends related to the prior period and whose shares are therefore classified as "old" and "new" and that will distribute dividends from the profit made from 2008 operations are required to distribute the initial amount in cash.

## Koç Holding A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

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#### NOTE 23 - EQUITY (Continued)

In addition, according to the aforementioned Board decision, the restrictions on the distributions of the profit derived from the subsidiaries, joint ventures and associates of entities who are required to prepare consolidated financial statements where no profit distribution decision is taken in the general assemblies of such subsidiaries joint ventures and associates is abolished. It is decided that as long as the entities can provide the necessary amount from their statutory reserves, the distributable profit can be calculated based on the net income declared at the publicly announced consolidated financial statements in the accordance with Communiqué XI No:29.

Accordingly, if the amount of dividend distributions calculated in accordance with the net distributable profit requirements of the CMB does not exceed the statutory net distributable profit, the total amount of distributable profit shall be distributed. If it exceeds the statutory net distributable profit, the total amount of the statutory net distributable profit shall be distributed. It is stated that dividend distributions should not be made if there is a loss in either the consolidated financial statements prepared in accordance with CMB regulations or in the statutory financial statements.

In accordance with the Board Decision dated 9 January 2009, the total amount of net income after the deduction of accumulated losses at statutory records and reserves that can be subject to dividend distribution shall be disclosed in the notes to the financial statements which will be prepared and publicly announced in accordance with Communiqué XI No:29. The concerning amount for Koç Holding is TRY1,840,446 thousand.

#### Minority Interest

In accordance with the Communiqué No XI, No: 29 effective from 1 January 2008 and the explanatory announcements of CMB regarding the aforementioned Communiqué, the "Minority Interests" are re-classified under the "Equity". Therefore, "Total Equity" is restated as follows:

<b>As of 31 December 2007 - as previously reported</b>		<b>7,852,062</b>
Minority interest		7,206,319
<b>As of 1 January 2008 - as restated</b>		<b>15,058,381</b>
<b>As of 31 December 2006 - as previously reported</b>		<b>5,087,999</b>
Minority interest		6,566,199
<b>As of 1 January 2007 - as restated</b>		<b>11,654,198</b>

The allocation of the minority interest is as follows:

	2008	2007
Koç Family members	1,291,387	1,434,150
Other	5,090,782	5,772,169
	<b>6,382,169</b>	<b>7,206,319</b>

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

	2008	2007
Koç Family members	38,501	95,869
Other	515,925	1,497,578
	<b>554,426</b>	<b>1,593,447</b>

Profit from continuing operations attributable to minority interest	513,423	1,330,843
Profit from discontinued operations attributable to minority interest	41,003	262,604
	<b>554,426</b>	<b>1,593,447</b>

#### NOTE 24 - OPERATING REVENUE

	2008	2007
Domestic sales	37,363,709	30,412,676
Foreign sales	13,741,492	12,566,005
<b>Gross sales</b>	<b>51,105,201</b>	<b>42,978,681</b>
Less: Discounts	(1,307,630)	(1,558,999)
<b>Operating revenue</b>	<b>49,797,571</b>	<b>41,419,682</b>

Finance sector operating revenue is disclosed in Note 5.

#### NOTE 25 - EXPENSE BY NATURE

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

	2008	2007
Raw materials, supplies and trade goods	39,309,291	31,017,135
Changes in work in progress, finished goods and trade goods	271,047	199,921
Personnel expenses	2,283,883	2,125,565
Depreciation and amortisation charges	815,292	737,126
Transportation, distribution and storage expenses	554,694	483,750
Energy and utility expenses	493,949	328,546
Advertisement and promotion expenses	388,747	354,786
Warranty and assembly costs	381,330	354,914
Maintenance and repair expenses	214,926	219,157
Information technologies expenses	138,074	141,144
Outsourcing expenses	136,546	122,846
Taxes, duties and charges	122,336	102,716
Rent expenses	112,321	107,189
Sales, incentives and premium expenses	96,846	99,719
Litigation and consultancy expenses	77,304	71,121
Insurance expenses	72,104	67,242
Travel expenses	43,173	44,731
Grants and donations	30,996	35,105
Royalty expenses	26,279	17,517
Other	2,793,741	3,233,253
	<b>48,362,879</b>	<b>39,863,483</b>

## Koç Holding A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

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

#### NOTE 26 - OTHER INCOME/EXPENSES

	2008	2007
<b>Other income</b>		
Gain on sale of investments (*)	1,675,064	240,035
Gain on sale property, plant and equipment	86,913	60,580
Reversal of provisions	55,820	65,299
Income from incentives	26,799	36,044
Dividend income	23,966	4,435
Rent income	22,750	8,904
Other	83,282	76,997
	<b>1,974,594</b>	<b>492,294</b>

#### Other expenses

Provision expenses	(469,003)	(350,429)
Provision expenses for the Fund	(85,044)	(2,519)
Loss on sale of property, plant and equipment	(25,485)	(34,245)
Other	(59,285)	(25,310)
	<b>(638,817)</b>	<b>(412,503)</b>

(\*) The details of gain on sale of investments are as follows:

	2008	2007
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	-
Türk Demirdöküm Fabrikaları A.Ş.	-	142,269
Birleşik Oksijen Sanayi A.Ş.	-	81,856
Goodyear Tire and Rubber Company	-	14,416
Other	26	1,494
	<b>1,675,064</b>	<b>240,035</b>

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 obtaining 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 the current period will be transferred to "Special Reserves" in the Equity (Note 23).

