

KOÇ HOLDİNG A.Ş.

**CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2004
TOGETHER WITH AUDITOR'S REPORT**

AUDITOR'S REPORT

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

1. We have audited the accompanying consolidated balance sheet of Koç Holding A.Ş. ("Koç Holding") at 31 December 2004 and the related consolidated statements of income and of cash flows for the year then ended, all expressed in New Turkish Lira ("YTL") in the equivalent purchasing power of the Turkish Lira ("TL") as at 31 December 2004. These consolidated financial statements are the responsibility of Koç Holding's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Koç Holding A.Ş. at 31 December 2004 and the consolidated results of its operations, and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Without qualifying our opinion, we draw your attention to the following matters:

4. As explained in Note 3 to the consolidated financial statements, the statements include the accounts of the parent company, its Subsidiaries, Joint Ventures and the Associate. 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 consolidated financial statements, the shares held by Koç family members are treated as minority interest.
5. As explained in Note 2 to the consolidated financial statements, Euro (“EUR”) and US Dollar (“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 are translated from YTL, 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 2004. Such translation should not be construed as a representation that the TL amounts have been or could be converted into EUR and USD at these or any other rates.

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

Zeynep Uras, SMMM

Istanbul, 7 April 2005

KOÇ HOLDİNG A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2004

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KOÇ HOLDİNG A.Ş.

CONSOLIDATED BALANCE SHEETS

AT 31 DECEMBER

(Amounts expressed in thousands of New Turkish Lira (YTL) in terms of the purchasing power of Turkish Lira at 31 December 2004 unless otherwise indicated)

	Notes	2004 EUR'000 (*)	2004 USD'000 (*)	2004 YTL'000	2003 YTL'000
ASSETS					
Current assets:					
Cash and cash equivalents	6	1.103.938	1.502.626	2.016.674	2.124.294
Investments:					
-held-for-trading	7.a	24.412	33.229	44.596	1.972
-available-for-sale	7.b	303.451	413.043	554.345	607.464
-held-to-maturity	7.c	241.941	329.318	441.978	486.608
Reserve deposits with the Central Banks	8	177.556	241.680	324.359	245.405
Loans and advances to customers	9	1.108.252	1.508.498	2.024.555	1.630.867
Trade receivables	10	1.760.212	2.395.913	3.215.555	2.720.691
Due from related parties		16.380	22.296	29.923	22.430
Inventories	11	1.188.140	1.617.238	2.170.495	1.598.759
Other current assets	12	228.901	311.568	418.155	321.520
Total current assets		6.153.183	8.375.409	11.240.635	9.760.010
Non-current assets:					
Loans and advances to customers	9	639.863	870.950	1.168.902	758.817
Investments:					
-held-for-trading	7.a	8.627	11.743	15.760	-
-available-for-sale	7.b	324.445	441.618	592.696	345.862
-held-to-maturity	7.c	635.493	865.001	1.160.918	913.477
Investment property	15	35.466	48.274	64.789	68.330
Property, plant and equipment	13	2.217.872	3.018.857	4.051.608	4.064.670
Intangible assets	14	303.801	413.519	554.984	578.805
Deferred tax assets	21	116.402	158.441	212.643	224.465
Other non-current assets		25.102	34.169	45.858	69.383
Total non-current assets		4.307.071	5.862.572	7.868.158	7.023.809
Total assets		10.460.254	14.237.981	19.108.793	16.783.819

(*) Euro ("EUR") and US Dollar ("USD") amounts presented above are translated from New Turkish Lira ("YTL") for convenience purposes only, at the official YTL exchange rate announced by the Central Bank of the Republic of Turkey ("CBRT") at 31 December 2004, and therefore do not form part of these consolidated financial statements (Note 2.d).

These consolidated financial statements as at and for the year ended 31 December 2004 have been approved for issue by the Board of Directors on 7 April 2005 and signed on its behalf by Rüşdü Saraçoğlu, President of Financial Services Group, and by Emine Alangoya, Accounting Manager.

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

KOÇ HOLDİNG A.Ş.**CONSOLIDATED BALANCE SHEETS****AT 31 DECEMBER**

(Amounts expressed in thousands of New Turkish Lira (YTL) in terms of the purchasing power of Turkish Lira at 31 December 2004 unless otherwise indicated)

	Notes	2004 EUR'000 (*)	2004 USD'000 (*)	2004 YTL'000	2003 YTL'000
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Customer deposits	16	1.891.595	2.574.746	3.455.566	2.892.413
Bank borrowings	17	1.423.935	1.938.190	2.601.245	2.102.359
Insurance technical reserves	19	131.327	178.756	239.909	203.466
Trade payables	18	1.202.636	1.636.968	2.196.975	2.011.712
Due to related parties		21.534	29.312	39.339	28.153
Taxes on income	21	44.253	60.235	80.842	92.636
Other current liabilities	20	642.853	875.019	1.174.362	959.057
Total current liabilities		5.358.133	7.293.226	9.788.238	8.289.796
Non-current liabilities:					
Customer deposits	16	111.968	152.406	204.544	240.985
Bank borrowings	17	808.425	1.100.388	1.476.831	1.287.621
Insurance technical reserves	19	186.664	254.077	340.997	293.859
Provision for employment termination benefits	22	77.580	105.599	141.724	144.387
Deferred tax liabilities	21	119.256	162.325	217.856	246.949
Other non-current liabilities		49.389	67.225	90.223	86.175
Total non-current liabilities		1.353.282	1.842.020	2.472.175	2.299.976
Total liabilities		6.711.415	9.135.246	12.260.413	10.589.772
Minority interest					
- Koç family members	31	632.988	861.592	1.156.342	1.043.127
- Other	31	840.686	1.144.301	1.535.766	1.456.877
Minority interest	31	1.473.674	2.005.893	2.692.108	2.500.004
Shareholders' equity:					
- Share capital	23	547.405	745.101	1.000.000	789.750
- Adjustment to share capital	23	529.499	720.727	967.288	967.288
Total paid-in share capital	23	1.076.904	1.465.828	1.967.288	1.757.038
Share premium		2.600	3.539	4.750	4.750
Translation reserve	3.e	(12.087)	(16.452)	(22.080)	(9.080)
Cumulative loss on hedging	28	(2.310)	(3.144)	(4.220)	(21.083)
Retained earnings	24	1.210.058	1.647.071	2.210.534	1.962.418
Total shareholders' equity	24	2.275.165	3.096.842	4.156.272	3.694.043
Total liabilities and shareholders' equity		10.460.254	14.237.981	19.108.793	16.783.819

Commitments and contingent liabilities 28

(*) EUR and USD amounts presented above are translated from YTL for convenience purposes only, at the official YTL exchange rate announced by the CBRT at 31 December 2004, and therefore do not form part of these consolidated financial statements (Note 2.d).

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

KOÇ HOLDİNG A.Ş.

CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED 31 DECEMBER

(Amounts expressed in thousands of New Turkish Lira (YTL) in terms of the purchasing power of Turkish Lira at 31 December 2004 unless otherwise indicated)

	Notes	2004 EUR'000 (*)	2004 USD'000 (*)	2004 YTL'000	2003 YTL'000
Revenues:					
Non-finance	5	11.274.759	15.346.643	20.596.730	16.068.236
Finance	5	912.681	1.242.296	1.667.285	1.579.499
		12.187.440	16.588.939	22.264.015	17.647.735
Operating costs:					
Non-finance	5	(10.753.702)	(14.637.406)	(19.644.862)	(15.313.210)
Finance	5	(759.200)	(1.033.386)	(1.386.907)	(1.391.129)
		(11.512.902)	(15.670.792)	(21.031.769)	(16.704.339)
Operating profit:					
Non-finance	5	521.057	709.237	951.868	755.026
Finance	5	153.481	208.910	280.378	188.370
		674.538	918.147	1.232.246	943.396
Financial income-net	25	40.648	55.328	74.256	170.633
Other income-net	3,14	63.773	86.806	116.501	512
Loss on net monetary position	2	(50.876)	(69.250)	(92.941)	(39.719)
Income before taxes on income and minority interest		728.083	991.031	1.330.062	1.074.822
Taxes on income	21	(227.912)	(310.223)	(416.350)	(171.572)
Income before minority interest		500.171	680.808	913.712	903.250
Income attributable to minority interest:					
- Koç family members	31	(45.749)	(62.272)	(83.575)	(121.293)
- Other	31	(176.068)	(239.655)	(321.641)	(346.949)
Net income		278.354	378.881	508.496	435.008
Weighted average number (000's) of shares with face value of TL1.000 value each	4.af	1.000.000.000	1.000.000.000	1.000.000.000	1.000.000.000
Basic and diluted earnings per share in TL	4.af	278	379	508	435

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

KOÇ HOLDİNG A.Ş.

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED 31 DECEMBER**

(Amounts expressed in thousands of New Turkish Lira (YTL) in terms of the purchasing power of Turkish Lira at 31 December 2004 unless otherwise indicated)

	Share capital	Adjustment to share capital	Share premium	Translation reserve	Cumulative loss on hedging	Retained earnings	Shareholders' equity total
Balances at 1 January 2003	203.156	1.069.478	4.750	2.244	(50.348)	1.553.089	2.782.369
Decrease in retained earnings due to additions to scope of consolidation	-	-	-	-	-	(974)	(974)
Increase in retained earnings due to disposals from scope of consolidation	-	-	-	-	-	2.816	2.816
Increase in share capital	586.594	(102.190)	-	-	-	(27.521)	456.883
Currency translation differences	-	-	-	(11.324)	-	-	(11.324)
Cumulative gain on hedging	-	-	-	-	29.265	-	29.265
Income for the year	-	-	-	-	-	435.008	435.008
Balances at 31 December 2003	789.750	967.288	4.750	(9.080)	(21.083)	1.962.418	3.694.043
Dividend paid	-	-	-	-	-	(50.130)	(50.130)
Increase in share capital	210.250	-	-	-	-	(210.250)	-
Currency translation differences	-	-	-	(13.000)	-	-	(13.000)
Cumulative gain on hedging	-	-	-	-	16.863	-	16.863
Income for the year	-	-	-	-	-	508.496	508.496
Balances at 31 December 2004	1.000.000	967.288	4.750	(22.080)	(4.220)	2.210.534	4.156.272

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

KOÇ HOLDİNG A.Ş.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER

(Amounts expressed in thousands of New Turkish Lira (YTL) in terms of the purchasing power of Turkish Lira at 31 December 2004 unless otherwise indicated)

	Notes	2004 EUR'000 (*)	2004 USD'000 (*)	2004 YTL'000	2003 YTL'000
Operating activities:					
Net income		278.354	378.881	508.496	435.008
Adjustments to reconcile net income to net cash provided by operating activities:					
Net income attributable to minority interest	31	221.817	301.927	405.216	468.242
Depreciation and amortization - net	13,14,15	403.750	549.565	737.571	892.624
Changes in provisions	34	117.474	159.899	214.601	241.254
Net interest income	34	(212.952)	(289.860)	(389.021)	(408.838)
Banking sector interest income	5	361.873	492.564	661.071	652.347
Banking sector interest expense	5	(164.005)	(223.236)	(299.605)	(337.214)
Gain on sale of tangible assets		(5.504)	(7.492)	(10.055)	(4.813)
Gain on sale of subsidiaries	3	(27.838)	(37.891)	(50.854)	-
Fair value loss/(gain) on financial assets	7	13.040	17.749	23.821	(9.643)
Excess in the fair value of negative goodwill	14	(19.874)	(27.051)	(36.305)	-
Dividend income		(1.388)	(1.890)	(2.536)	(2.352)
Taxation expenses	21	227.912	310.223	416.350	171.572
Net cash provided from operating activities before changes in operating assets and liabilities		1.192.659	1.623.388	2.178.750	2.098.187
Net changes in operating assets and liabilities	34	(1.040.967)	(1.416.911)	(1.901.637)	(1.069.172)
Changes in other non-current assets and other liabilities	34	(803)	(1.093)	(1.467)	34.539
Income taxes paid	21	(231.720)	(315.406)	(423.307)	(360.506)
Net change in operating assets and liabilities		(1.273.490)	(1.733.410)	(2.326.411)	(1.395.139)
Net cash used in by operating activities		(80.831)	(110.022)	(147.661)	703.048
Investing activities:					
Purchase of tangible and intangible assets	13,14,15	(437.288)	(595.214)	(798.837)	(1.009.868)
Cash provided from sale of tangible and intangible assets	13,14,15	37.910	51.601	69.254	359.955
Cash provided from sale of subsidiary		58.941	80.228	107.674	-
Net assets of subsidiaries acquired	29	-	-	-	302.608
Effect of changes in minority interest		(1.004)	(1.364)	(1.830)	(309.833)
Acquisition of subsidiaries	29	(25.871)	(35.215)	(47.262)	(471.525)
Dividend income		1.388	1.890	2.536	2.352
Net cash used in investing activities		(365.924)	(498.074)	(668.465)	(1.126.311)
Financing activities:					
Dividend paid		(27.441)	(37.352)	(50.130)	-
Share capital increase (excluding bonus issue)		-	-	-	456.883
Share capital increase attributable to minority interest	31	29.662	40.374	54.186	102.980
Dividend paid attributable to minority interest	31	(65.877)	(89.669)	(120.345)	(197.940)
Increase in short-term borrowings		326.079	443.842	595.681	82.317
Increase / (decrease) in long-term borrowings		103.925	141.457	189.850	(49.197)
Non-banking financial income	25	136.630	185.974	249.596	274.894
Non-banking financial expense	25	(121.546)	(165.443)	(222.041)	(181.189)
Net cash used in financing activities		381.432	519.183	696.797	488.748
Cumulative gain on hedging		5.919	8.055	10.809	29.265
Cumulative gain on hedging attributable to minority interest	31	448	610	819	1.094
Translation difference		835	1.137	1.526	(11.324)
Translation difference attributable to minority interest		736	1.002	1.345	(16.160)
Net (decrease) / increase in cash and cash equivalents		(57.385)	(78.109)	(104.830)	68.360
Cash and cash equivalents at the beginning of the period		1.145.450	1.559.130	2.092.508	2.024.148
Cash and cash equivalents at the end of the year		6	1.088.065	1.481.021	1.987.678
				1.987.678	2.092.508

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

KOÇ HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2004

(Amounts expressed in thousands of New Turkish Lira (YTL) in terms of the purchasing power of Turkish Lira at 31 December 2004 unless otherwise indicated)

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

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

As of 31 December 2004, the number of people employed by Koç Holding, Subsidiaries and Joint Ventures (collectively referred as the "Group") in 2004 is 59.513 (2003: 53.985).

The address of the registered office 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. At 31 December 2004, the shares quoted on the ISE represent some 22,00% of the total shares. At 31 December 2004, the principal shareholders and their respective shareholdings in the Company are as follows (Note 23):

	%
Companies owned by Koç family members	42,26
Koç family members	26,60
Vehbi Koç Vakfı	7,17
Koç Holding Emeklilik Vakfı	1,97
Other	22,00
	100,00

Koç Holding is organised mainly in Turkey into six main business segments:

- Automotive
- Finance (*)
- Consumer durable
- Food and retailing
- Energy
- Other (**)

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

(**) Other operations of Koç Holding mainly comprise of foreign trade, tourism, information technologies and construction, none of which is 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 enough to be reported separately.

KOÇ HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2004

(Amounts expressed in thousands of New Turkish Lira (YTL) in terms of the purchasing power of Turkish Lira at 31 December 2004 unless otherwise indicated)

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

The Subsidiaries (“Subsidiary”) of the Group, their country of incorporations, nature of businesses and their respective business segments, are as follows:

<u>Subsidiary</u>	<u>Country of incorporation</u>	<u>Nature of business</u>	<u>Segment</u>
Beldesana Otomotiv Yan Sanayii ve Tic. A.Ş. (“Beldesana”)	Turkey	Production	Automotive
Beldeyama Motorlu Vasıtalar San. A.Ş. (“Beldeyama”)	Turkey	Production	Automotive
Birmot Birleşik Motor Sanayi ve Tic. A.Ş. (“Birmot”)	Turkey	Trading	Automotive
Döktaş Ticaret ve San. A.Ş. (“Döktaş”)	Turkey	Production	Automotive
Otokar Otobüs Karoseri Sanayi A.Ş. (“Otokar”)	Turkey	Production	Automotive
Otokoç Otomotiv Tic. ve San. A.Ş. (“Otokoç”)	Turkey	Trading	Automotive
Otomotiv Lastikleri Tevzi A.Ş. (“Otomotiv Lastikleri”)	Turkey	Trading	Automotive
Otoyol Pazarlama A.Ş. (“Otoyol Pazarlama”)	Turkey	Trading	Automotive
Otoyol Sanayi A.Ş. (“Otoyol”)	Turkey	Production	Automotive
Koç Allianz Hayat ve Emeklilik A.Ş. (“Koç Allianz Hayat”)	Turkey	Life insurance	Finance
Koç Allianz Sigorta T.A.Ş. (“Koç Allianz Sigorta”)	Turkey	Insurance	Finance
Koç Tüketici Finansmanı ve Kart Hizmetleri A.Ş. (“Koç Finans”)	Turkey	Consumer finance	Finance
Arçelik A.Ş. (“Arçelik”)	Turkey	Production	Consumer durable
Ardutch B.V. (“Ardutch”)	The Netherlands	Holding	Consumer durable
Artesis Teknoloji Sistemleri A.Ş. (“Artesis”)	Turkey	Technology development	Consumer durable
Beko Deutschland GmbH (“Beko Deutschland”)	Germany	Trading	Consumer durable
Beko Electronics Espana S.L. (“Beko Espana”)	Spain	Trading	Consumer durable
Beko Elektronik A.Ş. (“Beko Elektronik”)	Turkey	Production	Consumer durable
Fusion Digital Technology Ltd. (“Fusion”)	The U.K.	Technology development	Consumer durable
Beko France S.A. (“Beko France”)	France	Trading	Consumer durable
Beko Polska S.A. (“Beko Polska”)	Poland	Trading	Consumer durable
Beko Ticaret A.Ş. (“Beko Ticaret”)	Turkey	Trading	Consumer durable
Beko Plc. (“Beko Plc.”)	The U.K.	Trading	Consumer durable
Blomberg Werke GmbH (“Blomberg Werke”)	Germany	Production	Consumer durable
Blomberg Vertriebsgesellschaft mbH (“Blomberg Vertrieb”)	Germany	Distribution	Consumer durable
Elektra Bregenz AG (“Elektra Bregenz”)	Austria	Trading	Consumer durable
Raupach Wollert GmbH (“Raupach”)	Germany	Holding	Consumer durable
SC Arctic SA (“Arctic”)	Romania	Production	Consumer durable
Sherbrook International Ltd. (“Sherbrook”)	The U.K.	Trading	Consumer durable
Türk Demir Döküm Fabrikaları A.Ş. (“TDDF”)	Turkey	Production	Consumer durable
Demrad Döküm Ürünleri Sınai ve Tic. A.Ş. (“Demrad”)	Turkey	Production	Consumer durable
DD Heating Limited (“DD Heating”)	The U.K.	Trading	Consumer durable
Panel Radyatör Sanayi ve Ticaret A.Ş. (“Panel”)	Turkey	Production	Consumer durable
Düzye Tüketim Malları Pazarlama A.Ş. (“Düzye”)	Turkey	Trading	Food and retailing
Limited Liability Company Rambutya (“Rambutya”)	Kazakhstan	Retail	Food and retailing
Migros Türk T.A.Ş. (“Migros”)	Turkey	Retail	Food and retailing
Ramstore Macedonia D00 (“Ramstore Macedonia”)	Macedonia	Retail	Food and retailing
Ramstore Bulgaria A.D. (“Ramstore Bulgaria”)	Bulgaria	Retail	Food and retailing
Ramstore Sınırlı Sorumlu Türk Gıda Müessesesi (“Ramstore”)	Azerbaijan	Retail	Food and retailing
Tat Konserve Sanayi A.Ş. (“Tat Konserve”)	Turkey	Food	Food and retailing
Tat Tohumculuk A.Ş. (“Tat Tohumculuk”)	Turkey	Agriculture	Food and retailing

KOÇ HOLDİNG A.Ş.

