

KOÇ HOLDİNG A.Ş.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2005**

KOÇ HOLDİNG A.Ş.

CONSOLIDATED INTERIM FINANCIAL STATEMENTS AT 31 MARCH 2005

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**CONVENIENCE TRANSLATION INTO ENGLISH OF
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ORIGINALLY ISSUED IN TURKISH**

KOÇ HOLDİNG A.Ş.

**CONSOLIDATED INTERIM BALANCE SHEETS
AT 31 MARCH 2005 AND 31 DECEMBER 2004**

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

| | Notes | 31 March 2005 EUR'000 (*) | 31 March 2005 USD'000 (*) | Not reviewed 31 March 2005 YTL'000 | 31 December 2004 YTL'000 |
|---|-------|------------------------------|------------------------------|--|-----------------------------|
| ASSETS | | | | | |
| Current Assets: | | | | | |
| Cash and due from banks | 4.a | 1.003.711 | 1.300.372 | 1.782.290 | 2.016.674 |
| Marketable securities (net) | 5 | 738.125 | 956.288 | 1.310.688 | 1.151.453 |
| Reserve deposits with the Central Banks | 4.b | 173.205 | 224.399 | 307.561 | 324.359 |
| Loans and advances to customers | 7.b | 1.092.247 | 1.415.076 | 1.939.503 | 1.774.308 |
| Trade receivables (net) | 7.a | 1.865.552 | 2.416.942 | 3.312.661 | 3.215.555 |
| Lease receivables (net) | 8 | 81.787 | 105.961 | 145.230 | 139.713 |
| Due from related parties (net) | 9.a | 21.942 | 28.427 | 38.962 | 32.267 |
| Other receivables (net) | 10 | 24.808 | 32.141 | 44.052 | 31.479 |
| Biological assets (net) | 11 | - | - | - | - |
| Inventories (net) | 12 | 1.250.095 | 1.619.578 | 2.219.794 | 2.170.495 |
| Construction contract receivables (net) | 13 | - | - | - | - |
| Deferred tax assets | 14 | - | - | - | - |
| Other current assets | 15.a | 235.793 | 305.485 | 418.698 | 384.332 |
| Total current assets | | 6.487.265 | 8.404.669 | 11.519.439 | 11.240.635 |
| Non-current assets: | | | | | |
| Loans and advances to customers | 7.b | 452.968 | 586.849 | 804.335 | 701.061 |
| Trade receivables (net) | 7.a | - | - | - | - |
| Lease receivables (net) | 8 | 78.496 | 101.696 | 139.385 | 136.786 |
| Due from related parties (net) | 9.a | - | - | - | - |
| Other receivables (net) | 10 | - | - | - | - |
| Financial assets (net) | 16 | 1.226.250 | 1.588.685 | 2.177.452 | 2.100.429 |
| Goodwill / negative goodwill (net) | 17 | 173.692 | 225.029 | 308.425 | 289.536 |
| Investment property (net) | 18 | 35.450 | 45.928 | 62.949 | 64.789 |
| Property, plant and equipment (net) | 19 | 2.269.013 | 2.939.651 | 4.029.086 | 4.066.140 |
| Intangible assets (net) | 20 | 140.389 | 181.883 | 249.289 | 250.916 |
| Deferred tax assets | 14 | 135.228 | 175.197 | 240.125 | 212.643 |
| Other non-current assets | 15.b | 30.237 | 39.173 | 53.691 | 45.858 |
| Total non-current assets | | 4.541.723 | 5.884.091 | 8.064.737 | 7.868.158 |
| Total assets | | 11.028.988 | 14.288.760 | 19.584.176 | 19.108.793 |

(*) 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 March 2005, and therefore do not form part of these consolidated interim financial statements (Note 2.e).

These consolidated interim financial statements as at and for the period ended 31 March 2005 have been approved for issue by the Board of Directors on 31 May 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 interim financial statements.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONSOLIDATED INTERIM FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH**

KOÇ HOLDİNG A.Ş.

**CONSOLIDATED INTERIM BALANCE SHEETS
AT 31 MARCH 2005 AND 31 DECEMBER 2004**

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

| | Notes | 31 March 2005 EUR'000 (*) | 31 March 2005 USD'000 (*) | Not reviewed 31 March 2005 YTL'000 | 31 December 2004 YTL'000 |
|--|-----------|------------------------------|------------------------------|--|-----------------------------|
| LIABILITIES | | | | | |
| Current Liabilities: | | | | | |
| Customer deposits | 6.b | 1.961.535 | 2.541.294 | 3.483.098 | 3.455.566 |
| Short-term borrowings (net) | 6.a | 1.488.329 | 1.928.225 | 2.642.825 | 2.063.890 |
| Short-term portion of long-term borrowings (net) | 6.a | 289.767 | 375.412 | 514.540 | 537.355 |
| Lease payables (net) | 8.b | 2.079 | 2.694 | 3.692 | 5.739 |
| Insurance technical reserves | 23.c | 154.523 | 200.195 | 274.387 | 239.909 |
| Other financial liabilities (net) | 10 | 175.066 | 226.809 | 310.864 | 236.564 |
| Trade payables (net) | 7.a | 1.197.995 | 1.552.079 | 2.127.280 | 2.212.226 |
| Due to related parties (net) | 9.b | 66.926 | 86.707 | 118.841 | 120.495 |
| Advances received | 21 | 30.725 | 39.806 | 54.558 | 248.206 |
| Construction contracts progress billings (net) | 13 | - | - | - | - |
| Provisions | 23.a | 31.356 | 40.623 | 55.678 | 80.842 |
| Deferred tax liabilities | 14 | - | - | - | - |
| Other current liabilities (net) | 15.c | 405.765 | 525.696 | 720.518 | 591.246 |
| Total current liabilities | | 5.804.066 | 7.519.540 | 10.306.281 | 9.792.038 |
| Non-current liabilities: | | | | | |
| Customer deposits | 6.b | 70.992 | 91.975 | 126.061 | 204.544 |
| Long-term borrowings (net) | 6.a | 753.640 | 976.389 | 1.338.239 | 1.476.831 |
| Lease payables (net) | 8.b | 4.738 | 6.138 | 8.413 | 7.066 |
| Insurance technical reserves | 23.c | 199.712 | 258.740 | 354.629 | 340.997 |
| Other financial liabilities (net) | 10 | 6.970 | 9.030 | 12.376 | 12.728 |
| Trade payables (net) | 7.a | - | - | - | - |
| Due to related parties (net) | 9.b | - | - | - | - |
| Advances received | 21 | - | - | - | - |
| Provisions | 23.b | 83.808 | 108.579 | 148.818 | 141.724 |
| Deferred tax liabilities | 14 | 124.957 | 161.890 | 221.886 | 217.856 |
| Other non-current liabilities (net) | 15.d | 33.628 | 43.566 | 59.713 | 66.630 |
| Total non-current liabilities | | 1.278.445 | 1.656.307 | 2.270.135 | 2.468.376 |
| Total liabilities | | 7.082.511 | 9.175.847 | 12.576.416 | 12.260.414 |
| MINORITY INTEREST | 24 | 1.548.924 | 2.006.732 | 2.750.425 | 2.692.107 |
| SHAREHOLDERS' EQUITY | | | | | |
| Share capital | 25 | 563.158 | 729.607 | 1.000.000 | 1.000.000 |
| Treasury shares | 25 | - | - | - | - |
| Capital reserves | 26 | 887.401 | 1.149.684 | 1.575.758 | 1.575.758 |
| Share premium | | 18 | 23 | 32 | 32 |
| Share cancellation gains | | - | - | - | - |
| Revaluation fund | | - | - | - | - |
| Financial assets fair value reserve | | - | - | - | - |
| Inflation adjustment to shareholders' equity | | 887.383 | 1.149.661 | 1.575.726 | 1.575.726 |
| Profit reserves | 27 | 123.924 | 160.549 | 220.050 | 216.877 |
| Legal reserves | | 15.262 | 19.772 | 27.100 | 27.100 |
| Statutory reserves | | - | - | - | - |
| Extraordinary reserves | | 120.880 | 156.607 | 214.646 | 214.646 |
| Special reserves | | - | - | - | - |
| Investment and property sales income to be added to the capital | | 806 | 1.044 | 1.431 | 1.431 |
| Translation reserve | | (13.405) | (17.367) | (23.803) | (22.080) |
| Cumulative gain/(loss) on hedging | | 381 | 493 | 676 | (4.220) |
| Current year profit | | 49.847 | 64.580 | 88.514 | 508.496 |
| Retained earnings | 28 | 773.223 | 1.001.761 | 1.373.013 | 855.141 |
| Total shareholders' equity | | 2.397.553 | 3.106.181 | 4.257.335 | 4.156.272 |
| Total liabilities and shareholders' equity | | 11.028.988 | 14.288.760 | 19.584.176 | 19.108.793 |
| Commitments and contingent liabilities | 31 | | | | |

(*) EUR and USD amounts presented above are translated from YTL for convenience purposes only, at the official YTL exchange rate announced by CBRT at 31 March 2005, and therefore do not form part of these consolidated interim financial statements (Note 2.e).

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONSOLIDATED INTERIM FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH**

KOÇ HOLDİNG A.Ş.

**CONSOLIDATED INTERIM STATEMENTS OF INCOME
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2005**

(Amounts expressed in thousands of New Turkish Lira (“YTL”) unless otherwise indicated.)

| | Notes | 31 March 2005 EUR'000 (*) | 31 March 2005 USD'000 (*) | Not reviewed 31 March 2005 YTL'000 | 31 March 2004 YTL'000 |
|--|-------|------------------------------|------------------------------|--|--------------------------|
| Operating Revenues | | 2.943.861 | 3.813.960 | 5.227.414 | 4.871.779 |
| Revenues (net) | 36 | 2.943.861 | 3.813.960 | 5.227.414 | 4.871.779 |
| Cost of revenues (-) | 36 | (2.451.508) | (3.176.085) | (4.353.142) | (3.985.707) |
| Gross operating profit | | 492.353 | 637.875 | 874.272 | 886.072 |
| Operating expenses (-) | 37 | (371.040) | (480.706) | (658.856) | (583.285) |
| Net operating profit | | 121.313 | 157.169 | 215.416 | 302.787 |
| Other income | 38 | 20.395 | 26.423 | 36.215 | 31.246 |
| Other expenses | 38 | (7.487) | (9.699) | (13.294) | (23.241) |
| Financial income/(expenses) - net | 39 | (12.167) | (15.763) | (21.605) | 76.929 |
| Income before monetary loss, taxes and minority interests | | 122.054 | 158.130 | 216.732 | 387.721 |
| Monetary loss (net) | 40 | - | - | - | (48.592) |
| Income before taxes and minority interests | | 122.054 | 158.130 | 216.732 | 339.129 |
| Taxes on income | 41 | (34.861) | (45.165) | (61.903) | (162.103) |
| Income before minority interest | | 87.193 | 112.965 | 154.829 | 177.026 |
| Minority interest | 24 | (37.346) | (48.385) | (66.315) | (73.226) |
| Net income | | 49.847 | 64.580 | 88.514 | 103.800 |
| Earnings per share (YTL) | 42 | | | 89 | 104 |

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**CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2005**

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

| | <u>Capital Reserves</u> | | | <u>Profit Reserves</u> | | | | | <u>Retained Earnings</u> | | | Total shareholders' equity |
|----------------------------------|-------------------------|---------------|---|------------------------|---------------------------|-------------------------|--|---|--------------------------|--------------------------|------------------|----------------------------------|
| | Share capital | Share Premium | Inflation adjustment to shareholders' equity | Legal reserves | Extraordinary reserves | Translation reserves | Cumulative gain and loss on hedging | Investment and property sales income to be added to the capital | Retained earnings | Undistributed profits | Total | |
| Balance at 1 January 2004 | 789.750 | 32 | 1.699.460 | 16.449 | 181.326 | (9.080) | (21.083) | - | 602.181 | 435.008 | 1.037.189 | 3.694.043 |
| Transfers | - | - | - | - | - | - | - | - | 435.008 | (435.008) | - | - |
| Currency translation differences | - | - | - | - | - | (42.987) | - | - | - | - | - | (42.987) |
| Cumulative gain on hedging | - | - | - | - | - | - | 21.487 | - | - | - | - | 21.487 |
| Net income for the period | - | - | - | - | - | - | - | - | - | 103.800 | 103.800 | 103.800 |
| Balance at 31 March 2004 | 789.750 | 32 | 1.699.460 | 16.449 | 181.326 | (52.067) | 404 | - | 1.037.189 | 103.800 | 1.140.989 | 3.776.343 |
| Balance at 1 January 2005 | 1.000.000 | 32 | 1.575.726 | 27.100 | 214.646 | (22.080) | (4.220) | 1.431 | 855.141 | 508.496 | 1.363.637 | 4.156.272 |
| Adoption of IFRS 3 | - | - | - | - | - | - | - | - | 9.376 | - | 9.376 | 9.376 |
| -negative goodwill (Note 17) | - | - | - | - | - | - | - | - | 508.496 | (508.496) | - | - |
| Transfers | - | - | - | - | - | - | - | - | - | - | - | - |
| Currency translation differences | - | - | - | - | - | (1.723) | - | - | - | - | - | (1.723) |
| Cumulative gain on hedging | - | - | - | - | - | - | 4.896 | - | - | - | - | 4.896 |
| Net income for the period | - | - | - | - | - | - | - | - | - | 88.514 | 88.514 | 88.514 |
| Balance at 31 March 2005 | 1.000.000 | 32 | 1.575.726 | 27.100 | 214.646 | (23.803) | 676 | 1.431 | 1.373.013 | 88.514 | 1.461.527 | 4.257.335 |