#### NOTE 27 - FINANCIAL INCOME/EXPENSES

	2008	2007
<b>Financial income</b>		
Foreign exchange gains	2,199,938	1,627,043
Credit finance income	598,402	438,010
Interest income	381,740	331,800
Gains on derivative financial instruments	102,913	4,234
Other financial income	15,652	8,056
	<b>3,298,645</b>	<b>2,409,143</b>

#### Financial expenses

Foreign exchange losses	(3,809,192)	(632,841)
Interest expenses	(957,983)	(903,868)
Credit finance charges	(311,042)	(298,363)
Losses on derivative financial instruments	(155,302)	(72,371)
Other financial expenses	(20,186)	(28,704)
	<b>(5,253,705)</b>	<b>(1,936,147)</b>

#### NOTE 28 - RELATED PARTY DISCLOSURES

##### (a) Related party balances

	2008			2007		
	Joint Ventures	Other	Total	Joint Ventures	Other	Total
Cash and cash equivalents	1,377,191	-	1,377,191	796,998	-	796,998
Trade receivables	78,972	43,133	122,105	201,760	36,256	238,016
Trade payables	92,664	52,228	144,892	213,236	26,522	239,758
Loans and advances to customers	10,550	3,707	14,257	5,984	12,264	18,248
Customer deposits	21,034	265,173	286,207	56,217	173,153	229,370
Financial liabilities	241,490	-	241,490	204,497	-	204,497

##### (b) Related party transactions

	2008			2007		
	Joint Ventures	Other	Total	Joint Ventures	Other	Total
Sales of goods and services	1,264,723	72,786	1,337,509	1,119,558	103,958	1,223,516
Purchases of goods and services	954,862	138,575	1,093,437	1,164,872	242,326	1,407,198

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#### NOTE 28 - RELATED PARTY DISCLOSURES (Continued)

##### (c) Key management compensation

Total compensation provided to key management personnel by Koç Holding in 2008 amounts to TRY15,528 thousand (2007: TRY14,493 thousand).

#### NOTE 29 - GOVERNMENT GRANTS

The Group is entitled by the following incentives and rights:

- Exemption from customs duty on investment goods 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,
- Cash allowance from Tübitak-Teydeb for research and development expenditures,
- Investment incentive allowance for capital expenditures (\*)

(\*) The exemption for investment allowance has been abolished with Law No.5479 effective from 1 January 2006. However, income and corporate taxpayers who have unutilised investment incentives as of 31 December 2005 and who will qualify for investment incentive allowance with the investment expenditures to be made in future periods related to ongoing projects as of 31 December 2005 have been provided a three-year transition year ending at 31 December 2008 (Note 17).

#### NOTE 30 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

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

##### Guarantees given:

Letters of guarantee	2,741,662	3,435,697
Guarantee notes	26,240	70,730

The guarantees have been given for the loans borrowed to the related financial institutions amount to TRY154,344 thousand as of 31 December 2008 (2007: TRY160,995 thousand).

##### Guarantees received:

Letters of guarantee	3,087,108	2,890,502
Guarantee notes	179,907	91,311
Other	46,448	19,848

##### Commitments - given:

##### a) Commitments - Banking

i) The final version of the Share Purchase Agreement ("SPA") was signed between Çukurova Holding, various Çukurova group companies, Mehmet Emin Karamehmet, and the Joint Ventures of the Group, Koç Finansal Hizmetler, Koçbank Nederland and Koçbank A.Ş. regarding the sale of 57.4% of the shares of Yapı Kredi Bankası on 28 September 2005. In addition to the SPA, several agreements have been signed between Yapı Kredi Bankası and Çukurova group companies on 28 September 2005 which aim to re-establish the loan and other relations of Yapı Kredi Bankası with the Çukurova group. As of the date of these consolidated financial statements, some of the conditions in those agreements have been fulfilled or secured by Koç Finansal Hizmetler, the indirect main shareholder of Yapı Kredi Bankası. The effects of the remaining agreements have been reflected as in force as of 31 December 2008 by taking the agreements and the best estimations of the Group into consideration.

ii) Based on the "Non-Core Assets Option Agreement" signed between Yapı Kredi Bankası, a Joint Venture of the Group, and Çukurova Holding on 28 September 2005, the parties agreed that, if the non-core assets are sold to third parties in 6 years from the date of share transfer; 57.4% of the difference between the sale price and the agreed adjusted book value will be netted off from the cash loan exposure of Çukurova group in Yapı Kredi Bankası. According to the clauses of the agreement, the estimated value of option as TRY20,491 thousand was recognised as a provision in the consolidated financial statements at 31 December 2008 (2007: TRY26,422 thousand) (Note 22.c).

iii) On 10 August 2006, new advertisement agreements were signed between Yapı Kredi Bankası, Çukurova Media companies and Koç Finansal Hizmetler, to supersede the agreement signed on 28 September 2005 between Yapı Kredi Bankası and Çukurova Media companies. The conditions such as the advertisement amount and the agreement term were unchanged and Yapı Kredi Bankası is anticipated to advertise on the basis of the Koç Group's prices through Çukurova Media companies in these new agreements also, however this time, with the guarantee of Koç Finansal Hizmetler. A provision amounting to TRY14,049 thousand regarding this agreement has been recognised in the financial statements as of 31 December 2008 (2007: TRY17,637 thousand) (Note 22.c).

iv) According to SPA, if the payment to be made to Turkish Treasury by Yapı Kredi Bankası in respect of the transfer of the Fund to the Social Security Institution or any other prescribed entity or authority does not exceed EUR175,000,000, 50% of the difference between the payment and the EUR175,000,000 will be used to net off the cash loan exposure of Çukurova group at Yapı Kredi Bankası. Koç Finansal Hizmetler has declared to Yapı Kredi Bankası that, it is agreed and committed to irrevocably pay the amount of any discount, if any, provided by Yapı Kredi Bankası to Çukurova group loans.

v) As of 31 December 2008, debt securities, amounting to TRY1,423,113 thousand (2007: TRY985,658 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.

## Koç Holding A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

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#### NOTE 30 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

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

##### Credit related commitments

	2008	2007
Letters of guarantee		
- Foreign currency	3,591,294	2,549,931
- TRY	2,962,261	2,772,052
Letter of credit	1,390,782	1,082,070
Acceptance credit	105,684	92,247
Other commitments and contingencies	324,206	302,438
	8,374,227	6,798,738
Less: Provision for losses on credit related commitments (Note 22.c)	(86,849)	(65,937)
	<b>8,287,378</b>	<b>6,732,801</b>

##### 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 2008, the Group has custody accounts amounting to TRY12,289,814 thousand (2007: TRY10,992,184 thousand).

##### b) Commitments - Energy

i) Koç Holding's shares in Arçelik and Migros, with the nominal values of TRY156,546 thousand and TRY80,853 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. Following the execution of the Share Transfer Agreement with Moonlight Capital S.A., controlled by the funds managed by BC Partners, the pledges on Migros shares were released. Accordingly, Koç Holding's shares in Aygaz A.Ş. with TRY101,994 thousand nominal value, and shares in Otokar Otobüs Karoseri Sanayi A.Ş. with TRY10,301 thousand of nominal value were pledged on 21 May 2008, and shares in Tat Konserve with TRY50,394 thousand of nominal value were pledged on 1 July 2008, in favour of the creditors. The dividends and voting rights for these shares remain with Koç Holding (Note 16).