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(Amounts expressed in thousands of New Turkish Lira (YTL) in terms of the purchasing power of Turkish Lira at 31 December 2004 unless otherwise indicated)

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

<u>Subsidiary</u>	<u>Country of incorporation</u>	<u>Nature of business</u>	<u>Segment</u>
Aygaz A.Ş. ("Aygaz")	Turkey	LPG	Energy
Opet Aygaz Bulgaria E.A.D. ("Opet Aygaz Bulgaria")	Bulgaria	Distribution	Energy
Opet Aygaz BV ("Opet Aygaz BV")	The Netherlands	Distribution	Energy
Birleşik Oksijen Sanayi Gazlar A.Ş. ("BOS")	Turkey	Chemicals	Energy
Bursa Gaz ve Ticaret A.Ş. ("Bursa Gaz")	Turkey	Trade	Energy
Entek Elektrik Üretimi A.Ş. ("Entek")	Turkey	Power generation	Energy
Mogaz Petrol Gazları A.Ş. ("Mogaz")	Turkey	LPG	Energy
Ayvalık Marina ve Yat İşletmeciliği San. ve Tic. A.Ş. ("Ayvalık Marina")	Turkey	Tourism	Other
Bilkom Bilişim Hizmetleri A.Ş. ("Bilkom")	Turkey	Trading	Other
Bozkurt Tarım ve Gıda San. A.Ş. ("Bozkurt")	Turkey	Agriculture	Other
İzocam Ticaret ve Sanayi A.Ş. ("İzocam")	Turkey	Production	Other
Kav Danışmanlık Pazarlama ve Ticaret A.Ş. ("Kav Danışmanlık")	Turkey	Consultancy information	Other
Koçnet Haberleşme Teknoloji ve İletişim Hizm. A.Ş. ("Koçnet")	Turkey	Technology	Other
Koç Sistem A.Ş. ("Koç Sistem")	Turkey	Technology	Other
Koçtaş Yapı Malzemeleri Ticaret A.Ş. ("Koçtaş")	Turkey	Trade	Other
Marmaris Altinyunus Turistik Tesisleri A.Ş. ("Mares")	Turkey	Tourism	Other
Ram Dış Ticaret A.Ş. ("Ram Dış Ticaret")	Turkey	Foreign trade	Other
Ram Pacific Ltd. ("Ram Pacific")	China	Foreign trade	Other
RMK Gemi Yapım Sanayi A.Ş. ("RMK Marine")	Turkey	Production	Other
Set Oto Ticaret ve Turizm A.Ş. ("Setoto-Avis")	Turkey	Car Rental	Other
Setur Servis Turistik A.Ş. ("Setur")	Turkey	Tourism	Other
Tek-Art Kalamış ve Fenerbahçe Marmara Turizm Tesisleri A.Ş. ("Tek-Art Marina")	Turkey	Tourism	Other
Tek-iz İzolasyon ve Yapı Elemanları San. A.Ş. ("Tek-iz")	Turkey	Production	Other

KOÇ HOLDİNG A.Ş.

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AT 31 DECEMBER 2004

(Amounts expressed in thousands of New Turkish Lira (YTL) in terms of the purchasing power of Turkish Lira at 31 December 2004 unless otherwise indicated)

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

The Joint Ventures of the Group ("Joint Ventures"), their country of incorporation, nature of business, respective business segments and joint venture partners of Koç Holding are explained below (Note 3.c):

<u>Joint Venture</u>	<u>Country of incorporation</u>	<u>Nature of business</u>	<u>Segment</u>	<u>Joint Venture Partner</u>
Ford Otomotiv Sanayi A.Ş. ("Ford Otosan")	Turkey	Production	Automotive	Ford Motor Co.
Tofaş Türk Otomobil Fabrikası A.Ş. ("Tofaş")	Turkey	Production	Automotive	Fiat Auto S.p.A.
Türk Traktör ve Ziraat Makinaları A.Ş. ("Türk Traktör")	Turkey	Production	Automotive	CNH Global NV
Trakmak Traktör ve Ziraat Makinaları A.Ş. ("Trakmak")	Turkey	Trading	Automotive	CNH Global NV
Koç Fiat Kredi Tüketici Finansmanı A.Ş. ("Fiat Finans")	Turkey	Finance	Finance	Fiat Auto S.p.A.
Koç Finansal Hizmetler A.Ş. ("Koç Finansal Hizmetler" or "KFS")	Turkey	Holding	Finance	UniCreditoItaliano
Koçbank A.Ş. ("Koçbank")	Turkey	Banking	Finance	UniCreditoItaliano
Koçbank Azerbaijan Ltd. ("Koçbank Azerbaijan")	Azerbaijan	Banking	Finance	UniCreditoItaliano
Koç Faktoring Hizmetleri A.Ş. ("Koç Faktoring")	Turkey	Factoring	Finance	UniCreditoItaliano
Koç Finansal Kiralama A.Ş. ("Koç Lease")	Turkey	Leasing	Finance	UniCreditoItaliano
Koçbank Nederland N.V. ("Koçbank Nederland")	The Netherlands	Banking	Finance	UniCreditoItaliano
Stiching Custody Services KBN ("Stiching Custody")	The Netherlands	Custody	Finance	UniCreditoItaliano
Koç Portföy Yönetimi A.Ş. ("Koç Portföy")	Turkey	Portfolio management	Finance	UniCreditoItaliano
Koç Yatırım Menkul Değerler A.Ş. ("Koç Menkul")	Turkey	Brokerage	Finance	UniCreditoItaliano
Grundig Multimedia B.V. ("Grundig Multimedia")	The Netherlands	Technology	Consumer durable	Alba Plc.
Grundig Benelux B.V., Netherlands ("Grundig Benelux")	The Netherlands	After sale service	Consumer durable	Alba Plc.
Grundig Australia Pty. Limited ("Grundig Australia")	Australia	After sale service	Consumer durable	Alba Plc.
Grundig Danmark A/S, Denmark ("Grundig Danmark")	Denmark	After sale service	Consumer durable	Alba Plc.
Grundig Espana S.A., Spain ("Grundig Espana")	Spain	After sale service	Consumer durable	Alba Plc.
Grundig Magyarország Kft., Hungary ("Grundig Hungary")	Hungary	After sale service	Consumer durable	Alba Plc.
Grundig Intermedia GmbH, Germany ("Grundig GmbH")	Germany	After sale service	Consumer durable	Alba Plc.
Grundig Italiana SpA, Italy ("Grundig Italy")	Italy	After sale service	Consumer durable	Alba Plc.
Grundig (Schweiz) AG, Switzerland ("Grundig AG")	Switzerland	After sale service	Consumer durable	Alba Plc.
Grundig Norge AS, Norway ("Grundig Norway")	Norway	After sale service	Consumer durable	Alba Plc.
Grundig OY, Finland ("Grundig Finland")	Finland	After sale service	Consumer durable	Alba Plc.
Grundig Portuguesa, Lda, Portugal ("Grundig Portugal")	Portugal	After sale service	Consumer durable	Alba Plc.
Grundig Polska Sp. z o.o., Poland ("Grundig Polska")	Poland	After sale service	Consumer durable	Alba Plc.
ISG Intermedia Service GmbH, Germany ("ISG Intermedia")	Germany	After sale service	Consumer durable	Alba Plc.
Grundig Svenska AB, Sweden ("Grundig Sweden")	Sweden	After sale service	Consumer durable	Alba Plc.
Arçelik LG Klima San. ve Tic. A.Ş. ("Arçelik LG Klima")	Turkey	Production of air conditioners	Consumer durable	LG Electronics Inc.
Limited Liability Company Ramenka ("Ramenka")	Russia	Retail	Food and retailing	Enka İnş. ve San. A.Ş.
Opet Petrolcülük A.Ş. ("Opet")	Turkey	Petroleum products	Energy	Öztürk family
Opet Madeni Yağ ve Katkıları San.ve Tic. A.Ş. ("Opet Madeni Yağ")	Turkey	Production and Distribution	Energy	Öztürk family
Opet Dış Tic ve Nakliyat A.Ş. ("Opet Dış Ticaret")	Turkey	Import	Energy	Öztürk family
Opet Gıda ve İhtiyaç Mad. Tur. San İç ve Dış Ticaret A.Ş. ("Opet Gıda")	Turkey	Food Distribution	Energy	Öztürk family
Opet International Limited ("Opet International")	The U.K.	Trading	Energy	Öztürk family
Opet Trade BV ("Opet Trade BV")	The Netherlands	Trading	Energy	Öztürk family
Opet Trade Ireland ("Opet Trade Ireland")	Ireland	Trading	Energy	Öztürk family
TBS Denizcilik ve Petrol Ürünleri Ticaret A.Ş. ("TBS")	Turkey	Marine fuel supplier	Energy	Öztürk family
Koçtaş Yapı Marketleri Sanayi ve Ticaret A.Ş. ("Koçtaş Yapı Market")	Turkey	Construction and housing equipment	Food and retailing	B & Q Holding BV
Kofisa Trading Company S.A. ("Kofisa Trading")	Switzerland	Foreign trade	Other	Koratrade S.A.
Ultra Kablo Televizyon ve Telekomünikasyon San. ve Tic. A.Ş. ("Ultra Kablo")	Turkey	Media and Communication	Other	Doğan Yayın Holding A.Ş.

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

KOÇ HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2004

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NOTE 2 - BASIS OF PREPARATION

a) New Turkish Lira financial statements

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), including the International Accounting Standards ("IAS") and Interpretations issued by the International Accounting Standards Board ("IASB"). 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 TL in accordance with the Turkish Commercial Code (the "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 and accounting principles promulgated by the Banking Regulation and Supervising Agency for banks and for listed companies; accounting principles issued by the CMB of Turkey ("CMB Principles"). 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 the historical cost conversion, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with IFRS (including the restatement of the TL to match the purchasing power at the balance sheet date).

The restatement for the changes in the general purchasing power of the TL at 31 December 2004 is based on IAS 29 ("Financial Reporting in Hyperinflationary Economies"). IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date, and that corresponding figures for previous periods be restated in the same terms. One characteristic that necessitates the application of IAS 29 is a cumulative three-year inflation rate approaching or exceeding 100%. The restatement was calculated by means of conversion factors derived from the Turkish nationwide wholesale price index ("WPI") published by the State Institute of Statistics ("SIS"). Such indices and conversion factors used to restate the financial statements at 31 December 2004 are given below:

Dates	Index	Conversion factors	Cumulative 3-year %
31 December 2004	8.403,8	1,000	69,7
31 December 2003	7.382,1	1,138	181,1
31 December 2002	6.478,8	1,297	227,3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2004

(Amounts expressed in thousands of New Turkish Lira (YTL) in terms of the purchasing power of Turkish Lira at 31 December 2004 unless otherwise indicated)

NOTE 2 - BASIS OF PREPARATION (Continued)

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

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

b) New Turkish Lira

Through the enactment of the Law numbered 5083 concerning the “Currency of the Republic of Turkey” in the Official Gazette dated 30 January 2004, New Turkish lira (“YTL”) and the New Kuruş (“YKr”) have been introduced as the new currency of the Republic of Turkey, effective from 1 January 2005. The hundredth part of the YTL is the YKr (1 YTL=100YKr) When the prior currency, Turkish lira (“TL”), values are converted into the YTL, one million TL is equivalent to one YTL (1 YTL). Accordingly, the currency of the Republic of Turkey is simplified by removing 6 zeroes from the TL.

All references made to Turkish lira or 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 YTL at the conversion rate indicated as above. Consequently, effective from 1 January 2005, the YTL replaces the TL as a unit of account in keeping and presenting of the books, accounts and financial statements.

As stated in the announcement of Capital Markets Board dated 30 November 2004, financial statements of the year ending 31 December 2004, including the year period financial data which will be used for comparison purposes, are to be demonstrated in YTL, and prior year financial statements are to be presented in YTL currency for comparative purposes only.

c) Financial statements of Foreign Subsidiaries and Joint Ventures

Financial statements of subsidiaries and joint ventures operating in foreign countries are prepared according to the legislation of the country in which they operate, and adjusted to the IFRS to reflect the proper presentation and content. The assets and liabilities of foreign subsidiaries and joint ventures are translated into TL from the foreign exchange rate at the balance sheet date. The income and expenses of foreign subsidiaries and joint ventures are translated into TL at the average foreign exchange rate and expressed in current purchasing power of TL adjusted by relevant period’s conversion factor as at balance sheet date. Exchange differences arising from the retranslation of the opening net assets of foreign undertakings and differences between the average and balance sheet date rates are included in the “translation reserve” under the shareholders’ equity.

d) EUR and USD translation

EUR and USD amounts shown in the consolidated financial statements are translated from TL, at the official EUR and USD bid rates announced by the CBRT on 31 December 2004 of YTL1,8268 = EUR1 and YTL1.3421= USD1 respectively and therefore do not form a part of consolidated financial statements.

KOÇ HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2004

(Amounts expressed in thousands of New Turkish Lira (YTL) in terms of the purchasing power of Turkish Lira at 31 December 2004 unless otherwise indicated)

NOTE 3 - GROUP ACCOUNTING

- a) The consolidated financial statements include the accounts of the parent company, Koç Holding, its Subsidiaries and its Joint Ventures (collectively referred as the "Group") on the basis set out in sections (b) to (g) 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 and are based on the statutory records, which are maintained under the historical cost convention, with adjustments and reclassifications including restatement for changes in the general purchasing power of the YTL, for the purpose of fair presentations in accordance with IFRS and applying uniform accounting policies and presentation.
- b) Subsidiaries are companies over which Koç Holding has power to control the financial and operating policies for the benefit of Koç Holding, either (a) through the power to exercise more than 50% 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 (collectively referred as the "Koç family members") 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 power to exercise control over the 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 2004:

<u>Subsidiary</u>	<u>Proportion of effective interest (%)</u>	<u>Direct and indirect ownership interest by Koç Holding and its Subsidiaries (%)</u>	<u>Ownership interest shares held by Koç family members (%)</u>	<u>Total ownership interest (%)</u>
Beldesana	79,13	79,13	14,30	93,43
Beldeyama	63,30	79,99	0,01	80,00
Birmot	99,10	99,25	0,75	100,00
Döktaş	51,10	51,10	2,57	53,67
Otokar	44,02	45,27	-	45,27 (*)
Otokoç	99,10	99,25	0,75	100,00
Otomotiv Lastikleri	46,42	46,63	41,42	88,05
Otoyol Pazarlama	40,00	40,00	15,59	55,59
Otoyol	60,00	60,00	7,83	67,83
Koç Allianz Hayat	49,87	51,00	-	51,00
Koç Allianz Sigorta	43,41	43,41	3,68	47,09 (*)
Koç Finans	64,62	94,50	5,50	100,00
Arçelik	39,14	39,14	12,63	51,77
Ardutch	39,14	100,00	-	100,00
Artesis	25,44	65,00	-	65,00
Beko Deutschland	39,14	100,00	-	100,00
Beko Espana	39,13	100,00	-	100,00
Beko Elektronik	46,47	67,65	4,64	72,29
Fusion	30,21	65,00	-	65,00
Beko France	39,12	99,95	-	99,95
Beko Polska	39,14	100,00	-	100,00
Beko Ticaret	39,00	39,00	60,00	99,00
Beko Plc	19,57	50,00	50,00	100,00
Bloomberg Werke	39,14	100,00	-	100,00
Bloomberg Vertrieb	39,14	100,00	-	100,00
Elektra Bregenz	39,14	100,00	-	100,00
Raupach	39,14	100,00	-	100,00
Arctic	37,12	94,85	-	94,85
Sherbrook	23,54	80,00	-	80,00
TDDF	46,10	46,10	24,57	70,67
Demrad	46,10	100,00	-	100,00
DD Heating	23,05	50,00	50,00	100,00

KOÇ HOLDİNG A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2004**

(Amounts expressed in thousands of New Turkish Lira (YTL) in terms of the purchasing power of Turkish Lira at 31 December 2004 unless otherwise indicated)

NOTE 3 - GROUP ACCOUNTING (Continued)

Subsidiary	Proportion of effective interest (%)	Direct and indirect ownership interest by Koç Holding and its Subsidiaries (%)	Ownership interest shares held by Koç family members (%)	Total ownership interest (%)
Panel	34,57	100,00	-	100,00
Düzey	31,69	32,28	60,88	93,16
Rambutya	26,04	51,00	-	51,00
Migros	51,06	51,06	0,02	51,08
Ramstore Makedonya	48,48	94,95	-	94,95
Ramstore Bulgaria	51,06	100,00	-	100,00
Ramstore	40,72	79,75	-	79,75
Tat Konserve	47,54	52,87	8,66	61,53
Tat Tohumculuk	17,26	33,00	3,00	36,00 (*)
Aygaz	40,68	40,68	10,52	51,20
Opet Aygaz Bulgaria	29,78	100,00	-	100,00
Opet Aygaz BV	29,78	100,00	-	100,00
BOS	40,64	98,43	1,57	100,00 (**)
Bursa Gaz	65,78	74,87	23,50	98,37
Entek	27,62	65,13	-	65,13 (****)
Mogaz	38,33	80,55	8,41	88,96
Ayvalık Marina	49,13	95,57	4,43	100,00
Bilkom	82,28	99,94	0,06	100,00
Bozkurt	73,92	83,88	16,12	100,00
İzocam	20,36	20,36	42,21	62,57
Kav Danışmanlık	18,98	18,98	30,64	49,62 (*)
Koçnet	86,06	100,00	-	100,00
Koç Sistem	41,14	41,14	50,94	92,08
Koçtaş	43,18	43,18	46,34	89,52
Mares	36,81	36,81	33,46	70,27 (***)
Ram Dış Ticaret	42,63	83,44	14,66	98,10
Ram Pacific	40,32	96,92	-	96,92
RMK Marine	47,77	66,90	33,10	100,00
Setoto-Avis	36,57	99,33	0,67	100,00
Setur	47,14	81,07	18,67	99,74
Tek-Art Marina	27,43	28,86	67,66	96,52
Tek-iz	7,92	18,33	34,67	53,00

(*) 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.

(**) Aygaz, a Subsidiary of the Group, has acquired 50% of the issued share capital of its Joint Venture BOS and has increased Group's ownership interest at BOS to 98,43% (Note 29). As of 31 December 2003, BOS had been included in the scope of consolidation as a joint venture whereas as of 31 December 2004 it has been included in the scope of consolidation as a subsidiary.