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**CONSOLIDATED INTERIM STATEMENTS OF CASH FLOW
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2005**

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

| | Notes | 31 March 2005 EUR'000 (*) | 31 March 2005 USD'000 (*) | 31 March 2005 YTL'000 | 31 March 2004 YTL'000 |
|---|----------|------------------------------|------------------------------|--------------------------|--------------------------|
| Operating activities: | | | | | |
| Net income | | 49.847 | 64.580 | 88.514 | 103.800 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | | | |
| Net income attributable to minority interest | 24 | 37.346 | 48.385 | 66.315 | 73.226 |
| Depreciation and amortisation - net | 18,19,20 | 103.117 | 133.594 | 183.104 | 187.913 |
| Changes in provisions | 43 | 44.043 | 57.061 | 78.208 | 69.762 |
| Net interest income | 43 | (55.320) | (71.670) | (98.231) | (115.978) |
| Banking sector interest income | 33.h | 96.692 | 125.270 | 171.697 | 148.740 |
| Banking sector interest expense | 33.h | (43.515) | (56.377) | (77.270) | (64.984) |
| Gain on sale of tangible assets | 38 | (2.275) | (2.947) | (4.039) | (15.670) |
| Fair value loss on financial assets - net | 16 | 666 | 862 | 1.183 | 1.133 |
| Dividend income | | - | - | - | (267) |
| Taxation expenses | 41 | 34.861 | 45.165 | 61.903 | 162.103 |
| Net cash provided from operating activities before changes in operating assets and liabilities | | 265.462 | 343.923 | 471.384 | 549.774 |
| Net changes in operating assets and liabilities | 43 | (501.157) | (649.278) | (889.902) | (518.880) |
| Income taxes paid | | (49.032) | (63.525) | (87.067) | (79.209) |
| Net change in operating assets and liabilities | | (550.189) | (712.803) | (976.969) | (598.089) |
| Net cash used in operating activities | | (284.727) | (368.880) | (505.585) | (48.315) |
| Investing activities: | | | | | |
| Acquisition of tangible and intangible assets | 18,19,20 | (86.855) | (112.526) | (154.228) | (161.994) |
| Cash provided from sale of tangible and intangible assets | | 7.041 | 9.122 | 12.503 | 106.640 |
| Increase in effect of change in minority interest | | - | - | - | 826 |
| Acquisition of subsidiaries | | - | - | - | (47.262) |
| Dividend income | | - | - | - | 267 |
| Net cash used in investing activities | | (79.814) | (103.404) | (141.725) | (101.523) |
| Financing activities: | | | | | |
| Share capital increase attributable to minority interest | 24 | - | - | - | 12.009 |
| Dividend paid attributable to minority interest | 24 | (9.657) | (12.511) | (17.148) | (50.441) |
| Increase / (decrease) in short-term borrowings | | 312.031 | 404.256 | 554.073 | (143.887) |
| Decrease in long-term borrowings | | (77.291) | (100.135) | (137.245) | (13.846) |
| Non-banking sector interest income | 39 | 23.563 | 30.527 | 41.840 | 75.098 |
| Non-banking sector interest expense | 39 | (21.420) | (27.751) | (38.036) | (42.876) |
| Net cash provided from/(used in) financing activities | | 227.226 | 294.386 | 403.484 | (163.943) |
| Cumulative gain on hedging | | 2.759 | 3.573 | 4.896 | 21.487 |
| Cumulative gain on hedging attributable to minority interest | 24 | 144 | 186 | 255 | 525 |
| Translation difference | | 349 | 452 | 619 | (42.987) |
| Translation difference attributable to minority interest | | 125 | 162 | 222 | 6.898 |
| Net decrease in cash and cash equivalents | | (133.938) | (173.525) | (237.834) | (327.854) |
| Cash and cash equivalents at the beginning of the period | | 1.119.377 | 1.450.225 | 1.987.678 | 2.092.508 |
| Cash and cash equivalents at the end of the period | | 4.a | 985.439 | 1.276.700 | 1.749.844 |
| | | | 1.276.700 | 1.749.844 | 1.764.654 |

(*) EUR and USD amounts presented above are translated from YTL for convenience purposes only, at the official YTL exchange rate announced by CBRT at 31 March 2005, and therefore do not form part of these consolidated interim financial statements (Note 2.e).

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

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**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED AT 31 MARCH 2005**

(Amounts expressed in thousands of New Turkish Lira (“YTL”) 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 March 2005, the number of people employed by Koç Holding, Subsidiaries and Joint Ventures (collectively referred as the “Group”) is 59.943 (31 December 2004: 59.513).

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 March 2005, the shares quoted on the ISE represent some 22,00% of the total shares. At 31 March 2005, the principal shareholders and their respective shareholdings in Koç Holding are as follows (Note 25):

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

Koç Holding is organised mainly in Turkey in 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.

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**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED AT 31 MARCH 2005**

(Amounts expressed in thousands of New Turkish Lira (“YTL”) unless otherwise indicated.)

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

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

| <u>Subsidiary</u> | <u>Country of incorporation</u> | <u>Nature of business</u> | <u>Segment</u> |
|--|---------------------------------|---------------------------|--------------------|
| Beldesani Otomotiv Yan Sanayii ve Tic. A.Ş. (“Beldesani”) | 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 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 |

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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 | Trading | 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 |
| Beko Ticaret A.Ş. ("Beko Ticaret") | 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 | Other |
| Koçnet Haberleşme Teknoloji ve İletişim Hizm. A.Ş. ("Koçnet") | Turkey | Information technology | Other |
| Koç Sistem A.Ş. ("Koç Sistem") | Turkey | Technology | Other |
| Koç Yapı Malzemeleri Ticaret A.Ş. ("Koç Malzeme") | Turkey | Trading | 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 |

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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 segment and joint venture partners of Koç Holding are explained below (Note 3.a):

| Joint Venture | Country of incorporation | Nature of business | Segment | Joint Venture Partner |
|--|---------------------------------|------------------------------------|--------------------|------------------------------|
| 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 | Consumer 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. |
| Koçtaş Yapı Marketleri Sanayi ve Ticaret A.Ş. (“Koçtaş Yapı Market”) | Turkey | Construction and housing equipment | Food and retailing | B & Q Holding BV |
| 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 |
| 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 have been included within the “Other” segment (Note 33).

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

a) Accounting standards

The consolidated interim financial statements of Koç Holding have been prepared in accordance with the accounting and reporting principles published by the Capital Markets Board (“CMB”), namely “CMB Accounting Standards”. The CMB published a comprehensive set of accounting principles in Communiqué No. XI-25 “The Accounting Standards in the Capital Markets”. In the aforementioned communiqué, it has been stated that applying the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and the International Accounting Standards Committee (“IASC”) is accepted as an alternative to conform with CMB Accounting Standards. With the decision taken on 17 March 2005, the CMB has announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with CMB Accounting Standards. The consolidated financial statements presented for comparison purposes are expressed in terms of the purchasing power of YTL at 31 December 2004 and are prepared in the frame of the aforementioned alternative application permitted by the CMB. These consolidated interim financial statements and the related notes have been presented in accordance with the formats required by the CMB with the announcement dated 20 December 2004.

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 YTL 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, accounting principles promulgated by the Banking Regulation and Supervising Agency for banks and for listed companies and accounting principles issued by the CMB. 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 interim financial statements are based on the statutory records, which are maintained under historical cost conversion, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with CMB Accounting Standards.

b) Financial reporting in hyperinflationary periods

As stated in the accounting standards, companies operating in Turkey and preparing financial statements according to CMB Accounting Standards need not apply inflation accounting principles effective from 1 January 2005. As a result of this, the Group did not apply inflation accounting effective from 1 January 2005.

The restatement for the changes in the general purchasing power of the YTL at balance sheet date 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. The restatement of the comparative amounts 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 comparative amounts are given below:

| Dates | Index | Conversion factors | Cumulative 3-year % |
|------------------|--------------|---------------------------|----------------------------|
| 31 December 2004 | 8.403,8 | 1,000 | 69,7 |
| 31 March 2004 | 7.862,2 | 1,068 | 159,1 |

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

c) 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 six 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 CMB dated 30 November 2004, financial statements for the period ended 31 March 2005, including the prior period financial data which will be used for comparison purposes, are presented in YTL, and prior period financial statements are to be presented in YTL only for comparative purposes.

d) 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 CMB Accounting Standards to reflect the proper presentation and content. The assets and liabilities of foreign Subsidiaries and Joint Ventures are translated into YTL from the foreign exchange rate at the balance sheet date. The income and expenses of foreign Subsidiaries and Joint Ventures are translated into YTL at the average foreign exchange rate. 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.

e) EUR and USD translation

EUR and USD amounts shown in the consolidated interim financial statements have been included solely for the convenience of the reader of the consolidated interim 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 CBRT on 31 March 2005 of YTL1,7757 = EUR1 and YTL1,3706= USD1 respectively and therefore do not form a part of consolidated financial statements. Such translation should not be construed as a representation that the YTL amounts have been or could be converted into EUR and USD at these or any other rates.

f) Convenience translation into English of consolidated interim financial statements originally issued in Turkish

As of 31 March 2005, the accounting principles described in Note 2.a (defined as CMB Accounting Standards) differ from International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board with respect to the application of inflation accounting, presentation of the basic financial statements and the notes to them. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

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NOTE 3 - 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.

a) Group accounting

- i) The consolidated financial statements include the accounts of the parent company, Koç Holding, its Subsidiaries and its Joint Ventures (collectively referred to as the "Group") on the basis set out in sections (ii) to (vi) below. The financial statements of the companies included in the scope of consolidation have been prepared as of the date of the consolidated financial statements with adjustments and reclassifications for the purpose of fair presentation in accordance with CMB Accounting Standards and the application of uniform accounting policies and presentation.
- ii) Subsidiaries are companies over which Koç Holding has the power to control the financial and operating policies for the benefit of Koç Holding, either (a) through the power to exercise more than 50% of voting rights relating to shares in the companies as a result of ownership interest owned directly and indirectly by itself, and/or as a result of agreements by certain Koç family members and companies owned by them (collectively referred to 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 the power to exercise control over financial and operating policies.

The table below sets out all Subsidiaries included in the scope of consolidation and shows their ownership and effective interests as of 31 March 2005:

| 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 (%) |
|---------------------|---|---|---|-------------------------------------|
| Beldesán | 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 | 99,96 | - | 99,96 |
| Beko Polska | 39,14 | 100,00 | - | 100,00 |
| 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 | 24,11 | 70,21 |
| Demrad | 46,10 | 100,00 | - | 100,00 |
| DD Heating | 23,05 | 50,00 | 50,00 | 100,00 |

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 Macedonia | 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 |
| Beko Ticaret | 39,00 | 39,00 | 60,00 | 99,00 |
| 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 |
| Koç Malzeme | 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.

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 was excluded from the scope of consolidation at the date that control ceased (Note 16).

The balance sheets and statements of income of the Subsidiaries are consolidated on line-by-line basis and the carrying value of the investment held by Koç Holding and its Subsidiaries has been 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.

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsidiaries are consolidated from the date on which control was 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.

- iii) 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.

The table below sets out the Joint Ventures and shows their shareholding structure at 31 March 2005:

| 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 |
| Koçtaş Yapı Market | 33,79 | 49,89 | 0,11 | 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 |
| Kofisa Trading | 50,00 | 50,00 | - | 50,00 |
| Ultra Kablo | 26,72 | 50,00 | - | 50,00 |

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Available-for-sale investments, in which the Group together with Koç family members, have ownership interests below 20%, or 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 (Note 16).

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

b) Related parties

For the purpose of these consolidated interim 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.

c) 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 recognised at cost and are subsequently re-measured at fair value based on quoted bid prices, for trading securities for which fair values can not be reliably measured, based on prices announced by the CBRT in the Official Gazette. All related realised and unrealised gains and losses are included in operating revenue for the joint ventures in the banking sector and in the financial income for companies in other sectors.