In addition, deposit of TRY197,260 thousand is blocked at JP Morgan Chase Bank N.A. as of 31 December 2008 related to these loans.

ii) 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).

iii) Commitments related to Tüpraş Share Purchase Agreement signed by Enerji Yatırımları, a Subsidiary of the Group, and the Republic of Turkey Prime Ministry Privatisation Administration ("PA") on 26 January 2006 are as follows:

- Enerji Yatırımları, a Subsidiary of the Group, has accepted and committed to provide the petroleum products requirements of Turkish Military Forces timely, at the requested quality and at the market value, and to maintain and protect the production of petroleum products and their transfer systems within refineries or under Tüpraş' proprietorship.

- Enerji Yatırımları has committed to operate the Batman refinery for a minimum of three years. As a guarantee of this commitment, Enerji Yatırımları has provided a definite guarantee letter amounting to USD30,000,000 to the PA as of the date the Share Sales Agreement was signed. For each year that the commitment is fulfilled, the relevant commitment amounting to USD10,000,000 will be released. Otherwise, the amount will be liquidated and recorded as income by the PA. As of the date of issue of these consolidated financial statements, the remaining guarantee amount is USD10,000,000, following the release of the portion of the aforementioned guarantee.

iv) As an outcome of a sector-wide inspection, the Energy Market Regulatory Authority (EMRA) Control Board criticised certain dealership practices of 26 companies in the sector with the decision dated 31 August 2006 and accordingly imposed on and notified administrative fines to Opet and Opet Dış Ticaret A.Ş. ("Opet Dış Ticaret"), Joint Ventures of the Group. The fine amounting to TRY84,307 thousand was levied in accordance with Law No.5015 (19th article, 2nd paragraph, 4th subparagraph of Section a) and the 19th article of the Petroleum Market Law, "Communiqué about the administrative fines to be applied after 1 January 2005", hereby underlining the right to take this decision to the State Council. Subsequently, these companies publicly announced that the legal procedures to cancel these administrative fines will be applied, and the management of Opet and Opet Dış Ticaret brought lawsuits for the cancellation of the administrative fines by the 13th State Council and for a stay of execution.

Regarding the sentence of the 13th State Council on 10 November 2006, the demand of Opet for a stay of execution was accepted for only TRY1,072 thousand of the total demand, and Opet Dış Ticaret's demand for a stay of execution was rejected. Consequently, Opet and Opet Dış Ticaret paid TRY1,736 thousand, including the interest, to the Anatolian Corporate Tax Administration of the Ministry of Finance.

Regarding the sentence of the 13th State Council on 25 January 2007, the rejection of the demand of Opet for a stay of execution on 10 November 2006 has been cancelled and the demand for a stay of execution has been accepted for TRY83,235 thousand. Based on this sentence of the State Council, the Istanbul 8th Administrative Court also accepted the stay of execution for the collection of the fine on 8 February 2007. The lawsuits for the cancellation of the administrative fine are still continuing. As there is uncertainty on the final conclusion of the subject, and as discussions between the parties and legal observations continue, no provision has been provided in the accompanying consolidated financial statements due to this uncertainty.

v) National petroleum stock is provided through the obligation of refinery, fuel and LPG distribution licensees to keep a minimum of 20 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 90 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.

vi) Tüpraş, a Subsidiary of the Group, committed to transport minimum of 3,000,000 metric ton crude oil between 1 January 2008 and 31 December 2008 from Ceyhan - Kırıkkale Crude Oil Pipeline of Boru Hatları ile Petrol Taşıma A.Ş. in return of the right to use the pipeline. The aforementioned commitment was fulfilled as of 31 December 2008.

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#### NOTE 30 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

##### c) Commitments - Automotive

i) Ford Otosan, a Joint Venture of the Group, entered into a loan agreement with Akbank T.A.Ş. in 2003. During the term of this agreement, Ford Otosan is required to ensure that its exports will be processed through a deposit account at Akbank T.A.Ş. For 2008, the last year of the agreement, the transaction commitment in this deposit account at Akbank T.A.Ş. is EUR28,317,600. As of 31 December 2008 Ford Otosan accomplished its export commitments to Akbank T.A.Ş.

ii) As of 31 December 2008, Tofaş, a Joint Venture of the Group, carried out an export transaction of USD69,662,400 within the scope of the export incentive certificate, which brought about an export commitment of USD1,099,075,800 to be fulfilled by 9 June 2008.

Other:	2008	2007
Mortgages given	47,199	187,728
Mortgages taken	154,403	173,233

#### NOTE 31 - DISCONTINUED OPERATIONS

The Group sold its shares in;

- Migros on 30 May 2008 in accordance with the Share Transfer Agreement signed with Moonlight Capital S.A. on 13 February 2008,
- Koç Allianz Sigorta and Koç Allianz Hayat on 21 July 2008 in accordance with the Share Transfer Agreement signed with Allianz SE on 20 April 2008,
- Otomotiv Lastikleri on 28 August 2008 in accordance with the Option Agreement signed with Continental Aktiengesellschaft,
- Opet Aygaz Bulgaria on 31 October 2008 in accordance with the Share Transfer Agreement signed with Hellenic Petroleum Bulgaria Ltd. on 19 June 2008,
- Yapı Kredi Deutschland on 29 February 2008.

Gains on sale of investments are disclosed in Note 26.

In addition, Otoyol Sanayi has been decided to be liquidated at the Extraordinary General Assembly dated 5 September 2008. Moreover, the Share Transfer Agreements have been signed with O.W. Bunker & Trading Co. Ltd. for the sale of shares in TBS Denizcilik.

Therefore, IFRS 5 has been applied in the accounting of all the assets and liabilities of the subsidiaries and joint ventures which are either sold or planned to be sold/liquidated, and in the presentation of the Migros Group as discontinued operations of the Group.