(***) Mares and Tütaş Türk Turizm A.Ş. ("Talya Tütaş"), subsidiaries of the Group, were legally merged at 30 June 2004 (Note 30).

(****)Entek and İztek Elektrik Üretim A.Ş., subsidiaries of the Group, were legally merged at 29 December 2004 (Note 30).

KOÇ HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2004

(Amounts expressed in thousands of New Turkish Lira (YTL) in terms of the purchasing power of Turkish Lira at 31 December 2004 unless otherwise indicated)

NOTE 3 - GROUP ACCOUNTING (Continued)

Tekersan Jant Sanayi A.Ş. (“Tekersan”), a subsidiary of the Group, was sold at 26 November 2004 and has been excluded from the scope of consolidation at the date that control ceases. As a result of this sale, the Group recognized a YTL3.036 thousand loss on the sale of this subsidiary in the consolidated statement of income for the year ended 31 December 2004. This loss on the sale of this subsidiary is classified under the “Other income-net” account in the consolidated statement of income.

The Group signed a share certificate sales agreement to sell the shares in Mako Elektrik Sanayi Ticaret A.Ş. (“Mako”), a subsidiary of the Group, at 30 December 2004 and Mako has been excluded from the scope of consolidation at the date that control ceases (Note 7).

The balance sheets and statements of income of the Subsidiaries are consolidated on a line-by-line basis and the carrying value of the investment held by Koç Holding and its Subsidiaries is eliminated against the related shareholders' 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 shareholders' equity and income for the period, respectively.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that 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 HOLDİNG A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 3 - GROUP ACCOUNTING (Continued)

The table below sets out the Joint Ventures and shows their shareholding structure at 31 December 2004:

Joint Venture	Proportion of effective interest (%)	Direct and indirect ownership interest by Koç Holding and its Subsidiaries (%)	Ownership interest shares held by Koç family members (%)	Total ownership interest (%)
Ford Otosan	38,01	38,46	0,67	39,13
Tofaş	37,59	37,59	0,27	37,86
Türk Traktor	37,50	37,50	-	37,50 (*)
Trakmak	39,38	39,38	17,50	56,88
Fiat Finans	37,59	37,59	0,27	37,86
Koç Finansal Hizmetler	30,78	40,58	9,42	50,00
Koçbank	30,70	50,00	-	50,00
Koçbank Azerbaycan	24,62	40,00	-	40,00
Koç Faktoring	30,76	50,00	-	50,00
Koç Lease	30,86	50,00	-	50,00
Koçbank Nederland	30,78	50,00	-	50,00
Stiching Custody	30,78	50,00	-	50,00
Koç Portföy	30,74	50,00	-	50,00
Koç Menkul	30,75	50,00	-	50,00
Grundig Multimedia	23,24	50,00	-	50,00 (**)
Grundig Benelux	23,24	50,00	-	50,00 (**)
Grundig Australia	23,24	50,00	-	50,00 (**)
Grundig Danmark	23,24	50,00	-	50,00 (**)
Grundig Espana	23,24	50,00	-	50,00 (**)
Grundig Hungary	23,24	50,00	-	50,00 (**)
Grundig GmbH	23,24	50,00	-	50,00 (**)
Grundig Italy	23,24	50,00	-	50,00 (**)
Grundig AG	23,24	50,00	-	50,00 (**)
Grundig Norway	23,24	50,00	-	50,00 (**)
Grundig Finland	23,24	50,00	-	50,00 (**)
Grundig Portugal	23,24	50,00	-	50,00 (**)
Grundig Polska	23,24	50,00	-	50,00 (**)
ISG Intermedia	23,24	50,00	-	50,00 (**)
Grundig Sweden	23,24	50,00	-	50,00 (**)
Arçelik LG Klima	22,61	50,00	-	50,00
Ramenka	25,53	50,00	-	50,00
Opet	18,87	45,33	4,67	50,00
Opet Madeni Yağ	18,87	50,00	-	50,00
Opet Dış Ticaret	18,87	50,00	-	50,00
Opet Gıda	18,87	50,00	-	50,00
Opet International	18,87	50,00	-	50,00
Opet Trade BV	18,87	50,00	-	50,00
Opet Trade Ireland	18,87	50,00	-	50,00
TBS	9,44	25,00	-	25,00
Koçtaş Yapı Market	33,79	49,89	0,11	50,00
Kofisa Trading	50,00	50,00	-	50,00
Ultra Kablo	26,72	50,00	-	50,00

(*) The Group sold its 25% share in Türk Traktor through an initial public offering at 3-4 June 2004. After the sale of these shares, Türk Traktor became a joint venture and was included in the consolidated financial statements as a joint venture. As a result of this sale, the Group recognized a YTL49.165 thousand gain on the sale of the subsidiary in the consolidated income statement for the year ended 31 December 2004. This gain on the sale of the subsidiary is classified under the "Other income-net" account in the consolidated statement of income (Note 7).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2004

(Amounts expressed in thousands of New Turkish Lira (YTL) in terms of the purchasing power of Turkish Lira at 31 December 2004 unless otherwise indicated)

NOTE 3 - GROUP ACCOUNTING (Continued)

(**) At 7 May 2004, Beko Elektronik, a subsidiary of the Group, invested in Grundig Multimedia by acquiring the patent, brand, research and development activities and related machinery, German stocks, European sales companies and after sales service organization of Grundig AG are acquired by establishing a 50 : 50 partnership with a UK based consumer electronics company, Alba Plc.. Grundig AG has been included in the scope of consolidation at the date that control was acquired.

Garanti Balfour Beatty İnşaat Sanayi ve Ticaret A.Ş. and TNT Lojistik ve Dağıtım Hizmetleri A.Ş., both joint venture companies of the Group, were sold at 16 January 2004 and 1 November 2004, respectively and have been excluded from the scope of consolidation at the date that control ceases. As a result of these sales, the Group recognized a YTL3.091 thousand loss on sale of joint ventures and a YTL4.724 thousand gain on the sale of the joint ventures in the consolidated statement of income for the year ended 31 December 2004. These gains and losses on the sale of the joint ventures are classified under the "Other income-net" account in the consolidated statement of income.

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 that do not have quoted market prices in active markets and whose fair values cannot be reliably measured, are carried at cost and restated to the equivalent purchasing power at 31 December 2004, less any provision for diminution in value (Note 7).

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 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 results of the foreign Subsidiaries and Joint Ventures are translated into YTL at the average exchange rate for the year and then restated from the date of the transaction. The assets and liabilities of foreign undertakings of the Group are translated into YTL at the closing rate for the year. Exchange differences arising on retranslation of the opening net assets of foreign Subsidiaries and Joint Ventures and differences between the average and year-end rates are included in translation reserves.

f) The minority shareholders' share in the net assets and operating results for the year for 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 their interests are treated as minority interest and are not included in the Group's net assets and profits attributable to shareholders of Koç Holding A.Ş..

g) All balances and transactions of/with the Joint Ventures in the notes to the consolidated financial statements are presented with the effective interest rates of such Joint Ventures.

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NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Where necessary, accounting policies for Subsidiaries and Joint Ventures have been changed to ensure consistency with the policies adopted by the Group. The significant accounting policies, other than Group accounting which is described in Note 3, followed in the preparation of these consolidated financial statements are summarised below:

a) Related parties

For the purpose of these consolidated financial statements, shareholders, key management personnel and Board members, in each case together with their families and themselves and Subsidiaries excluded from the scope of consolidation are considered and expressed as “related parties”. A number of transactions are entered into with related parties in the normal course of business. These transactions are priced predominantly at market rates.

b) Investments

The Group classifies its investments in debt and equity securities as trading, held-to-maturity and available-for-sale.

“*Trading investments*” are either acquired for generating a profit from short-term fluctuations in price or dealer’s margin, or are securities included in a portfolio in which a pattern of short-term profit making exists. Trading securities are initially recognized at cost and are subsequently re-measured at fair value based on quoted bid prices for trading securities for which fair values cannot be measured reliably based on prices announced by the CBRT in the Official Gazette. All related realised and unrealised gains and losses are included in operating profit for the joint ventures in the banking sector and in the financial income for companies in other sectors.

Debt securities with fixed maturity, where management have both the intent and the ability to hold to the maturity excluding the financial assets classified as originated loans and advances to customers classified as “*held-to-maturity investments*”.

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 interest rates, exchange rates or equity prices, or client’s servicing activity are classified as “*available-for-sale*”. 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. The appropriate classification of investments is determined at the time of the purchase and re-evaluated by management on a regular basis.

All purchases and sales of investments are recognized on the trade date, which is the date that the Group commits to purchase or sell the asset. Cost of purchase includes transaction costs. Available-for-sale investments that have quoted market prices in active markets and whose fair values can be reliably measured are subsequently carried at fair value, whilst held-to-maturity investments are carried at amortized cost using the effective yield method. Available-for-sale investments that do not have quoted prices in active markets are initially recognized at cost and subsequently remeasured at transaction/companies prices in active markets and whose fair values cannot be reliably measured are stated at cost and restated to the equivalent purchasing power.

Available-for-sale investments, in which the Group has attributable interests of 20% or less or Subsidiaries 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 and restated to equivalent purchasing power at 31 December 2004.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2004

(Amounts expressed in thousands of New Turkish Lira (YTL) in terms of the purchasing power of Turkish Lira at 31 December 2004 unless otherwise indicated)

NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Realised and unrealised gains and losses arising from changes in the fair value of trading investments and of available-for-sale investments are included in the consolidated statement of income in the period in which they arise.

c) Repurchase and resale transactions

Securities sold subject to linked repurchase agreements (“repo”) are retained in the consolidated financial statements as held-to-maturity or available-for-sale investments and the counter party liability is included in customer deposits. The portion for the current period of the difference between sale and repurchase price of these agreements 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.

d) 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 amortized cost. Trade receivables, net of unearned financial income, are measured at amortized 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.

e) Loans and advances to customers originated by the Group and provisions for loan impairment

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

i) Loans and advances to customers

All loans and advances are recognized 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 are the difference between the carrying amount and the recoverable amount. The recoverable amount being the net present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of loans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The provision for loan 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 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. Subsequent recoveries are credited to the income statement if previously written off. Provisions are reversed, in part or as a whole, if the reason that originated them ceases to exist.

ii) Debt securities

Debt securities issued by the Undersecretariat of Treasury of the Prime Ministry of the Republic of Turkey and originated by the Group at original issuance by transferring the funds directly to the borrower are categorised as loans originated by the Group and are carried at amortized cost using the effective yield method less any provision for impairment.

f) Factoring receivables / Factoring fees and commissions

Receivables from factoring are recorded net of provisions and are carried at amortized cost. The level of the provision is based on management's evaluation of the portfolio including such factors as the volume and character of receivables, past pattern of losses and general economic conditions. The movement in provision made during the period is charged against the income for the period. Receivables that cannot be recovered are written off and charged against the provision for losses. These receivables are written off after all the necessary legal proceedings have been completed and amount of the loss is finally determined. Recoveries of amounts previously provided for are treated as a reduction of the charge for provision for factoring receivables for the period.

g) Credit finance income/charges

Credit finance income / charges represent imputed finance charges on credit sales and purchases. Such income and charges are recognized on a effective yield method over the period of credit sales and purchases, and included under financial income and expenses (Note 25).

h) Inventories

Inventories are valued at the lower of cost, restated to equivalent purchasing power at 31 December 2004 or net realizable value. Cost elements included in inventories are materials, labor and an appropriate amount of factory overheads (based on normal operating capacities). The cost of inventories for merchandise stocks is determined by the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses (Note 11).

i) 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 and any accumulated impairment losses restated to the equivalent purchasing power at 31 December 2004. Investment properties (except for land) are depreciated with the straight-line depreciation method over their useful lives (Note 15).

Investment properties are reviewed for 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 asset net selling price or value in use.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Property, plant and equipment and related depreciation

Property, plant and equipment are carried at cost less accumulated depreciation in each case restated to equivalent purchasing power at 31 December 2004. Depreciation is provided on the restated amounts for property, plant and equipment on a straight-line basis. The depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

Buildings	6-50 years
Land improvements	4-50 years
Machinery and equipment	2-20 years
Furniture and fixtures	3-20 years
Motor vehicles	3-10 years
Leasehold improvements	Shorter of lease period or useful lives
Other tangible assets	5-10 years

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 recognized 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 investment property is the higher of asset net selling price or value in use.

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 equipments are capitalised and amortized 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 (Note 13).

k) Leases

(1) The Group as the lessee

Finance leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized 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 so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other current/non-current liabilities.

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 is depreciated over the shorter of the useful life of the asset or the lease term.

Operating leases

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

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NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(2) The Group as the lessor

Finance leases

When assets are leased out under a finance lease, the present value of the lease payments is recognized as a receivable. The difference between the gross receivable and the present value of the receivable is recognized as unearned finance income. Lease income is recognized 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 balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognized on a straight-line basis over the lease term.

l) Intangible assets including amortization

Intangible assets comprise of expenditures to acquire usage rights, information systems, research and development costs and other identified rights. They are recorded at acquisition cost and restated to the purchasing power at 31 December 2004 and amortized on a straight-line basis over their estimated useful lives for a period not exceeding 10 years from the date of acquisition. Where an indication of impairment exists, the carrying amount of any intangible assets is assessed and written down immediately to its recoverable amount (Note 14).

m) Goodwill including amortization

“Goodwill” and “negative goodwill” arising on consolidation, which represents the difference between the acquisition price and the attributable share of Koç Holding and its Subsidiaries and Joint Ventures in the fair value of the underlying net assets of the company acquired, is capitalized and amortized. Goodwill is amortized using the straight-line method over its estimated useful life, generally 3 to 20 years, and is included in intangible assets. The carrying value of goodwill is reviewed annually and adjusted for permanent impairment where it is considered necessary (Notes 14 and 29). The negative goodwill amount that does not exceed the market price of the identifiable non-monetary assets purchased is netted off from the related identifiable amortization or recorded as income on a straight-line basis over their remaining estimated useful lives.

n) Deferred income taxes

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements. Currently enacted tax rates are used to determine deferred income tax. When different tax rates apply to different levels of taxable income, an average tax rate is used for measuring deferred tax liabilities and assets (Note 21).

The principal temporary differences arising from the restatement of property, plant and equipment and inventory over their tax bases, unused tax credits, provision for employment termination benefits and carry forward tax losses.

Deferred tax liabilities are recognized for all taxable temporary differences, whereas deferred tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized.

Deferred tax assets and deferred tax liabilities related to income taxes levied by the same taxation authority are offset accordingly.

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NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) Employment termination benefits

Reserve of employment termination benefits, as required by Turkish Labour Law, is recognized in these financial statements as they are earned. The total provision represents the present value of the future probable obligation of the Group arising from the retirement of its employees (Note 22).

p) Foreign currency transactions

Transactions in foreign currencies have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into YTL at the exchange rates prevailing at the balance sheet dates. Exchange gains or losses arising from settlement and translation of foreign currency items have been included in the consolidated statement of income as net sales in companies operating in the finance sector and as financial income in other sectors.

r) Provisions

Provisions are recognized when the Group, as of the balance sheet date, has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

s) Revenue recognition

Finance sector

Banking

Interest income and expenses are recognized 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 recognized 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 amortized 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

Life insurance:

Premium income represents premiums on policies written during the period, net of cancellations for the life, health and personal accident branches.

Non-life insurance:

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

Other Segments

Revenues are recognized on an accrual basis at the time deliveries or acceptances are made, at the invoiced values for Group companies operating in the automotive, consumer durables, food and retailing, energy and other segments. Net sales represent the invoiced value of goods shipped less sales returns and commission and excluding sales taxes. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognized on an accrual basis as financial income (Note 25).

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NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

t) Recognition of income and expenses related to construction agreements

If income and expenses related to the construction agreements can be estimated reliably, revenues and costs related to the construction agreements are reflected to the financial statements as income and expense as of the balance sheet date, considering the “*percentage of completion*” of the operations mentioned in the agreements. Expected losses related to the construction agreements are accounted as expenses.

Percentage of completion used in the income recognition of construction agreements is determined by proportioning the actual expenses realized until the balance sheet date to the budgeted total of project expenses.

u) Insurance reserves

Life mathematical reserves

Mathematical reserves are the difference between the net present values of premiums written in return of the risk covered by the Company and the liabilities to policyholders. In policies where the accumulation premium is written additionally, life insurance provision is the sum of the remainder of collected premiums and accumulated life insurance provision. Mathematical reserves are computed on the basis of actuarial mortality assumptions as approved by the Treasury Department, which are applicable for Turkish Insurance Companies.

Claims and claim provisions

Non-life insurance claims are recorded in the period in which they occur, based on reported claims or on the basis of estimates when not reported. Differences between estimates at the end of successive accounting periods are recognized in claims expenses for the periods in which these differences are identified.

Outstanding claim provision is booked for all claims that are incurred but not paid as of period-end. Full provision is made for outstanding claims, including claim settlements, reported at the period-end. Incurred but not reported claims are included under claim provisions.

Unearned premium reserves

Unearned premiums set aside to provide for the period of risk extending beyond the date of the balance sheets, are determined from premiums written during the period, less reinsurance, on the basis that premiums are written over the period for the life branch.

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NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

v) Share capital and dividends

Ordinary shares are classified as equity. Pro-rata capital increases to existing shareholders are accounted for at par value as approved. Dividends distributed on ordinary shares are recognized in equity in the period in which they are declared.

y) Research and development costs

Research and development costs are recognized 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 recognized 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 (Note 14). Other development expenditures are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Development costs that have been capitalized are amortized from the commencement of the commercial production of the product on a straight-line basis over five years.

z) Licence fees

Licence fees are paid during the term of the agreement to the joint venture partners for the products traded or produced according to the agreement signed with the Joint Venture. The term of the agreement is determined as 5 years by the management.

aa) Warranties

Warranty costs are recorded at amounts estimated by management based on the relevant past experience on the level of repairs and returns.

ab) Government grants

Turkish Government investment grants in the form of Resource Utilization Support Premium ("RUSP") are accounted for on an accrual basis for estimated amounts are expected to realise under grant claims filed by the Group. These grants are accounted for as deferred income in the balance sheet and amortized over the depreciation period of the relevant assets on a straight-line basis (Note 27).

ac) Borrowing costs

Borrowing costs are charged to the statement of income as they are incurred and recognized initially at the proceeds received, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortized cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognized in the statement of income over the period of the borrowings.

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NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ad) Accounting for derivative financial instruments, embedded derivatives and hedging activities

Derivative financial instruments are initially recognized in the balance sheet at cost and subsequently are remeasured 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 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 (1) a hedge of the fair value of a recognized asset or liability ("fair value hedge"), or (2) 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 that are highly effective, are recognized 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 statement of income and classified as revenue or expense in period in which the hedged firm commitment or forecasted transaction affects the statement of income.

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 recognized when the committed or forecasted transaction ultimately is recognized 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 statement of income.

ae) Financial instruments and financial risk management

The Group's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by individual Subsidiaries and Joint Ventures under policies, which are approved by their own Board of Directors.

Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing financial instruments. These exposures are managed by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities.

