

Financial Statements...



Koç Holding A.S. (Parent Only)

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CONVENIENCE TRANSLATION OF INDEPENDENT
AUDITOR'S REPORT AND FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH LIRA - SEE NOTE 34

Koç Holding A.S.
Independent Auditor's Report For The Periods
1 January - 31 December 1998 and 1997

1. We have audited the accompanying balance sheets of Koç Holding Anonim Sirketi at 31 December 1998 and 1997 and the related statements of income and footnotes for the years then ended. Our examination was made in accordance with generally accepted auditing standards issued by the Turkish Capital Market Board ("CMB"), and accordingly included such tests of the accounting records and such other audit procedures as we considered necessary under the circumstances.

2. In our opinion, the accompanying financial statements present fairly the financial position of Koç Holding Anonim Sirketi at 31 December 1998 and 1997, and the results of its operations for the years then ended in accordance with generally accepted accounting principles (see Note 11) issued by the CMB, which are consistently applied.

3. Additional paragraph for convenience translation into English:

The effects of differences between the accounting principles issued by the CMB, accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Accounting Standards ("IAS") have not been quantified in the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations, and changes in financial position and cash flows in accordance with accounting principles generally accepted in such countries and IAS.

Basaran Serbest Muhasebeci
Mali Müsavirlik Anonim Sirketi
a member of
PricewaterhouseCoopers



Zeynep Uras, SMMM
Partner

Istanbul, 15 February 1999

CONVENIENCE TRANSLATION OF INDEPENDENT AUDITOR'S REPORT AND
FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH - SEE NOTE 34

KOÇ HOLDING A.S.

BALANCE SHEETS AT 31 DECEMBER 1998 AND 1997

(Amounts are expressed in millions of Turkish lira)

	<u>31 December 1998</u>	<u>31 December 1997</u>
ASSETS		
CURRENT ASSETS	32,191,647	11,459,181
LIQUID ASSETS	6,950,312	73,328
Cash	147	257
Banks	6,950,165	73,071
MARKETABLE SECURITIES	23,011,046	9,913,182
Government bonds and Treasury bills	23,011,046	9,913,182
OTHER SHORT-TERM RECEIVABLES	1,332,917	1,060,900
Due from shareholders	853	152
Due from associates and investments	913,111	413,894
Due from subsidiaries	37,439	363,387
Other short-term receivables	381,514	283,467
OTHER CURRENT ASSETS	897,372	411,771
NON-CURRENT ASSETS	65,147,534	39,688,406
LONG-TERM TRADE RECEIVABLES	3,738	58
Deposits and guarantees given	3,738	58
LONG-TERM FINANCIAL ASSETS	59,060,881	35,725,324
Associates and investments	49,247,674	27,109,872
Capital commitments to investments	-	-
Subsidiaries	9,813,207	8,615,452
FIXED ASSETS	5,905,144	3,758,172
Land	288,547	209,832
Buildings and installations	3,455,321	1,850,831
Motor vehicles	6,933,418	4,016,002
Furniture and fixtures	632,542	792,439
Accumulated depreciation	(5,404,684)	(3,110,932)
INTANGIBLE ASSETS	152,889	153,658
Rights	171	342
Other intangible assets	152,718	153,316
OTHER NON-CURRENT ASSETS	24,882	51,194
TOTAL ASSETS	<u>97,339,181</u>	<u>51,147,587</u>

CONVENIENCE TRANSLATION OF INDEPENDENT AUDITOR'S REPORT AND
FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH - SEE NOTE 34

KOÇ HOLDING A.S.

BALANCE SHEETS AT 31 DECEMBER 1998 AND 1997

(Amounts are expressed in millions of Turkish lira)

	<u>31 December 1998</u>	<u>31 December 1997</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES	5,506,451	3,294,241
TRADE PAYABLES	163,471	26,611
Suppliers	163,471	26,611
OTHER CURRENT LIABILITIES	1,665,765	861,977
Due to shareholders	30,566	9,846
Due to associates and investments	143,599	202,072
Due to subsidiaries	17,319	80,634
Taxes and withholdings payable	1,473,313	569,327
Other short-term liabilities	968	98
ACCRUED LIABILITIES AND EXPENSES	3,677,215	2,405,653
Provisions for taxes	3,669,494	2,401,653
Other accrued liabilities and expenses	7,721	4,000
LONG-TERM LIABILITIES	215,248	113,600
ACCRUED LIABILITIES AND EXPENSES	215,248	113,600
Employment termination benefits	215,248	113,600
SHAREHOLDERS' EQUITY	91,617,482	47,739,746
SHARE CAPITAL	16,025,550	16,025,550
SHARE CAPITAL PREMIUM	31,847	31,847
REVALUATION SURPLUS	25,611,062	7,029,776
Revaluation surplus - fixed assets	3,618,702	1,181,272
Revaluation surplus - investments	11,453,296	1,853,552
Funds generated from fixed asset and investment sales income of participations	8,607,122	3,232,796
Extraordinary reserves generated from associates and investments	1,931,942	762,156
RESERVES	22,809,177	10,459,432
Legal reserves	1,857,484	1,045,777
Extraordinary reserves	18,998,017	9,296,762
Cost increase fund	1,410,313	116,893
Fixed assets renewal fund	543,363	-
NET INCOME FOR THE YEAR	27,139,846	14,193,141
TOTAL LIABILITIES	<u>97,339,181</u>	<u>51,147,587</u>

CONVENIENCE TRANSLATION OF INDEPENDENT AUDITOR'S REPORT AND
FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH - SEE NOTE 34

KOÇ HOLDING A.S.

FOOTNOTES TO BALANCE SHEET FOR THE PERIODS

1 JANUARY - 31 DECEMBER 1998 AND 1997

(Amounts are expressed in millions of Turkish lira)

The Capital Market Board ("CMB") has set forth principles and rules relating to the preparation and presentation of financial statements and reports prepared on or after 31 December 1988 by companies and intermediary institutions in Communique XI/1, as amended and supplemented by Communiques XI/4, XI/5, XI/11, XI/13, XI/14 and XI/15. Hereafter such principles and rules are referred to as "generally accepted accounting principles issued by the CMB".

Therefore, Koç Holding A.S. ("the Company") has prepared its financial statements in accordance with Turkish commercial legislation and the generally accepted accounting principles issued by the CMB.

1. Primary operations of the Company

The primary operations of the Company involve capital participations in domestic and foreign companies of limited or corporate nature, established or to be established for any kind of trade, industrial, agricultural or financial purposes, sale and purchase of all types of shares, their exchange with other shares, increase, decrease or termination of participations, without intent to administer a marketable securities portfolio or act as a financial intermediary.

2. Shareholders with a nominal share of 10% or more in capital

Shareholder	Shareholding percentage (%)	Shareholding amount
Temel Ticaret and Yatirim A.S.	32.76	5,250,000

3. Privileges given to shares representing the capital

The preferred stocks and the privileges pertaining to these stocks under the articles of association are listed below:

Preferred stock group	Nature of privilege
Group A	<p>1. According to the 11th article of the articles of association, unused rights of preference for Group B are transferred to the shareholders of Group A.</p> <p>2. According to the 25th article of the articles of association (except for meetings held for the amendment of the articles of association), Group A shares have two voting rights for each share in general assembly meetings.</p>

4. Registered share capital limit

The limit in respect of registered share capital is TL 150,000,000 (1997: TL16,000,000).