##### a) Assets and liabilities held for sale

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

Assets held for sale	2008	2007
Cash and cash equivalents	12,108	376,172
Financial assets	-	571,971
Trade receivables and due from related parties	9,849	34,934
Inventories	362	399,847
Property, plant and equipment	1,399	794,267
Intangible assets	-	179,626
Goodwill	-	295,265
Other assets	24,926	178,596
	<b>48,644</b>	<b>2,830,678</b>

Liabilities held for sale	2008	2007
Financial liabilities	-	260,832
Trade payables and due to related parties	3,232	882,444
Current income tax liabilities	-	36,363
Provision for employment termination benefits	173	14,065
Deferred tax liabilities	-	18,799
Other liabilities	30,634	101,382
	<b>34,039</b>	<b>1,313,885</b>

##### b) Income from discontinued operations

	2008	2007
Revenue (net)	1,937,085	4,793,359
Cost of sales (-)	(1,425,259)	(3,598,461)

Gross profit	511,826	1,194,898
Marketing, selling and distribution expenses (-)	(309,316)	(729,158)
General administrative expenses (-)	(83,798)	(252,323)
Other income/expense (net) (*)	(5,722)	382,217

Operating profit	112,990	595,634
Financial income/expense (net)	(12,410)	24,116

Profit before tax	100,580	619,750
Taxes on income (net)	(17,207)	(85,717)
<b>Profit for the period</b>	<b>83,373</b>	<b>534,033</b>

(\*) Includes the gain of Migros on the sale of Limited Liability Company Ramenka in 2007, amounting to TRY379,991 thousand before consolidation adjustments.

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#### NOTE 31 - DISCONTINUED OPERATIONS (Continued)

##### c) Reserves related to discontinued operations

	2008	2007
Currency translation differences	-	(3,282)
Financial assets fair value reserve	-	2,306

##### d) Summary of cash flow information related to discontinued operations

	2008	2007
Cash flow from operating activities	49,560	216,570
Cash flow from investing activities	171,682	65,502
Cash flow from financing activities	(231,900)	(220,896)

##### e) Summary of financial information related to other disposed companies

The Group sold its shares in Birleşik Oksijen Sanayi A.Ş. and Türk Demirdöküm Fabrikaları A.Ş. in 2007 and its shares in Koç Allianz Sigorta, Koç Allianz Hayat, Otomotiv Lastikleri and Opet Aygaz Bulgaria EAD in 2008, within the strategic plans of the Group. Therefore, the companies have been excluded from the scope of consolidation as of the dates on which the control ceased. As the aforementioned companies do not individually constitute a business or a geographical segment, they have not been considered as discontinued operations in the scope of IFRS 5.

A summary of financial information before consolidation entries regarding the mentioned companies is as follows:

Revenue	2008	2007
Koç Allianz Sigorta A.Ş.	442,796	825,468
Koç Allianz Hayat ve Emeklilik A.Ş.	75,408	137,631
Opet Aygaz Bulgaria EAD	56,112	78,118
Otomotiv Lastikleri Tevzi A.Ş.	42,028	69,079
Türk Demirdöküm Fabrikaları A.Ş.	-	481,763
Birleşik Oksijen Sanayi A.Ş.	-	33,084
	<b>616,344</b>	<b>1,625,143</b>

##### Operating profit

	2008	2007
Koç Allianz Sigorta A.Ş.	31,801	10,311
Koç Allianz Hayat ve Emeklilik A.Ş.	1,898	2,923
Opet Aygaz Bulgaria EAD	(5,016)	(4,374)
Otomotiv Lastikleri Tevzi A.Ş.	753	553
Türk Demirdöküm Fabrikaları A.Ş.	-	26,607
Birleşik Oksijen Sanayi A.Ş.	-	9,129
	<b>29,436</b>	<b>45,149</b>

#### 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 fulfil 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.

##### 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.

As a part of internal scoring system, the loan proposals received from branches are not accepted by the system unless they include detailed financial information of the companies. All rated corporate and commercial loan customers (excluding construction companies and financial institutions) are followed up in the system with risk scores and relatively more risky customers are closely monitored by the Credit Management - Risk Monitoring Department. Moreover, the probability of default for the customers with its rating system for various types of customers is calculated.

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

## 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 to credit risk as of 31 December 2008 and 2007 is as follows:

	2008	2007
<b>Balance sheet</b>		
Cash and cash equivalents	8,329,395	4,913,347
Loans and advances to customers	22,081,655	16,823,731
Trade receivables	5,174,588	6,159,943
Financial assets	7,592,373	8,215,707
Derivative financial instruments	283,188	25,131
Other assets	429,377	381,642
<b>Off-balance sheet</b>		
Guarantees given	2,767,902	3,506,427
Loan commitments	8,287,378	6,732,801
	<b>54,945,856</b>	<b>46,758,729</b>

## Trade Receivables

## a) Trade receivables' credit risk details:

	2008	2007
Neither past due nor impaired	4,256,680	5,827,854
Restructured	42,315	36,968
Past due but not impaired	826,429	266,044
Impaired		
Gross amount	208,344	138,451
Impairment (-)	(159,180)	(109,374)
	<b>5,174,588</b>	<b>6,159,943</b>

As of 31 December 2008, trade receivables amounting to TRY3,224,942 thousand are secured with guarantees (2007: TRY2,684,678 thousand).

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

	2008	2007
New customers (Less than 3 months)	278,756	522,090
Public institutions and corporations	97,916	108,061
Other customers with no payment defaults	3,615,024	5,087,206
Customers with prior collection delays	307,299	147,465
	<b>4,298,995</b>	<b>5,864,822</b>

## c) Analysis of past due trade receivables:

	2008	2007
Not impaired		
0 - 1 month	216,162	119,874
1 - 3 months	213,351	142,212
3 - 12 months	362,744	273,977
1 - 5 years	34,172	14,209
	<b>826,429</b>	<b>550,272</b>

As of 31 December 2008, past due but not impaired trade receivables amounting to TRY553,070 thousand are secured with guarantees (2007: TRY196,525 thousand).

	2008	2007
Impaired		
0-3 months	12,932	6,962
3-6 months	13,570	15,406
Over 6 months	181,842	116,083
Less: Provision for loan losses	(159,180)	(109,374)
	<b>49,164</b>	<b>29,077</b>

All the impaired trade receivables of the Group are past due. As of 31 December 2008, impaired receivables amounting to TRY37,947 thousand are secured by guarantees (2007: TRY29,077 thousand).