Debt securities with fixed maturities where management has both the intent and the ability to hold to the maturity excluding the financial assets classified as originated loans and advances to customers are classified as "held-to-maturity 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.

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All purchases and sales of investments are recognised 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 amortised cost using the effective yield method. Available-for-sale investments that do not have quoted prices in active markets are initially recognised at cost and subsequently remeasured at transaction/companies prices in active markets and whose fair values can not 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 and Joint Ventures 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, if these investments do not have quoted market prices in active markets or their fair values can not be reliably measured.

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.

d) 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 with the counter party liability included in customer deposits. The portion of the difference between the sale and repurchase price of these agreements in the current period is treated as interest expense and accrued over the life of the repurchase agreement.

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

e) Trade receivables and provision for doubtful receivables

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

A credit risk provision for trade receivables is established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount. The recoverable amount is the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

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

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) 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 amortised cost, less any provision for loan losses.

i) Loans and advances to customers

All loans and advances are recognised when cash is advanced to borrowers.

A credit risk provision for loan impairment is established if there is objective evidence that the Group will not be able to collect all the amounts due. The amount of the provision for impaired loans and loans under legal follow-up is the difference between the carrying amount and the recoverable amount. The recoverable amount 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.

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 the current economic climate in which the borrowers operate. The level of provision is also in line with the applicable Banking Legislation.

The movement in provision is charged against the income for the period. When a loan is deemed uncollectible, it is written off against the related provision for impairment. The loan is written off after all the necessary legal proceedings have been completed and the amount of the loan loss is finally determined. 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 Prime Ministry Treasury Under secretariat of the Republic of Turkey and directly transferred by the Group to the state, reclassified as loans and advances to customers are recorded by subtracting their impairment from their discounted cost, if any.

g) Factoring receivables / Factoring fees and commissions

Receivables from factoring are recorded net of provisions and are carried at amortised 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 can not 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 the amount of loss is finally determined. Recoveries of amounts previously provided for are treated as the reduction of the charge for provision for factoring receivables for the period.

h) Credit finance income/charges

Credit finance income/charges represent imputed finance charges on credit sales and purchases. Such income and charges are recognised on an effective yield method over the period of credit sales and purchases, and included under financial income and expenses (Note 39).

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Inventories

Inventories are valued at the lower of cost or net realisable 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. Inventories are valued at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses (Note 12).

j) 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. Investment properties (except for land) are depreciated with the straight-line depreciation method over their useful lives (Note 18).

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.

k) Property, plant and equipment and related depreciation

Property, plant and equipment are carried at cost less accumulated depreciation in each case. Depreciation is provided for property, plant and equipment on a straight-line basis. 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 recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of asset net selling price or value in use. Recoverable amount of the 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 equipment are capitalised and amortised when their capacity is fully available for use and their physical situations meet the determined production capacities.

Gains or losses on disposals of property, plant and equipment are determined by comparing proceeds with their restated carrying amounts and are included in the related income and expense accounts, as appropriate (Note 19).

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) 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 capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in leasing payables.

The interest element of the finance cost is charged to the income statement over the lease period. The property, plant and equipment acquired under finance leases are depreciated over the 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.

(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 recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

Operating leases

Assets leased out under operating leases are included in property, plant and equipment in the 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 recognised on a straight-line basis over the lease term.

m) Intangible assets and related amortisation

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 amortised 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. The indefinite economic life has been determined for brands and patents (Note 20).

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) Goodwill and amortisation of goodwill

The Group recognised goodwill and negative goodwill, arising from acquisitions before 31 March 2004, which represent the difference between the acquisition cost and the share of the Group in the fair value of the underlying net assets acquired, and used to amortised them over their estimated useful lives using the straight-line method, in its consolidated financial statements until 31 December 2004. IFRS 3 – "Business Combinations", prohibits amortisation of goodwill acquired in business combinations after 31 March 2004 and requires the goodwill to be tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired.

In accordance with IFRS 3, (a) from the beginning of the first annual period beginning on or after 31 March 2004 (1 January 2005), the Group ceased amortisation of the goodwill arising from the acquisitions before 31 March 2004. Any impairment related to goodwill in subsequent periods shall be recognised in the statement of income; (b) excess of the Group's interest in the fair value of the identifiable assets and liabilities acquired over the cost of business combination shall be immediately recognised in the statement of income. The carrying value of the negative goodwill from the acquisitions before 31 March 2004 was derecognised from financial statements at the beginning of the period in accordance with IFRS 3 with a corresponding adjustment to the opening balance of retained earnings (Notes 17 and 24).

The carrying value of the negative goodwill arising from the acquisitions before 31 March 2004 has been excluded from the financial statements and adjusted in the retained earnings in accordance with IFRS 3 (Note 17).

o) 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 14).

The principal temporary differences arise from the restatement of property, plant and equipment and inventory over their tax bases, unused tax credits, the portion of allowance for unearned credit finance income and expenses provision for employment termination benefits and carry forward tax losses.

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

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

p) Employment termination benefits

Reserve of employment termination benefits, as required by Turkish Labour Law, is recognised in these financial statements as they are earned. The total provision represents the present value of future probable obligation of the Group arising from the retirement of its employees (Note 23.b).

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

r) 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.

s) Provisions

Provisions are recognised when, the Group 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 at the balance sheet date.

t) Contingent assets and liabilities

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are not included in consolidated balance sheet and disclosed as contingent assets and liabilities (Note 31).

u) Revenue recognition

Banking

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

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

Insurance

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.

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Sectors

Revenues are recognised 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 recognised on an accrual basis as financial income (Note 39).

v) **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 recognised 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 the 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.

y) **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 recognised in equity in the period in which they are declared.

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

z) Research and development costs

Research and development costs are recognised and expensed in the statement of income in the period in which they are incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility and only if the cost can be measured reliably (Note 20). Other development expenditures are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in subsequent periods. Development costs that have been capitalised are amortised from the commencement of the commercial production of the product on a straight-line basis over five years.

aa) License fees

License 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 five years by the management.

ab) Warranties

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

ac) Government grants

Turkish Government investment grants in the form of Resource Utilisation Support Premium ("RUSP") are accounted for on an accrual basis for estimated amounts are expected to be realised under grant claims filed by the Group. These grants are accounted for as deferred income in the balance sheet and amortised over the depreciation period of the relevant assets on a straight-line basis (Note 30).

ad) Borrowing costs

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

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

Derivative financial instruments are initially recognised 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 recognised asset or liability ("fair value hedge"), or (2) a hedge of a forecasted transaction or of a firm commitment ("cash flow hedge").

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Changes in the fair value of derivatives that are designated as being and qualify as cash flow hedges and are highly effective, are recognised in equity as "cumulative loss on hedging". Where the forecasted transaction or firm commitment results in the recognition of an asset or of a liability, the gains and losses previously booked under equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts booked under equity are transferred to the 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 recognised when the committed or forecasted transaction ultimately is recognised in the statement of income. However, if a committed or forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of income.

af) 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.

Credit risk

Advances and loans given to customers

Holding financial instruments can be defined as carrying in the likelihood that the counterparty can not 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.

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the 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 in Note 3.c.

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NOTE 3 - 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, derivative financial instruments and foreign exchange instruments have been presented at their fair values.

ag) Earnings per share

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

In Turkey, companies can increase their share capital through a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings and inflation adjustment to shareholders' equity (Note 26-28). 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 the period are as follows:

| | 31 March 2005 | 31 December 2004 |
|--|----------------------|-------------------------|
| Investment sale income (Note 25) | - | 84.699.970.371 |
| Shareholders' equity restatement differences (Note 25) | - | 125.550.029.629 |
| Total | - | 210.250.000.000 |

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

ah) 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 recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

ai) Legal mergers

Legal mergers represent transactions between subsidiaries of the Group and are not within the scope of IFRS 3 ("Business Combinations"). Consequently, there is no recognition of any goodwill in these transactions. Similarly, the effects of all transactions between the legally merged enterprises, whether occurring before or after the legal merger, are eliminated in the preparation of consolidated financial statements (Note 32).

aj) 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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NOTE 4 - CASH AND CASH EQUIVALENTS

a) Cash and due from banks

| | <u>31 March 2005</u> | | | <u>31 December 2004</u> | | |
|--|----------------------|------------------|------------------|-------------------------|------------------|------------------|
| | Banking | Other | Total | Banking | Other | Total |
| Cash in hand | 39.722 | 110.464 | 150.186 | 35.983 | 139.732 | 175.715 |
| Cheques received | 516 | 94.336 | 94.852 | 758 | 58.962 | 59.720 |
| Balances with the Central Banks other than reserve requirements | 3.669 | - | 3.669 | 4.591 | - | 4.591 |
| Due from banks | | | | | | |
| - Demand deposits | 91.389 | 164.617 | 256.006 | 74.896 | 242.582 | 317.478 |
| - Time deposits | 381.578 | 795.742 | 1.177.320 | 765.259 | 568.264 | 1.333.523 |
| - Reverse repurchase agreements | 1.535 | 8.938 | 10.473 | - | 6.394 | 6.394 |
| Interbank money market placements | 89.784 | - | 89.784 | 119.253 | - | 119.253 |
| | 608.193 | 1.174.097 | 1.782.290 | 1.000.740 | 1.015.934 | 2.016.674 |

At 31 March 2005, total time deposits with maturities over one year amount to YTL32.466 thousand (31 December 2004: YTL28.996 thousand).

The interest rates of foreign currency time deposits are between 0,3% - 8,8% per annum ("p.a.") (31 December 2004: 1,0% and 8,3% p.a.). The interest rates of YTL time deposits are between 8,0% - 26,0% p.a. (31 December 2004: 13,9% - 29,0% p.a.).

Reverse repurchase agreements are all short-term with periods of less than three months and the interest rates are between 16,3% - 20,0% p.a. (31 December 2004: 14,8% - 20,0% p.a.).

The interest rates of Interbank money market placements for foreign currencies are between 1,3% - 10,0% p.a. (31 December 2004: 1,0% - 10,0% p.a.) and 15,9% - 23,0% p.a. for YTL (31 December 2004: 19,0% - 22,5% p.a.).

As of 31 March 2005, 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 YTL9.171 thousand in a bank mutually agreed by the parties (31 December 2004: YTL8.719 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.

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NOTE 4 - CASH AND CASH EQUIVALENTS

b) Reserve Deposits with the Central Banks

| | 31 March 2005 | 31 December 2004 |
|---------------------------|----------------------|-------------------------|
| Foreign currency deposits | 230.623 | 228.020 |
| YTL deposits | 76.938 | 96.339 |
| | 307.561 | 324.359 |

Reserve requirements of the 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 which are between 6,0% and 11,0%, respectively (31 December 2004: 6,0% and 11,0%). These funds can not be used for financing the daily operations of the banks.

Reserve requirements of the Central Bank of the Netherlands 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% (31 December 2004: 10,0%) of the statutory balances of customer accounts, due to banks and other funds borrowed.

As of 31 March 2005; YTL306.218 thousand of reserve requirements are found in CBRT and YTL1.344 thousand in Central Bank of Azerbaijan (As of 31 December 2004: YTL317.426 thousand of reserve requirements are found in the CBRT, YTL5.415 thousand in the Central Bank of the Netherlands and YTL1.518 thousand in the Central Bank of Azerbaijan).

NOTE 5 - MARKETABLE SECURITIES

a) Held-for-trading investments

| | 31 March 2005 | | | 31 December 2004 | | |
|-------------------------|----------------------|--------------|---------------|-------------------------|--------------|---------------|
| | Banking | Other | Total | Banking | Other | Total |
| Debt securities: | | | | | | |
| - Treasury bills | 229 | - | 229 | 20.144 | - | 20.144 |
| - Government bonds: | | | | | | |
| <i>YTL</i> | 846 | - | 846 | 919 | - | 919 |
| <i>Foreign currency</i> | 13.825 | - | 13.825 | 13.117 | - | 13.117 |
| - Eurobonds | 7 | - | 7 | 499 | - | 499 |
| - Investment funds | - | - | - | 9.917 | - | 9.917 |
| Total | 14.907 | - | 14.907 | 44.596 | - | 44.596 |

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NOTE 5 - MARKETABLE SECURITIES (Continued)

Analysis of held-for-trading investments based on the remaining period to the contractual maturity date as of 31 March 2005 and 31 December 2004 is as follows:

| | 31 March 2005 | | | 31 December 2004 | | |
|---|----------------------|--------------|---------------|-------------------------|--------------|---------------|
| | Banking | Other | Total | Banking | Other | Total |
| Investment share certificates and mutual funds | - | - | - | 9.917 | - | 9.917 |
| 1-3 months | 2.578 | - | 2.578 | 852 | - | 852 |
| 3 months-1 year | 12.329 | - | 12.329 | 33.827 | - | 33.827 |
| | 14.907 | - | 14.907 | 44.596 | - | 44.596 |

There is no debt securities pledged under repurchase agreements at 31 March 2005 (31 December 2004: YTL19.758 thousand).