Funding risk

The ability to fund the existing and prospective debt requirements is managed by maintaining the availability of adequate committed funding lines from high quality lenders.

NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Credit risk

Advances and loans given to customers

Holding the financial instruments can be defined as carrying in the likelihood that the counterparty cannot meet the obligations of the agreement. These risks are monitored by credit ratings and by limiting the aggregate risk to any individual counterparty. It is expected to diversify this risk through funding many companies operating in different sectors.

Trade receivables

Concentrations of credit risk with respect to trade receivables are limited due to the Group's large number of customers who are nationally and internationally dispersed, in the manufacturing and distribution sector and have a variety of end markets in which they sell. The Group's historical experience in collection of account receivable falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's trade receivables.

Foreign currency risk

The Group is exposed to foreign currency risk through the impact of rate changes on the translation of foreign currency assets and liabilities to local currency. These risks are monitored by management and limited by analysis of the foreign currency position through obtaining positions within the approved limits.

Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the 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 in the estimation of the fair value of the financial instruments for which it is practicable to estimate fair value:

Monetary assets

The fair values of balances denominated in foreign currencies, which are translated at period-end exchange rates, are considered to approximate carrying value.

The fair values of certain financial assets carried at cost, including cash and cash equivalents and debt securities are considered to approximate their respective carrying values due to their short-term nature and negligible credit losses.

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

The fair values of marketable securities are determined according to the methods explained at Note 4 (b).

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NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Monetary liabilities

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

Long-term borrowings, which are denominated in foreign currencies at variable rates are translated at period-end exchange rates and accordingly their fair values approximate their carrying values. The carrying values of long-term borrowings in YTL along with the related accrued interest are estimated to be their fair values.

Trading liabilities, derivatives and foreign exchange instruments have been estimated at their fair values.

af) **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 by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings and revaluation surplus (Note 23). 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.

Bonus shares issued in 2004 and 2003 are as follows:

	2004	2003
Investment sale income (Note 23)	84.699.970.371	-
Adjustment to share capital (Note 23)	125.550.029.629	-
Retained earnings	-	24.000.658.000
Revaluation fund	-	531.625.532.000
Total	210.250.000.000	555.626.190.000

There is no difference between the basic and diluted earnings per share amounts.

ag) **Offsetting**

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

ah) **Legal mergers**

Legal mergers represent transactions between subsidiaries of the Group and are not dealt with in accordance with IAS 22 ("Business Combinations"). Consequently, there is no recognition of any new goodwill or negative goodwill. Similarly, the effects of all transactions between the legally merged enterprises, whether occurring before or after the legal merger, are eliminated in preparing the consolidated financial statements (Note 30).

ag) **Comparatives**

Where necessary, comparative figures are reclassified to conform to changes in presentation in the current period so that the reclassification will result in a more appropriate presentation of events or transactions.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2004

(Amounts expressed in thousands of New Turkish Lira (YTL) in terms of the purchasing power of Turkish Lira at 31 December 2004 unless otherwise indicated)

NOTE 5 - SEGMENT INFORMATION

a) External revenues

	2004	2003
Automotive	5.852.001	4.257.149
Consumer durable	5.859.532	4.381.247
Food and retail	2.941.458	2.539.915
Finance	1.667.285	1.579.499
Energy	4.329.077	3.644.653
Other	1.614.662	1.245.272
	22.264.015	17.647.735

b) Operating profit/(loss)

	2004	2003
Automotive	417.610	251.811
Consumer durable	484.055	402.714
Food and retail	47.045	51.902
Finance	280.378	188.370
Energy	87.303	123.165
Other	(84.145)	(74.566)
	1.232.246	943.396

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2004**

(Amounts expressed in thousands of New Turkish Lira (YTL) in terms of the purchasing power of Turkish Lira at 31 December 2004 unless otherwise indicated)

NOTE 5 – SEGMENT INFORMATION (Continued)

c) Segment analysis for the year ended 31 December 2004

	Finance										Inter Segment Profit Elimination	Consolidated Total
	Automotive	Consumer Durables	Food and Retail	Banking	Insurance	Consumer Finance	Intra Segment	Total Finance	Energy	Other		
External revenues	5.852.001	5.859.532	2.941.458	841.994	750.921	74.370	-	1.667.285	4.329.077	1.614.662	-	22.264.015
Intra segment revenues	1.129.972	831.613	418.788	38.569	3.521	342	-	42.432	129.582	40.653	-	2.593.040
Inter segment revenues	62.991	1.207.346	19.058	20.353	37.084	19.445	-	76.882	105.225	1.411.735	-	2.883.237
Combined revenues	7.044.964	7.898.491	3.379.304	900.916	791.526	94.157	-	1.786.599	4.563.884	3.067.050	-	27.740.292
External revenues	5.852.001	5.859.532	2.941.458	841.994	750.921	74.370	-	1.667.285	4.329.077	1.614.662	-	22.264.015
Inter segment revenues	62.991	1.207.346	19.058	20.353	37.084	19.445	-	76.882	105.225	1.411.735	(2.883.237)	-
Revenues	5.914.992	7.066.878	2.960.516	862.347	788.005	93.815	-	1.744.167	4.434.302	3.026.397	(2.883.237)	22.264.015
Cost of sales	(5.077.546)	(5.480.489)	(2.385.063)	(439.496)	(692.610)	(43.559)	42.044	(1.133.621)	(4.121.145)	(2.751.539)	2.714.311	(18.235.092)
Gross profit	837.446	1.586.389	575.453	422.851	95.395	50.256	42.044	610.546	313.157	274.858	(168.926)	4.028.923
Administrative expenses	(209.000)	(295.902)	(390.843)	(207.929)	(74.817)	(22.634)	-	(305.380)	(131.489)	(199.481)	188.846	(1.343.249)
Selling & marketing expenses	(226.119)	(752.621)	(160.604)	-	-	-	-	-	(116.436)	(101.202)	-	(1.356.982)
Research & development expenses	(31.394)	(63.236)	-	-	-	-	-	-	(1.816)	-	-	(96.446)
	370.933	474.630	24.006	-	-	-	-	305.166	63.416	(25.825)	19.920	1.232.246
Inter segment profit elimination	46.677	9.425	23.039	-	-	-	-	(24.788)	23.887	(58.320)	(19.920)	-
Operating profit/(loss)	417.610	484.055	47.045	-	-	-	-	280.378	87.303	(84.145)	-	1.232.246

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AT 31 DECEMBER 2004**

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NOTE 5 – SEGMENT INFORMATION (Continued)

c) Segment analysis for the year ended 31 December 2003

	Finance						Intra Segment	Total Finance	Energy	Other	Inter Segment Profit Elimination	Consolidated Total
	Automotive	Consumer Durables	Food and Retail	Banking	Insurance	Consumer Finance						
External revenues	4.257.149	4.381.247	2.539.915	838.214	693.804	47.481	-	1.579.499	3.644.653	1.245.272	-	17.647.735
Intra segment revenues	958.613	624.854	321.053	25.047	11.192	7.584	-	43.823	155.008	48.968	-	2.152.319
Inter segment revenues	90.886	635.917	4.437	21.888	40.698	2	-	62.588	105.049	844.965	-	1.743.842
Combined revenues	5.306.648	5.642.018	2.865.405	885.149	745.694	55.067	-	1.685.910	3.904.710	2.139.205	-	21.543.896
External revenues	4.257.149	4.381.247	2.539.915	838.214	693.804	47.481	-	1.579.499	3.644.653	1.245.272	-	17.647.735
Inter segment revenues	90.886	635.917	4.437	21.888	40.698	2	-	62.588	105.049	844.965	(1.743.842)	-
Revenues	4.348.035	5.017.164	2.544.352	860.102	734.502	47.483	-	1.642.087	3.749.702	2.090.237	(1.743.842)	17.647.735
Cost of sales	(3.732.325)	(3.724.353)	(2.021.462)	(487.277)	(650.191)	(27.059)	43.234	(1.121.293)	(3.433.502)	(1.832.699)	1.645.891	(14.219.743)
Gross profit	615.710	1.292.811	522.890	372.825	84.311	20.424	43.234	520.794	316.200	257.538	(97.951)	3.427.992
Administrative expenses	(190.588)	(329.660)	(370.309)	(202.716)	(77.682)	(25.961)	-	(306.359)	(141.494)	(229.387)	117.628	(1.450.169)
Selling & marketing expenses	(191.063)	(517.575)	(126.027)	-	-	-	-	-	(74.498)	(55.622)	-	(964.785)
Research & development expenses	(17.402)	(51.101)	(55)	-	-	-	-	-	(1.084)	-	-	(69.642)
	216.657	394.475	26.499	-	-	-	-	214.435	99.124	(27.471)	19.677	943.396
Inter segment profit elimination	35.154	8.239	25.403	-	-	-	-	(26.065)	24.041	(47.095)	(19.677)	-
Operating profit/(loss)	251.811	402.714	51.902	-	-	-	-	188.370	123.165	(74.566)	-	943.396

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NOTE 5 - SEGMENT INFORMATION (Continued)

d) Segment assets employed

	31 December 2004	31 December 2003
<u>Total assets</u>		
Automotive	3.089.645	3.322.027
Consumer durable	5.671.368	4.434.506
Food and retail	1.964.478	1.907.073
Finance	8.453.575	7.203.871
Energy	1.994.934	1.780.148
Other	5.365.726	5.160.023
<hr/>		
Total	26.539.726	23.807.648
<hr/>		
Less: Inter segment elimination	(7.430.933)	(7.023.829)
<hr/>		
Total assets as per consolidated financial statements	19.108.793	16.783.819
<hr/>		
<u>Segment liabilities</u>		
<u>Total liabilities</u>		
Automotive	1.543.683	1.761.367
Consumer durable	3.119.014	2.321.339
Food and retail	1.002.185	973.693
Finance	6.655.076	5.601.437
Energy	706.761	567.127
Other	1.158.021	1.004.853
<hr/>		
Total	14.184.740	12.229.816
<hr/>		
Less: Inter segment elimination	(1.924.327)	(1.640.044)
<hr/>		
Total liabilities as per consolidated financial statements	12.260.413	10.589.772
<hr/>		
<u>Net assets</u>		
Automotive	1.545.962	1.560.660
Consumer durable	2.552.354	2.113.939
Food and retail	962.293	933.380
Finance	1.798.499	1.602.434
Energy	1.288.173	1.213.021
Other	4.207.705	4.155.170
<hr/>		
Total	12.354.986	11.578.604
<hr/>		
Less: Inter segment elimination	(8.198.714)	(7.884.561)
<hr/>		
Shareholders' equity	4.156.272	3.694.043
<hr/>		
Minority interest	2.692.108	2.500.004
<hr/>		
Total net assets as per consolidated financial statements	6.848.380	6.194.047
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AT 31 DECEMBER 2004

(Amounts expressed in thousands of New Turkish Lira (YTL) in terms of the purchasing power of Turkish Lira at 31 December 2004 unless otherwise indicated)

NOTE 5 - SEGMENT INFORMATION (Continued)

e) Purchase of tangible and intangible assets and investment property, depreciation and amortization

	2004	2003
<u>Purchase of tangible and intangible assets and investment property (*)</u>		
Automotive	133.232	272.599
Consumer durable	339.396	258.602
Food and retailing	94.511	141.790
Finance	22.332	22.746
Energy	157.292	175.673
Other	26.709	27.624
	773.472	899.034
<u>Depreciation and amortization (*)</u>		
Automotive	234.445	348.753
Consumer durable	199.461	244.398
Food and retailing	80.029	82.059
Finance	31.018	56.662
Energy	125.080	107.605
Other	44.138	39.182
	714.171	878.659

(*) Goodwill and goodwill amortization has not been included in purchase of intangible assets and amortization.

f) Non-cash expenses

	2004						Total
	Automotive	Consumer Durable	Food and Retail	Finance	Energy	Other	
Amortization of goodwill	-	(4.844)	1.166	-	7.724	19.354	23.400
Changes in provision for diminution in value for unlisted entities	-	-	-	(7.887)	-	22.850	14.963
Changes in provision for doubtful receivables	(3.055)	(2.354)	1.596	(18)	(1.733)	575	(4.989)
Changes in provision for loan losses	-	-	-	13.573	-	-	13.573
Changes in warranty provision	9.162	27.815	-	-	-	(312)	36.665
Changes in provision for employment termination benefits	3.739	1.157	1.228	1.714	32	(266)	7.604
Changes in insurance reserves	-	-	-	83.581	-	-	83.581
Changes in impairment for inventories	(94)	(6.749)	961	-	-	(343)	(6.225)
Changes in impairment for goodwill	-	-	-	-	-	16.638	16.638
	9.752	15.025	4.951	90.963	6.023	58.496	185.210
	2003						Total
	Automotive	Consumer Durable	Food and Retail	Finance	Energy	Other	
Amortization of goodwill	-	(2.412)	1.166	-	8.794	6.417	13.965
Changes in provision for diminution in value for unlisted entities	-	-	-	(11.403)	-	35.747	24.344
Changes in provision for doubtful receivables	980	(6.473)	445	(12.254)	22	(6.902)	(24.182)
Changes in provision for loan losses	-	-	-	29.832	-	-	29.832
Changes in warranty provision	18.610	61.174	-	-	-	(633)	79.151
Changes in provision for employment termination benefits	7.088	2.459	219	1.260	(980)	2.491	12.537
Changes in insurance reserves	-	-	-	89.784	-	-	89.784
Changes in impairment for inventories	191	13.727	(1.955)	-	-	697	12.660
	26.869	68.475	(125)	97.219	7.836	37.817	238.091

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NOTE 5 - SEGMENT INFORMATION (Continued)

g) Minority interest

	<u>2004</u>			<u>2003</u>		
	<u>Koç family members</u>	<u>Other</u>	<u>Total</u>	<u>Koç family members</u>	<u>Other</u>	<u>Total</u>
Automotive	209.097	292.625	501.722	198.702	289.208	487.910
Consumer durable	341.862	506.199	848.061	304.108	496.824	800.932
Food and retail	242.881	232.055	474.936	236.705	233.284	469.989
Finance	48.551	37.800	86.351	42.078	16.996	59.074
Energy	114.237	249.799	364.036	78.263	244.681	322.944
Other	199.714	217.288	417.002	183.271	175.884	359.155
	1.156.342	1.535.766	2.692.108	1.043.127	1.456.877	2.500.004

h) Finance sector operating results

Finance sector operating profit

	<u>2004</u>	<u>2003</u>
Banking operating profit (*)	271.673	206.976
Consumer finance operating profit	9.253	4.571
Insurance operating profit	(548)	(23.177)
Total	280.378	188.370

(*)Banking operating profit

	<u>2004</u>	<u>2003</u>
<u>Net revenues</u>		
Interest income	661.071	652.347
Commission income	139.935	131.503
Foreign exchange gains and losses	17.401	34.823
Marketable securities sales income	13.842	14.460
Other operating income	9.745	5.081
Total operating revenues	841.994	838.214
<u>Operating expenses</u>		
Interest expense	(299.605)	(337.214)
Commission expense	(21.014)	(39.532)
Provision expense for loan impairment losses	(47.896)	(51.558)
Other operating expense	(201.806)	(202.934)
Total operating expenses	(570.321)	(631.238)
Banking operating profit	271.673	206.976

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AT 31 DECEMBER 2004

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NOTE 6 - CASH AND CASH EQUIVALENTS

	2004			2003		
	Banking	Other	Total	Banking	Other	Total
Cash in hand	35.983	139.732	175.715	38.802	111.930	150.732
Cheques received	758	58.962	59.720	936	41.875	42.811
Balances with the Central Banks other than reserve requirements	4.591	-	4.591	2.953	-	2.953
Bank						
- Demand deposits	74.896	242.582	317.478	88.852	322.219	411.071
- Time deposits	765.259	568.264	1.333.523	580.446	470.008	1.050.454
- Reverse repurchase agreements	-	6.394	6.394	1.233	12.924	14.157
Interbank money market placements	119.253	-	119.253	452.116	-	452.116
	1.000.740	1.015.934	2.016.674	1.165.338	958.956	2.124.294

At 31 December 2004, total time deposits with maturities over one year amount to YTL28.996 thousand (2003: YTL31.786 thousand).

The interest rates of foreign currency time deposits were between 1,0% - 8,3% per annum ("p.a.") (2003: 1,0% and 10,0% p.a.). The interest rates of YTL time deposits were between 13,9% - 29,0% p.a. (2003: 18,9% - 29,0% p.a.).

Reverse repurchase agreements are all short-term with periods of less than three months and the interest rates were between 14,8% - 20,0% p.a. (2003: 16,4% - 26,0% p.a.).

The interest rates of Interbank money market placements for foreign currencies were between 1,0% - 10,0% p.a. (2003: 0,4% - 0,6% p.a.) and 19,0% - 22,5% p.a. for YTL (2003: 26,0% - 26,1% p.a.).

As of 31 December 2004, Ford Otosan, a Joint Venture of the Group, is obliged to deposit the principal and interest related to the payments of the investment loan amounting to YTL8.719 thousand in a bank mutually agreed by parties (2003: YTL10.323 thousand).

Balances with the Central Banks other than reserve requirements represent funds deposited with the Central Bank of the Republic of Turkey, Azerbaijan and the Netherlands in an interest free demand account in the Central Bank for liquidity requirements.

NOTE 7 - INVESTMENTS

a) Held-for-trading investments

	2004			2003		
	Banking	Other	Total	Banking	Other	Total
Debt securities:						
- Treasury bills	20.144	-	20.144	-	1.033	1.033
- Government bonds:						
- YTL	1.158	-	1.158	-	-	-
- Foreign currency	18.548	-	18.548	-	-	-
- Eurobonds	10.589	-	10.589	-	-	-
- Investment Funds	9.917	-	9.917	-	749	749
- Other	-	-	-	-	190	190
Total	60.356	-	60.356	-	1.972	1.972

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2004

(Amounts expressed in thousands of New Turkish Lira (YTL) in terms of the purchasing power of Turkish Lira at 31 December 2004 unless otherwise indicated)

NOTE 7 - INVESTMENTS (Continued)

Analysis of held-for-trading investments based on the remaining period to the contractual maturity date as of 31 December 2004 is as follows:

	2004			2003		
	Banking	Other	Total	Banking	Other	Total
Short-term:						
Investment share certificates and mutual funds	9.917	-	9.917	-	939	939
1-3 months	852	-	852	-	-	-
3 months - 1 year	33.827	-	33.827	-	1.033	1.033
	44.596	-	44.596	-	1.972	1.972
Long-term:						
Over 1 year	15.760	-	15.760	-	-	-
	15.760	-	15.760	-	-	-
	60.356	-	60.356	-	1.972	1.972

There are securities of YTL19.758 thousand pledged under repurchase agreements at 31 December 2004 (2003: None).

Interest rates of treasury bills and government bonds held-for-trading at 31 December 2004 are between 18,14% and 28,79% p.a. (2003: 26,0% and 27,0% p.a.).