## Koç Holding A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

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

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

## Loans and advances to customers

## a) Details of loans and advances to customers' credit risk:

	2008	2007
Neither past due nor impaired	20,774,678	16,371,807
Restructured loans	15,744	132,302
Past due but not impaired	1,159,819	420,249
Impaired		
Gross amount	984,871	917,026
Impairment (-)	(607,107)	(729,846)
Collective provision for impairment (-)	(246,350)	(287,807)
	<b>22,081,655</b>	<b>16,823,731</b>

## b) Details of neither past due nor impaired or restructured corporate and commercial loans credit quality:

	Rating Class	Concentration Level
Low	1 - 4	32.71%
Medium	5+ - 6	48.29%
High	7+ - 9	19.00%

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

	Corporate and commercial loans	Consumer loans	Credit card receivables	Leasing receivables	Factoring receivables	Total
<b>31 December 2008</b>						
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
<b>Total</b>	<b>363,204</b>	<b>339,208</b>	<b>445,925</b>	<b>11,482</b>	<b>-</b>	<b>1,159,819</b>

	Corporate and commercial loans	Consumer loans	Credit card receivables	Leasing receivables	Factoring receivables	Total
<b>31 December 2007</b>						
Past due up to 30 days	52,545	69,956	126,299	3,917	-	252,717
Past due 30-60 days	30,467	35,686	50,662	3,380	-	120,195
Past due 60-90 days	26,743	12,260	4,158	4,176	-	47,337
<b>Total</b>	<b>109,755</b>	<b>117,902</b>	<b>181,119</b>	<b>11,473</b>	<b>-</b>	<b>420,249</b>

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

	2008	%	2007	%
Production	5,016,221	23	3,960,962	24
Consumer loans	4,263,537	19	3,181,206	19
Credit card receivables	3,745,078	17	3,250,541	19
Food and retail	1,013,632	5	850,543	5
Public sector	690,219	3	395,744	2
Financial institutions	486,368	2	349,495	2
Real estate	132,440	1	140,149	1
Other sectors	6,734,160	31	4,695,091	28
	<b>22,081,655</b>	<b>100</b>	<b>16,823,731</b>	<b>100</b>

## Cash and cash equivalents

As of 31 December 2008 and 2007, 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 2008 and 2007, no debt securities classified under financial assets are past due or impaired.

The rating of debt securities is as follows:

	2008	2007
<b>Moody's Credit Rating</b>		
Aaa	18,079	34,775
Aa	82,426	31,812
Baa	49,003	43,380
Ba3 (*)	7,254,601	7,864,146
Unrated	60,837	73,053
	<b>7,464,946</b>	<b>8,047,166</b>

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

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

## 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:

	2008	2007
Assets	22,847,302	16,653,842
Liabilities	(26,077,144)	(23,509,143)
<b>Net balance sheet position</b>	<b>(3,229,842)</b>	<b>(6,855,301)</b>
<b>Off-balance sheet derivative instruments net position</b>	<b>(41,915)</b>	<b>885,200</b>
<b>Net foreign currency position</b>	<b>(3,271,757)</b>	<b>(5,970,101)</b>

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 2008, Tüpraş has raw materials and petroleum products amounting to TRY1,130,893 thousand (2007: TRY1,995,283 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 Fiat 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 TRY348,666 thousand when assessing foreign exchange risk (2007: TRY238,149 thousand).

As of 31 December 2008 and 2007, 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 TRY327,175 thousand (2007: TRY597,010 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 TRY204,214 thousand.

	USD	EUR	Other	Total
<b>31 December 2008</b>				
Foreign currency net asset/liability	283,782	104,837	(65,635)	322,984
Hedged items	30,300	(54,477)	28,368	4,191
<b>Net effect</b>	<b>314,082</b>	<b>50,360</b>	<b>(37,267)</b>	<b>327,175</b>

	USD	EUR	Other	Total
<b>31 December 2007</b>				
Foreign currency net asset/liability	608,475	101,577	(24,522)	685,530
Hedged items	(59,449)	(25,460)	(3,611)	(88,520)
<b>Net effect</b>	<b>549,026</b>	<b>76,117</b>	<b>(28,133)</b>	<b>597,010</b>

In Turkey, sharp increases in foreign exchange rates have been experienced as a result of recent developments in global markets. As of the issue date of these financial statements, TRY depreciated by 19% against USD and 6% against EUR, when compared with the effective rates at 31 December 2008, and the volatility in exchange rates still exists.

	2008			
	USD	EUR	Other	Total
<b>Current assets:</b>				
Cash and cash equivalents	3,482,984	2,630,835	242,102	6,355,921
Financial assets	91,917	7,547	56,017	155,481
Trade receivables	477,498	1,296,038	291,737	2,065,273
Loans and advances to customers	2,323,110	1,856,810	257,313	4,437,233
Inventories	34,557	240,131	213,611	488,299
Other current assets	110,076	153,789	52,069	315,934
Assets held for sale	6,601	75	-	6,676
<b>Total current assets</b>	<b>6,526,743</b>	<b>6,185,225</b>	<b>1,112,849</b>	<b>13,824,817</b>
<b>Non-current assets:</b>				
Financial assets	3,196,764	670,091	44,136	3,910,991
Loans and advances to customers	3,282,150	1,595,035	55,480	4,932,665
Deferred tax assets	-	5,138	12,639	17,777
Other non-current assets	31,537	129,515	-	161,052
<b>Total non-current assets</b>	<b>6,510,451</b>	<b>2,399,779</b>	<b>112,255</b>	<b>9,022,485</b>
<b>Total assets</b>	<b>13,037,194</b>	<b>8,585,004</b>	<b>1,225,104</b>	<b>22,847,302</b>