Interest rates of treasury bills and government bonds held-for-trading at 31 March 2005 are between 14,6% and 26,0% p.a. (31 December 2004: 18,1% and 28,8% 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 3,7% and 11,3% p.a. (31 December 2004: 3,9% and 11,3% p.a.).

b) Available-for-sale investments

| | 31 March 2005 | | | 31 December 2004 | | |
|-------------------------|----------------------|----------------|----------------|-------------------------|----------------|----------------|
| | Banking | Other | Total | Banking | Other | Total |
| Debt securities: | | | | | | |
| - Treasury bills | 85 | 48.482 | 48.567 | 91.427 | 34.468 | 125.895 |
| - Government bonds: | | | | | | |
| <i>YTL</i> | 9.030 | 313.659 | 322.689 | 945 | 323.451 | 324.396 |
| <i>Foreign currency</i> | 9.860 | 265 | 10.125 | 7.277 | 33.892 | 41.169 |
| - Eurobonds | 266 | 82.403 | 82.669 | 6.720 | 4.349 | 11.069 |
| - Other | 33.622 | 20.077 | 53.699 | 34.110 | 17.706 | 51.816 |
| Total | 52.863 | 464.886 | 517.749 | 140.479 | 413.866 | 554.345 |

There are YTL10.072 thousand securities pledged under repurchase agreements as of 31 March 2005 (31 December 2004: YTL85.360 thousand).

Interest rates of treasury bills and government bonds held as available-for-sale at 31 March 2005 are between 15,9% and 30,7% p.a. (31 December 2004: 19,0% -30,4% p.a.). Interest rates of foreign currency available-for-sale investments held at 31 March 2005 are between 2,8% and 12,4% p.a. (31 December 2004: 2,0% and 12,4% p.a.).

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NOTE 5 - MARKETABLE SECURITIES (Continued)

At 31 March 2005, short-term and long-term government bonds amounting to YTL341.408 thousand (31 December 2004: YTL315.849 thousand) represent investments that the subsidiaries in the insurance sector are required to deposit in a blocked account in favor of the Treasury and Foreign Trade Department of the Republic of Turkey, based on written period-end net premiums. As of 31 March 2005 there is no blocked short-term and long-term Eurobond of the subsidiaries in the insurance sector (31 December 2004: YTL13.819 thousand).

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

| | 31 March 2005 | | | 31 December 2004 | | |
|--|---------------|----------------|----------------|------------------|----------------|----------------|
| | Banking | Other | Total | Banking | Other | Total |
| Investment share certificates and mutual funds (*) | 33.622 | 20.077 | 53.699 | 34.110 | 17.706 | 51.816 |
| 1-3 months | 7.192 | 35.719 | 42.911 | 6.361 | 79.800 | 86.161 |
| 3 months-1 year | 12.049 | 409.090 | 421.139 | 100.008 | 316.360 | 416.368 |
| | 52.863 | 464.886 | 517.749 | 140.479 | 413.866 | 554.345 |

(*) As of 3-4 June 2004 the Group sold its 25% share in Türk Traktör, a Joint Venture 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 them in the short-term. The aforementioned asset amounting to YTL8.291 thousand has been classified under short-term investment share certificates and mutual funds.

c) Held-to-maturity investments

| | 31 March 2005 | | | 31 December 2004 | | |
|-------------------------|----------------|---------------|----------------|------------------|---------------|----------------|
| | Banking | Other | Total | Banking | Other | Total |
| Debt securities: | | | | | | |
| - Eurobonds | 39.749 | 1.786 | 41.535 | 49.837 | 465 | 50.302 |
| - Government bonds | | | | | | |
| <i>YTL</i> | 598.305 | 19.593 | 617.898 | 357.822 | 68.787 | 426.609 |
| <i>Foreign currency</i> | 46.155 | - | 46.155 | 47.709 | - | 47.709 |
| - Treasury bills | 53.050 | 19.394 | 72.444 | 27.892 | - | 27.892 |
| Total | 737.259 | 40.773 | 778.032 | 483.260 | 69.252 | 552.512 |

There are YTL164.504 thousand securities pledged under repurchase agreements at 31 March 2005 (31 December 2004: YTL47.765 thousand).

Interest rates of treasury bills and government bonds held-to-maturity investments at 31 March 2005 are between 15,8 % and %31,4% p.a. (31 December 2004: 21,2% -31,4% 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 4,4% and 14,8% p.a. (31 December 2004: 3,2% and 14,8% p.a.).

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NOTE 5 - MARKETABLE SECURITIES (Continued)

At 31 March 2005, held-to-maturity investment securities amounting to YTL809.780 thousand are 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 (31 December 2004: YTL684.201 thousand).

At 31 March 2005, government bonds and Eurobonds amounting to YTL19.253 thousand (31 December 2004: YTL30.482 thousand) and YTL24.837 thousand (31 December 2004: YTL23.875 thousand) respectively represent investments that the subsidiaries in the insurance sector are required to deposit in a blocked account in favor of the Treasury and Foreign Trade Department of the Republic of Turkey, based on period-end net premiums written.

Analysis of held-to-maturity investments based on the remaining contractual maturity date at 31 March 2005 and 31 December 2004 are as follows:

| | 31 March 2005 | | | 31 December 2004 | | |
|-----------------|----------------------|---------------|----------------|-------------------------|---------------|----------------|
| | Banking | Other | Total | Banking | Other | Total |
| 1-3 months | 185.134 | 21.582 | 206.716 | 66.588 | 38.266 | 104.854 |
| 3 months-1 year | 552.125 | 19.191 | 571.316 | 416.672 | 30.986 | 447.658 |
| | 737.259 | 40.773 | 778.032 | 483.260 | 69.252 | 552.512 |

NOTE 6 - FINANCIAL LIABILITIES

a) Borrowings

| | 31 March 2005 | 31 December 2004 |
|---|----------------------|-------------------------|
| Short-term bank borrowings: | | |
| Short-term bank borrowings | 2.642.825 | 2.063.890 |
| Short-term portion of long-term bank borrowings | 514.540 | 537.355 |
| Total short-term bank borrowings | 3.157.365 | 2.601.245 |
| Long-term bank borrowings: | | |
| Long term bank borrowings | 1.338.239 | 1.476.831 |
| Total bank borrowings | 4.495.604 | 4.078.076 |

Effective interest rates of foreign currency borrowings, mainly USD and EUR denominated and YTL bank borrowings range between 1,2%-6,4% (31 December 2004: 0,0%-8,9%), 2,4%-6,3% (31 December 2004: 0,0%-6,2%) and 0,0%-26,0% (31 December 2004: 0,0%-32,4%), respectively.

The Group has loans from International Finance Corporation ("IFC") in the amount of YTL381.598 thousand (USD120.328.097, EUR91.550.244, GBP21.000.000) which is being used for production and modernisation, research and development, as well as acquisitions and increased working capital requirements (31 December 2004: YTL451.142 thousand).

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NOTE 6 - FINANCIAL LIABILITIES (Continued)

As of 31 March 2005, Koçbank, a Joint Venture of the Group, obtained syndication loans comprising of YTL222.723 thousand (USD162.500.000) from Sumitomo Mitsui Banking Corporation and YTL188.458 thousand (USD137.500.000) from Sanwa Bank which bear interest rates Libor plus of 2,2% and 3,5%, respectively (31 December 2004: two syndication loans of USD163.000.000 and USD138.000.000 which bears an interest rate of 6 months Libor plus of 0,6% and 0,5% respectively).

As of 31 March 2005, Koçbank, a Joint Venture of the Group, obtained YTL88.785 thousand (original principal amount EUR50.000.000) of funds from Unicredit S.p.A. on 31 December 2004 which bear interest rate of annually 3,2%.

As of 31 March 2005, YTL70.906 thousand of borrowings of Koçbank, a Joint Venture of the Group, represent funds obtained from the 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 (31 December 2004: USD100.000.000) 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 March 2005, Ford Otosan, a Joint Venture of the Group, has foreign currency denominated long-term borrowings under two OPIC-insured private placements amounting to USD24.047.132 and USD2.944.351. These borrowings, which total USD30.413.231, were obtained to finance investment projects. Under the terms of the related loan agreements, Ford Otosan has to comply with certain financial covenants (31 December 2004: USD33.969.477).

The Group has syndication loans comprising of EUR20.000.000 and USD1.000.000 from the Netherlands Development Finance Company ("FMO") as of 31 March 2005 (31 December 2004: EUR20.000.000 and USD2.000.000).

The redemption schedule of long-term bank borrowings at 31 March 2005 and 31 December 2004 are as follows:

| | 31 March 2005 | 31 December 2004 |
|---------------|----------------------|-------------------------|
| 2006 | 444.798 | 617.786 |
| 2007 | 423.880 | 313.269 |
| 2008 | 237.687 | 264.878 |
| 2009 | 117.098 | 168.042 |
| 2010 and over | 114.776 | 112.856 |
| | 1.338.239 | 1.476.831 |

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NOTE 6 - FINANCIAL LIABILITIES (Continued)

b) Customer deposits

| | 31 March 2005 | | | 31 December 2004 | | |
|---|----------------|------------------|------------------|------------------|------------------|------------------|
| | Demand | Time | Total | Demand | Time | Total |
| Foreign currency deposits: | | | | | | |
| Saving deposits | 227.341 | 1.441.858 | 1.669.199 | 265.925 | 1.461.661 | 1.727.586 |
| Commercial deposits | 201.823 | 350.570 | 552.393 | 217.071 | 336.367 | 553.438 |
| | 429.164 | 1.792.428 | 2.221.592 | 482.996 | 1.798.028 | 2.281.024 |
| YTL deposits: | | | | | | |
| Saving deposits | 50.146 | 755.765 | 805.911 | 51.878 | 729.907 | 781.785 |
| Commercial deposits | 126.764 | 309.648 | 436.412 | 147.892 | 302.051 | 449.943 |
| Funds deposited under repurchase agreements | - | 145.244 | 145.244 | - | 147.358 | 147.358 |
| | 176.910 | 1.210.657 | 1.387.567 | 199.770 | 1.179.316 | 1.379.086 |
| | 606.074 | 3.003.085 | 3.609.159 | 682.766 | 2.977.344 | 3.660.110 |

Saving and commercial deposits at 31 March 2005 include long-term foreign currency and YTL time deposits of YTL126.061 thousand (31 December 2004: YTL204.544 thousand); the interest rates for time deposits vary between 0,8%-12,0% p.a. (31 December 2004: 0,0%-12,0% p.a.) for foreign currency deposits and 9,0%-34,0% p.a. (31 December 2004: 5,0%-34,0% p.a.) for YTL deposits and 12,8%-18,9% p.a. (31 December 2004: 15,4%-19,5% p.a.) for repurchase commitments.