5. Capital increases and their resources

There is no capital increase in 1998.

The capital increases that were made during 1997 are as follows:

Date of increase	Amount	Revaluation surplus		Cost Increase Fund
		Associates and Investments	Fixed Assets	
4 September 1997	683,700(*)	-	-	-
17 October 1997	5,341,850	4,732,727	545,245	63,878

(*) Merger with Koç Yatirim and Sanayi Mamülleri Pazarlama Anonim Sirketi.

CONVENIENCE TRANSLATION OF INDEPENDENT AUDITOR'S REPORT AND
FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH - SEE NOTE 34

KOÇ HOLDING A.S.

FOOTNOTES TO BALANCE SHEET FOR THE PERIODS

1 JANUARY - 31 DECEMBER 1998 AND 1997

(Amounts are expressed in millions of Turkish lira)

6. Marketable securities apart from share stock issued during the year

None.

7. Marketable securities representing borrowings repaid during the year

None.

8. Fixed asset movements in the current year

- a) The total cost of fixed assets purchased is TL1,650,772 (1997 :TL2,120,794).
b) The total cost of fixed assets sold is TL1,273,350 (1997:TL 36,929).
c) The revaluation increases on fixed assets are as follows:

	31 December 1998	31 December 1997
Increase in cost	4,063,302	1,641,033
Increase in accumulated depreciation	(1,552,279)	(459,761)
	<u>2,511,023</u>	<u>1,181,272</u>

d) Construction in progress: None

9. Unused investment allowances

None.

10. Account balances and transactions with shareholders, associates, investments and subsidiaries

Since 84% of the paid-in share capital belongs to Koç family members and companies which are controlled by, and trusts founded by family members, the Company has a direct and/or indirect management or shareholding relationship with Koç Group companies as set forth in CMB Communique XI/1.

Companies in which the Company has a shareholding percentage of more than 50% are considered and referred to as subsidiaries, and the remainder are considered as associates or investments.

- a) The percentage of shareholding and amounts for associates, investments and subsidiaries, the total amount of bonus shares obtained by capital increases from internal sources and details of short-term trade receivables and payables with such companies, and their current period net profit/losses are as follows:

CONVENIENCE TRANSLATION OF INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH - SEE NOTE 34

KOÇ HOLDING A.S.
FOOTNOTES TO BALANCE SHEET FOR THE PERIODS
1 JANUARY-31 DECEMBER 1998 AND 1997

(Amounts are expressed in millions of Turkish lira)

10. (CONTINUED)