## Koç Holding A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

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

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

	2008			
	USD	EUR	Other	Total
<b>Current liabilities:</b>				
Customer deposits	6,305,979	3,005,692	358,330	9,670,001
Financial liabilities	3,737,325	2,363,210	29,078	6,129,613
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
Other current liabilities	188,213	393,052	85,384	666,649
Liabilities held for sale	-	233	-	233
<b>Total current liabilities</b>	<b>12,268,484</b>	<b>6,428,399</b>	<b>524,414</b>	<b>19,221,297</b>
<b>Non-current liabilities:</b>				
Customer deposits	25,218	208,509	15,996	249,723
Financial liabilities	3,562,456	2,969,768	290	6,532,514
Insurance technical reserves	-	-	-	-
Provisions for employee benefits	-	2,021	662	2,683
Deferred tax liabilities	-	4,505	9,247	13,752
Other non-current liabilities	18,853	20,173	18,149	57,175
<b>Total non-current liabilities</b>	<b>3,606,527</b>	<b>3,204,976</b>	<b>44,344</b>	<b>6,855,847</b>
<b>Total liabilities</b>	<b>15,875,011</b>	<b>9,633,375</b>	<b>568,758</b>	<b>26,077,144</b>
<b>Net balance sheet position</b>	<b>(2,837,817)</b>	<b>(1,048,371)</b>	<b>656,346</b>	<b>(3,229,842)</b>
Derivative financial assets	693,041	766,192	-	1,459,233
Derivative financial liabilities	(996,039)	(221,424)	(283,685)	(1,501,148)
<b>Off-balance sheet derivative instruments net position</b>	<b>(302,998)</b>	<b>544,768</b>	<b>(283,685)</b>	<b>(41,915)</b>
<b>Net foreign currency position</b>	<b>(3,140,815)</b>	<b>(503,603)</b>	<b>372,661</b>	<b>(3,271,757)</b>
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)	-	6,260
Hedged foreign currency liabilities	314,810	24,285	-	339,095

	2007			
	USD	EUR	Other	Total
<b>Current assets:</b>				
Cash and cash equivalents	1,411,542	1,902,077	112,507	3,426,126
Financial assets	475,372	68,780	39,264	583,416
Trade receivables	875,671	980,071	285,379	2,141,121
Loans and advances to customers	1,280,664	1,421,929	122,279	2,824,872
Inventories	68,483	180,387	191,194	440,064
Other current assets	65,486	174,933	81,628	322,047
Assets held for sale	7,004	327,012	26,672	360,688
<b>Total current assets</b>	<b>4,184,222</b>	<b>5,055,189</b>	<b>858,923</b>	<b>10,098,334</b>
<b>Non-current assets:</b>				
Financial assets	2,726,263	549,261	16,217	3,291,741
Loans and advances to customers	2,259,668	972,472	26,552	3,258,692
Deferred tax assets	-	1,121	2,247	3,368
Other non-current assets	60	1,355	292	1,707
<b>Total non-current assets</b>	<b>4,985,991</b>	<b>1,524,209</b>	<b>45,308</b>	<b>6,555,508</b>
<b>Total assets</b>	<b>9,170,213</b>	<b>6,579,398</b>	<b>904,231</b>	<b>16,653,842</b>

	USD	EUR	Other	Total
<b>Current liabilities:</b>				
Customer deposits	4,826,551	2,513,185	294,510	7,634,246
Financial liabilities	2,419,281	1,624,937	132,587	4,176,805
Trade payables	2,945,739	550,083	81,970	3,577,792
Insurance technical reserves	21,904	8,878	28	30,810
Current income tax liabilities	-	1,630	3,417	5,047
Other current liabilities	170,682	245,456	88,571	504,709
Liabilities held for sale	99,376	170,270	21,116	290,762
<b>Total current liabilities</b>	<b>10,483,533</b>	<b>5,114,439</b>	<b>622,199</b>	<b>16,220,171</b>
<b>Non-current liabilities:</b>				
Customer deposits	20,303	89,945	1,196	111,444
Financial liabilities	4,560,011	2,351,268	18,581	6,929,860
Insurance technical reserves	152,993	31,625	-	184,618
Provisions for employee benefits	-	1,515	350	1,865
Deferred tax liabilities	-	2,524	5,326	7,850
Other non-current liabilities	38,119	3,860	11,356	53,335
<b>Total non-current liabilities</b>	<b>4,771,426</b>	<b>2,480,737</b>	<b>36,809</b>	<b>7,288,972</b>
<b>Total liabilities</b>	<b>15,254,959</b>	<b>7,595,176</b>	<b>659,008</b>	<b>23,509,143</b>
<b>Net balance sheet position</b>	<b>(6,084,746)</b>	<b>(1,015,778)</b>	<b>245,223</b>	<b>(6,855,301)</b>
Derivative financial assets	661,364	377,304	47,940	1,086,608
Derivative financial liabilities	(66,873)	(122,706)	(11,829)	(201,408)
<b>Off-balance sheet derivative instruments net position</b>	<b>594,491</b>	<b>254,598</b>	<b>36,111</b>	<b>885,200</b>
<b>Net foreign currency position</b>	<b>(5,490,255)</b>	<b>(761,180)</b>	<b>281,334</b>	<b>(5,970,101)</b>
Net foreign currency monetary position	(5,558,738)	(941,567)	90,140	(6,410,165)
Fair value of currency derivatives held for hedging	(9,474)	(9,303)	-	(18,777)
Hedged foreign currency liabilities	150,236	28,248	-	178,484

## Koç Holding A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

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

## Import and export details

Export	2008	2007
EUR	5,371,716	4,540,505
USD	7,121,683	5,733,920
Other	431,089	490,271
<b>Total</b>	<b>12,924,488</b>	<b>10,764,696</b>
Import	2008	2007
EUR	3,483,563	3,437,084
USD	25,963,299	19,775,152
Other	26,213	45,856
<b>Total</b>	<b>29,473,075</b>	<b>23,258,092</b>

## 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 were 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:

	2008			2007		
	USD	EUR	TRY	USD	EUR	TRY
<b>Assets</b>						
Cash and cash equivalents	4.59	3.86	19.17	5.98	4.87	17.34
Financial assets						
- Assets at fair value	9.56	8.98	20.18	8.51	5.42	18.16
- Available-for-sale investments	6.42	7.74	15.38	6.53	7.67	15.70
- Held-to-maturity investments	10.85	5.50	19.02	7.28	6.11	19.14
Loans and advances to customers	6.30	7.77	25.24	6.95	6.84	20.66
<b>Liabilities</b>						
Financial liabilities	4.11	5.84	20.71	6.02	5.52	17.00
Customer deposits	4.41	3.36	20.15	4.82	3.32	18.68