NOTE 7 – TRADE RECEIVABLES AND PAYABLES / LOANS AND ADVANCES TO CUSTOMERS

a) Trade receivables and payables

| | 31 March 2005 | 31 December 2004 |
|---|------------------|------------------|
| Trade receivables - net of unearned credit finance income | 2.420.901 | 1.993.931 |
| Notes receivables - net of unearned credit finance income | 744.286 | 1.044.715 |
| Cheques received | 190.263 | 224.502 |
| Advances given | 11.906 | 5.598 |
| Deposits and guarantees given | 1.744 | 1.673 |
| Other trade receivables | 20.956 | 16.686 |
| Trade receivables | 3.390.056 | 3.287.105 |
| Less: Provision for doubtful receivables | (77.395) | (71.550) |
| Trade receivables - net | 3.312.661 | 3.215.555 |
| Trade payables - net of unearned credit finance charges | 1.994.593 | 2.144.287 |
| Notes payables - net of unearned credit finance charges | 92.371 | 46.737 |
| Deposits and guarantees received | 7.083 | 6.523 |
| Other trade payables | 33.233 | 14.679 |
| Trade payables- net | 2.127.280 | 2.212.226 |

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**NOTE 7 – TRADE RECEIVABLES AND PAYABLES / LOANS AND ADVANCES TO CUSTOMERS
(Continued)**

b) Loans and advances to customers

| | 31 March 2005 | | | 31 December 2004 | | |
|--|------------------|-----------------|------------------|------------------|-----------------|------------------|
| | Up to 1 year | 1 year and over | Total | Up to 1 year | 1 year and over | Total |
| Commercial and industrial loans | 769.279 | 491.340 | 1.260.619 | 648.676 | 447.765 | 1.096.441 |
| Export loans | 597.575 | - | 597.575 | 513.994 | - | 513.994 |
| Investment loans | - | 85.386 | 85.386 | - | 68.898 | 68.898 |
| Consumer loans | 309.119 | 227.609 | 536.728 | 285.847 | 184.398 | 470.245 |
| Factoring receivables | 79.802 | - | 79.802 | 132.136 | - | 132.136 |
| Other | 105.355 | - | 105.355 | 104.559 | - | 104.559 |
| Total | 1.861.130 | 804.335 | 2.665.465 | 1.685.212 | 701.061 | 2.386.273 |
| Loans under legal follow-up | 230.532 | - | 230.532 | 231.117 | - | 231.117 |
| Other impaired loans | 76.451 | - | 76.451 | 77.402 | - | 77.402 |
| Total impaired loans | 306.983 | - | 306.983 | 308.519 | - | 308.519 |
| Gross loans and advances to customers | 2.168.113 | 804.335 | 2.972.448 | 1.993.731 | 701.061 | 2.694.792 |
| Less: Provision for loan losses | (228.610) | - | (228.610) | (219.423) | - | (219.423) |
| Net loans and advances to customers | 1.939.503 | 804.335 | 2.743.838 | 1.774.308 | 701.061 | 2.475.369 |

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

| | 31 March 2005 | 31 December 2004 |
|---|----------------|------------------|
| Balance at the beginning of the period | 219.423 | 200.352 |
| Provisions for loan losses during the period | 22.692 | 81.902 |
| Recoveries of amounts previously provided | (8.462) | (25.680) |
| Write-off during the period as uncollectible | (5.043) | (9.887) |
| Monetary loss | - | (27.264) |
| Balance at the end of the period | 228.610 | 219.423 |

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

| | 31 March 2005 | 31 December 2004 |
|---|---------------|------------------|
| Domestic transactions | 36.018 | 62.991 |
| Export transactions | 43.784 | 69.145 |
| Gross factoring receivables | 79.802 | 132.136 |
| Factoring receivables under legal follow-up | 2.965 | 3.191 |
| Less: Provision for factoring receivables under legal follow-up | (2.655) | (2.764) |
| Factoring receivables-net | 80.112 | 132.563 |

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**NOTE 7 – TRADE RECEIVABLES AND PAYABLES / LOANS AND ADVANCES TO CUSTOMERS
(Continued)**

At 31 March 2005, YTL367.877 thousand (31 December 2004: YTL338.930 thousand) of consumer loans have been given by consumer finance companies. The collaterals obtained for these loans amount to YTL332.539 thousand (31 December 2004: YTL326.185 thousand). The allowance for losses on consumer loans given by consumer finance companies included in the provision for loan losses amounts to YTL6.917 thousand at 31 March 2005 (31 December 2004: YTL8.626 thousand).

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

| | 31 March 2005 | % | 31 December 2004 | % |
|-----------------------------------|----------------------|------------|-------------------------|------------|
| Retail and consumer | 537.429 | 20 | 473.608 | 20 |
| Production | 328.455 | 12 | 259.668 | 11 |
| Textiles | 281.575 | 11 | 284.102 | 12 |
| Metal processing | 241.681 | 10 | 241.260 | 10 |
| Petrochemical industry | 166.239 | 6 | 140.629 | 6 |
| Food, beverage and consumer goods | 146.339 | 5 | 122.782 | 5 |
| Construction and cement | 139.162 | 5 | 103.751 | 4 |
| Financial institutions | 129.862 | 5 | 144.403 | 6 |
| Trade | 84.813 | 3 | 99.622 | 4 |
| Tourism | 81.894 | 3 | 65.508 | 3 |
| Automotive | 66.972 | 3 | 38.325 | 2 |
| Durable goods | 57.952 | 2 | 62.599 | 3 |
| Other | 403.092 | 15 | 350.016 | 14 |
| | 2.665.465 | 100 | 2.386.273 | 100 |

NOTE 8 - LEASE RECEIVABLES AND PAYABLES

| a) Lease receivables | 31 March 2005 | 31 December 2004 |
|----------------------------------|----------------------|-------------------------|
| Short-term lease receivables | 145.230 | 133.792 |
| Long-term lease receivables | 139.385 | 136.786 |
| Total impaired lease receivables | 15.750 | 21.398 |
| Less: Provision for lease losses | (15.750) | (15.477) |
| Net lease receivables | 284.615 | 276.499 |

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

| | 31 March 2005 | 31 December 2004 |
|---|----------------------|-------------------------|
| Balance at the beginning of the period | 15.477 | 20.975 |
| Provisions for lease losses during the period | 1.909 | 3.116 |
| Recoveries of amounts previously provided | (1.072) | (6.457) |
| Write-off during the period as uncollectible | (564) | (2.157) |
| Balance at the end of the period | 15.750 | 15.477 |

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NOTE 8 - LEASE RECEIVABLES AND PAYABLES (Continued)

Net investment in finance leases as shown below:

| | 31 March 2005 | 31 December 2004 |
|---|----------------------|-------------------------|
| Gross investment in finance leases | 336.624 | 327.811 |
| Less: Unearned finance income | (52.009) | (51.312) |
| Net investment in finance leases | 284.615 | 276.499 |

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

| | 31 March 2005 | 31 December 2004 |
|-------------------------------|----------------------|-------------------------|
| 2005 | 140.711 | 129.843 |
| 2006 | 131.253 | 118.836 |
| 2007 | 45.932 | 68.963 |
| 2008 and over | 18.728 | 10.169 |
| Less: Unearned finance income | (52.009) | (51.312) |
| | 284.615 | 276.499 |

| b) Lease payables | 31 March 2005 | 31 December 2004 |
|---------------------------|----------------------|-------------------------|
| Short-term lease payables | 3.692 | 5.739 |
| Long-term lease payables | 8.413 | 7.066 |
| | 12.105 | 12.805 |

The redemption schedule of long-term lease payables at 31 March 2005 and 31 December 2004 are as follows:

| | 31 March 2005 | 31 December 2004 |
|---------------|----------------------|-------------------------|
| 2006 | 2.781 | 1.145 |
| 2007 | 2.353 | 2.113 |
| 2008 | 1.846 | 2.110 |
| 2009 and over | 1.433 | 1.698 |
| | 8.413 | 7.066 |

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NOTE 9 - DUE FROM/TO RELATED PARTIES

Due from and due to related parties as of the period ends are given below:

| | 31 March 2005 | 31 December 2004 |
|---|----------------------|-------------------------|
| a) Due from related parties | | |
| Ram Sigorta Aracılık Hizmetleri A.Ş. | 21.505 | 13.863 |
| Tianjin Demrad International Trading Co. Ltd. | 1.982 | 1.593 |
| Eltek Elektrik İthalat İhracat ve Toptan Ticaret A.Ş. | 1.407 | 2.498 |
| Mako Elektrik San. Tic. A.Ş. | 1.269 | 1.772 |
| Sanal Merkez Tic. A.Ş. | 1.110 | 819 |
| Zinerji Enerji ve San. Tic. A.Ş. | 755 | 735 |
| Demir Export A.Ş. | 740 | 647 |
| Koç Statoil Gaz İletim A.Ş. | 701 | 701 |
| Vehbi Koç Vakfı Amerikan Hastanesi | 638 | 449 |
| Koç Üniversitesi | 543 | 268 |
| Other | 6.180 | 6.578 |
| | <hr/> | <hr/> |
| Due from personnel | 2.132 | 2.344 |
| | <hr/> | <hr/> |
| | 38.962 | 32.267 |
| b) Due to related parties | | |
| Mako Elektrik San. Tic. A.Ş. | 12.713 | 4.190 |
| Ark İnşaat A.Ş. | 10.818 | 8.962 |
| Ram Sigorta Aracılık Hizmetleri A.Ş. | 8.462 | 9.346 |
| Koç Ata Sancak Besi ve Tarım Ürünleri A.Ş. | 2.334 | 3.485 |
| Eltek Elektrik İthalat İhracat ve Toptan Ticaret A.Ş. | 1.902 | 1.253 |
| Temel Ticaret ve Yatırım A.Ş. | 1.448 | 2.388 |
| Other | 7.689 | 9.715 |
| | <hr/> | <hr/> |
| Due to personnel | 73.475 | 81.156 |
| | <hr/> | <hr/> |
| | 118.841 | 120.495 |

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NOTE 10 - OTHER RECEIVABLES AND PAYABLES

| | 31 March 2005 | 31 December 2004 |
|--|----------------------|-------------------------|
| Other receivables | | |
| Pension fund receivables | 30.323 | 18.060 |
| Receivable from recoverable claims | 13.729 | 13.419 |
| | 44.052 | 31.479 |
| Other current financial liabilities | | |
| Taxes and duties payable | 248.489 | 184.486 |
| Pension fund payables | 33.125 | 21.957 |
| Social security premiums payable | 18.384 | 19.028 |
| Rescheduled taxes payable | 10.866 | 11.093 |
| | 310.864 | 236.564 |
| Other non-current financial liabilities | | |
| Rescheduled taxes payable | 12.376 | 12.728 |
| | 12.376 | 12.728 |

NOTE 11 – BIOLOGICAL ASSETS

None (31 December 2004: None).

NOTE 12 - INVENTORIES

| | 31 March 2005 | 31 December 2004 |
|----------------------------|----------------------|-------------------------|
| Raw materials and supplies | 667.921 | 640.337 |
| Merchandises | 538.617 | 583.061 |
| Finished goods | 504.697 | 478.767 |
| Goods-in-transit | 244.107 | 240.789 |
| Order advances given | 148.471 | 135.255 |
| Work in progress | 81.885 | 57.887 |
| Other inventories | 34.096 | 34.399 |
| Total inventories | 2.219.794 | 2.170.495 |

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NOTE 13 – CONSTRUCTION CONTRACT RECEIVABLES AND PROGRESS BILLINGS

Group has no construction contracts progress billings as of 31 March 2005.

NOTE 14 - DEFERRED TAX ASSETS AND LIABILITIES

| | 31 March 2005 | 31 December 2004 |
|---|------------------|------------------|
| Deferred tax assets: | | |
| Domestic | 237.523 | 210.954 |
| Foreign | 2.602 | 1.689 |
| | 240.125 | 212.643 |
| Deferred tax liabilities: | | |
| Domestic | (202.856) | (203.695) |
| Foreign | (19.030) | (14.161) |
| | (221.886) | (217.856) |
| Deferred tax asset/(liabilities) - net | 18.239 | (5.213) |

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

Deferred taxes calculated by using the principal tax rates of the tax authorities of each country the Group operates in as of 31 March 2005, are as follows:

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

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NOTE 14 - DEFERRED TAX ASSETS AND LIABILITIES (Continued)

The breakdown of cumulative temporary differences and deferred tax assets/liabilities provided at 31 March 2005 and 31 December 2004 using principal tax rates, are as follows:

| | Cumulative temporary differences | | Deferred tax assets/ (liabilities) | |
|---|-------------------------------------|---------------------|--|---------------------|
| | 31 March 2005 | 31 December 2004 | 31 March 2005 | 31 December 2004 |
| Net difference between carrying value and tax base of property, plant and equipment and intangible assets | 1.156.771 | 1.311.562 | (343.984) | (386.673) |
| Net difference between carrying value and tax base of inventory | 9.990 | (3.660) | (3.115) | 1.037 |
| Deferred acquisition cost | 45.222 | 38.588 | (13.567) | (11.576) |
| Leasing obligations | 25.893 | 4.424 | (7.768) | (1.327) |
| Net difference between carrying value and tax base of debt securities | (55.815) | (41.206) | 16.745 | 12.364 |
| Unused tax credits (Note 30) | (1.775.447) | (1.767.519) | 188.922 | 187.845 |
| Tax losses carried forward | (148.939) | (137.012) | 44.642 | 41.050 |
| Provision for employment termination benefits | (144.496) | (139.661) | 43.349 | 41.906 |
| Provision for loan losses | (68.186) | (69.792) | 20.456 | 20.938 |
| Unearned premium reserve | (26.067) | (43.016) | 7.820 | 12.905 |
| Warranty reserve | (123.601) | (104.528) | 36.925 | 31.211 |
| Effect of unearned financial income/(expense) - net | (6.139) | (51.523) | 1.794 | 15.371 |
| Deferred commission income | (5.159) | (26.705) | 1.548 | 7.991 |
| Other - net | (81.601) | (72.175) | 24.472 | 21.745 |
| | | | 18.239 | (5.213) |

In the Subsidiaries' and Joint Ventures' financial statements prepared in accordance with CMB Accounting Standards, 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 March 2005 can be analysed as follows:

| | |
|----------------------------|----------------|
| 1 January 2005 | (5.213) |
| Cumulative gain on hedging | (4.340) |
| Charge for the period | 27.792 |
| 31 March 2005 | 18.239 |