31 DECEMBER 1998

	REGISTERED VALUE	PERCENTAGE OF ISSUED CAPITAL OWNED(%)	REVALUATION SURPLUS	FIXED ASSET SALE INCOME	EXTRAORDINARY RESERVES	COST INCREASE FUND	SHORT-TERM TRADE RECEIVABLES PAYABLES	NET PROFIT (LOSS) FOR THE YEAR (*)
ASSOCIATES & INVESTMENTS								
AKPA AKDENİZ SAN.MAM.PAZ. A.S.	750	15.00	-	-	-	-	1,157	60,837
ALTINYUNUS ÇESME TUR. TES.A.S.	105,300	30.00	88,744	-	-	-	-	-13,487 (**)
ARÇELİK A.S.	7,745,759	38.25	3,326,922	625,123	8,875	-	3,999	18,295,461 (**)
ARDEM PIS.VE İSİT.CİH. SAN.A.S.	384,213	10.01	182,276	77,953	500	-	-	4,490,014 (**)
ASIA PACIFIC A.S.	868	11.50	95	-	-	-	-	9,148
ATILIM DAY.TÜK.MAL.PAZ.A.S.	96,671	39.58	4,105	20,952	-	-	-	3,180,286
AYGAZ A.S.	2,061,574	41.23	1,707,393	111,441	11,148	125,037	38,727	5,291,683 (**)
BASIC INT.INVESTMENT LTD.	508,137	18.49	-	-	-	-	-	-
BEKO TİCARET A.S.	195,000	39.00	60,529	93,534	3,425	1,368	1,331	2,442,394
BEKO ELEKTRONİK A.S.	1,840,921	32.87	679,005	1,184	906	-	21,460	3,662,602 (**)
BELDESAN MOTORLU VASİT.SAN.A.S.	595,365	44.10	115,629	411,622	18,691	8,916	6,322	185,322
BİRLİK OKSİJEN SAN.A.S.	1,590	1.00	-	-	-	-	5,383	408,450
BURSA OTO A.S.	858,000	39.00	190,100	653,585	3,551	1,478	4,520	258,175
BURSA GAZ VE TİC.A.S.	3,980	39.80	187	-	9	-	-	240,721
DOĞU YATIRIM HOLDİNG A.S.	10,000	1.43	-	-	-	-	-	-
DÜZEY TÜKETİM MALLARI PAZ. A.S.	17,972	31.51	1,923	11,702	277	-	11,712	283,285
EGE OTO A.S.	153,400	38.35	11,939	137,362	953	-	27	152,075
EGEMAK EGE MAKİNE VE TİC.A.S.	872,350	39.83	182,404	675,875	-	3,179	-	241,590
ENDİKSAN ENDİK.VE GEREÇ.SAN.A.S.	30,000	30.00	2,187	-	-	9	10,575	487,776
ENTEK ELEK.URET.OTO PRÖDÜK.GRUBU A.S.	483,600	7.80	-	-	-	-	2,495	676,456
FORD OTOMOTİV SAN.A.S.	524,445	37.66	177,087	-	65,094	-	197,130	18,897,512 (**)
GARANTI KOZA-İNSAAT SAN.VE TİC.A.S.	164,187	19.78	51,866	-	198	1,187	27,351	479,264
GAZAL GAZ ALETLERİ A.S.	126,000	28.00	43,786	29,051	8,000	1,860	16,456	637,915
GELİSİM DAY.TÜK.MAL.PAZ.A.S.	47,418	39.97	-	-	-	-	-	2,624,257
GOOD-YEAR LASTİKLERİ T.A.S.	435,621	9.60	209,015	-	11,389	-	-	2,990,151 (**)
GÜNÖTÖ GÜNEY OTO.VE TİC. A.S.	477,000	39.75	102,228	359,322	346	1,779	9,099	244,202
İST.FRUEHAUF TAS. ARÇ.SA.TİC.A.S.	34,850	34.85	33,979	-	-	-	11,032	321,504
İSTANBUL OTO A.S.	1,188,174	39.61	421,702	728,533	-	-	3,333	525,454
İZOCAM TİC.VE SAN. A.S.	366,513	20.36	331,142	65	723	-	15,194	807,482 (**)
KARŞAN PAZARLAMA A.S.	4,000	20.00	27	-	100	-	6,472	333,196
KAV ORMAN SAN. A.S.	1,221,083	18.98	352,961	844,536	615	8,622	7,692	409,100 (**)
KOÇBANK A.S.	1,546,183	9.66	620	-	1,159,637	-	317	16,030,811
KOÇ ALLIANZ HAYAT SİG.A.S.	195,992	49.00	-	-	188,642	-	4,671	873,242
KOÇ ALLIANZ SİGORTA A.S.	651,105	43.41	582,484	49,949	10,735	-	17,841	2,607,366
KOÇ FİNANSAL KİRALAMA A.S.	220,000	11.00	-	-	-	-	24,455	1,179,629
KOÇ TÜKETİCİ FİNANSMANI A.S.	2,670,000	44.50	-	-	-	-	17,861	3,466,120
KOÇTAŞ TİCARET A.S.	336,828	43.18	17,323	31,440	4,704	2,070	24,312	106,058
KOÇ SİSTEM BİLGİ VE İLET.SİS.A.S.	618,450	39.90	1,205	-	2,656	-	-6,262	1,147,477
KUZEY MOTORLARI TİC.VE SAN.A.S.	33,480	31.00	30	293	708	-	1,376	132,355
LİPET LİKİT PET. GAZ.TİC. A.S.	29,250	32.50	28,875	-	-	-	13,817	150,559
MAKO ELEKTRİK SAN.VE TİC. A.S.	600,000	40.00	254,237	207,113	119,459	1,121	11,311	1,251,075
MARET MARMARA BES. ET SA.TİC. A.S.	130,378	31.04	122,331	-	-	-	20,184	69,377 (**)
MARMARA OTO A.S.	902,000	41.00	207,490	665,322	88	2,229	311	232,290
MARES ALTINYUNUS TUR.TES. A.S.	177,884	31.21	94,768	-	-	-	5,704	279,024 (**)
MATAY OTOM. YAN. SAN.VE TİC. A.S.	12,600	14.00	9,450	-	-	-	5,050	106,024
METAS İZMİR METALURJİ FB.A.S.	2,895	0.41	3,461	-	-	-	-	-
MOTOR TİC.A.S.	154,680	38.67	8,320	137,858	745	-	516	232,589
NEW HOLL. TRAKMAK TRAK.ZİRAAT MAK.A.S.	166,304	31.68	3,910	4,025	142,547	-	73,756	2,046,248
ORMAK ORTA ANADOLU MAK.TİC. A.S.	273,000	39.00	72,256	158,329	1,318	5,415	148	329,648
OTOKAR OTOBÜS KAROSERİ SAN.A.S.	294,350	42.05	111,543	3,277	2,754	-	17,221	253,103 (**)
OTOKAR PAZ. A.S.	25,300	42.17	-	55	-	-	7,784	280,247
OTOKOÇ A.S.	156,040	39.01	9,309	139,543	741	-	425	412,288
OTOMOTİV LAST. TEVZİİ A.S.	4,800	12.00	2,887	577	-	174	-6,786	326,516
OTOYOL PAZ. A.S.	120,000	40.00	76,412	10,024	3,600	-	1	1,149,516
OTTAR OTO VE TARIM ARAC.TİC. A.S.	452,865	39.90	71,394	372,427	109	1,194	5,375	100,359
PASTAVİLLA MAKARNACILIK SAN.TİC.A.S.	147,337	29.47	51,050	-	-	518	3,391	358,098 (**)
PORSUK TİC. A.S.	39,000	39.00	10,799	23,857	946	335	4,528	81,584
RAM DIS TİC. A.S.	269,414	17.11	270	-	-	-	47,901	273,013
RAMERİKA SAM. OTO A.S.	2,907	33.33	-	-	-	-	-	-101,300
SAM OTO A.S.	5,200	26.00	-	-	-	-	4,735	20,872
SAMKOÇAUTO OZBEKİSTAN	858,396	5.00	-	-	-	-	-	-
SET OTO TİC.VE TURİZM A.S.	68,000	8.00	-	-	-	-	1,355	-266,152
SİMKO TİC. VE SAN. A.S.	123,509	8.49	155,205	-	13,431	-	4,261	1,089,666 (1)
STANDARD BELDE TİC. VE SAN.A.S.	250,000	25.00	42,274	200,541	1,895	459	-2,407	271,251
TAM SİGORTA A.S.	177	0.35	27	42	65	-	-	-
TAT KONSERVE SAN. A.S.	1,147,264	46.35	457,931	5,061	3	-	-48,566	732,207 (**)
TAT TOHUMCULUK A.S.	150	3.00	90	-	-	-	-	83,631
TEK-ART KALAMIS VE FENERBAHÇE MARINA	1,307	26.14	-	-	-	-	-591	-
TOFAS TÜRK OTOMOBİL FAB.A.S.	6,679,203	37.86	5,176,390	-	26,901	-	-32,210	-13,072,261 (**)
TOFAS OTO TİC. A.S.	136,560	8.96	74,185	6,659	78,744	-	7,938	-893,424 (**)
TORMAK TOROS MAK. VE TİC. A.S.	842,800	39.20	159,914	672,736	619	-	7,710	242,676
TOROTO OTOMOTİV TİC. A.S.	18,750	15.00	-	-	-	-	6,529	98,738
TURYAT TURİSTİK YAT VE HİZM.A.S.	815,689	9.71	4,865	119,586	-	2,064	8,813	-1,987,749
TÜRK DEMİRDÖKÜM FAB.A.S.	2,304,823	46.10	1,242,653	131,951	10,627	54,039	64,810	668,957 (**)
TÜRK SİEMENS KAB.VE ELE.SAN. A.S.	132,742	10.54	101,613	-	39,016	-	197	1,397,246 (**)
TÜRK TRAKTÖR VE ZİRAAT MAK.A.S.	1,463,304	48.78	1,366,485	-	-	-	61,143	7,534,700
TUTAS TÜRK TURİZM A.S.	1,240,175	28.84	431,849	-	188	-	6,952	-805,484
ZİNERJİ ENERJİ SAN. TİC. A.S.	74,000	37.00	-	-	-	-	-56,036	-
TOTAL	46,949,832		19,231,137	7,722,517	1,945,674	223,053	701,038	

CONVENIENCE TRANSLATION OF INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH - SEE NOTE 34

KOÇ HOLDING A.S.
FOOTNOTES TO BALANCE SHEET FOR THE PERIODS
AT 1 JANUARY-31 DECEMBER 1998 AND 1997

(Amounts are expressed in millions of Turkish lira)

10. (CONTINUED)