Eurobonds are EUR and USD denominated discount and coupon securities issued by the Treasury and Foreign Trade Department of the Republic of Turkey. These bonds earn interest between 3,9% and 11,3% p.a. (2003: None).

b) Available-for-sale investments

	2004			2003		
	Banking	Other	Total	Banking	Other	Total
Debt securities:						
- Treasury bills	94.076	46.711	140.787	90.934	293.943	384.877
- Government bonds:						
- YTL	11.213	696.158	707.371	6.949	206.510	213.459
- Foreign currency	7.277	33.892	41.169	46.179	55.118	101.297
- Eurobonds	6.801	104.431	111.232	2.522	137.274	139.796
- Other	34.110	17.706	51.816	12.200	17.353	29.553
	153.477	898.898	1.052.375	158.784	710.198	868.982
Equity securities:						
-Listed	-	24.595	24.595	-	22.925	22.925
-Unlisted	1.419	68.652	70.071	4.779	56.640	61.419
	1.419	93.247	94.666	4.779	79.565	84.344
Total	154.896	992.145	1.147.041	163.563	789.763	953.326

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NOTE 7 - INVESTMENTS (Continued)

There are YTL85.360 thousand securities pledged under repurchase agreements as of 31 December 2004 (2003: YTL87.820 thousand).

Interest rates of treasury bills and government bonds held as available-for-sale at 31 December 2004 are between 19,0% and 30,4% p.a. (2003: 25,2% and 55,0% p.a.). Interest rates of foreign currency available-for-sale investments held at 31 December 2004 are between 2,0% and 12,4% p.a. (2003:3,8% and 13,8% p.a.).

At 31 December 2004, government bonds and Eurobonds amounting to YTL315.849 thousand (2003: YTL27.309 thousand) and YTL13.819 thousand (2003: YTL5.478 thousand) respectively represent investments that the subsidiaries in the insurance sector are required to deposit in a blocked account in favour of the Treasury and Foreign Trade Department of the Republic of Turkey, based on period-end net premiums written. As of 31 December 2004 there are no blocked treasury bills of the subsidiaries in the insurance sector (2003: YTL150.770 thousand). As of 31 December 2004 and 31 December 2003, there are no blocked foreign currency bonds and investment funds.

Analysis of available-for-sale investments based on the remaining period to the contractual maturity date are as follows:

	2004			2003		
	Banking	Other	Total	Banking	Other	Total
Short-term:						
Investment share certificates and mutual funds(*)	34.110	17.706	51.816	12.143	10.888	23.031
1-3 months	6.361	79.800	86.161	30.592	78.386	108.978
3 months - 1 year	100.008	316.360	416.368	98.373	377.082	475.455
	140.479	413.866	554.345	141.108	466.356	607.464
Long-term:						
Over 1 year	12.998	485.032	498.030	17.676	243.842	261.518
Equity securities	1.419	93.247	94.666	4.779	79.565	84.344
	14.417	578.279	592.696	22.455	323.407	345.862
	154.896	992.145	1.147.041	163.563	789.763	953.326

(*) As mentioned in Note 3, as of 3-4 July 2004 the Group sold its 25% share in Türk Traktör, a Joint Ventures of the Group, by an initial public offering ("IPO") and following this IPO, bought 2,20% of these shares back for the purpose of selling in the short term. The aforementioned asset amounting to YTL7.362 thousand has been classified under short-term investment share certificates and mutual funds.

The principal available-for-sale equity securities at 31 December 2004 and 31 December 2003 are as follows:

	2004		2003	
	YTL thousand	Shareholding (%)	YTL thousand	Shareholding (%)
Listed entities:				
Çeşme Altinyunus Turizm Tes. A.Ş. ("Çeşme Altinyunus")	13.789	30,00	15.553	30,00
Goodyear Tyre and Rubber Company	9.515	0,85	6.007	0,85
Karsan Otomotiv Sanayi ve Ticaret A.Ş.	1.291	4,00	1.365	4,00
Metaş İzmir Metalurji Fabrikaları A.Ş.	-	0,41	-	0,41
	24.595		22.925	

The difference of YTL1.499 thousand (2003: YTL9.643 thousand loss) in the fair value of the listed available-for-sale investments traded in active markets is accounted as income in the consolidated statement of income.

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NOTE 7 - INVESTMENTS (Continued)

	2004		2003	
	YTL'000	Shareholding (%)	YTL'000	Shareholding (%)
Unlisted entities:				
Mako (*)	21.964	40,00	-	-
Tanı Pazarlama ve İletişim A.Ş. ("Tanı Pazarlama")	9.540	99,00	13.705	99,00
Koç Ata Sancak Besi ve Tarım Ürünleri A.Ş. ("Koç Ata Sancak Besi")	9.501	33,00	8.459	33,00
British American Tobacco Export BV	6.020	5,00	6.020	5,00
Tat Tariş Alkollü İçecekler A.Ş. ("Tat Tariş") (**)	3.716	50,00	-	-
Sanal Merkez Ticaret A.Ş. ("Sanal Merkez")	2.275	99,99	2.198	99,99
Koç Bilgi Grubu	2.166	90,13	5.278	80,25
Kumsan Döküm Malzemeleri Sanayi ve Tic. A.Ş. ("Kumsan")	1.919	50,24	1.919	50,24
Koç Statoil Gaz A.Ş. ("Koç Statoil") (***)	1.914	49,00	-	-
Chung Mei Industries Limited	1.529	55,00	1.529	55,00
Takosan Otomobil Göstergeleri San. ve Tic. A.Ş.	1.479	28,12	2.009	28,12
Samkocauto Ltd.	806	10,00	2.700	10,00
Zinerji Enerji San. Ve Tic. A.Ş. (Zinerji)	608	93,00	1.347	93,00
Koç Statoil Gaz İletim A.Ş. ("Koç Statoil İletim") (***)	305	49,00	-	-
Hür Emlak İnş. ve Tic. A.Ş. (****)	-	-	3.628	50,00
Other	6.329	-	12.627	-
	70.071		61.419	
	94.666		84.344	

(*) The Group signed a share certificate sales agreement to sell the shares in Mako Elektrik Sanayi Ticaret A.Ş. ("Mako"), a subsidiary of the Group, at 30 December 2004 and Mako has been excluded from the scope of consolidation at the date that control ceased. Since the required legal procedures have not been finalized, the share certificates have not been transferred at 31 December 2004.

(**) The company has not been included in the scope of consolidation as a joint venture, since it was acquired in January 2004 and operations have not commenced as of 31 December 2004, and it does not have significant effect on the consolidated financial statements.

(***) Established at 1-2 April 2004 in accordance with the agreement signed with Norway Statoil company at 17 November 2000. The companies have not been included in the scope of consolidation, since the operations have not commenced as of 31 December 2004, and they do not have significant effect on financial statements.

(****) Hür Emlak İnş. ve Tic. A.Ş. was sold in 2004.

Available-for-sale investments, in which Koç Holding and its Subsidiaries and Joint Ventures, 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 and restated to equivalent purchasing power at 31 December 2004. 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.

Unlisted available-for-sale investments do not have a quoted market value and their fair values cannot be reliably measured, so they are stated at cost and restated to the equivalent purchasing power at 31 December 2004 less provision for diminution in value, if any. Provision for diminution in value for unlisted investments amounts to YTL104.295 thousand (2003: YTL89.332 thousand).

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NOTE 7 - INVESTMENTS (Continued)

b) Held-to-maturity investments

	2004			2003		
	Banking	Other	Total	Banking	Other	Total
Debt securities:						
-Eurobonds	808.058	46.602	854.660	606.467	48.619	655.086
-Government bonds						
- YTL	431.714	69.532	501.246	356.929	52.234	409.163
- Foreign currency indexed	104.521	-	104.521	129.788	-	129.788
- Foreign currency	95.400	-	95.400	67.608	-	67.608
-Treasury bills	46.350	-	46.350	26.569	111.042	137.611
-Foreign government bonds	-	719	719	-	829	829
Total	1.486.043	116.853	1.602.896	1.187.361	212.724	1.400.085

There are securities of YTL47.765 thousand pledged under repurchase agreements at 31 December 2004 (2003: YTL209.584 thousand).

Interest rates of treasury bills and government bonds held-to-maturity investments at 31 December 2004 are between 21,2% and 31,4% p.a. (2003: 32,0% and 68,0% p.a.)

Eurobonds are EUR and USD denominated discount and coupon securities issued by the Treasury and Foreign Trade Department of the Republic of Turkey. These bonds earn interest between 3,2% and 14,8% p.a. (2003: 9,3% and 12,4% p.a.).

At 31 December 2004, held-to-maturity investment securities amounting to YTL684.201 thousand were pledged to the CBRT for legal requirements, Lehman Brothers International and Bayerische Hypo-Und Vereins Bank AG., UniCredit S.p.A. and Refco Inc. Chicago for credit agreements, and Istanbul Menkul Kıymetler Borsası Takas ve Saklama Bankası A.Ş. as a guarantee for stock exchange and money market operations (2003: YTL384.435 thousand).

At 31 December 2004, government bonds and Eurobonds amounting to YTL30.482 thousand (2003: YTL34.138 thousand), and YTL23.875 thousand (2003: YTL25.269 thousand) respectively represent investments that the subsidiaries in the insurance sector are required to deposit in a blocked account in favour of the Treasury and Foreign Trade Department of the Republic of Turkey, based on period-end net premiums written. As of 31 December 2004 there are no blocked treasury bills of the subsidiaries in the insurance sector (2003: YTL103.270 thousand).

Analysis of held-to-maturity investments based on the remaining contractual maturity date are as follows:

	2004			2003		
	Banking	Other	Total	Banking	Other	Total
Short-term:						
1-3 months	58.141	38.266	96.407	119.250	73.993	193.243
3 months - 1 year	314.585	30.986	345.571	238.674	54.691	293.365
	372.726	69.252	441.978	357.924	128.684	486.608
Long-term:						
Over 1 year	1.113.317	47.601	1.160.918	829.437	84.040	913.477
	1.113.317	47.601	1.160.918	829.437	84.040	913.477
	1.486.043	116.853	1.602.896	1.187.361	212.724	1.400.085

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NOTE 8 - RESERVE DEPOSITS WITH THE CENTRAL BANKS

	2004	2003
Foreign currency deposits	228.020	202.282
YTL deposits	96.339	43.123
	324.359	245.405

Reserve requirements of CBRT represent the minimum deposits, as required by the Turkish Banking Law, calculated on the basis of customer deposits (foreign or domestic) taken at the rates determined by the CBRT whereas between 6,0% and 11,0%, respectively (2003: 6,0% and 11,0%). These funds cannot be used for the financing of the daily operations of the banks.

Reserve requirements of Central Bank of Dutch represent reserve deposits equivalent to 2,0% of the overnight deposits, deposits with agreed maturity or deposits redeemable at notice up to 2 years, debt securities issued with agreed maturity up to 2 years and money market paper.

Reserve requirements of the Central Bank of Azerbaijan; represent reserve deposits equivalent to 10,0% (2003: 10,0%) of the statutory balances of customer accounts, due to banks and other funds borrowed.

As of 31 December 2004; YTL317.426 thousand of reserve requirements are found in CBRT, YTL5.415 thousand in Cenral Bank of Dutch and YTL1.518 thousand in Cenral Bank of Azerbaijan.

NOTE 9 - LOANS AND ADVANCES TO CUSTOMERS

	2004			2003		
	Up to 1 year	1 year and over	Total	Up to 1 year	1 year and over	Total
Marketable securities purchased directly from Turkish Treasury	110.534	331.055	441.589	139.824	47.519	187.343
Commercial and industrial loans	648.676	447.765	1.096.441	414.032	447.604	861.636
Export loans	513.994	-	513.994	444.686	-	444.686
Investment loans	-	68.898	68.898	-	58.281	58.281
Net investment in finance leases	136.099	136.786	272.885	119.422	100.005	219.427
Consumer loans	285.847	184.398	470.245	230.118	99.698	329.816
Factoring receivables	132.136	-	132.136	129.393	5.710	135.103
Other	104.559	-	104.559	12.024	-	12.024
Total	1.931.845	1.168.902	3.100.747	1.489.499	758.817	2.248.316
Loans under legal follow-up	239.594	-	239.594	264.093	-	264.093
Other impaired loans	88.017	-	88.017	98.603	-	98.603
Total impaired loans	327.611	-	327.611	362.696	-	362.696
Gross loans and advances to customers	2.259.456	1.168.902	3.428.358	1.852.195	758.817	2.611.012
Less: Provision for loan losses	(234.901)	-	(234.901)	(221.328)	-	(221.328)
Net loans and advances to customers	2.024.555	1.168.902	3.193.457	1.630.867	758.817	2.389.684

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NOTE 9 - LOANS AND ADVANCES TO CUSTOMERS (Continued)

Movements in the provision for loan losses during the periods are as follows:

	2004	2003
1 January	221.328	191.496
Provisions for loan losses during the period	85.017	117.520
Recoveries of amounts previously provided	(32.137)	(59.423)
Write-off during the period as uncollectible	(9.887)	(1.124)
Monetary loss	(29.420)	(27.141)
31 December	234.901	221.328

The loans and advances to customers include net investment in finance leases as shown below:

	2004	2003
Gross investment in finance leases	324.197	263.887
Less: Unearned finance income	(51.312)	(44.460)
Net investment in finance leases	272.885	219.427

The allowance for losses on finance lease receivable included in the provision for loan losses amounts to YTL15.477 thousand at 31 December 2004 (2003: YTL19.789 thousand).

Lease payments receivable consists of rentals over the terms of leases. The rentals according to maturity are as follows:

	2004	2003
2004	-	145.779
2005	132.151	68.518
2006	118.836	29.510
2007 and over	73.210	20.080
Less: Unearned finance income	(51.312)	(44.460)
	272.885	219.427

The loans and advances to customers include factoring receivables as shown below:

	2004	2003
Domestic transactions	62.991	82.484
Export transactions	69.145	52.619
Gross factoring receivables	132.136	135.103
Factoring receivables under legal follow-up	3.191	3.277
Less: Provision for factoring receivables under legal follow-up	(2.764)	(2.635)
Factoring receivables, net	132.563	135.745

At 31 December 2004, YTL338.930 thousand (2003: YTL150.804 thousand) of the consumer loans are given by consumer finance companies. The collaterals obtained for these loans amount to YTL326.185 thousand (2003: YTL103.132 thousand). The allowance for losses on consumer loans given by consumer finance companies included in the provision for loan losses amounts to YTL8.626 thousand at 31 December 2004 (2003: YTL8.181 thousand).

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NOTE 9 - LOANS AND ADVANCES TO CUSTOMERS (Continued)

Economic sector risk concentrations for loans and advances given to customers are as follows:

	2004	%	2003	%
Retail and consumer	477.732	16	337.284	15
Marketable securities purchased directly from the Turkish treasury	441.573	14	187.342	8
Textiles	342.481	11	340.808	15
Production	259.668	9	263.698	12
Metal processing	251.858	8	195.940	9
Petrochemical industry	157.993	5	122.070	5
Financial institutions	147.546	5	79.972	4
Food, beverage and consumer goods	128.993	4	130.397	6
Construction and cement	128.056	4	113.196	5
Trade	102.950	3	70.354	3
Tourism	74.441	2	58.302	3
Durable goods	69.297	2	26.460	1
Automotive	60.570	2	25.229	1
Other	457.589	15	297.264	13
	3.100.747	100	2.248.316	100

NOTE 10 - TRADE RECEIVABLES

	2004	2003
Trade receivables - net of unearned credit finance income	1.958.437	1.776.971
Notes receivable - net of unearned credit finance income	1.314.089	1.007.488
Other	3.719	1.801
Trade receivables	3.276.245	2.786.260
Less: Provision for doubtful receivables	(60.690)	(65.569)
Trade receivables, net	3.215.555	2.720.691

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NOTE 11 - INVENTORIES

	2004	2003
Finished goods and merchandise	1.050.821	791.066
Raw materials and supplies	685.743	474.850
Goods-in-transit	240.789	148.732
Spares, supplies and advances	135.255	124.956
Work in progress	57.887	59.155
	2.170.495	1.598.759

NOTE 12 - OTHER CURRENT ASSETS

	2004	2003
Prepaid expenses	113.480	97.816
Value added tax ("VAT") receivable	106.932	63.646
Taxes and funds deductible	36.633	32.504
Advances given	36.025	20.680
Receivable from recoverable claims	31.479	13.445
Derivative financial instruments (Note 28)	10.520	15.397
Accrued supplier rebates	9.222	6.131
Other income accruals	5.717	16.574
Import incentive receivable	3.289	2.329
Credit card receivable	2.529	3.142
Income accrual with respect to construction work-in-progress	1.536	7.697
Prepaid taxes and funds	1.031	2.248
Other	59.762	39.911
	418.155	321.520

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NOTE 13 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2004	Additions to scope of consolidation	Disposals from scope of consolidation	Effect of restructuring	Additions	Disposals	Transfers	Foreign currency translation difference	31 December 2004
Cost									
Land and land improvements	299.315	1.917	(3.709)	(1.639)	21.337	(4.011)	24.482	(597)	337.095
Buildings	1.588.797	2.207	(27.304)	(26.213)	24.916	(16.460)	41.395	(17.860)	1.569.478
Machinery and equipment	7.357.057	105.044	(393.190)	(164.288)	243.266	(139.391)	165.233	(7.110)	7.166.621
Motor vehicles	428.956	211	(1.612)	311	29.229	(46.619)	259	(1.458)	409.277
Furniture and fixtures	640.185	1.113	(18.529)	(11.570)	53.081	(51.865)	12.213	(513)	624.115
Construction in progress and advances given	133.884	-	(871)	3	349.644	(9.237)	(303.467)	81	170.037
Leasehold improvement	400.544	-	(117)	(167)	11.943	(8.951)	7.793	(1.190)	409.855
	10.841	110.492	(445.332)	(203.501)	733.416	(276.534)	(52.001)	(28.647)	10.680
Accumulated depreciation									
Land and land improvements	(62.755)	-	601	711	(6.692)	1.387	-	-	(66.748)
Buildings	(567.749)	(107)	10.917	13.588	(64.455)	9.695	16.631	2.118	(579.362)
Machinery and equipment	(5.131.444)	(296)	342.089	140.969	(468.056)	119.447	27.110	3.919	(4.966.262)
Motor vehicles	(295.133)	-	1.021	(274)	(30.292)	37.903	-	944	(285.831)
Furniture and fixtures	(531.956)	(162)	15.537	11.157	(61.492)	49.334	-	344	(517.238)
Leasehold improvement	(195.031)	-	102	94	(26.619)	2.021	-	4	(219.429)
	(6.784.068)	(565)	370.267	166.245	(657.606)	219.787	43.741	7.329	(6.634.870)
Net book value									
Land and land improvements	236.560								270.347
Buildings	1.021.048								990.116
Machinery and equipment	2.225.613								2.200.359
Motor vehicles	133.823								123.446
Furniture and fixtures	108.229								106.877
Construction in progress and advances given	133.884								170.037
Leasehold improvement	205.513								190.426

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NOTE 13 - PROPERTY, PLANT AND EQUIPMENT (Continued)

The building of Elektra Bregenz, a Subsidiary of the Group, with the cost of YTL25.944 thousand and accumulated depreciation of YTL17.593 thousand recorded under the property, plant and equipment account has been transferred to "Other current assets" over its fair value of YTL8.351 thousand.

At 31 December 2004, there are mortgages amounting to YTL399.338 thousand (2003: YTL272.116 thousand) on property, plant and equipment (Note 28).