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NOTE 15 - OTHER CURRENT/NON-CURRENT ASSETS AND LIABILITIES

a) Other current assets

| | 31 March 2005 | 31 December 2004 |
|--|----------------------|-------------------------|
| Prepaid expenses | 115.391 | 77.960 |
| Value added tax ("VAT") receivable | 103.042 | 106.932 |
| Deferred acquisition cost | 43.855 | 35.520 |
| Advances given | 42.430 | 36.025 |
| Income accruals | 25.743 | 16.475 |
| Taxes and funds deductible | 24.294 | 37.664 |
| Derivative financial instruments (Note 31.a) | 12.576 | 10.520 |
| Other | 51.367 | 63.236 |
| | 418.698 | 384.332 |

b) Other non-current assets

| | | |
|-------------------------------|---------------|---------------|
| Prepaid expenses | 40.632 | 36.110 |
| Advances given | 7.657 | 1.773 |
| Deposits and guarantees given | 1.417 | 2.142 |
| Other | 3.985 | 5.833 |
| | 53.691 | 45.858 |

c) Other current liabilities

| | | |
|--|----------------|----------------|
| Provision for costs | 171.858 | 172.893 |
| Warranty provision | 155.318 | 127.409 |
| Export transfers and payment orders | 80.257 | 63.727 |
| Blocked accounts | 47.726 | 32.857 |
| Deferred income | 30.296 | 20.467 |
| Credit card payables | 27.558 | 29.043 |
| Lawsuit provision | 27.165 | 24.575 |
| Marketing and customer premium payables | 26.137 | - |
| Cheques in collection | 22.869 | 21.703 |
| Provision for credit related commitments (Note 31.a) | 16.514 | 16.871 |
| Derivative financial instruments (Note 31.a) | 11.647 | 7.358 |
| Contracted loans | 4.928 | 5.516 |
| Other | 98.245 | 68.827 |
| | 720.518 | 591.246 |

d) Other non-current liabilities

| | | |
|----------------------------------|---------------|---------------|
| Warranty provision | 26.265 | 24.935 |
| Deposits and guarantees received | 24.338 | 26.223 |
| Other | 9.110 | 15.472 |
| | 59.713 | 66.630 |

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NOTE 16 – FINANCIAL ASSETS

a) Held-for-trading investments

| | <u>31 March 2005</u> | | | <u>31 December 2004</u> | | |
|-------------------------|----------------------|--------------|---------------|-------------------------|--------------|---------------|
| | Banking | Other | Total | Banking | Other | Total |
| Debt securities: | | | | | | |
| - Government bonds: | | | | | | |
| <i>YTL</i> | 20.624 | - | 20.624 | 239 | - | 239 |
| <i>Foreign currency</i> | 5.831 | - | 5.831 | 5.431 | - | 5.431 |
| - Eurobond | 5.975 | - | 5.975 | 10.090 | - | 10.090 |
| Total | 32.430 | - | 32.430 | 15.760 | - | 15.760 |

Interest rates of treasury bills and government bonds held-for-trading at 31 March 2005 are between 14,6% and 26,0% p.a. (31 December 2004: 18,1% and 28,8% 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 3,7% and 11,3% p.a. (31 December 2004: 3,9% and 11,3% p.a.).

b) Available-for-sale investments

| | <u>31 March 2005</u> | | | <u>31 December 2004</u> | | |
|-------------------------|----------------------|----------------|----------------|-------------------------|----------------|----------------|
| | Banking | Other | Total | Banking | Other | Total |
| Debt securities: | | | | | | |
| - Treasury bills | 128 | - | 128 | 2.649 | 12.243 | 14.892 |
| - Government bonds: | | | | | | |
| <i>YTL</i> | 66.193 | 371.800 | 437.993 | 10.268 | 372.707 | 382.975 |
| <i>Foreign currency</i> | - | - | - | - | - | - |
| - Eurobonds | 5.881 | 54.134 | 60.015 | 81 | 100.082 | 100.163 |
| - Other | - | - | - | - | - | - |
| | 72.202 | 425.934 | 498.136 | 12.998 | 485.032 | 498.030 |
| Equity securities: | | | | | | |
| -Listed | - | 23.412 | 23.412 | - | 24.595 | 24.595 |
| -Unlisted | 1.419 | 68.145 | 69.564 | 1.419 | 68.652 | 70.071 |
| | 1.419 | 91.557 | 92.976 | 1.419 | 93.247 | 94.666 |
| Total | 73.621 | 517.491 | 591.112 | 14.417 | 578.279 | 592.696 |

Interest rates of treasury bills and government bonds held as available-for-sale at 31 March 2005 are between 15,6% and 30,7% p.a. (31 December 2004: 19,0% -30,4% p.a.). Interest rates of foreign currency available-for-sale investments held at 31 March 2005 are between 3,7% and 12,4% p.a. (31 December 2004: 2,0% and 12,4% p.a.).

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NOTE 16 - FINANCIAL ASSETS (Continued)

The list of available-for-sale equity securities at 31 March 2005 and 31 December 2004 are as follows:

| | 31 March 2005 | | 31 December 2004 | |
|--|----------------------|-------------------------|-------------------------|-------------------------|
| | YTL'000 | Shareholding (%) | YTL'000 | Shareholding (%) |
| Listed entities: | | | | |
| Çeşme Altinyunus Turizm Tes. A.Ş. | 13.582 | 30,00 | 13.789 | 30,00 |
| Goodyear Tyre and Rubber Company | 8.848 | 0,85 | 9.515 | 0,85 |
| Karsan Otomotiv Sanayi ve Ticaret A.Ş. | 982 | 4,00 | 1.291 | 4,00 |
| Metaş İzmir Metalurji Fabrikaları A.Ş. | - | 0,41 | - | 0,41 |
| | 23.412 | | 24.595 | |

The difference of YTL1.183 thousand (31 March 2004: YTL1.133 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.

| | 31 March 2005 | | 31 December 2004 | |
|---|----------------------|-------------------------|-------------------------|-------------------------|
| | YTL'000 | Shareholding (%) | YTL'000 | Shareholding (%) |
| Unlisted entities: | | | | |
| Mako Elektrik San. Tic. A.Ş. (*) | 21.964 | 40,00 | 21.964 | 40,00 |
| Tanı Pazarlama ve İletişim A.Ş. | 9.298 | 99,00 | 9.540 | 99,00 |
| Koç Ata Sancak Besi ve Tarım Ürünleri A.Ş. | 8.314 | 33,00 | 9.501 | 33,00 |
| British American Tobacco Export BV | 6.020 | 5,00 | 6.020 | 5,00 |
| Tat Tarış Alkollü İçecekler A.Ş. | 3.716 | 50,00 | 3.716 | 50,00 |
| Sanal Merkez Ticaret A.Ş. | 2.275 | 99,99 | 2.275 | 99,99 |
| Koç Bilgi Grubu | 2.180 | 90,13 | 2.166 | 90,13 |
| Kumsan Döküm Malzemeleri Sanayi ve Tic. A.Ş. | 1.919 | 50,24 | 1.919 | 50,24 |
| Koç Statoil Gaz A.Ş. | 2.489 | 49,00 | 1.914 | 49,00 |
| Chung Mei Industries Limited | 1.755 | 55,00 | 1.529 | 55,00 |
| Takosan Otomobil Göstergeleri San. ve Tic. A.Ş. | 1.287 | 28,12 | 1.479 | 28,12 |
| Samkocauto Ltd. | 806 | 10,00 | 806 | 10,00 |
| Zinerji Enerji San. ve Tic. A.Ş. | 608 | 93,00 | 608 | 93,00 |
| Koç Statoil Gaz İletim A.Ş. | 330 | 49,00 | 305 | 49,00 |
| Other | 6.603 | - | 6.329 | - |
| | 69.564 | | 70.071 | |
| | 92.976 | | 94.666 | |

(*) 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 was excluded from the scope of consolidation at the date that control ceased. Since the required legal procedures have not been finalised, the share certificates have not been transferred at 31 March 2005.

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NOTE 16 - FINANCIAL ASSETS (Continued)

Unlisted available-for-sale investments do not have a quoted market value and their fair values can not be reliably measured, so their carrying values are stated at cost less provision for diminution in value, if any.

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. These companies have neither been accounted for using the equity method nor consolidated line-by-line due to the insignificance of their combined impact on the net worth, financial position and results of Koç Holding.

Provision for diminution in value for unlisted investments amounts to YTL105.556 thousand (31 December 2004: YTL104.295 thousand).

c) Held-to-maturity investments

| | 31 March 2005 | | | 31 December 2004 | | |
|---------------------------------|----------------------|---------------|------------------|-------------------------|---------------|------------------|
| | Banking | Other | Total | Banking | Other | Total |
| Debt securities: | | | | | | |
| - Eurobonds | 1.063.241 | 45.593 | 1.108.834 | 793.265 | 46.138 | 839.403 |
| - Government bonds | | | | | | |
| <i>YTL</i> | 210.501 | 776 | 211.277 | 439.670 | 744 | 440.414 |
| <i>Foreign currency indexed</i> | 109.559 | - | 109.559 | 104.521 | - | 104.521 |
| <i>Foreign currency</i> | 101.590 | - | 101.590 | 80.255 | - | 80.255 |
| - Treasury bills | 19.799 | 2.123 | 21.922 | 26.661 | - | 26.661 |
| - Foreign government bonds | - | 728 | 728 | - | 719 | 719 |
| Total | 1.504.690 | 49.220 | 1.553.910 | 1.444.372 | 47.601 | 1.491.973 |

Interest rates of treasury bills and government bonds held-to-maturity investments at 31 March 2005 are between 15,8 % and %31,4% p.a. (31 December 2004: 21,2% -31,4% 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 4,2% and 14,8% p.a. (31 December 2004: 3,2% and 14,8% p.a.).

NOTE 17 - POSITIVE / NEGATIVE GOODWILL

| | 1 January 2005 | Additions | Disposals (*) | Translation reserve | 31 March 2005 |
|-----------------------------|-----------------------|------------------|----------------------|----------------------------|----------------------|
| Goodwill | 454.223 | - | - | - | 454.223 |
| Accumulated amortisation | (145.798) | - | - | - | (145.798) |
| Net book value | 308.425 | - | - | - | 308.425 |
| Negative goodwill | (23.436) | - | 23.436 | - | - |
| Accumulated amortisation | 4.547 | - | (4.547) | - | - |
| Net book value | (18.889) | - | 18.889 | - | - |
| Total net book value | 289.536 | | | | 308.425 |

(*) Previously recognized negative goodwill with carrying value of YTL18.889 thousand as of 1 January 2005 resulting from acquisitions of the Group derecognized from financial statements at the beginning of the period according to IFRS 3 with a corresponding adjustment to the opening balance of retained earnings.(Note 3.n).

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NOTE 18 - INVESTMENT PROPERTY

| | 1 January 2005 | Additions | Disposals | Translation reserve | 31 March 2005 |
|--------------------------|---------------------------|------------------|------------------|--------------------------------|--------------------------|
| Cost | 74.117 | - | - | (1.599) | 72.518 |
| Accumulated depreciation | (9.328) | (330) | - | 89 | (9.569) |
| Net book amount | 64.789 | | | | 62.949 |

Investment property amounting to 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. The valuation includes land that is under operating lease, as it can not be separated from the valuation of the investment properties.

NOTE 19 - PROPERTY, PLANT AND EQUIPMENT

| | 1 January 2005 | Additions | Disposals | Transfers | Translation reserve | 31 March 2005 |
|---|-----------------------|------------------|------------------|------------------|--------------------------------|----------------------|
| Cost | | | | | | |
| Land and land improvements | 337.695 | 2.638 | - | 227 | 831 | 341.391 |
| Buildings | 1.571.840 | 7.452 | (1.548) | 342 | (2.749) | 1.575.337 |
| Machinery and equipment | 7.170.700 | 32.717 | (11.653) | (593) | 4.489 | 7.195.660 |
| Motor vehicles | 409.051 | 4.253 | (2.091) | 5.324 | (45) | 416.492 |
| Furniture and fixtures | 624.273 | 9.213 | (1.839) | 292 | (338) | 631.601 |
| Construction in progress and advances given | 162.159 | 81.819 | (1.237) | (5.079) | (200) | 237.462 |
| Leasehold improvement | 436.001 | 322 | (688) | (513) | - | 435.122 |
| | 10.711.719 | 138.414 | (19.056) | - | 1.988 | 10.833.065 |
| Accumulated depreciation | | | | | | |
| Land improvements | (66.839) | (2.637) | - | - | 10 | (69.466) |
| Buildings | (583.377) | (12.510) | 84 | - | (15) | (595.818) |
| Machinery and equipment | (4.961.831) | (123.996) | 9.818 | - | (3.164) | (5.079.173) |
| Motor vehicles | (285.761) | (7.726) | 1.463 | - | 102 | (291.922) |
| Furniture and fixtures | (517.316) | (13.439) | 1.688 | - | 61 | (529.006) |
| Leasehold improvement | (230.455) | (8.472) | 333 | - | - | (238.594) |
| | (6.645.579) | (168.780) | 13.386 | - | (3.006) | (6.803.979) |
| Net book value | 4.066.140 | | | | | 4.029.086 |

At 31 March 2005, there are mortgages amounting to YTL398.014 thousand (31 December 2004: YTL399.338 thousand) on property, plant and equipment (Note 31.b).