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

31 December 2008	Up to 3 months	3 months - 1 year	1 year - 5 years	5 years and over	Non-interest bearing	Total
<b>Assets</b>						
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 investments	287,194	102,589	198,812	290,552	145,722	1,024,869
- Held-to-maturity investments	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
<b>Total</b>	<b>16,407,618</b>	<b>6,847,600</b>	<b>7,042,064</b>	<b>5,283,871</b>	<b>2,422,270</b>	<b>38,003,423</b>
<b>Liabilities</b>						
Customer 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
<b>Total</b>	<b>23,267,400</b>	<b>10,033,501</b>	<b>1,800,563</b>	<b>220,555</b>	<b>3,148,108</b>	<b>38,470,127</b>
31 December 2007	Up to 3 months	3 months - 1 year	1 year - 5 years	5 years and over	Non-interest bearing	Total
<b>Assets</b>						
Cash and cash equivalents	2,779,394	332,887	93,058	13,311	1,694,697	4,913,347
Financial assets						
- Assets at fair value	27,051	37,754	178,659	21,363	81,261	346,088
- Available-for-sale investments	134,119	113,265	556,933	164,297	375,682	1,344,296
- Held-to-maturity investments	2,631,213	902,608	854,339	2,133,396	3,767	6,525,323
Loans and advances to customers	5,971,310	4,740,646	4,986,810	926,911	198,054	16,823,731
<b>Total</b>	<b>11,543,087</b>	<b>6,127,160</b>	<b>6,669,799</b>	<b>3,259,278</b>	<b>2,353,461</b>	<b>29,952,785</b>
<b>Liabilities</b>						
Customer deposits	12,843,696	1,125,433	124,790	-	2,837,159	16,931,078
Financial liabilities	4,877,730	7,277,145	1,052,279	7,113	1,225,432	14,439,699
<b>Total</b>	<b>17,721,426</b>	<b>8,402,578</b>	<b>1,177,069</b>	<b>7,113</b>	<b>4,062,591</b>	<b>31,370,777</b>

## Koç Holding A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

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

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

## Interest rate risk

The interest rate position is as follows:

	2008	2007
<b>Fixed interest rate financial instruments</b>		
<b>Financial assets</b>		
Cash and cash equivalents	6,457,932	3,218,650
Assets at fair value through profit or loss	154,602	172,456
Assets held for sale	623,576	843,472
Loans and advances to customers	16,583,459	10,904,856
<b>Total</b>	<b>23,819,569</b>	<b>15,139,434</b>
<b>Financial liabilities</b>		
Customer deposits	17,746,639	14,093,919
Financial liabilities	7,234,820	5,322,352
<b>Total</b>	<b>24,981,459</b>	<b>19,416,271</b>

## Floating interest rate financial instruments

	2008	2007
<b>Financial assets</b>		
Assets at fair value through profit or loss	29,572	92,371
Assets held for sale	255,571	125,142
Loans and advances to customers	5,123,417	5,720,821
<b>Total</b>	<b>5,408,560</b>	<b>5,938,334</b>
<b>Financial liabilities</b>		
Financial liabilities	10,340,560	7,891,915
<b>Total</b>	<b>10,340,560</b>	<b>7,891,915</b>

As of 31 December 2008, 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 TRY2,112 thousand (2007: TRY4,984 thousand) and due to its direct effect on equity, the equity would be TRY11,339 thousand (2007: TRY21,987 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.

As of 31 December 2008 and 2007 the undiscounted contractual cash flows of the financial liabilities of the Group are as follows:

	Demand or up to 3 months	3-12 months	1-5 years	5 years and over	Total
<b>2008</b>					
<b>Non-derivative financial instruments</b>					
Financial liabilities	4,593,472	5,529,722	6,868,779	2,626,615	19,618,588
Customer deposits	19,950,388	808,557	263,422	70,089	21,092,456
Trade payables	3,260,143	119,742	25,312	-	3,405,197
Other liabilities	4,322,231	91,081	366,741	-	4,780,053
<b>Derivative financial instruments</b>					
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)
<b>2007</b>					
<b>Non-derivative financial instruments</b>					
Financial liabilities	3,135,249	4,184,089	6,228,407	2,787,840	16,335,585
Customer deposits	15,782,493	1,213,641	138,844	-	17,134,978
Trade payables	4,398,792	327,771	27,195	-	4,753,758
Other liabilities	4,760,324	56,238	6,427	-	4,822,989
<b>Derivative financial instruments</b>					
Cash inflow	2,568,947	267,802	1,028,565	240,893	4,106,207
Cash outflow	(2,106,589)	(326,792)	(1,309,310)	(240,893)	(3,983,584)

## Koç Holding A.Ş.

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

##### 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, along with the related impairment provisions, are assumed to approximate to their fair value.

Fair values of held to maturity investments 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.

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 2008 and 2007 are presented in the following table:

	2008		2007	
	Carrying value	Fair value	Carrying value	Fair value
<b>Assets</b>				
Cash and cash equivalents	8,329,395	8,336,865	4,913,347	4,930,261
Held-to-maturity investments	6,353,024	6,241,359	6,525,323	6,615,845
Loans and advances to customers	22,081,655	22,231,004	16,823,731	16,907,604
<b>Liabilities</b>				
Customer deposits	20,891,966	20,891,974	16,931,078	16,945,025
Financial liabilities	17,578,161	17,508,705	14,439,699	14,500,979

##### 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).

Net debt/total capital ratio as of 31 December 2008 and 2007 is as follows:

	2008	2007
Total liabilities	47,894,376	43,862,444
Cash and banks	(6,719,358)	(3,536,852)
Net debt	41,175,018	40,325,592
Total equity	16,131,660	15,058,381
Total capital	57,306,678	55,383,973
<b>Net debt/total capital ratio</b>	<b>72%</b>	<b>73%</b>

#### NOTE 33 - EARNINGS PER SHARE

	2008	2007
<b>Earnings per share from continuing operations:</b>		
Profit from continuing operations	2,494,608	3,354,833
Profit from continuing operations attributable to minority interest (Note 23)	(513,423)	(1,330,843)
Profit from continuing operations attributable to equity holders of the parent	1,981,185	2,023,990
Weighted average number of shares with nominal value TRY1 each	2,012,617,500	1,804,283,419
<b>Earnings per share from continuing operations (TRY)</b>	<b>0.984</b>	<b>1.122</b>

## Koç Holding A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

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#### NOTE 33 - EARNINGS PER SHARE (Continued)

##### Earnings per share from discontinued operations:

Profit from discontinued operations (Note 31)	83,373	534,033
Profit from discontinued operations attributable to minority interest (Note 23)	(41,003)	(262,604)
Profit from discontinued operations attributable to equity holders of the parent	42,370	271,429
Weighted average number of shares with nominal value TRY1 each	2,012,617,500	1,804,283,419
<b>Earnings per share from discontinued operations (TRY)</b>	<b>0.021</b>	<b>0.150</b>
<b>Earnings per share:</b>		
Profit for the period	2,577,981	3,888,866
Profit attributable to minority interest	(554,426)	(1,593,447)
Profit attributable to equity holders of the parent	2,023,555	2,295,419
Weighted average number of shares with nominal value TRY1 each	2,012,617,500	1,804,283,419
<b>Earnings per share (TRY)</b>	<b>1.005</b>	<b>1.272</b>

The calculation of earnings per share of prior periods has been adjusted retrospectively due to the merger of Koç Holding with Kav Danışmanlık and issuance of bonus shares in the current period.