Leased assets:

Leased assets included in the property, plant and equipment, where the Group is the lessor, are as follows:

	Buildings	Machinery and equipment	Furniture and fixtures	Motor vehicles	Total
Cost	62.162	39.192	183.001	13.135	297.490
Accumulated depreciation	(17.766)	(20.528)	(147.744)	(7.542)	(193.580)
Net book amount	44.396	18.664	35.257	5.593	103.910

NOTE 14 - INTANGIBLE ASSETS

	1 January 2004	Addition to scope of consolidation	Effect of restructuring	Disposal from scope of consolidation	Additions	Disposals *	Foreign currency translation difference	31 December 2004
Cost	504.737	18.368	(1.337)	(6.060)	39.416	(11.713)	(1.278)	542.133
Accumulated amortization	(237.644)	(37)	1.136	4.848	(54.983)	9.296	699	(276.685)
Net book value	267.093	18.331	(201)	(1.212)	(15.567)	(2.417)	(579)	265.448
Goodwill	457.813	-	-	(3.590)	-	-	-	454.223
Accumulated amortization	(99.508)	-	-	800	(30.452)	-	-	(129.160)
Impairment	-	-	-	-	(16.638)	-	-	(16.638)
Net book value	358.305	-	-	(2.790)	(47.090)	-	-	308.425
Negative goodwill (Note 29)	(55.515)	(7.282)	(8.371)	-	-	47.732	-	(23.436)
Accumulated amortization	8.922	741	498	-	5.813	(11.427)	-	4.547
Net book value	(46.593)	(6.541)	(7.873)	-	5.813	36.305	-	(18.889)
Total net book value	578.805							554.984

(*) As a result of the re-organizations made in Arçelik in 2004, a Subsidiary of the Group, an excess of negative goodwill in the fair values of identified non-monetary assets acquired and/or being sure that these assets will not generate future losses and expenses, negative goodwill of Blomberg Werke, Blomberg Vertieb and Arctic has been reversed and recorded as income in the account "Other income-net" in the consolidated income statement with an amount of YTL36.305 thousand

Intangible assets include development costs with a net book value of YTL74.110 thousand (2003: YTL96.499 thousand). The records in the development costs are mainly composed of the engineering expenses arising due to the project "Engine of the New Generation Transit" of Ford Otosan, a Joint Venture of the Group.

Additions to the scope of consolidation amounting to YTL18.270 thousand represent the brand purchased by Beko Elektronik, a Subsidiary of the Group, from Grundig AG amounting to EUR9.776.000 which was transferred to Grundig Multimedia (Note 3.c). The useful life of the brand has been estimated to be infinite.

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NOTE 15 - INVESTMENT PROPERTY

	1 January 2004	Addition to scope of consolidation	Addition	Disposal	Foreign currency translation differences	31 December 2004
Cost	76.263	3.980	640	(1.002)	(5.764)	74.117
Accumulated depreciation	(7.933)	(1.115)	(1.582)	966	336	(9.328)
Net book amount	68.330	2.865	(942)	(36)	(5.428)	64.789

Investment property totalling YTL47.575 thousand represents designated areas within stores that are let out under rent agreements owned by Migros, a Subsidiary of the Group. The fair value of these investment properties as at 31 December 2004 based on independent appraiser's report is YTL99.672 thousand expressed in the purchasing power of YTL at 31 December 2004. The valuation includes land that is under operating lease, as it cannot be separated from the valuation of the investment properties.

NOTE 16 - CUSTOMER DEPOSITS

	2004			2003		
	Demand	Term	Total	Demand	Term	Total
Foreign currency deposits:						
Saving deposits	265.925	1.461.661	1.727.586	345.112	1.337.306	1.682.418
Commercial deposits	217.071	336.367	553.438	179.264	516.697	695.961
	482.996	1.798.028	2.281.024	524.376	1.854.003	2.378.379
YTL deposits:						
Saving deposits	51.878	729.907	781.785	35.287	324.835	360.122
Commercial deposits	147.892	302.051	449.943	86.067	32.706	118.773
Funds deposited under repurchase agreements	-	147.358	147.358	-	276.124	276.124
	199.770	1.179.316	1.379.086	121.354	633.665	755.019
	682.766	2.977.344	3.660.110	645.730	2.487.668	3.133.398

Saving and commercial deposits at 31 December 2004 include long-term foreign currency and YTL time deposits of YTL204.544 thousand (2003: YTL240.985 thousand); the interest rates for time deposits vary between 0,0%-12,0% p.a. (2003: 1,0%-5,0% p.a.) for foreign currency deposits and 5,0%-34,0% p.a. (2003: 25,3%-33,0% p.a.) for YTL deposits and 15,4%-19,5% p.a. (2003: 18,8%-30,0% p.a.) for repurchase commitments.

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NOTE 17 - BANK BORROWINGS

	2004	2003
Short-term bank borrowings:		
Short-term bank borrowings	2.063.890	1.413.875
Short-term portion of long-term bank borrowings	537.355	688.484
Total short-term bank borrowings	2.601.245	2.102.359
Long-term bank borrowings:		
Long-term bank borrowings	1.476.831	1.287.621
Total bank borrowings	4.078.076	3.389.980

Effective interest rates of foreign currency borrowings, mainly USD and EUR denominated and YTL bank borrowings range between 0,0%-8,9% (2003: 0,0%-6,7%), 0,0%-6,2% (2003: 3,1%-6,8%) and 0,0%-32,4% (2003: 0,0%-47,0%), respectively.

The Group has loans from International Finance Corporation (“IFC”) in the amount of YTL451.142 thousand (USD174.896.751, EUR88.847.561, GBP21.000.000) which is being used for production and modernization, research and development, as well as acquisitions and increased working capital requirements (2003: YTL499.238 thousand).

As of 31 December 2004, Koçbank, a Joint Venture of the Group, obtained syndication loans comprised of YTL214.949 thousand (USD163.000.000) from Sumitomo Mitsui Banking Corporation and YTL180.213 thousand (USD138.000.000) from Sanwa Bank which bear interest rates Libor plus of 0,55% and 0,50%, respectively (2003: two syndication loans of USD100.000.000 and USD100.000.000 which bears an interest rate of 6 months Libor plus of 0,75% and 0,65% respectively).

As of 31 December 2004, Koçbank, a Joint Venture of the Group, obtained YTL89.055 thousand (original principal amount EUR50.000.000) of funds from Unicredit S.p.A. on 31 December 2004 which bear interest rate of annually Euribor plus of 0,85%.

As of 31 December 2004, YTL74.788 thousand of borrowings of Koçbank, a Joint Venture of the Group, represent funds obtained from Export Credit Bank of Turkey (Turk Eximbank) to finance certain export loans provided to customers in line with prevailing regulations.

Koç Holding received a syndicated loan from foreign banks in 2004 amounting to USD100.000.000 (2003: USD150.000.000) of which the amount of USD74.000.000 was transferred to other subsidiaries namely, Beldeyama, Bilkom, Koç Lease, Koç Net, Koç Sistem, Ram Dış Ticaret, Setoto-Avis, Setur, Koç Tüketici Finansmanı and Biletix under the same conditions, the remaining amount of USD26.000.000 being for the use of Koç Holding.

As of 31 December 2004, Ford Otosan, a Joint Venture of the Group, has foreign currency denominated long-term borrowings under two OPIC-insured private placements amounting to USD27.603.378 and USD6.366.099. These borrowings, which total to USD33.969.477, were obtained to finance investment projects. Under the terms of the related loan agreements, Ford Otosan has to comply with certain financial covenants (2003: USD46.231.412). Ford Otosan met all the financial covenants as of 31 December 2004. Therefore, consequent to the discussions with the related lending organizations, Ford Motor Company and Koç Holding agreed to cease the parent guarantees previously provided to creditors as of 31 December 2004.

The Group has syndication loans comprised of EUR20.000.000 and USD2.000.000 from Netherlands Development Finance Company (“FMO”) as of 31 December 2004 (2003: EUR20.000.000 and USD4.700.000).

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NOTE 17 - BANK BORROWINGS (Continued)

The redemption schedule of long-term bank borrowings at 31 December 2004 and 31 December 2003 are as follows:

	2004	2003
2005	-	368.466
2006	617.786	361.911
2007	313.269	355.430
2008	264.878	135.236
2009 and over	280.898	66.578
	1.476.831	1.287.621

NOTE 18 - TRADE PAYABLES

	2004	2003
Trade payables - net of unearned credit finance charges	2.144.287	1.969.384
Notes payable - net of unearned credit finance charges	46.737	37.999
Other payables	5.951	4.329
	2.196.975	2.011.712

NOTE 19 - INSURANCE TECHNICAL RESERVES

	2004	2003
Unearned premiums reserve - net of reinsurers' share	164.721	140.182
Claim provisions - net of reinsurers' share	51.683	43.966
Deferred commission income	23.505	19.318
Insurance technical reserves - current	239.909	203.466
Life mathematical reserves	335.434	288.165
Other reserves	5.563	5.694
Insurance technical reserves - non-current	340.997	293.859

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NOTE 20 - OTHER CURRENT LIABILITIES

	2004	2003
Advances from customers	248.206	136.699
Taxes and funds payable	193.203	190.501
Provision for costs	172.893	133.586
Warranty provision	127.409	90.744
Export transfers and payment orders	63.727	101.868
Payable to personnel	57.480	68.872
Blocked accounts	32.857	29.531
Credit card payables	29.043	38.749
Provision for tax and legal disputes	24.575	16.614
Bonus and premiums	23.676	14.037
Retirement fund payable	21.957	287
Cheques in collection	21.703	20.269
Deferred income	20.467	17.367
Provision for credit related commitments (Note 28)	16.871	16.609
Derivative financial instruments (Note 28)	7.358	6.769
Leasing obligations	5.739	13.571
Contracted loans	5.516	12.591
Other	101.682	50.393
	1.174.362	959.057

NOTE 21 - TAXATION

	2004	2003
Corporation and income taxes payable:		
Domestic	73.690	86.076
Foreign	7.152	6.560
	80.842	92.636
Deferred tax assets:		
Domestic	(210.954)	(222.342)
Foreign	(1.689)	(2.123)
	(212.643)	(224.465)
Deferred tax liabilities:		
Domestic	203.695	222.957
Foreign	14.161	23.992
	217.856	246.949
Deferred tax liability, net	5.213	22.484

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NOTE 21 – TAXATION (Continued)

Domestic

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

Corporation tax rate of the fiscal year 2004 is 33%. Corporation tax rate for the following years is 30%. Corporation tax is payable at a rate of 33% on the total income of the Company after adjusting for certain disallowable expenses, exempt income and investment and other allowances. No further tax is payable unless the profit is distributed.

In accordance with Tax Law No.5024 “Law Related to Changes in Tax Procedure Law, Income Tax Law and Corporate Tax Law” that was published in the Official Gazette on 30 December 2003 to amend the tax base for non-monetary assets and liabilities, effective from 1 January 2004, income and corporate taxpayers will prepare the statutory financial statements by adjusting the non-monetary assets and liabilities for the changes in the general purchasing power of the Turkish lira. Corporate taxpayers are obliged to prepare the opening balance sheets restated for inflation at 31 December 2003. Corporate taxpayers, who are required to follow the inflation accounting principles in accordance with the aforementioned Communiqué, are obliged only to restate their balance sheets for the periods ended after 1 January 2004.

However, the accumulated depreciation, amortization and any related provisions in the opening balance sheet restated for inflation should conform to the depreciation periods set out in the Tax Law. The Company has decided to use the balance sheet prepared at 31 December 2003 in accordance with the CMB’s Inflation Communiqué to prepare its opening tax balance sheet restated at 1 January 2004 for inflation as permitted by Tax Law No: 5024.

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

Corporations are required to pay advance corporation tax quarterly at the rate of 33% (2005: 30%) on their corporate income. Advance tax is payable by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or offset against other liabilities to the government.

Exception for participation share and property sales profit which took part in Corporation Tax Law temporary Articles 28 and 29 has been ended. However, this arrangement has been added to Corporation Tax Law article 8 as permanent exception with 5281 numbered law dating from 1 January 2005.

According to this, profit of corporations’ participation share and property sales which has taken part in assets at least for two years –dependent on corporation capital addition commitment in definite conditions- will be exempted from Corporation Tax. The two year commitment will not be required when debtors of the banks and their guarantors transfer their property and participation shares as a compensation for the debt.

On the other hand, in parallel with the change in corporation Tax Law, Value Added Tax exception previously regulated in Value Added Tax Law temporary Article 10 and applied in parallel with exemption in Corporation Tax is amended and property sale and Value Added Tax exemption application has become permanent.

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NOTE 21 - TAXATION (Continued)

At the same time, title deed and cadastral fees exception was applied in transactions that are subject to property sales profit exception in Corporation Tax temporary Article 28 and 29/6 but ended in 31 December 2004. However since there is no regulation in this subject, property sale will be subject to title deed fee in general.

Capital expenditures, with some exceptions, over YTL6 thousand (2005: YTL10 thousand) are eligible for investment incentive allowance of 40%, which is deductible from taxable income prior to calculation of the corporate income tax, without the requirement of an investment incentive certificate, and the amount of allowance is not subject to withholding tax. Investment allowances utilized within the scope of investment incentive certificates granted prior to 24 April 2003 are subject to withholding tax at the rate of 19,8%, irrespective of profit distribution.

In accordance with the Tax Law 5228 item 28.9 dated 16 July 2004, 40% of the research and development expenditures on technology and knowledge research made by the Company itself with effect from 31 July 2004 are exempted from corporate tax. Expenditures made before 31 July 2004 will be subject to previous application. Such exemptions are not subject to withholding taxes.

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

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 15th of the fourth month following the close of the financial year to which they relate. Tax returns are open for 5 years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Taxation on income for the periods ended 31 December is summarised as follows:

	2004	2003
Current year corporate tax	(422.430)	(355.069)
Deferred tax	6.080	183.497
	(416.350)	(171.572)

Deferred taxes

Koç Holding, its Subsidiaries and Joint Ventures recognize deferred tax assets and liabilities based upon temporary differences arising between their financial statements as reported for IFRS purposes and their statutory tax financial statements. These temporary differences usually result in the recognition of revenue and expenses in different reporting periods for IFRS and tax purposes.

Tax rates used for deferred tax assets and liabilities calculated on temporary differences that are expected to be realised or settled based on the taxable income in coming years under the liability method is 30%. The rate for other temporary differences is 30%. (2003: Deferred income taxes are calculated on temporary differences that are expected to be realised or settled based on the taxable income in fiscal year 2004 under the liability method using a principal tax rate of 33%. The rate for other temporary differences is 30%).

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NOTE 21 - TAXATION (Continued)

Deferred taxes calculated by using the principal tax rates of the tax authorities of each country the Group operates in as of 31 December 2004, are as follows:

Country	Tax rate (%)
Turkey	30,0
Germany	39,6
Australia	30,0
Austria	34,0
Azerbaijan	24,0
Bulgaria	19,5
China	17,5
Denmark	30,0
Finland	29,0
France	35,4
The Netherlands	35,0
The UK	30,0
Ireland	12,5
Spain	35,0
Sweden	28,0
Switzerland	25,0
Italy	38,3
Kazakhstan	30,0
Hungary	18,0
Macedonia	30,0
Norway	28,0
Poland	19,0
Portugal	33,0
Romania	16,0
Russia	24,0

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NOTE 21 - TAXATION (Continued)

The breakdown of cumulative temporary differences and deferred tax assets/liabilities provided at 31 December 2004 and 31 December 2003 using principal tax rates, are as follows:

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	2004	2003	2004	2003
Net difference between carrying value and tax base of property, plant and equipment and intangible assets	1.311.562	1.217.002	(386.673)	(381.161)
Net difference between carrying value and tax base of inventory	(3.660)	58.336	1.037	(18.119)
Deferred acquisition cost	38.588	30.769	(11.576)	(10.153)
Leasing obligations	4.424	(10.447)	(1.327)	3.222
Net difference between carrying value and tax base of debt securities	(41.206)	(18.447)	12.364	6.051
Unused tax credits (Note 27)	(1.767.519)	(1.846.588)	187.845	197.421
Tax losses carried forward	(137.012)	(151.450)	41.050	44.093
Provision for employment termination benefits	(139.661)	(140.416)	41.906	41.733
Provision for loan losses	(69.792)	(43.165)	20.938	14.245
Unearned premium reserve	(43.016)	(19.536)	12.905	6.447
Warranty reserve	(104.528)	(63.310)	31.211	19.957
Effect of unearned financial income/(expense) - net	(51.523)	(73.420)	15.371	24.173
Deferred commission income	(26.705)	(19.318)	7.991	6.375
Other, net	(72.175)	(73.284)	21.745	23.232
			(5.213)	(22.484)

In the Subsidiaries' and Joint Ventures' financial statements prepared according to IFRS, net deferred tax assets and liabilities of the related companies are 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.

Movements in deferred taxes for the period ended 31 December 2004 can be analysed as follows:

1 January 2004	(22.484)
Addition to the scope of consolidation	(4.718)
Disposal from the scope of consolidation	3.997
Effect of restructuring	6.019
Monetary gain	(578)
Cumulative gain on hedging	6.471
Charge for the period	6.080
31 December 2004	(5.213)

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NOTE 22 - PROVISION FOR EMPLOYMENT TERMINATION BENEFITS

	2004	2003
Reserve for employment termination benefits:		
- Domestic	139.847	143.008
- Foreign	1.877	1.379
	141.724	144.387

Under the Turkish Labour Law, the Company and its Turkish subsidiaries and associates are required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and reaches the retirement age (58 for women and 60 for men). Since the legislation was changed on 8 September 1999, there are certain transitional provisions relating to length of service prior to retirement.

The amount payable consists of one month's salary limited to a maximum of YTL1.574,74 (2003: YTL1.389,95) for each period of service at 31 December 2004.

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 the Koç Holding and its Subsidiaries and Joint Ventures registered in Turkey arising from the retirement of employees.

International 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:

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 YTL1.648,90 (1 January 2004: YTL1.485,43) which is effective from 1 January 2005 has been taken into consideration in calculating the reserve for employment termination benefit of the Company and its Turkish subsidiaries and associates.

	2004	2003
Discount rate (%)	5,45	6,00
Turnover rate to estimate the probability of retirement	1-18	1-16
Movements in the provision for employment termination benefits are as follows:		
	2004	2003
1 January	144.387	131.850
Increase during the period	9.214	21.642
Monetary gain	(11.877)	(9.105)
31 December	141.724	144.387

The number of personnel of the Group at 31 December 2004 is 59.513 (2003: 53.985).