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NOTE 20 - INTANGIBLE ASSETS

| | 1 January 2005 | Additions | Disposals | Translation reserve | 31 March 2005 |
|--------------------------|----------------|-----------|-----------|------------------------|----------------|
| Cost | 527.199 | 15.814 | (2.794) | (836) | 539.383 |
| Accumulated amortisation | (276.283) | (13.994) | - | 183 | (290.094) |
| Net book value | 250.916 | | | | 249.289 |

Intangible assets include development costs with net book value of YTL79.813 thousand (31 December 2004: YTL87.431 thousand). YTL67.648 thousand (31 December 2004: YTL74.110 thousand) of total development costs are composed of the engineering expenses capitalized for the project "Engine of the New Generation Transit" of Ford Otosan, a Joint Venture of the Group.

NOTE 21 – ADVANCES RECEIVED

| | 31 March 2005 | 31 December 2004 |
|-------------------------|---------------|------------------|
| Order advances received | 51.091 | 247.807 |
| Other advances received | 3.467 | 399 |
| | 54.558 | 248.206 |

NOTE 22 - RETIREMENT PLANS

There is no liability for retirement plans in Koç Holding's consolidated financial statements.

NOTE 23 - PROVISIONS

| | 31 March 2005 | 31 December 2004 |
|--|---------------|------------------|
| a) Short-term Provisions: | | |
| Provision for tax and legal disputes (Note 41) | 55.678 | 80.842 |
| b) Long-term provisions: | | |
| Provision for employment termination benefits | 148.818 | 141.724 |
| - Domestic | 146.883 | 139.847 |
| - Foreign | 1.935 | 1.877 |

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NOTE 23 – PROVISIONS (Continued)

Under the Turkish Labor 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 YTL1.648,90 (31 December 2004: YTL1.574,74) for each period of service at 31 March 2005.

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.

IAS 19 requires 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) 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.

| | 31 March 2005 | 31 December 2004 |
|---|----------------------|-------------------------|
| Discount rate (%) | 5,45 | 5,45 |
| Turnover rate to estimate the probability of retirement | 1-18 | 1-18 |

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

| | 31 March 2005 | 31 December 2004 |
|--------------------------------|----------------------|-------------------------|
| Beginning of the period | 141.724 | 144.387 |
| Increase during the period-net | 7.094 | 9.214 |
| Monetary gain | - | (11.877) |
| End of the period | 148.818 | 141.724 |

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NOTE 23 – PROVISIONS (Continued)

c) Insurance Technical Reserves

| | 31 March 2005 | 31 December 2004 |
|--|----------------------|-------------------------|
| Unearned premiums reserve - net of reinsurers' share | 186.525 | 164.721 |
| Claim provisions - net of reinsurers' share | 59.464 | 51.683 |
| Deferred commission income | 28.398 | 23.505 |
| Insurance technical reserves - current | 274.387 | 239.909 |
| Life mathematical reserves | 354.629 | 340.997 |
| Insurance technical reserves - non-current | 354.629 | 340.997 |
| Total insurance technical reserves | 629.016 | 580.906 |

NOTE 24 - MINORITY INTEREST

Changes in minority interest during the periods stated below are as follows:

| | 31 March 2005 | 31 December 2004 |
|--|----------------------|-------------------------|
| Balance at the beginning of period | 2.692.107 | 2.500.003 |
| Net income attributable to minority interest | 66.315 | 405.216 |
| Dividend payments | (17.148) | (120.345) |
| Increase in share capital | - | 54.186 |
| Effect of IFRS 3 - negative goodwill (Note 17) | 9.513 | - |
| Currency translation differences | (617) | (11.455) |
| Cumulative gain on hedging | 255 | 819 |
| Decrease in minority interest due to Subsidiaries and Joint Ventures excluded from the scope of consolidation | - | (36.393) |
| Effects of restructuring (*) | - | (99.924) |
| Balance at the end of period | 2.750.425 | 2.692.107 |

(*) As of 31 December 2004, the effect of restructuring on minority interest amounting to YTL2.485 thousand represents an acquisition of 50% share of BOS amounting to YTL73.558 thousand, represents an initial public offering of 25% of Türk Traktör shares owned by Koç Holding.

Detailed information regarding the minority interest is disclosed in Note 33.g.

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NOTE 25 - SHARE CAPITAL/TREASURY SHARES

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 authorised and paid-in share capital at 31 March 2005 and 31 December 2004 are as follows:

| | 31 March 2005 | 31 December 2004 |
|---|----------------------|-------------------------|
| Limit on registered share capital (historical) | 3.000.000 | 1.000.000 |
| Historical authorised and paid-in share capital | 1.000.000 | 1.000.000 |

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

At 31 March 2005 and 31 December 2004, the shareholding structures of Koç Holding are as follows:

| | 31 March 2005 | | 31 December 2004 | |
|---|----------------------|------------------|-------------------------|------------------|
| | Share% | YTL'000 | Share% | YTL'000 |
| Temel Ticaret ve Yatırım A.Ş. | 41,81 | 418.089 | 41,81 | 418.089 |
| Suna Kıraç | 6,04 | 60.418 | 6,04 | 60.418 |
| Semahat Arsel | 5,89 | 58.873 | 5,89 | 58.873 |
| Rahmi M. Koç | 5,23 | 52.336 | 5,23 | 52.336 |
| Ömer Koç | 2,98 | 29.781 | 2,98 | 29.781 |
| Mustafa Koç | 2,88 | 28.766 | 2,88 | 28.766 |
| Ali Koç | 2,88 | 28.766 | 2,88 | 28.766 |
| İpek Kıraç | 0,70 | 7.013 | 0,70 | 7.013 |
| Nazar Dayanıklı ve Dayanaksız Sınai Mallar Paz. A.Ş. | 0,33 | 3.338 | 0,33 | 3.338 |
| R.M.K. Mahdumları | 0,11 | 1.051 | 0,11 | 1.051 |
| Zer Madencilik Dayanıklı Mallar Yatırım ve Paz. A.Ş. | 0,01 | 132 | 0,01 | 132 |
| Total Koç family and companies owned by Koç family members | 68,86 | 688.563 | 68,86 | 688.563 |
| Vehbi Koç Vakfı | 7,17 | 71.714 | 7,17 | 71.714 |
| Koç Holding Emeklilik Vakfı | 1,97 | 19.736 | 1,97 | 19.736 |
| Other | 22,00 | 219.987 | 22,00 | 219.987 |
| Total | 100,00 | 1.000.000 | 100,00 | 1.000.000 |
| Adjustment to share capital | | 967.288 | | 967.288 |
| Total paid-in share capital | | 1.967.288 | | 1.967.288 |

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.

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NOTE 25 - SHARE CAPITAL/TREASURY SHARES (Continued)

In addition, it has been agreed that YTL1.431 thousand of income that will be collected in 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.

"Adjustment to share capital" represents the restatement effect of cash contributions to share capital at the balance sheet date 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 are transferable.

The holders of usufruct shares are entitled to receive 3% of the profit before tax, which remains after taxes, 5% of legal reserves and 5% of the paid capital have been deducted. However, this can not 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:

| Group | Unit of shares | YTL'000 | Nature of shares |
|--------------|--------------------------|------------------|-------------------------|
| 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 26 - 27 - 28 CAPITAL RESERVES, PROFIT RESERVES, RETAINED EARNINGS

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 25.

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NOTE 26 - 27 - 28 CAPITAL RESERVES, PROFIT RESERVES, RETAINED EARNINGS (Continued)

Composition of prior periods' earnings and dividends (per Statutory Financial Statements) at 31 March 2005 and 31 December 2004 (not adjusted for inflation):

| | 31 March 2005 | 31 December 2004 |
|---|----------------------|-------------------------|
| Legal reserves | 27.100 | 27.100 |
| Undistributed general reserve (extraordinary reserves) | 214.646 | 214.646 |
| | 241.746 | 241.746 |
| 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 inflation adjustment to shareholders' equity.

Inflation adjustment to shareholders' equity 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' loss, used in distribution of bonus shares and 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:

| | 31 March 2005 | 31 December 2004 |
|--|----------------------|-------------------------|
| Share capital | 1.000.000 | 1.000.000 |
| Share premium | 32 | 32 |
| Legal reserves | 27.100 | 27.100 |
| Extraordinary reserves | 214.646 | 214.646 |
| Inflation adjustment to shareholders' equity | 1.575.726 | 1.575.726 |
| Investment and property sales income to be added to the equity | 1.431 | 1.431 |
| Translation reserve | (23.803) | (22.080) |
| Cumulative gain/(loss) on hedging | 676 | (4.220) |
| Net income for the period | 88.514 | 508.496 |
| Retained earnings | 1.373.013 | 855.141 |
| Total shareholders' equity | 4.257.335 | 4.156.272 |

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NOTE 26 - 27 - 28 CAPITAL RESERVES, PROFIT RESERVES, RETAINED EARNINGS (Continued)

The restated amounts and the inflation adjustment to shareholders’ equity of the aforementioned nominal values as of 31 March 2005 and 31 December 2004 are as follows:

| | Nominal Value | Restated Amounts | Inflation adjustment to shareholders’ equity |
|------------------------|--------------------------|-----------------------------|---|
| 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 |

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

The profits of subsidiaries, joint ventures and associates, that are included in the consolidated financial statements of the parent, are not considered in the calculation of distributable profits, if the decision on profit distribution has not been taken in the general assemblies of the related subsidiaries, joint ventures and associates.

In accordance with Communiqués No XI/21 and No XI/25, if a profit distribution decision is taken in the general assemblies of subsidiaries, joint ventures and associates, which are consolidated under parent financials, the parent can distribute its share of the profits at these companies up to the profit level included in the consolidated financial statements with reference to the profit distribution decision taken in the general assemblies of these subsidiaries, joint ventures and associates.

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 statutory net distributable profit, 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.

NOTE 29 – FOREIGN CURRENCY POSITION

Assets and liabilities denominated in foreign currency held by the Group before consolidation adjustments at 31 March 2005 and 31 December 2004 are as follows:

| | 31 March 2005 | 31 December 2004 |
|--|----------------------|-------------------------|
| Assets | 7.133.285 | 7.167.570 |
| Liabilities | (7.665.088) | (7.592.630) |
| Net balance sheet position | (531.803) | (425.060) |
| Off-balance sheet derivative instruments net position | (52.199) | 164.665 |

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NOTE 29 - FOREIGN CURRENCY POSITION (Continued)