#### NOTE 34 - SUPPLEMENTARY CASH FLOW INFORMATION

As of 31 December 2008 and 2007, supplementary information for the details included in the consolidated cash flow statements:

	2008	2007
<b>Changes in reserves and provisions:</b>		
Sales and customer premiums accruals	7,011	(6,635)
Provision for warranty and assembly	(18,080)	(87,934)
Insurance technical reserves	89,510	87,249
Provision for loans and doubtful receivables	29,330	51,557
Provision for the Fund	85,044	2,519
Provision for employment termination benefits	4,420	3,035
Provision for impairment of property, plant and equipment	30,572	-
Provision for impairment on inventories	69,150	1,518
	<b>296,957</b>	<b>51,309</b>

##### Add back net interest income:

Non-banking interest income	(381,740)	(331,800)
Banking interest income	(3,697,117)	(3,211,050)
Non-banking interest expenses	957,983	903,868
Banking interest expenses	2,386,093	1,990,483
	<b>(734,781)</b>	<b>(648,499)</b>

##### Net changes in the operating assets and liabilities:

Inventories	800,551	(557,333)
Trade receivables	734,926	(670,229)
Other assets	(673,324)	(328,810)
Trade payables	(1,167,150)	704,184
Other liabilities	294,797	727,656
Financial assets	287,211	(314,753)
	<b>277,011</b>	<b>(439,285)</b>

##### Changes in finance segment assets and liabilities:

Cash and cash equivalents with original maturities of more than 3 months	(97,590)	(62,628)
Reserve deposits at the central banks and blocked deposits	(486,526)	134,219
Loans and advances to customers	(5,523,416)	(3,696,044)
Customer deposits	3,960,888	233,098
Financial assets	(285,582)	2,038,179
	<b>(2,432,226)</b>	<b>(1,353,176)</b>
	<b>(2,155,215)</b>	<b>(1,792,461)</b>

##### Cash and cash equivalents:

Cash and cash equivalents	8,329,395	4,913,347
Cash and cash equivalents held for sale	12,108	376,172
Less: Long-term bank deposits	(203,964)	(106,374)
Less: Reserve deposits with the central banks	(1,610,037)	(1,376,495)
Less: Blocked deposits	(398,547)	(145,563)
	<b>6,128,955</b>	<b>3,661,087</b>

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#### NOTE 35 - EVENTS AFTER THE BALANCE SHEET DATE

i) In accordance with the Article 1 of the Law numbered 5083 concerning the Currency of the Republic of Turkey and according to the Decision of The Council of Ministers dated 4 April 2007 and No: 2007/11963, the prefix "New" used in the "New Turkish Lira" and the "New Kurus" will be removed as of 1 January 2009. When the prior currency, New Turkish Lira ("YTL"), values are converted into TL and Kr, one TRY (YTL1) and one YKr (YKr1) shall be equivalent to one TL (TRY1) and one Kr (Kr1).

All references made to New Turkish Lira in laws, other legislation, administrative transactions, court decisions, legal transactions, negotiable instruments and other documents that produce legal effects as well as payment and exchange instruments shall be considered to have been made to TL at the conversion rate indicated above. Consequently, effective from 1 January 2009, the TL replaces the TRY as a unit of account in keeping and presenting of books, accounts and financial statements.

ii) The share transfers regarding the acquisition of additional 50% of shares in Koç Statoil Gaz Toptan Satış A.Ş. and Koç Statoil Gaz İletim A.Ş. by Aygaz, a Subsidiary of the Group, from Statoil Hydro ASA, Aygaz's joint venture partner, were completed upon the approval of Turkish Competition Authority and Energy Market Regulatory Authority as of 9 January 2009 and the purchase consideration was paid in cash.

The company names of Koç Statoil Gaz İletim A.Ş. and Koç Statoil Gaz Toptan Satış A.Ş. have been changed as Aygaz Doğal Gaz İletim A.Ş. and Aygaz Doğal Gaz Satış A.Ş., respectively. The aforementioned changes were approved by the İstanbul Trade Registry Office on 26 February 2009.

iii) Koç Holding obtained a loan in the amount of approximately USD770,000,000 on 13 January 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 three or six months and interest rates are determined as Libor +2.50% for USD and Euribor +4.50% for EUR per annum.

iv) A principal payment of USD587,500,000 was made on 16 January 2009 related to the loans obtained in 2006 to finance the acquisition cost of Tüpraş shares and to re-finance the Group's existing loans as mentioned in Note 16. Following this repayment, the total loan amount decreased to USD1,850,515,442.

v) The following decisions were taken at the Board of Directors meeting of Arçelik, a Subsidiary of the Group, held on 27 February 2009:

- Arçelik's management is authorised for the disposal of the shares, which Arçelik owns in Koç Finansal Hizmetler, amounting to TRY230,642 thousand and 23,064,204,064 shares with a nominal value of 1Ykr each, and the cash collection of this transaction on 6 March 2009. The 8,926,253,373 shares amounting to TRY201,573 thousand will be transferred to Koç Holding A.Ş. and the 2,144,510,952 shares amounting to TRY48,427 thousand will be transferred to Temel Ticaret ve Yatırım A.Ş.
- The total paid-in share capital of Arçelik is decided to be increased from TRY399,960 thousand to TRY649,935 thousand within the limits of TRY1,500,000 thousand on the registered share capital.
- Following the transactions mentioned above, in accordance with the articles of Turkish Commercial Code, Corporate Tax Laws and CMB Legislation, Arçelik management is authorised to execute the procedures to merge Grundig Elektronik into Arçelik through the transfer of all its assets and liabilities in its balance sheet dated 31 December 2008 and prepared in accordance with the related CMB regulations.