	REGISTERED VALUE	PERCENTAGE OF ISSUED CAPITAL OWNED(%)	REVALUATION SURPLUS	FIXED ASSET SALES INCOME	EXTRAORDINARY RESERVES	COST INCREASE FUND	SHORT-TERM TRADE RECEIVABLES PAYABLES	NET PROFIT (LOSS) FOR THE YEAR (*)
SUBSIDIARIES								
AKYAK TİC. A.S.	7,480	88.00	431	-	880	-	-	6,047
AYVALIK MARİNA VE YAT.İSL.SAN.TİC.A.S.	15,432	71.11	-	-	-	-	-	-
BOZKURT MENSUCAT SAN. A.S.	723,324	67.54	486	-	-	-	-	505,630
DÖKTAS DÖKÜM TİC.VE SAN. A.S.	1,226,469	51.10	324,419	794,752	241	-	-	-16,728
I.D.E.A. A.S.	122,000	81.33	-	-	-	-	-	-37,606
KOFİSA TRADING COMP. SA.	161	50.00	-	-	-	-	-	-
OTOMOTÖR TİC. A.S.	13,630	68.15	3	-	-	-	-	1,356
OTOYOL SAN. A.S.	1,200,000	60.00	1,045,275	2,187	18,000	-	-	26,991
PKM GEMİ YAPIM SAN.VE DENİZ T.A.S.	522,500	55.00	1,485	-	-	-	-	830
SEK SÜT END.KUR. SAN VE TİC. A.S.	2,899,170	56.31	608,970	-	-	-	-	2,179
SETAIR HAVA TAS.VE HİZM. A.S.	30,000	60.00	-	-	-	-	-	-40,536
SET AUTO BAKÜ AZERBEYCAN LTD.	16,475	60.00	-	-	-	-	-	-
SUR OTO A.S.	159,200	79.60	139,300	-	-	-	-	35
TOTAL	6,935,841		2,120,368	796,939	19,121	-	-	-57,432
GRAND TOTAL	53,885,673		21,351,506	8,519,456	1,964,795	223,053	643,606	

(*) For listed companies 30 September 1998 financial statements, for other companies 31 December 1997 financial statements those were authorized by the general assembly have been considered.

(**) These are listed companies. For listed companies six month limited and year end audit reports are available and the audit opinions are all clean.

(1) Fiscal period 1 October 1997 – 30 September 1998.

CONVENIENCE TRANSLATION OF INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH - SEE NOTE 34

KOÇ HOLDING A.S.
FOOTNOTES TO BALANCE SHEET FOR THE PERIODS
1 JANUARY-31 DECEMBER 1998 AND 1997

(Amounts are expressed in millions of Turkish lira)

10. (CONTINUED)

31 DECEMBER 1997

	REGISTERED VALUE	PERCENTAGE OF ISSUED CAPITAL OWNED(%)	REVALUATION SURPLUS	FIXED ASSET SALES INCOME	EXTRAORDINARY RESERVES	COST INCREASE FUND	SHORT-TERM TRADE RECEIVABLES PAYABLES
ASSOCIATES & INVESTMENTS							
AKPA AKDENİZ SAN. MAM. PAZ. A.S.	750	15,00	-	-	-	-	(314)
ALTINYUNUS ÇEŞME TUR. TES.A.S.	105,300	30,00	88,744	-	-	-	-
ARÇELİK A.S.	3,872,879	38,25	1,696,080	319,526	8,875	-	5,903
ARDEM PIS.VE İSİT.CİH. SAN.A.S.	192,107	10,01	86,223	77,953	500	-	3,962
ASIA PACIFIC A.S.	868	11,50	95	-	-	-	5
ATILIM DAY.TÜK.MAL.PAZ.A.S.	71,982	39,99	4,105	20,952	-	-	(4,452)
AYGAZ A.S.	1,030,787	41,23	719,650	95,986	11,148	97,449	9,464
BASIC INT.INVESTMENT LTD.	508,137	18,49	-	-	-	-	-
BEKO TIC. A.S.	195,000	39,00	60,529	93,534	3,425	1,368	10,464
BEKO ELEKTRONİK A.S.	1,035,518	32,87	391,362	1,184	906	-	1,549
BELDESAN MOTORLU. VASİT. SAN. A.S.	595,365	44,10	115,629	411,622	18,691	8,916	2,866
BİRLİK OKSİJEN SAN. A.S.	1,590	1,00	-	-	-	-	1,238
BURSA OTO A.S.	97,500	39,00	84,602	3,612	-	-	222
BURSA GAZ VE TIC. A.S.	3,980	39,80	187	-	9	-	266
DOĞU YATIRIM HOLDİNG A.S.	5,000	1,45	-	-	-	-	-
DÜZEY TÜKETİM MALLARI PAZ. A.S.	17,972	31,51	1,923	11,702	277	-	4,087
EGE OTO A.S.	153,400	38,35	11,939	137,362	953	-	252
EGEMAK EGE MAKİNE VE TIC. A.S.	99,583	39,83	66,327	22,365	-	-	645
ENDİKSAN ENDİK. VE GEREÇ. SAN. A.S.	2,700	30,00	2,187	-	-	9	738
ENTEK ELEK. ÜRET. OTO ÜRÜN GRUBU A.S.	156,000	7,80	-	-	-	-	-
FORD OTOMOTİV SAN.A.S.	520,739	37,40	177,087	-	65,094	-	8
GARANTİ-KOZA İNS. SAN. VE TIC. A.S.	94,939	19,78	21,407	-	198	-	(352)
GAZAL GAZ ALETLERİ A.S.	126,000	28,00	43,786	29,051	8,000	1,860	6,752
GELİSİM DAY. TÜK. MAL. PAZ. A.S.	47,418	39,97	-	-	-	-	431
GOOD-YEAR LASTİKLERİ A.S.	51,250	9,60	29,642	-	11,389	-	-
GUNOTO GÜNEY OTOM. VE TIC. A.S.	59,625	39,75	45,955	-	346	-	4,828
HAMLE DAY. TÜK. MAL. PAZ. A.S.	15,980	34,95	-	-	-	-	263
İST. FRUEHAUF TAS. ARÇ. SA.TIC. A.S.	34,850	34,85	33,979	-	-	-	2,251
İSTANBUL OTO A.S.	158,423	39,61	120,485	-	-	-	578
İZOCAM TIC. VE SAN. A.S.	183,257	20,36	147,885	65	723	-	5,047
KARŞAN PAZARLAMA A.S.	4,000	20,00	27	-	100	-	274
KAV ORMAN SAN. A.S.	444,030	18,98	22,596	404,124	615	2,346	1,089
KOÇBANK A.S.	386,546	9,66	620	-	-	-	4,325
KOÇ FİNANS KİRALAMA A.S.	110,000	11,00	-	-	-	-	12,136
KOÇ TÜKETİCİ FİNANSMANI A.S.	2,670,000	44,50	-	-	-	-	7,478
KOÇTAS TIC. A.S.	51,820	43,18	2,792	417	-	509	973
KOÇ SİSTEM BİLGİ VE İLETİŞİM SİSTEMLERİ A.S.	19,950	39,90	1,205	-	2,656	-	(194,431)
KUZAY MOTORLARI TIC. VE SAN. A.S.	33,480	31,00	30	293	708	-	190
LİPET LİKİT PET. GAZI TIC. A.S.	29,250	32,50	28,875	-	-	-	2,767
MAKO ELEKTRİK SAN. VE TIC. A.S.	600,000	40,00	254,237	207,113	119,459	1,121	2,284
MARET MARMARA BVE BES. ET SA.TIC. A.S.	65,189	31,21	57,142	-	-	-	6,195
MARMARA OTO A.S.	123,000	41,00	68,446	25,366	88	2,229	1,006
MARES ALTINYUNUS TUR. TES. A.S.	177,883	31,21	94,768	-	-	-	2,987
MATAY OTOM. YAN.SAN. VE TIC. A.S.	12,600	14,00	9,450	-	-	-	362
METAŞ İZMİR METALURJİ FAB.A.S.	2,895	0,41	-	-	-	-	-
MOTOR TIC. A.S.	154,680	38,67	8,320	137,858	745	-	980
ORMAK OTO ANADOLU MAK. VE TIC. A.S.	78,000	39,00	32,748	8,252	1,318	-	434
OTOKAR OTOBUSKAROSERİ SAN. A.S.	294,350	42,05	111,543	3,277	2,754	-	5,786
OTOKAR PAZ. A.S.	8,433	42,17	-	55	-	-	9,957
OTOKOÇ A.S.	156,040	39,01	9,309	139,543	741	-	543
OTOMOTİV LAST. TEVZİ A.S.	4,800	12,00	2,887	577	-	-	4,005
OTOYOL PAZ A.S.	120,000	40,00	76,412	10,024	3,600	174	12,753
OTTAR OTO VE TARIM ARAÇ TIC. A.S.	39,900	39,90	22,477	9,572	109	-	1,351
PASTAVİLLA KARTAL MAK.SAN. TIC. A.S.	147,336	29,47	51,050	-	-	-	1,138
PORSUK TIC. A.S.	17,550	39,00	8,420	4,786	946	518	460
RAM DİS TIC. A.S.	76,976	17,11	270	-	-	335	18,294
RAMERİCA	2,906	33,33	-	-	-	-	-
SAM OTO A.S.	5,200	26,00	-	-	-	-	339
SAMKOÇAUTO ÖZBEKİSTAN	23,820	5,00	-	-	-	-	-
SET OTO TIC. VE TURİZM A.S.	44,000	8,00	-	-	-	-	278
SİMKO TIC. VE SAN. A.S.	123,509	8,49	155,205	-	13,431	-	1,047
STANDART BELDE TIC. VE SAN. A.S.	100,000	25,00	5,744	89,424	-	-	(2,438)
SARKHAYAT SİGORTA T.A.S.	195,992	49,00	-	-	186,642	-	937
SARK SİGORTA T.A.S.	217,035	43,41	148,414	49,949	10,735	-	2,524
TAM SİGORTA A.S.	177	0,35	27	42	65	-	-
TAT KONSERVE SAN. A.S.	1,042,967	46,35	353,634	5,061	3	-	7,814
TAT TOHUMCULUK A.S.	150	3,00	90	-	-	-	364
TOFAS TÜRK OTOMOBİL FAB. A.S.	4,770,859	37,86	3,268,046	-	26,901	-	(86)
TOFAS OTO TIC. A.S.	136,560	8,96	74,185	6,669	78,744	-	7,839
TORMAK TOROS MAK. VE TIC. A.S.	78,400	39,20	55,085	13,165	619	-	633
TOROTO OTOMOTİV TİCARET A.S.	18,750	15,00	-	-	-	-	178
TRAKMAK TIRAKTÖR ZİRAAT MAK.A.S.	166,304	31,68	3,910	4,025	142,547	-	67
TURİYAT TURİSTİK YAT VE HİZ. A.S.	534,082	9,71	4,865	267	-	-	5,437
TÜRK DEMİRDÖKÜM FAB. A.S.	1,152,412	46,10	560,917	3,417	10,627	-	8,012
TÜRK SİEMENS KAB. VE ELE. SAN. A.S.	132,742	10,54	101,614	-	39,016	-	592
TÜRK TRAKTÖR VE ZİRAAT MAK. A.S.	731,652	48,78	634,833	-	-	-	12,345
TUTAS TÜRK TURİZM A.S.	504,722	28,84	129,016	-	188	-	8,465
TOTAL	25,249,846		10,312,478	2,348,191	775,888	116,832	14,383