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NOTE 23 - 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 TL1.000 Koç Holding's historical authorized and paid-in share capital at 31 December 2004 and 31 December 2003 are as follows:

	2004	2003
Limit on registered share capital (historical)	1.000.000	1.000.000
Historical authorized and paid-in share capital	1.000.000	789.750

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

At 31 December 2004 and 31 December 2003, the shareholding structures of Koç Holding are as follows:

	Share %	2004	Share %	2003
Temel Ticaret ve Yatırım A.Ş.	41,81	418.089	43,27	341.686
Suna Kıraç	6,04	60.418	6,23	49.215
Semahat Arsel	5,89	58.873	6,09	48.095
Rahmi M. Koç	5,23	52.336	5,40	42.632
Mustafa Koç	2,88	28.766	3,00	23.718
Ali Koç	2,88	28.766	3,00	23.718
Ömer Koç	2,98	29.781	2,98	23.520
İpek Kıraç	0,70	7.013	0,70	5.538
Nazar Dayanıklı ve Dayanaksız Sınai Malları Paz. A.Ş.	0,33	3.338	0,35	2.736
R.M.K. Mahdumları	0,11	1.051	0,11	830
Zer Madencilik Dayanıklı Mallar Yatırım ve Paz. A.Ş.	0,01	132	0,01	105
Total Koç family and companies owned by Koç family members	68,86	688.563	71,14	561.793
Vehbi Koç Vakfı	7,17	71.714	7,17	56.636
Koç Holding Emeklilik Vakfı	1,97	19.736	1,97	15.586
Quoted	22,00	219.987	19,72	155.735
Total	100,00	1.000.000	100,00	789.750
Adjustment to share capital		967.288		967.288
Total paid-in share capital		1.967.288		1.757.038

As of 29 December 2004 Koç Holding's nominal share capital which was YTL789.750 thousand previously has been increased to YTL1.000.000 thousand through internal sources by giving shareholders 26,62% of bonus shares. YTL84.700 thousand of the increase of YTL210.250 thousand has been financed through the common stock sales income according to the Corporate Tax Law temporary Article 28, with the remaining YTL125.550 thousand being financed from the share capital inflation adjustment difference.

In addition, it has been agreed that YTL1.431 thousand of income that will be collected in the subsequent years, related with the credit sale of Tekersan Jant Sanayi A.Ş. , will be added to the capital as of the years of collection according to the Corporate Tax Law temporary Article 28.

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NOTE 23 - SHARE CAPITAL (Continued)

“Adjustment to share capital” represents the restatement effect of cash contributions to share capital at year-end equivalent purchasing power. It also includes the difference of YTL121.732 thousand between the fair value of the acquired minority interest from Koç Yatırım Sanayi Mamülleri Pazarlama A.Ş. and the nominal value of shares issued by Koç Holding in 1997, and the difference of YTL436.272 thousand between the fair and nominal value of the shares issued for the acquisition of Migros shares by 50,81%, in 2003 which are all presented as the inflation adjustment to share capital.

The Articles of Association ("the Articles") of Koç Holding set out the following privileges for A-type shares:

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

The Articles of Koç Holding established 100 usufruct shares. These are bearer shares and can be transferred to others.

The holders of usufruct shares are entitled to receive 3% of the profit before tax remaining 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. Usufruct shares do not have any interest in the capital of Koç Holding and do not have any voting rights associated with them. In the event of liquidation, usufruct shareholders are not entitled to receive any portion of the liquidation proceeds.

The analysis of shares by type is as follows:

<u>Group</u>	<u>Unit of shares</u>	<u>YTL thousand</u>	<u>Nature of shares</u>
A	268.340.875.000	268.340	Registered
B	53.592.000	54	Registered
B	731.605.533.000	731.606	Bearer
	1.000.000.000.000	1.000.000	

NOTE 24 - RETAINED EARNINGS AND LEGAL RESERVES

Retained earnings as per the statutory financial statements, other than legal reserve requirements, are available for distribution subject to the legal reserve requirement referred to below.

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code (“TCC”). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Group’s paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital.

Dividends are paid to "Koç Holding Foundation for Pensions and Assistance" up to 2% but not less than 1% of the income before tax remaining after deducting taxes, 5% legal reserves, rate determined by CMB and the first dividend. The holders of the usufruct shares are currently entitled to receive dividends out of distributable profits as explained in Note 23.

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NOTE 24 - RETAINED EARNINGS AND LEGAL RESERVES (Continued)

Composition of prior periods' earnings and dividends (per Statutory Financial Statements) at 31 December 2004 and 31 December 2003 (not adjusted for inflation):

	2004	2003
Legal reserves	27.100	16.449
Undistributed general reserve (extraordinary reserves)	214.646	181.326
	241.746	197.775
Historical amounts of dividends distributed from previous periods' net income per statutory financial statements	47.987	-

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

In accordance with the Communiqué No: XI-25 Section 15 paragraph 399, the accumulated deficit amounts arising from the first application of inflation adjustment, in line with CMB's profit distribution regulations, are considered to be deductible when computing the distributable profit. The accumulated deficit will first be netted off from net income and retained earnings, and the remaining amount of deficit from extraordinary reserves, legal reserves and adjustment to share capital.

In accordance with the Communiqué No: XI-25 items of statutory shareholders' equity such as share capital, share premium, legal reserves, other reserves, special reserves and extraordinary reserves, are presented at their historical amounts. The difference between the inflated and historical amounts of these items is presented in shareholders' equity as shareholders' equity restatement differences.

Shareholders' equity restatement differences can only be netted-off against prior years' losses and used as an internal source in capital increase where extraordinary reserves can be netted-off against prior years' losses, used in distribution of bonus shares and distributions of dividends to shareholders.

In accordance with the above explanation, the composition of Koç Holding's shareholders' equity, which is considered as the basis for profit distribution, in accordance with Communiqué XI/25, is as follows:

	2004	2003
Share capital	1.000.000	789.750
Share premium	32	32
Legal reserves	27.100	16.449
Extraordinary reserves	214.646	181.326
Shareholders' equity restatement differences	1.575.726	1.699.460
Translation reserve	(22.080)	(9.080)
Cumulative loss on hedging	(4.220)	(21.083)
Net income for the period	508.496	435.008
Retained earnings	856.572	602.181
Total shareholders' equity	4.156.272	3.694.043

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NOTE 24 - RETAINED EARNINGS AND LEGAL RESERVES (Continued)

The restated amounts and the shareholders' equity restatement differences of the aforementioned nominal values are as follows:

31 December 2004

	Nominal Value	Restated Amounts	Shareholders' Equity Restatement Differences
Share Capital	1.000.000	1.967.288	967.288
Share premium	32	4.750	4.718
Legal Reserves	27.100	123.360	96.260
Extraordinary reserves	214.646	722.106	507.460
	1.241.778	2.817.504	1.575.726

31 December 2003

	Nominal Value	Restated Amounts	Shareholders' Equity Restatement Differences
Share Capital	789.750	1.757.038	967.288
Share premium	32	4.750	4.718
Legal Reserves	16.449	112.269	95.820
Extraordinary reserves	181.326	812.960	631.634
	987.557	2.687.017	1.699.460

In accordance with Communiqué No: XI/25 and effective from 1 January 2004 the quoted companies are required to distribute a minimum 30% of their distributable profits calculated over their IFRS financial statements. This distribution may be made either as cash or bonus shares or as a combination of both over the minimum limit of 30%.

In the calculation of distributable profits; the profits of subsidiaries, joint ventures and investments, that are included in the consolidated financial statements of the parent, are not considered in the profit distribution if the decision on profit distribution has not been made in their general assemblies.

If a profit distribution decision is given in the general assemblies of subsidiaries, joint ventures and investments, which are consolidated under parent financials that are prepared in accordance with Communiqués No: XI/21 and

No: XI/25, the parent can distribute its share of the profits at these companies up to the profit level at the consolidated financial statements at the parent.

In addition, based on the CMB Decree 7/242 dated 25 February 2005, if the amount of profit distributions calculated in accordance with the net distributable profit requirements of the CMB does not exceed the statutory net distributable profit, the whole amount of distributable profit should be distributed. If it exceeds, the whole amount of the statutory net distributable profit should be distributed. It is stated that dividend distributions should not be made if there is a loss in either the financial statements prepared in accordance with CMB regulations or in the statutory financial statements.

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NOTE 25 - FINANCIAL INCOME - NET

Financial income and expenses related with the years ended 31 December are as follows:

	2004	2003
Interest income	249.596	274.894
Interest expense	(222.041)	(181.189)
Foreign exchange (losses)/gains, net	35.330	71.254
Credit finance (losses)/gains, net	18.809	40.365
Loss on forward agreement	(14.930)	(2.792)
Other, net	7.492	(31.899)
Financial Income - net	74.256	170.633

NOTE 26 - FOREIGN CURRENCY POSITION

Assets and liabilities denominated in foreign currency held by the Group before consolidation adjustments in equivalent thousand of YTL at 31 December 2004 and 31 December 2003 are as follows:

	2004	2003
Assets	7.167.570	6.093.040
Liabilities	(7.592.630)	(6.395.805)
Net balance sheet position	(425.060)	(302.765)
Off-balance sheet derivative instruments net position	164.665	22.867

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NOTE 26 - FOREIGN CURRENCY POSITION (Continued)

	2004			
	USD	EUR	Other	Total
Cash and cash equivalents	873.221	606.541	113.939	1.593.701
Investments				
- held-for-trading	21.263	266	-	21.529
- available-for-sale	123.951	7.725	30.544	162.220
- held-to-maturity	173.269	51.427	2.012	226.708
Reserve deposits with Central Banks	189.976	37.774	270	228.020
Loans and advances to customers	848.295	368.791	58.130	1.275.216
Trade receivable	289.730	741.482	207.855	1.239.067
Due from related parties	60.284	417.318	205.617	683.219
Inventories	-	58.186	130.348	188.534
Other current assets	37.352	57.839	33.536	128.727
	2.617.341	2.347.349	782.251	5.746.941
Loans and advances to customers	155.728	119.532	8.040	283.300
Investments				
- held-for-trading	7.514	94	-	7.608
- available-for-sale	19.263	1.545	2.294	23.102
- held-to-maturity	654.939	173.653	-	828.592
Investment property	-	-	47.575	47.575
Property, plant and equipment	-	54	208.313	208.367
Other non-current assets	485	2.356	19.244	22.085
	837.929	297.234	285.466	1.420.629
Total foreign currency denominated assets	3.455.270	2.644.583	1.067.717	7.167.570
Customer deposits	1.653.586	642.605	72.964	2.369.155
Bank borrowings	1.170.802	802.481	111.932	2.085.215
Bonds issued	16	-	-	16
Insurance technical reserves	22.064	8.026	277	30.367
Trade payables	155.500	423.325	140.975	719.800
Due to related parties	123.099	260.219	43.813	427.131
Other current liabilities	69.682	164.840	97.363	331.885
	3.194.749	2.301.496	467.324	5.963.569
Customer deposits	51.173	43.973	2.510	97.656
Bank borrowings(*)	725.758	605.971	101.347	1.433.076
Insurance technical reserves	45.133	3.291	-	48.424
Other non-current liabilities	4.632	16.355	28.918	49.905
	826.696	669.590	132.775	1.629.061
Total foreign currency denominated liabilities	4.021.445	2.971.086	600.099	7.592.630
Net foreign currency position	(566.175)	(326.503)	467.618	(425.060)

(*) According to the agreement signed between Tofaş, a joint venture of the Group, and Fiat Auto S.p.A., the joint venture partner of Tofaş, the exposure to foreign exchange rate fluctuation on the long-term Euro borrowings amounting to YTL92.503 thousand is undertaken by Fiat Auto S.p.A.

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NOTE 26 - FOREIGN CURRENCY POSITION (Continued)

	2003			
	USD	EUR	Other	Total
Cash and cash equivalents	720.681	500.294	86.829	1.307.804
Investments				
- available-for-sale	168.552	67.972	11.296	247.820
- held-to-maturity	183.394	185.415	1.236	370.045
Reserve deposits with Central Banks	160.813	41.241	228	202.282
Loans and advances to customers	731.701	221.128	72.918	1.025.747
Trade receivable	176.014	649.533	305.185	1.130.732
Due from related parties	21.446	188.542	48.571	258.559
Inventories	1.137	81.493	129.742	212.372
Other current assets	39.538	29.407	33.692	102.637
	2.203.276	1.965.025	689.697	4.857.998
Loans and advances to customers	86.718	136.292	182.574	405.584
Investments				
- available-for-sale	66.406	6.199	-	72.605
- held-to-maturity	425.694	74.738	-	500.432
Investment property	-	-	46.991	46.991
Property, plant and equipment	-	-	189.119	189.119
Other non-current assets	-	4.238	16.073	20.311
	578.818	221.467	434.757	1.235.042
Total foreign currency denominated assets	2.782.094	2.186.492	1.124.454	6.093.040
Customer deposits	1.609.301	750.859	59.858	2.420.018
Bank borrowings	894.546	463.906	131.195	1.489.647
Bonds issued	930	-	-	930
Insurance technical reserves	21.067	7.734	57	28.858
Trade payables	28.596	257.526	134.173	420.295
Due to related parties	88.381	285.375	24.059	397.815
Other current liabilities	84.410	97.504	96.970	278.884
	2.727.231	1.862.904	446.312	5.036.447
Customer deposits	45.081	8.677	203	53.961
Bank borrowings	523.516	591.695	93.136	1.208.347
Insurance technical reserves	39.843	2.170	-	42.013
Other non-current liabilities	6.748	13.853	34.436	55.037
	615.188	616.395	127.775	1.359.358
Total foreign currency denominated liabilities	3.342.419	2.479.299	574.087	6.395.805
Net foreign currency position	(560.325)	(292.807)	550.367	(302.765)

In line with the current year's presentation of the foreign currency position, the foreign currency position table of Arçelik, a subsidiary of the Group, as of 31 December 2003 has been amended by including the inventories, assets and liabilities of the foreign subsidiaries in their local currencies and a foreign currency risk amounting to YTL115.759 thousand has been added to the foreign currency position.

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NOTE 27 – INVESTMENT INCENTIVES

Certain Subsidiaries have obtained investment incentive certificates from the Turkish Government Authorities in connection with certain major capital expenditures, which entitle the companies, among other things, to:

- i) a 100% exemption from customs duty on machinery and equipment to be imported,
- ii) investment allowance of 100% and 200% on approved capital expenditures,
- iii) custom exemptions for the imported investment goods, VAT exemptions for domestic investment goods, tax and duty exceptions, and
- iv) Resource Utilization Support Premium (RUSP - an investment grant in the form of cost reimbursement) varying from 25% to 40% on a portion of the total approved capital expenditures.

The investment allowance indicated in (ii) above is deductible from current or future taxable profit for the purposes of corporation tax, and is exempt from both corporation and minimum tax. The total amount of investment incentive allowance for the period ended 31 December 2004 is YTL1.767.519 thousand (2003: YTL1.846.588 thousand) (Note 21).

As permitted by Turkish tax legislation, RUSP is recognized in the statutory accounts as income upon its receipt. The consolidated financial statements are adjusted and restated to account for RUSP on an accrual basis for estimated amounts to be received under grant claims filed, and to reflect it as deferred income to be amortized over the depreciation period of the related assets on a straight-line basis.

NOTE 28 - COMMITMENTS AND CONTINGENT LIABILITIES

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

	2004	2003
<u>Guarantees given:</u>		
Letters of guarantee	935.031	1.138.212
Guarantee notes	20.440	37.407
<u>Guarantees taken:</u>		
Letters of guarantee	1.097.317	1.129.084
Guarantee notes	51.468	15.085
Marketable securities given as guarantee	15.254	8.888

Commitments - given:

(a) Commitments - Banking

In the banking segment, normal course of banking activities requires to undertake various commitments and incurs certain contingent liabilities that are not presented in the consolidated financial statements, including letters of guarantee, acceptance credits, letters of credit and off-balance sheet derivative instruments. The Group does not expect any material losses as a result of these transactions.

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NOTE 28 - COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

The following is a summary of significant commitments and contingent liabilities at 31 December 2004 and 31 December 2003:

Credit related commitments:

	2004	2003
Letters of guarantee		
- Foreign currency	562.990	457.904
- YTL	460.345	449.845
Letters of credit	325.547	347.788
Acceptance credits	50.236	50.890
Other commitments and contingencies	48.414	76.116
	1.447.532	1.382.543
Less: provision for losses on credit related commitments (Note 20)	(16.871)	(16.609)
	1.430.661	1.365.934

The economic sector risk concentrations for outstanding credit related commitments of the Group is as follows:

	2004	%	2003	%
Construction and cement	285.510	20	190.530	14
Petrochemical industry	143.435	10	147.647	11
Textiles	142.787	10	165.159	12
Metal processing	141.845	10	132.949	10
Financial institutions	135.642	9	164.573	12
Food, beverage and consumer goods	61.516	4	67.153	5
Trade	44.037	3	53.486	4
Automotive	42.713	3	25.115	2
Tourism	33.824	2	19.767	1
Durable goods	30.310	2	28.220	2
Other	385.913	27	387.944	27
	1.447.532	100	1.382.543	100

Custody services:

The Group's Joint Ventures in the financial sector provide custody services to third parties. Those assets that are held in a fiduciary capacity are not included in these consolidated financial statements. At 31 December 2004 the Group had custody accounts amounting to YTL3.408.213 thousand. (2003: YTL3.078.285 thousand.)

KOÇ HOLDİNG A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****AT 31 DECEMBER 2004**

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NOTE 28 - COMMITMENTS AND CONTINGENT LIABILITIES (Continued)**Derivative financial instruments:**

31 December 2004	Contract amount	Fair values	
		Assets	(Liabilities)
Foreign exchange derivatives			
Currency forwards	489.538	10.087	(5.819)
Currency swaps	72.278	431	(405)
	561.816	10.518	(6.224)
Interest rate cap and floor arrangements	18.888	2	(203)
Option agreement (*)	916	-	(931)
Total	581.620	10.520	(7.358)
31 December 2003			
Foreign exchange derivatives			
Currency forwards	431.203	11.424	(2.343)
Currency swaps	477.522	3.965	(3.024)
Security forwards	2.243	-	(43)
	910.968	15.389	(5.410)
Interest rate cap and floor arrangements	26.543	8	(298)
Option agreement (*)	775	-	(1.061)
Total	938.286	15.397	(6.769)

(*) At 31 December 2004, option agreement represents a commitment of KFS, a Joint Venture of the Group, to buy an option for IFC to sell by 16 November 2005, the 20% share capital with a nominal value of USD1.400.000 of Koçbank Azerbaijan Ltd. presently owned by IFC. According to the clauses of the agreement KFS management estimated the fair value of the option, calculated as the difference between the expected cash out and the fair value of the 20% share of Koçbank Azerbaijan Ltd. to be negative YTL931 thousand.

(b) Commitments - Other

- i) Ford Otosan, a Joint Venture of the Group, management believes that there is an effective cash flow hedge between the foreign currency denominated payables (a non-derivative hedging instrument) with regard to engineering expenses and anticipated future sales (hedged item) of the new light commercial vehicle ("V227 or Transit Connect"). The hedge relationship is considered effective since its inception when the business principles for V227 between Ford Otosan and Ford Motor Company were formally discussed and agreed. The anticipated sales of 133.500 units of Transit Connect to Ford of Europe to fully offset engineering payables is considered highly probable as at 31 December 2004 within the next two years and the relationship is properly documented. Accordingly, unrealised foreign exchange losses on foreign currency denominated engineering payables from inception to 31 December 2004 amounting to YTL18.916 thousand were booked under the shareholders' equity as "cumulative loss on hedging"

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NOTE 28 - COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

- ii) The long-term loan from ABN Amro Bank B.V. amounting to EUR55.557.000 (2003: EUR61.112.000) was obtained to finance the investment to manufacture Doblo light commercial vehicles of Tofaş, a Joint Venture of the Group. According to the manufacturing agreement signed between Fiat (the customer of the majority of Doblo production) and Tofaş, the repayment obligations related to such loan is guaranteed by Fiat through future purchases of Doblo until the end of 2008. Accordingly, the Group's exposure to foreign exchange rate and interest rate fluctuations is undertaken by Fiat. The portion of the foreign exchange gains in excess of the inflation index amounting to YTL14.696 thousand on the bank loan that is determined to be an effective hedge is accounted under shareholders' equity as "cumulative loss on hedging".
- iii) Ford Otosan, a Joint Venture of the Group, entered into two collar agreements in 2000, which are outstanding as of 31 December 2004 to hedge the interest rate risk arising from borrowings amounting to EUR21.729.905. The collar agreements have fixed floor and ceiling rates. Accordingly, at the dates defined in the agreements, if the EURIBOR rate is below the floor rate Ford Otosan compensates the difference between the floor rate and the actual rate to the counter bank. Contrarily, if the EURIBOR rate is above the ceiling rate, the counter bank compensates the difference to Ford Otosan.