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FOOTNOTES TO BALANCE SHEET FOR THE PERIODS
1 JANUARY-31 DECEMBER 1998 AND 1997

(Amounts are expressed in millions of Turkish lira)

10. (CONTINUED)

	REGISTERED VALUE	PERCENTAGE OF ISSUED CAPITAL OWNED(%)	REVALUATION SURPLUS	FIXED ASSET SALES INCOME	EXTRAORDINARY RESERVES	COST INCREASE FUND	SHORT-TERM TRADE RECEIVABLES PAYABLES
SUBSIDIARIES							
AKYAK TIC. A.S.	7,480	88,00	431	-	880	-	1,508
AYVALIK MARINA VE YAT. İSL. SAN. TIC. A.S.	15,432	71,11	-	-	-	-	-
BOZKURT MENSUCAT SAN. A.S.	723,324	67,54	486	-	-	-	26,770
DÖKTAS DÖKÜM. TIC. VE SAN.A.S.	1,226,469	51,10	324,419	794,752	241	-	1,268
I.D.E.A. A.S.	122,000	81,33	-	-	-	-	(71,249)
KOFİSA TRADING COMP.SA	161	50,00	-	-	-	-	-
OTOMOTÖR TIC. A.S.	13,630	68,15	3	-	-	-	184
OTOYOL SAN. A.S.	600,000	60,00	445,275	2,187	18,000	-	15,125
PKM GEMİ YAPIM SAN. VE DENİZ T.A.S.	4,345	55,00	-	-	-	-	317,780
SEK SÜT END. KUR. SAN.	-	-	-	-	-	-	-
DENİZ T.A.S.A.S.	2,899,170	56,31	608,970	-	-	-	426
SETAIR HAVA TAŞ VE HİZM. A.S.	30,000	60,00	-	-	-	-	(9,386)
SET AUTO BAKÜ AZERBEYCAN LTD.	16,475	60,00	-	-	-	-	-
SUR OTO A.S.	79,600	79,60	59,700	-	-	-	325
TOTAL	5,738,086		1,439,283	796,939	19,121	-	282,753
GRAND TOTAL	30,987,932		11,751,762	3,145,131	795,009	116,832	297,136

b) Capital commitments to associates, investments and subsidiaries: None.

c) Account balances with shareholders are listed below:

	31 December 1998	31 December 1997
Receivables from shareholders: Nazar Dayanıklı ve Dayaniksiz Sinai Mallar Pazarlama A.S. Koç Family	834 19	- 152
Payable to shareholders: Temel Ticaret ve Yatırım A.S. Dividends payable	23,617 6,949	7,393 2,453
	30,566	9,846

d) As of 31 December 1998 TL35,072 (1997: TL20,342) of other short-term receivables balance includes project expenses incurred for associates, investments and subsidiaries and will be invoiced to the relevant associate, investment or subsidiary.