Details of the collar agreement, which is valid as of 31 December 2004, are as follows:

Agreement	Floor rate	EURIBOR Ceiling rate	EURIBOR Amount	Due date
Citibank	5,15%	6%	EUR21.729.905	28.02.2008

- iv) Historically, future contracts were entered into to manage the exposure of product inventories for fluctuations in the base fuel price. In general, Opet's, a Joint Venture of the Group, policy was to hedge 100% of the inventories on-hand at any specific time. As of 31 December 2004, the settlement dates of open futures contracts is average four months. If the open futures contracts are realised, Opet would recognize an income of USD159.188.
- v) According to the decision of the Board of Directors meeting of Koç Holding dated 11 November 2002, the signing of the "Project Funds Agreement" for the USD50.000.000 syndicated loan of Beko Elektronik, a Subsidiary of the Group, from IFC and banks is agreed. It is also agreed to give "comfort letter" confirming that Koç Group shares at Beko Elektronik will not be below 51% until this loan is fully paid.
- vi) Ford Otosan, a Joint Venture of the Group, entered a loan agreement with Akbank T.A.Ş. in 2003. During the term of this agreement, Ford Otosan is required to ensure that its export proceeds up to an amount of EUR123.120.000 for each calendar year, except for the last year, 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 is EUR82.080.000.
- vii) All assets of Ramenka, a Joint Venture of the Group, amounting to YTL301.560 thousand are pledged as security for the IFC loan agreement amounting to USD30.000.000.
- viii) All assets of Rambutya, a Subsidiary of the Group, amounting to YTL36.798 thousand are pledged as security for the IFC loan agreement signed on 30 July 1999 amounting to USD11.000.000.

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NOTE 28 - COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

- ix) At 31 December 2004 short-term and long-term bank borrowings of Entek, a Subsidiary of the Group, amounting to YTL111.503 thousand have been guaranteed as follows:
- YTL72.571 thousand of loan is guaranteed by USD35.000.000 and USD65.000.000 of receivable collection to be made from Çelikkord and Pirelli (Shareholders and customers of İztek).
 - YTL38.932 thousand of loan is guaranteed by a mortgage amounting to USD67.500.000.
- x) In connection with the investment incentives, the Group was committed to realize export sales amounting to USD718.147.580 at 31 December 2004 (2003: USD331.075.820).
- xi) As at 31 December 2004, the Group has a commitment for the investment construction of Ramenka, a Joint Venture of the Group, and Ramstore Bulgaria, a Subsidiary of the Group, amounting YTL81.780 thousand (2003: YTL81.852 thousand).
- xii) Aygaz, a Subsidiary of the Group, has a commitment to buy 305.000 tonnes of LPG from Türkiye Petrol Rafineleri A.Ş., totalling a minimum of 690.000 tones of LPGs in 2005 as of 31 December 2004.
- xii) Tat Konserve, a Subsidiary of the Group, signed a long-term agreement which will be valid until 2009 with Japanese Kogame Co. Ltd. ("Kogame") and Sumitomo Corporations at 12 October 2004. According to this agreement, Tat Konserve has committed to sell a minimum of 12.000 tonnes of tomato sauce through Kogame and Sumitomo Corporations with prices established in world markets.

	2004	2003
<u>Commitments given:</u>		
Mortgages given	399.338	272.116
Commitments with respect to export incentive certificates	1.109.049	615.420
Commitments with respect to investment incentive certificates	-	100.145
Commitments given with respect to other gains	-	98.837
Other	10.391	2.964
	1.518.778	1.089.482

Commitments taken:

Mortgages taken	117.727	75.228
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NOTE 29 - MAJOR ACQUISITIONS

Major acquisitions made by the Group in 2004 and 2003 resulting in goodwill and negative goodwill are as follows:

Goodwill

2004

There is no purchase resulting in goodwill in the year 2004.

2003

Temel Ticaret ve Yatırım A.Ş., the main shareholder of Koç Holding, has increased its share in Koç Holding by 7,21% through transferring its 50,81% share in Migros Türk T.A.Ş. with a nominal value of TL27.984.941.580.000 to Koç Holding as a capital increase. The increase of YTL471.525 thousand in Koç Holding's share capital represents the fair value of those shares. As a result of this transaction, the Group has acquired the net assets of Migros Türk T.A.Ş. with a fair value of YTL302.608 thousand resulting in goodwill amounting to YTL168.917 thousand.

Negative Goodwill

2004

- i) On 23 February 2004, Entek, a subsidiary of the Group, acquired 84,78% of the issued share capital of İztek for a purchase of YTL19.503 thousand resulting in negative goodwill amounting to YTL7.282 thousand.
- ii) On 26 February 2004, Aygaz, a subsidiary of the Group, acquired 50% of the issued share capital of BOS for a purchase of YTL27.759 thousand resulting in negative goodwill amounting to YTL8.371 thousand.

Details of assets and liabilities acquired and resulting negative goodwill amounts are as follows:

	2004
Purchase consideration:	
- Cash paid	47.262
- Fair value of shares issued	-
Total purchase consideration	47.262
Receivables	13.190
Inventories	1.393
Other current assets	12.797
Property, plant and equipment	110.914
Other non-current assets	7.615
Trade payables	(40.063)
Other current liabilities	(1.298)
Deferred tax liabilities	(4.652)
Other non-current liabilities	(36.981)
Less: Fair value of net assets acquired	62.915
Negative goodwill (Note 14)	(15.653)

2003

There is no purchase resulting in negative goodwill in 2003.

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NOTE 30 - LEGAL MERGERS

Legal mergers realized in 2004 and 2003 are as follows:

2004:

- i) In the Extraordinary General Assembly Meeting of Mares, a Subsidiary of the Group, held on 30 June 2004, it was decided to merge Mares with Talya Tütaş under Mares, in accordance with Turkish Commercial Code 451 and Corporate Tax Laws 37-39, with the reference to Capital Market Board's authorization, dated 28 May 2004 and numbered 22/621, and Domestic Trade General Directorate of Ministry of Industry and Trade's authorization, dated 2 June 2004 and numbered 3827, and to approve the merger agreement. In the communiqué of the Competition Board, dated 12 November 2003 and numbered 3090, it was stated that this acquisition was not within the scope of the Article 7 of the Law No. 4054 on "Protection of Competition" and Communiqué No. 1997/1 on "Mergers and Acquisitions Calling for the Authorization of the Competition Board" since there was no change in control of companies according to the acquisition took place between two companies of the same group.

Equity Method used in the determination of the merger rates of Mares and Talya Tütaş since the method considers and eliminates the effect of inflation and adjusted net asset or discounted cash flow methods, include subjective criteria, future projections and assumptions.

- ii) As of 29 December 2004 Entek, a subsidiary of the Group, legally merged with İztek, a subsidiary of the Group, in accordance with article 451 of Turkish Trade Law and articles 37 – 39 of Corporate Tax Law. The merger was registered on 30 December 2004 and announced in Turkish Trade Registry Gazette on 5 January 2005.

2003:

- i) In the Extraordinary General Assembly Meeting of Koç Holding at 25 June 2003, based on the authorization of the CMB no. 32/759 dated 19 June 2003, the Domestic Trade Department of the Ministry of Trade and Industry no. 5241 dated 23 June 2003, Board of Competition no. 220 dated 23 May 2003 and Treasury Department of the Turkish Republic Foreign Capital Department no. 31597 dated 23 May 2003, it was decided to legally merge its subsidiaries Tat Konserve, Maret, Pastavilla and SEK Süt under the umbrella of Tat Konserve in accordance with article 451 of the Corporate Tax Law.
- ii) As of 31 December 2003, İnternet Rezervasyon Sistemleri A.Ş. has legally merged with Setur.

The subsidiaries of Koç Holding merged legally in accordance with the article 451 of Turkish Trade Law and articles 37 and 39 of Corporate Tax Law.

All companies disclosed above were Subsidiaries of the Group at the time of legal merger.

Business Combinations standard addressed in IAS 22 could not be applied since the merged companies were being controlled by the same majority. As a result, in this type of mergers, no positive or negative goodwill is arisen and transaction due to the merger is adjusted during the preparation of consolidated financial statements.

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NOTE 31 - MINORITY INTEREST

Changes in minority interest during the years are as follows:

	2004	2003
1 January	2.500.004	2.453.463
Increase in share capital	54.186	102.980
Payments of dividends	(120.345)	(197.940)
Increase in minority interest due to Subsidiaries and Joint Ventures added to the scope of consolidation	-	3.226
Decrease in minority interest due to Subsidiaries and Joint Ventures excluded from the scope of consolidation	(36.393)	(18.205)
Currency translation differences	(11.455)	(16.160)
Cumulative gain on hedging	819	1.094
Effect of legal mergers (Note 30)	-	2.386
Effect of restructuring in other sectors(*)	(99.924)	(299.082)
Net income attributable to minority interest	405.216	468.242
31 December	2.692.108	2.500.004

(*) As mentioned in Note 3, effect of restructuring on minority interest amounting to YTL2.485 thousand represents an acquisition of a 50% share of BOS amounting to YTL73.558 thousand, representing an initial public offering of 25% of Türk Traktör shares owned by Koç Holding (2003: YTL305.907 thousand as the effect of restructuring in other segments represents the decrease in minority interest due to the acquisition of Migros shares by Koc Holding).

NOTE 32- INTEREST IN JOINT VENTURES

Aggregate amounts of assets, liabilities, net income related to Joint Ventures, which are proportionately consolidated ,as described in Note 3, to these consolidated financial statements, are as follows on a combined basis:

	2004	2003
Current assets	5.546.656	4.746.776
Non-current assets	4.541.380	3.975.790
Total assets	10.088.036	8.722.566
Current liabilities	6.314.337	5.413.958
Non-current liabilities	853.919	783.179
Share capital	2.919.780	2.525.429
Total liabilities and shareholders' equity	10.088.036	8.722.566
Revenues	8.209.681	5.652.172
Operating profit	599.257	376.218
Net income	467.442	330.855

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NOTE 33 - FUNDS

At 31 December 2004, Joint Ventures of the Group in finance segment, manage 14 mutual and 8 pension funds which were established under the Turkish CMB Regulations. Joint Ventures of the Group charge daily management fees from the funds with the management fee commission rates over total fund values as indicated below. At 31 December 2004, the Group earned fund management fees amounting to YTL57.313 thousand (2003: YTL43.392 thousand).

Fund Name	Management fee commission rates		Total fund value (*)	
	2004 %	2003 %	2004 YTL	2003 YTL(**)
Investment Funds				
Koçbank A.Ş. A Tipi Değişken Fon	0,015	0,015	40.024	48.933
Koçbank A.Ş. B Tipi Değişken Fon	0,012	0,012	690.649	756.973
Koçbank A.Ş. A Tipi İMKB Ulusal 30 Endeksi Fonu	0,015	0,015	40.570	21.318
Koçbank A.Ş. B Tipi Tahvil ve Bono Fonu	0,012	0,012	398.337	540.243
Koçbank A.Ş. A Tipi Hisse Senedi Fonu	0,015	0,015	6.566	6.347
Koçbank A.Ş. A Tipi Koç Allianz Sigorta Özel Fon	0,00274	0,00274	1.785	604
Koç Yatırım Menkul Değerler A.Ş. A Tipi Koç Şirketleri İştirak Fonu	0,015	0,015	3.309	2.770
Koç Yatırım Menkul Değerler A.Ş. B Tipi Değişken Fon	0,00685	0,00685	217.252	208.160
Koçbank A.Ş. A Tipi Karma Fonu	0,015	0,015	1.338	2.412
Koçbank A.Ş. B Tipi Likit Fonu	0,01	0,01	1.314.865	826.850
Koçbank A.Ş. A Tipi Holdingler (***) ve Yatırım Şirketleri Sektör Fonu	0,015	0,015	8.385	1.459
Koç Yatırım Menkul Değerler A.Ş. A Tipi Değişken Fonu	0,00685	0,00685	33.343	39.074
Koç Yatırım Menkul Değerler A.Ş. B Tipi Tahvil ve Bono Fonu	0,012	0,012	147.648	73.457
Koç Yatırım Menkul Değerler A.Ş. B Tipi Likit Fonu	0,01	0,01	54.365	45.949
Total investment funds			2.958.436	2.574.549
Pension funds				
Koç Allianz Hayat ve Emeklilik A.Ş. ("Koç Allianz") Para Piyasası Emanet Likit Kamu Emeklilik Yatırım Fonu	0,0084	0,0084	251	4
Koç Allianz Para Piyasası Likit Kamu Emeklilik Yatırım Fonu	0,0084	0,0084	1.687	542
Koç Allianz Büyüme Amaçlı Esnek Emeklilik Yatırım Fonu	0,01	0,01	1.167	128
Koç Allianz İhtisaslaşmış İmkb Ulusal 30 Endeksi Emeklilik Yatırım Fonu	0,009	0,009	1.778	208
Koç Allianz Gelir Amaçlı Kamu Borçlanma Araçları Emeklilik Yatırım Fonu	0,0095	0,0095	11.614	562
Koç Allianz Gelir Amaçlı Kamu Borçlanma Araçları (Döviz End.) Emeklilik Yatırım Fonu	0,0058	0,0058	189	105
Koç Allianz Gelir Amaçlı Kamu Dış Borçlanma Araçları Emeklilik Yatırım Fonu	0,0064	0,0064	1.037	569
Koç Allianz Gelir Amaçlı Uluslararası Karma Emeklilik Yatırım Fonu	0,0055	0,0055	276	108
Total pension funds			17.999	2.226
Total			2.976.435	2.576.775

(*) Fund total values are presented without considering the effective control rates of the Joint Ventures of the Group.

(**) The values as of 31 December 2003 are disclosed with the purchasing power parity as of 31.12.2003.

(***) The name of the fund "Koçbank A.Ş. B Tipi Tahvil ve Bono Fonu (Eurobond)" changed as "Koçbank A.Ş. A Tipi Holdingler ve Yatırım Şirketleri Sektör Fonu" at 7 April 2004, and the commission rate has been changed to 0,008%.

KOÇ HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2004

(Amounts expressed in thousands of New Turkish Lira (YTL) in terms of the purchasing power of Turkish Lira at 31 December 2004 unless otherwise indicated)

NOTE 34 - SUPPLEMENTARY CASH FLOW INFORMATION

Cash and cash equivalents are carried in the balance sheet at amortized cost (Note 6).

Analysis of cash and cash equivalents included in the consolidated statement of cash flow for the years ended 31 December is as follows:

	2004	2003
Changes in reserves and provisions:		
Changes in provision for diminution in value for unlisted entities	14.963	24.344
Changes in provision for doubtful receivables	(4.989)	(24.182)
Changes in provision for loan losses	13.573	29.832
Changes in warranty provision	36.665	79.151
Changes in provision for cost and expenses	52.791	17.128
Changes in provision for employment termination benefits	7.604	12.537
Changes in insurance reserves	83.581	89.784
Changes in impairment for inventories	(6.225)	12.660
Changes in impairment for goodwill	16.638	-
	214.601	241.254
Add back net interest income:		
Non-banking interest income	(249.596)	(274.894)
Banking interest income	(661.071)	(652.347)
Non-banking financial expenses	222.041	181.189
Banking financial expenses	299.605	337.214
	(389.021)	(408.838)
Net changes in the operating assets and liabilities:		
Changes in current assets and liabilities:		
Inventories	(644.152)	(292.771)
Trade receivables	(579.722)	(282.539)
Other current assets	(93.714)	92.150
Trade payables	195.479	144.051
Other current liabilities	140.162	(39.659)
Balances with related parties, net	(55.718)	35.189
Investments	(497.174)	(642.265)
	(1.534.839)	(985.844)
Changes in finance segment current assets and liabilities:		
Cash and cash equivalents with original maturities of more than 3 months	2.790	2.245
Reserve deposits with the Central Bank	(78.954)	35.460
Loans and advances to customers, short-term	(407.261)	219.765
Loans and advances to customers, long-term	(410.085)	(249.432)
Customer deposits	526.712	(91.366)
	(366.798)	(83.328)
	(1.901.637)	(1.069.172)
Changes in other non-current asset and liabilities:		
Changes in other non-current assets	31.126	42.692
Changes in other non-current liabilities	(32.593)	(8.153)
	(1.467)	34.539

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NOTE 35 - SUBSEQUENT EVENTS

- i) On 31 January 2005, KFS, a joint venture of the Group, entered into a Share Transfer Agreement with Çukurova Holding A.Ş. and other Çukurova Group companies to purchase a 57,4% stake in Yapı ve Kredi Bankası A.Ş. The purchase price is calculated as EUR2.050.000.000 on the basis of the financial statements of YKB as at 30 June 2004. The price is subject to a further adjustment to be made on the basis of a further due diligence review and financials to be prepared as at closing. A substantial portion of the proceeds of this shares sale shall be applied for the partial repayment of Çukurova Group loans owed to YKB. KFS shall launch a tender offer to the public to purchase the remaining shares in YKB after the actual transfer of shares after obtaining the necessary approvals and consents, and after the determination of the final purchase price
- ii) On 24 January 2005 the Group decided to liquidate Blomberg Werke, a subsidiary of the Group located in Germany. The liquidation process of the Subsidiary has been initiated with effect from 1 February 2005.
- iii) Based on the decision of the Board of Directors of İzocam, a subsidiary of the Group, dated 14 February 2005, modification of the decrees No: 7, 25 and 30 of İzocam's agreement and realizing business combinations of İzocam with Tekiz, a subsidiary of the Group, are decided to be presented for approval of the General Assembly.
- iv) At the General Assembly Meeting of Otoyol Pazarlama ve Otoyol Sanayi, subsidiaries of the Group, held on 10 March 2005, it was decided to legally merge Otoyol Pazarlama and Otoyol Sanayi; the process was initiated. A Memorandum of Understanding was signed in order to equalize the shares for establishing a joint venture with IVECO S.p.A. after accomplishing the merger transactions.
- v) At 24 January 2005, the shipping warehouse of Beko Elektronik, a subsidiary of the Group, outside the factory plant was destroyed by fire. Based on the Expert Report, the cause of the fire was an electrical short circuit. The total of the damage was YTL15.506 thousand; YTL14.280 thousand has been recovered from the insurance company.

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