11. Accounting Policies

a) Fixed assets and depreciation

Fixed assets subject to depreciation are reflected at acquisition cost in the accounts and they are revalued based on the rates and procedures determined by the Ministry of Finance each year. Except for buildings, depreciation is allocated from revalued amounts. Depreciation is provided by using the straight-line method up to 1992 and the double declining balance method beginning from the purchases of 1993 based on the rates stated below:

	For 1982 and before %	For 1983-1992 %	For 1993-1994 %	For 1995 and after %
Buildings	2	2	4	4
Machinery, plant and equipment	-	25	50	40
Motor vehicles	15	25	50	40
Furniture and fixtures	6 - 15	25	50	40

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(Amounts are expressed in millions of Turkish lira)

11. (CONTINUED)

b) Associates, investments and subsidiaries

Associates, investments and subsidiaries are stated at acquisition cost plus the nominal value of shares obtained by paid and non-paid capital increases of the companies concerned.

Associates, investments and subsidiaries are revalued at their market prices if there is a material decrease in their market value and there is no objective and reasonable proof that this decrease is temporary.

If the capital increase of the associate and/or investment is funded from the associate's and/or investment's retained earnings or from the revaluation fund, the nominal value of the shares obtained is added to the Company's investment revaluation fund.

c) Marketable securities

Marketable securities are stated at acquisition cost and represent Turkish government bonds and treasury bills. As of the balance sheet date, the marketable securities balance represents repurchase agreements with banks including interest income accruals.

d) Foreign currency transactions

Transactions in foreign currencies are translated into Turkish lira at the exchange rates prevailing at the dates of such transactions. Balance sheet items denominated in foreign currencies are translated at the exchange rates prevailing at the balance sheet dates. Foreign exchange gains or losses arising from settlement and translation of foreign currency items are included in the related income and expense accounts, as appropriate.

e) Employment termination benefits

In accordance with existing social legislation in Turkey, the Company is required to pay lump sum termination indemnities to each employee who has completed one year of service with the Company and whose employment is terminated without due cause, who retires, completes 25 years of service (20 years for women), is called up for military service, or dies. Such payments are calculated on the basis of 30 days' pay limited to TL200,625,000 at 31 December 1998 (1997: TL104,734,375) per year of employment (at the rate of pay applicable at the date of retirement or termination). As required by Turkish Labour Law employment termination benefits are recognised in the financial statements as they are earned.

f) Other balance sheet items

Other balance sheet items are principally reflected at their historical values.

12. Subsequent events

As of 1 January 1999 the legal limit for employment termination benefits increased to TL286,341,250 (1 January 1998: TL149,990,000). This increased the Company's liabilities by TL69,145 (1997: TL37,163) subsequent to the balance sheet date.

13. Contingent losses and gains

None.

14. Changes in accounting forecasts and their monetary effects

There have been no changes in accounting estimations having a material effect on the Company's gross profit margin.

15. Mortgages or guarantees on assets

None.

16. Total insurance coverage on assets

The total insurance coverage for cash and fixed assets amounted to TL9,100,905 (1997: TL6,333,865.)

17. Guarantees and collaterals obtained

Letters of guarantee obtained from Koçbank A.S. amounting to TL 4,401,505 (1997: TL 2,692,367) are recorded in off-balance sheet accounts.

18. Off-balance sheet commitments and contingent liabilities

The Company has a commitment on behalf of Arçelik A.S. amounting to US\$3,200,000 (1997: US\$4,800,000), and syndicated credits received from banks abroad amounting to US\$100,000,000 (1997: US\$100,000,000) and transferred with the same conditions to group companies (Kav Ambalaj Sanayi A.S., Koç Tüketici Finansmanı A.S., Koç Finansal Kiralama A.S., Otokar Otobüs Karoseri Sanayi A.S., Ram Dis Ticaret A.S., Tat Konserve Sanayi A.S., Turyat Turizm Yat. ve Hizm. A.S., Türk Demir Döküm Fab. A.S., Türk Traktör ve Ziraat Makinaları A.S.; for 1997 also Bozkurt Mensucat San. A.S.).

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KOÇ HOLDING A.S.
FOOTNOTES TO BALANCE SHEET FOR THE PERIODS
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(Amounts are expressed in millions of Turkish lira)

19. Blocked deposits at banks

None.

20. Marketable securities

Marketable securities in the form of Turkish government bonds and bills have a cost of TL19,446,880 (1997: TL7,904,823) and are shown at a market value of TL23,011,046 (1997: TL9,913,182) on the balance sheet including TL3,564,166 (1997: TL2,008,359) interest income accrual.

In financial assets, the market value of 19 investments (1997:18) with an acquisition cost of TL28,823,061 (1997: TL17,623,395), which are quoted on the Istanbul Stock Exchange is TL218,986,804 (1997: TL299,246,850). The other associates, investments and subsidiaries are not quoted on the Stock Exchange.

21. Marketable securities or shareholders, affiliates and subsidiaries included under marketable securities

None.

22. Items which exceed 20% of the "other" captions under which they are included or which exceed 5% of the balance sheet total assets in the financial statements

	<u>31 December 1998</u>	<u>31 December 1997</u>
<u>Other current assets:</u>		
Prepaid taxes and funds	594,147	351,521
Other	303,225	60,250
	<u>897,372</u>	<u>411,771</u>
	<u>31 December 1998</u>	<u>31 December 1997</u>
<u>Other short-term receivables:</u>		
Customers	378,364	275,636
Personel advances	3,136	-
Other	14	7,831
	<u>381,514</u>	<u>283,467</u>
<u>Other intangible assets:</u>		
Koç Holding A.S. and Koç Yatırım ve Sanayii Mamülleri Pazarlama A.S. merger account	150,759	150,759
Other	1,959	2,557
	<u>152,718</u>	<u>153,316</u>

23. Receivables from and payables to personnel included under other receivables and other long or short-term liabilities accounts and exceeding 1% of assets

None.

24. Doubtful receivables due from shareholders, affiliates and investments

None.

25. Doubtful overdue and non-overdue receivables

None.

26. Associates, investments and subsidiaries

Stated in balance sheet footnote 10.a.

27. Pro-rata share stock amounts realized from affiliates and investments

Stated in balance sheet footnote 10.a.

28. Real rights on fixed assets and their values

None.

CONVENIENCE TRANSLATION OF INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH - SEE NOTE 34

KOÇ HOLDING A.S.
FOOTNOTES TO BALANCE SHEET FOR THE PERIODS
AT 1 JANUARY-31 DECEMBER 1998 AND 1997

(Amounts are expressed in millions of Turkish lira)

29. Revaluation of property, plant and equipment in the last three years

	31 December 1998	31 December 1997	31 December 1996
Increase in cost	4,063,302	1,641,033	948,322
Increase in accumulated depreciation	(1,552,279)	(459,761)	(400,844)
Increase in net book value	<u>2,511,023</u>	<u>1,181,272</u>	<u>547,478</u>

30. Foreign currency asset and liabilities

Assets not hedged and denominated in foreign currency are as follows:

31 December 1998			
Foreign currency	Type of currency	Exchange rate	TL million
Banks	USD	312,720	746,123
Customers	USD	312,720	21,794
Suppliers	USD	312,720	(15,636)
			<u>2,405,606</u>

31 December 1997

Foreign currency	Type of currency	Exchange rate	TL million
Banks	USD	204,750	28,103
Customers	USD	204,750	14,025
			<u>205,756</u>

31. Guarantees, commitments and securities given for shareholders, investments and subsidiaries

The Company has a commitment on behalf of Arçelik A.S. amounting to US\$3,200,000 (1997: US\$4,800,000).

32. Average number of employees

The average number of salaried personnel working during 1998 is 164 (1997 :163).

33. Other issues

None.

34. Explanation added for convenience translation into English

As indicated in Note 11, the accompanying financial statements are prepared and presented in accordance with the accounting and reporting principles issued by the Turkish Capital Market Board, which are different from the accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Accounting Standards ("IAS"). The effects of such differences have not been quantified. Accordingly, the accompanying financial statements are not intended to present financial position and results of operation and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IAS.

CONVENIENCE TRANSLATION OF INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH - SEE BALANCE SHEET NOTE 34

KOÇ HOLDING A.S.
STATEMENTS OF INCOME FOR THE PERIODS
1 JANUARY - 31 DECEMBER 1998 AND 1997

(Amounts are expressed in millions of Turkish lira)

	31 December 1998	31 December 1997
GROSS SALES	4,889,817	2,936,444
Domestic sales	4,889,817	2,936,444
OPERATING EXPENSES	(9,003,337)	(4,215,650)
General and administrative expenses	(9,003,337)	(4,215,650)
INCOME AND GAINS FROM OTHER OPERATING ACTIVITIES	34,922,861	17,513,340
Dividends from investments	18,966,854	10,049,760
Dividends from subsidiaries	1,420,445	489,785
Interest and other dividend income	14,325,838	6,804,808
Other income and gains from operating activities	209,724	168,987
OPERATING PROFIT	30,809,341	16,234,134
TAXATION	(3,669,495)	(2,040,993)
NET PROFIT FOR THE PERIOD	<u>27,139,846</u>	<u>14,193,141</u>

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FOOTNOTES TO STATEMENT OF INCOME FOR THE PERIODS

1 JANUARY - 31 DECEMBER 1998 AND 1997

(Amounts are expressed in millions of Turkish lira)

1. Depreciation and amortisation expenses

- a) Depreciation expense is TL1,638,846 (1997:TL1,222,118).
i) Normal depreciation expense is TL1,139,331 (1997:TL1,055,190).
ii) Depreciation expense due to revaluation is TL499,515 (1997:TL166,928).

- b) Amortisation expense is TL1,432 (1997: TL1,130).

2. Provision expenses

Current year provision expense for employment termination benefits is TL26,490 (1997: TL54,167).

3. Financial expenses

None.

4. Financial expenses related to shareholders, associates, investments and subsidiaries

None.

5. Sales to shareholders, associates, investments and subsidiaries

Service sales to associates, investments and subsidiaries amount to TL4,889,817 (1997: TL 2,341,850).

6. Interest, rent and similar charges received from and paid to associates, investments and subsidiaries

Income received from associates, investments and subsidiaries is as follows:

	<u>31 December 1998</u>	<u>31 December 1997</u>
a) Dividend income:		
i) Associates and investments		
Ford Otomotiv San. A.S.	5,728,127	2,088,579
Arçelik A.S.	3,098,303	1,290,960
Türk Traktör ve Ziraat Mak. A.S.	2,146,667	1,097,478
Atilim Day.Tük. Mal. Paz. A.S.	863,784	431,892
Aygaz A.S.	824,630	1,030,787
Beko Elektronik A.S.	776,639	443,793
Gelisim Day. Tük. Mal. Paz. A.S.	758,683	167,916
Türk Demir Döküm Fab. A.S.	749,068	345,723
Tofas Türk Otomobil Fab. A.S.	-	606,278
Good-year Lastikleri T.A.S.	333,122	256,247
Other	3,687,831	2,290,107
	<u>18,966,854</u>	<u>10,049,760</u>

	<u>31 December 1998</u>	<u>31 December 1997</u>
ii) Subsidiaries:		
Otoyol Sanayi A.S.	900,000	240,000
Döktas Dökümcülük Tic. ve San. A.S.	242,739	122,647
Other	277,706	127,138
	<u>1,420,445</u>	<u>489,785</u>

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FOOTNOTES TO STATEMENT OF INCOME FOR THE PERIODS

1 JANUARY - 31 DECEMBER 1998 AND 1997

(Amounts are expressed in millions of Turkish lira)

6. (CONTINUED)

	<u>31 December 1998</u>	<u>31 December 1997</u>
b) Commission and interest accrued:		
Türk Demir Döküm Fabrikaları A.S.	168,015	129,264
Koç Finansal Kiralama A.S.	15,636	10,238
Ram Dis Tic. A.S.	12,900	8,446
Tormak Toros Makina ve Tic. A.S.	11,999	-
Marmara Oto A.S.	11,999	-
Koç Tüketici Finansmanı A.S.	11,727	5,119
Ormak Orta Anadolu Mak. ve Tic.A.S.	-	41,505
Other	83,370	33,675
	<u>315,646</u>	<u>228,247</u>
c) Rent income:		
Tofas Oto Ticaret A.S.	30,000	15,600
Koçtas Ticaret A.S.	22,830	12,996
IDEA A.S.	19,092	-
Set Air Hava T.A.S.	30,000	25,000
Other	26,013	12,480
	<u>127,935</u>	<u>66,076</u>

- d) The interest and other dividend income includes foreign exchange gains of TL 157,028 (1997: TL1,544,783) resulting from the revaluation of the foreign currency bank deposits at Koçbank.

- e) The amounts paid to associates, investments and subsidiaries are as follows:

	<u>31 December 1998</u>	<u>31 December 1997</u>
Insurance expenses (Sark Sigorta T.A.S.)	171,377	80,947
Consulting expenses (Koç Sistem A.S.)	101,977	64,316
Hardware maintenance expenses (Koç Sistem A.S.)	73,196	67,077
Travel expenses (Set Oto Tic. ve Turizm A.S.)	56,934	2,562
Bank expenses (Koçbank A.S.)	20,349	21,165
Rent expenses (Koç Finansal Kiralama A.S.)	6,631	3,525
	<u>430,464</u>	<u>239,592</u>

7. Salaries and other benefits paid to senior management

Members of the Board of Directors, general manager, general coordinator, assistant general manager and other management were paid salaries and benefits amounting to TL1,362,122 (1997:TL722,278).

8. Depreciation calculation methods and the effects of changes in these methods

Depreciation is calculated according to the accelerated depreciation method. There was no change in the method of calculation of depreciation.

9. Inventory costing system

There are no inventories.

10. Reason for not performing physical stock count

There are no inventories.

11. Product, scrap or service sales that exceed 20% of gross sales

None.

12. Sales incentives and grants

None.

13. Income and gains, expenses and losses relating to prior periods

None.

14. Earnings per share

The net profit for the period is TL1,694 (1997: TL886) for each share with a nominal value of TL1,000.

15. Changes in volume of production of goods and services

None.

16. Changes in volume of sales of goods and services

None.

CONVENIENCE TRANSLATION OF INDEPENDENT AUDITOR'S REPORT AND
FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH - SEE NOTE 34

KOÇ HOLDING A.S.
SUMMARY BALANCE SHEETS
AT 31 DECEMBER 1998 AND 1997
(Amounts are expressed in millions of Turkish lira)

	<u>31 December 1998</u>	<u>31 December 1997</u>
ASSETS		
CURRENT ASSETS	32,191,647	11,459,181
Liquid assets	6,950,312	73,328
Marketable securities	23,011,046	9,913,182
Other short-term receivables	1,332,917	1,060,900
Other current assets	897,372	411,771
NON-CURRENT ASSETS	65,147,534	39,688,406
Long-term trade receivables	3,738	58
Long-term financial assets	59,060,881	35,725,324
Fixed assets	5,905,144	3,758,172
Buildings and installations	3,743,868	1,850,831
Motor vehicles	6,933,418	4,016,002
Furniture and fixtures	632,542	792,439
Accumulated depreciation	(5,404,684)	(3,110,932)
INTANGIBLE ASSETS	152,889	153,658
Rights	171	342
Other intangible assets	152,718	153,316
OTHER NON-CURRENT ASSETS	24,882	51,193
TOTAL ASSETS	<u>97,339,181</u>	<u>51,147,587</u>
LIABILITIES AND SHAREHOLDER'S EQUITY		
CURRENT LIABILITIES	5,506,451	3,294,241
Trade payables	163,471	26,611
Other current liabilities	1,665,765	861,978
Accrued liabilities and expenses	3,667,215	2,405,653
LONG-TERM PAYABLES	215,248	113,600
Accrued liabilities and expenses	215,248	113,600
SHAREHOLDERS' EQUITY	91,617,482	47,739,746
Share capital	16,025,550	16,025,550
Share premium	31,847	31,847
Revaluation surplus	25,611,062	7,029,776
Revaluation surplus on fixed assets	3,618,702	1,181,272
Revaluation surplus on associates and investments	11,453,296	1,853,552
Funds generated from fixed asset and investment sales income of participations	8,607,122	3,232,796
Extraordinary reserves generated by associates and investments	1,931,942	762,156
Reserves	22,809,177	10,459,432
Legal reserves	1,857,484	1,045,777
Extraordinary reserves	18,998,017	9,296,762
Cost increase fund	1,410,313	116,893
Fixed assets renewal fund	543,363	-
Net income for the year	27,139,846	14,193,141
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>97,339,181</u>	<u>51,147,587</u>

CONVENIENCE TRANSLATION OF INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH - SEE
BALANCE SHEET NOTE 34

KOÇ HOLDING A.S.
SUMMARY STATEMENTS OF INCOME FOR THE PERIODS
1 JANUARY - 31 DECEMBER 1998 AND 1997
(Amounts are expressed in millions of Turkish lira)

	<u>31 December 1998</u>	<u>31 December 1997</u>
GROSS SALES	4,889,817	2,936,444
OPERATING EXPENSES	(9,003,337)	(4,215,650)
INCOME AND GAINS FROM OTHER OPERATING ACTIVITIES	34,922,861	17,513,340
OPERATING PROFIT	30,809,341	16,234,134
TAXATION	(3,669,495)	(2,040,993)
NET PROFIT FOR THE PERIOD	<u>27,139,846</u>	<u>14,193,141</u>

CONVENIENCE TRANSLATION OF INDEPENDENT AUDITOR'S REPORT AND
FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH - SEE NOTE 34

KOÇ HOLDING A.S.
STATEMENTS OF FUND FLOW FOR THE PERIODS
1 JANUARY - 31 DECEMBER 1998 AND 1997

(Amounts are expressed in millions of Turkish lira)

	1998	1997
FUND SOURCES	33,049,441	18,635,688
Sources from operating profit	32,551,267	17,505,798
Operating profit	30,809,341	16,234,134
Depreciation	1,640,278	1,217,498
Provision for employment termination benefits	101,648	54,166
Other sources	498,174	1,129,890
FUND USAGE	33,049,441	18,635,688
Taxes and similar charges paid	1,267,971	1,024,941
Dividends paid	3,677,974	1,842,360
Increase in current assets	20,663,997	3,598,275
Increase in non-current assets	7,439,499	12,170,112
CHANGE IN NET WORKING CAPITAL	18,520,257	1,990,158

CONVENIENCE TRANSLATION OF INDEPENDENT AUDITOR'S REPORT AND
FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH - SEE NOTE 34

KOÇ HOLDING A.S.
STATEMENTS OF CASH FLOW FOR THE PERIODS
1 JANUARY - 31 DECEMBER 1998 AND 1997

(Amounts are expressed in millions of Turkish lira)

	1998	1997
CASH AT BEGINNING OF PERIOD	73,328	3,491,603
CASH INFLOWS	38,761,143	21,579,674
Cash from sales	4,889,817	2,936,444
Net sales	4,889,817	2,936,444
Cash from income and gains from other operations	33,306,518	17,513,340
Increase in short- term payables (Not relating to purchases)	525,254	1,129,890
Decrease in other short-term receivables	39,554	-
CASH OUTFLOWS	31,884,159	24,997,949
Cash outflow due to operating expenses	7,261,411	2,943,986
General and adm. expenses	9,003,337	4,215,650
Expenses not requiring cash outflow	(1,741,926)	(1,271,664)
Cash outflow due to fixed assets purchases	7,446,579	12,170,112
Taxes paid	1,267,971	1,024,941
Dividends paid	3,677,974	1,842,360
Increase in marketable securities	11,542,057	6,240,861
Increase in other current assets	668,167	775,689
CASH AT END OF PERIOD	6,950,312	73,328
CASH INCREASE (DECREASE)	6,876,984	(3,418,275)

CONVENIENCE TRANSLATION OF INDEPENDENT AUDITOR'S REPORT AND
FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH - SEE NOTE 34

KOÇ HOLDING A.S.
STATEMENTS OF PROFIT DISTRIBUTION
1 JANUARY - 31 DECEMBER 1998 AND 1997

(Amounts are expressed in millions of Turkish lira)

	1998	1997
DISTRIBUTION OF NET INCOME FOR THE YEAR		
Net income for the year	30,809,341	16,234,134
Taxes payable	(3,669,495)	(2,401,653)
First legal reserves	(1,356,992)	(811,707)
NET DISTRIBUTABLE PROFIT	25,782,854	13,020,774
Dividends to shareholders	(3,205,110)	(3,205,110)
approved at general assembly meeting in accordance with the articles of association		
Koç Holding Foundation for Pensions and Assistance portion	(210,114)	(97,665)
Dividend allocated to usufruct shareholders	(749,447)	(377,405)
EXTRAORDINARY RESERVES	21,618,183	9,340,594
PROFIT PER SHARE (TL%)		
16,025,550,000 shares receiving 12 months dividend from 1998 net profit for the year	1,609,161	
16,025,550,000 shares receiving 12 months dividend from 1997 net profit for the year		813,81
DIVIDEND PER SHARE (TL%)		
16,025,550,000 shares receiving 12 months dividend from 1998 net profit for the year	200/15	
16,025,550,000 shares receiving 12 months dividend from 1997 net profit for the year		200/15
To the holders of 100 usufruct shares	7.494.472.919/-	3.774.047.000/-