| | 31 March 2005 | | | |
|--|----------------------|------------------|------------------|------------------|
| | USD | EUR | Other | Total |
| ASSETS | | | | |
| Current Assets: | | | | |
| Cash and due from banks | 650.865 | 488.648 | 67.491 | 1.207.004 |
| Marketable securities (net) | 153.338 | 38.297 | 33.741 | 225.376 |
| Reserve deposits with the Central Banks | 198.861 | 31.453 | 309 | 230.623 |
| Loans and advances to customers | 827.000 | 360.361 | 58.007 | 1.245.368 |
| Trade receivables (net) | 250.554 | 627.676 | 201.957 | 1.080.187 |
| Lease receivables (net) | 53.618 | 74.304 | 1.127 | 129.049 |
| Due from related parties (net) | 86.991 | 310.565 | 259.082 | 656.638 |
| Inventories (net) | 77.868 | 52.497 | 184.995 | 315.360 |
| Other current assets | 27.947 | 37.526 | 43.296 | 108.769 |
| Total current assets | 2.327.042 | 2.021.327 | 850.005 | 5.198.374 |
| Non-current assets: | | | | |
| Loans and advances to customers | 60.303 | 30.617 | 3.269 | 94.189 |
| Lease receivables (net) | 50.548 | 70.050 | 1.063 | 121.661 |
| Financial assets (net) | 1.125.187 | 267.345 | - | 1.392.532 |
| Investment property (net) | - | 2.785 | 45.888 | 48.673 |
| Property, plant and equipment (net) | 143.264 | 3.148 | 86.740 | 233.152 |
| Intangible assets (net) | 30 | 18.647 | 2.333 | 21.010 |
| Deferred tax assets | 71 | - | 1.678 | 1.749 |
| Other non-current assets | 230 | 1.213 | 20.502 | 21.945 |
| Total non-current assets | 1.379.633 | 393.805 | 161.473 | 1.934.911 |
| Total assets | 3.706.675 | 2.415.132 | 1.011.478 | 7.133.285 |
| LIABILITIES | | | | |
| Current Liabilities: | | | | |
| Customer deposits | 1.547.350 | 667.434 | 73.316 | 2.288.100 |
| Short-term borrowings (net) | 1.087.951 | 660.305 | 71.750 | 1.820.006 |
| Short-term portion of long-term borrowings (net) | 275.368 | 190.394 | 36.982 | 502.744 |
| Lease payables (net) | 221 | 1.773 | 340 | 2.334 |
| Insurance technical reserves | - | - | - | - |
| Other financial liabilities (net) | - | 2.127 | 679 | 2.806 |
| Trade payables (net) | 178.110 | 286.261 | 175.323 | 639.694 |
| Due to related parties (net) | 145.631 | 353.138 | 53.917 | 552.686 |
| Advances received | 17.128 | 6.586 | 5 | 23.719 |
| Provisions | 1.087 | 26.152 | 7.087 | 34.326 |
| Other current liabilities (net) | 64.193 | 113.147 | 94.371 | 271.711 |
| Total current liabilities | 3.317.039 | 2.307.317 | 513.770 | 6.138.126 |
| Non-current liabilities: | | | | |
| Customer deposits | 50.131 | 42.141 | 1.634 | 93.906 |
| Long-term borrowings (net) | 484.712 | 748.894 | 99.685 | 1.333.291 |
| Lease payables (net) | 60 | 6.915 | 629 | 7.604 |
| Insurance technical reserves | 48.424 | 3.371 | - | 51.795 |
| Other financial liabilities (net) | - | - | 5.732 | 5.732 |
| Provisions | - | 955 | - | 955 |
| Deferred tax liabilities | 187 | 330 | 18.950 | 19.467 |
| Other non-current liabilities (net) | 709 | 6.050 | 7.453 | 14.212 |
| Total non-current liabilities | 584.223 | 808.656 | 134.083 | 1.526.962 |
| Total liabilities | 3.901.262 | 3.115.973 | 647.853 | 7.665.088 |
| Net foreign currency position | (194.587) | (700.841) | 363.625 | (531.803) |

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NOTE 29 - FOREIGN CURRENCY POSITION (Continued)

| | 31 December 2004 | | | |
|--|-------------------------|------------------|------------------|------------------|
| | USD | EUR | Other | Total |
| ASSETS | | | | |
| Current Assets: | | | | |
| Cash and due from banks | 873.221 | 606.541 | 113.939 | 1.593.701 |
| Marketable securities (net) | 148.554 | 21.275 | 26.927 | 196.756 |
| Reserve deposits with the Central Banks | 189.976 | 37.774 | 270 | 228.020 |
| Loans and advances to customers | 790.117 | 294.186 | 56.331 | 1.140.634 |
| Trade receivables (net) | 289.730 | 741.482 | 207.855 | 1.239.067 |
| Lease receivables (net) | 49.519 | 70.840 | 1.206 | 121.565 |
| Due from related parties (net) | 60.284 | 417.318 | 205.617 | 683.219 |
| Inventories (net) | - | 58.186 | 130.348 | 188.534 |
| Other current assets | 37.352 | 57.839 | 33.536 | 128.727 |
| Total current assets | 2.438.753 | 2.305.441 | 776.029 | 5.520.223 |
| Non-current assets: | | | | |
| Loans and advances to customers | 76.651 | 26.292 | 5.295 | 108.238 |
| Lease receivables (net) | 49.085 | 70.219 | 1.196 | 120.500 |
| Financial assets (net) | 890.296 | 240.221 | 10.065 | 1.140.582 |
| Investment property (net) | - | - | 47.575 | 47.575 |
| Property, plant and equipment (net) | - | 54 | 207.686 | 207.740 |
| Intangible assets (net) | - | - | 627 | 627 |
| Deferred tax assets | - | 73 | 1.616 | 1.689 |
| Other non-current assets | 485 | 2.283 | 17.628 | 20.396 |
| Total non-current assets | 1.016.517 | 339.142 | 291.688 | 1.647.347 |
| Total assets | 3.455.270 | 2.644.583 | 1.067.717 | 7.167.570 |
| LIABILITIES | | | | |
| Current Liabilities: | | | | |
| Customer deposits | 1.653.586 | 642.605 | 72.964 | 2.369.155 |
| Short-term borrowings (net) | 919.384 | 682.671 | 13.160 | 1.615.215 |
| Short-term portion of long-term borrowings (net) | 251.434 | 119.810 | 98.772 | 470.016 |
| Lease payables (net) | 1.095 | 1.650 | 261 | 3.006 |
| Insurance technical reserves | 22.064 | 8.026 | 277 | 30.367 |
| Other financial liabilities (net) | - | 2.010 | 1.018 | 3.028 |
| Trade payables (net) | 155.500 | 423.325 | 140.975 | 719.800 |
| Due to related parties (net) | 123.099 | 260.219 | 43.813 | 427.131 |
| Advances received | 12.331 | 1.141 | 14.860 | 28.332 |
| Provisions | 2.054 | 3.922 | 5.244 | 11.220 |
| Deferred tax liabilities | - | - | - | - |
| Other current liabilities (net) | 54.202 | 156.117 | 75.980 | 286.299 |
| Total current liabilities | 3.194.749 | 2.301.496 | 467.324 | 5.963.569 |
| Non-current liabilities: | | | | |
| Customer deposits | 51.173 | 43.973 | 2.510 | 97.656 |
| Long-term borrowings (net) | 725.758 | 605.971 | 101.347 | 1.433.076 |
| Lease payables (net) | - | 6.350 | 704 | 7.054 |
| Insurance technical reserves | 45.133 | 3.291 | - | 48.424 |
| Other financial liabilities (net) | - | - | 6.050 | 6.050 |
| Provisions | - | 208 | - | 208 |
| Deferred tax liabilities | - | 297 | 20.213 | 20.510 |
| Other non-current liabilities (net) | 4.632 | 9.500 | 1.951 | 16.083 |
| Total non-current liabilities | 826.696 | 669.590 | 132.775 | 1.629.061 |
| Total liabilities | 4.021.445 | 2.971.086 | 600.099 | 7.592.630 |
| Net foreign currency position | (566.175) | (326.503) | 467.618 | (425.060) |

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NOTE 30 - GOVERNMENT GRANTS

The Group has obtained investment incentive certificates from the Turkish government authorities in connection with certain major capital expenditures. These incentives entitle the Group to the following rights;

- i) 100% exemption from customs duty on machinery and equipment imported,
- ii) Investment allowance of 100% and 200% on approved capital expenditures,
- iii) Custom exemptions for imported investment goods, VAT exemptions for domestic investment goods, tax and duty exceptions,
- iv) Resource Utilisation 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,
- v) 40% of the research and development 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 corporation tax. The total amount of investment incentive allowance for the period ended 31 March 2005 is YTL1.689.258 thousand (31 December 2004: YTL1.767.519 thousand) (Note 14).

As permitted by Turkish tax legislation, RUSP is recognised 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 amortised over the depreciation period of the related assets on a straight-line basis.

NOTE 31 - COMMITMENTS AND CONTINGENT LIABILITIES

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

| | 31 March 2005 | 31 December 2004 |
|--|----------------------|-------------------------|
| <u>Guarantees given:</u> | | |
| Letters of guarantee | 834.936 | 935.031 |
| Guarantee notes | 31.033 | 20.440 |
| <u>Guarantees taken:</u> | | |
| Letters of guarantee | 1.091.262 | 1.097.317 |
| Guarantee notes | 60.894 | 51.468 |
| Marketable securities given as guarantee | 12.689 | 15.254 |

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NOTE 31 - COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

Commitments - given:

a) Commitments - Banking

In the banking segment, the normal course of banking activities requires the undertaking of 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.

The following is a summary of significant commitments and contingent liabilities at 31 March 2005 and 31 December 2004:

Credit related commitments:

| | 31 March 2005 | 31 December 2004 |
|--|----------------------|-------------------------|
| Letters of guarantee | | |
| - Foreign currency | 567.451 | 562.990 |
| - YTL | 479.716 | 460.345 |
| Letters of credit | 357.644 | 325.547 |
| Acceptance credits | 43.405 | 50.236 |
| Other commitments and contingencies | 37.125 | 48.414 |
| | 1.485.341 | 1.447.532 |
| Less: provision for losses on credit related commitments (Note 15.c) | (16.514) | (16.871) |
| | 1.468.827 | 1.430.661 |

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

| | 31 March 2005 | % | 31 December 2004 | % |
|-----------------------------------|----------------------|------------|-------------------------|------------|
| Construction and cement | 295.371 | 20 | 285.510 | 20 |
| Petrochemical industry | 163.782 | 11 | 143.435 | 10 |
| Metal processing | 156.467 | 11 | 141.845 | 10 |
| Financial institutions | 144.939 | 10 | 135.642 | 9 |
| Textiles | 141.814 | 10 | 142.787 | 10 |
| Food, beverage and consumer goods | 63.991 | 4 | 61.516 | 4 |
| Trade | 39.647 | 3 | 44.037 | 3 |
| Durable goods | 30.306 | 2 | 30.310 | 2 |
| Tourism | 26.222 | 2 | 33.824 | 2 |
| Automotive | 20.148 | 1 | 42.713 | 3 |
| Other | 402.654 | 26 | 385.913 | 27 |
| | 1.485.341 | 100 | 1.447.532 | 100 |

Custody services:

The Group's Joint Ventures in the financial sector provide custody services to third parties. The assets held in a fiduciary capacity are not included in these consolidated interim financial statements. At 31 March 2005 the Group has custody accounts amounting to YTL3.683.082 thousand (31 December 2004: YTL3.408.213 thousand).

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NOTE 31 - COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

Derivative financial instruments:

| <u>31 March 2005</u> | Contract amount | <u>Fair Values</u> | |
|--|----------------------------|-------------------------------|-----------------|
| | | Assets / (Liabilities) | |
| Foreign exchange derivatives | | | |
| Currency forwards | 521.162 | 11.713 | (8.977) |
| Currency swaps | 565.058 | 863 | (1.697) |
| | 1.086.220 | 12.576 | (10.674) |
| Interest rate cap and floor arrangements | 17.781 | - | (42) |
| Option agreement (*) | 169 | - | (931) |
| Total | 1.104.170 | 12.576 | (11.647) |
| 31 December 2004 | | | |
| | Contract amount | <u>Fair Values</u> | |
| | | 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) |

(*) At 31 March 2005 and 31 December 2004, the option agreement represents a commitment of KFS, a Joint Venture of the Group, to buy the 20% share capital of Koçbank Azerbaijan Ltd. which is presently owned by the IFC, with a nominal value of USD1.400.000, by 16 November 2005. 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.

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NOTE 31 - COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

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 114.756 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 March 2005 amounting to YTL16.084 thousand have been booked under the shareholders' equity as "cumulative loss on hedging".
- ii) The long-term loan from ABN Amro Bank B.V. amounting to EUR44.445.489 (31 December 2004: EUR55.557.000) was obtained to finance the investment to manufacture the 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 a 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 YTL16.760 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 March 2005 to hedge the interest rate risk arising from borrowings amounting to EUR22.792.905. 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 March 2005, are as follows:

| Agreement | EURIBOR Floor rate | EURIBOR Ceiling rate | Amount | Due date |
|------------------|-------------------------------|---------------------------------|---------------|-----------------|
| Citibank | 5,15% | 6% | EUR18.625.633 | 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 March 2005, the settlement dates of open futures contracts is an average of four months. If the open futures contracts are realised, Opet would recognise an income of USD2.138.125.
- 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 the IFC and other banks has been agreed. It has also been agreed to give a "comfort letter" confirming that Koç Group shares at Beko Elektronik will not be below 51% until this loan is fully paid.

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NOTE 31 - PROVISIONS, COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

- vi) Ford Otosan, a Joint Venture of the Group, entered into a loan agreement with Akbank T.A.Ş. in 2003. During the term of this agreement, Ford Otosan is required to ensure that its 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 YTL328.560 thousand are pledged as collateral for the IFC loan agreement amounting to USD30.000.000.
- viii) All assets of Rambutya, a Subsidiary of the Group, amounting to YTL37.474 thousand are pledged as collateral for the IFC loan agreement signed on 30 July 1999 amounting to USD11.000.000.
- ix) At 31 March 2005 short-term and long-term bank borrowings of Entek, a Subsidiary of the Group, amounting to YTL106.017 thousand have been guaranteed as follows:
- YTL66.355 thousand of loan is guaranteed by USD35.000.000 and USD65.000.000 of receivable collections to be made from Çelikkord and Pirelli (Shareholder and customer of Entek).
 - YTL39.662 thousand of loan is guaranteed by a mortgage amounting to USD67.500.000.
- x) In connection with the investment incentives, Arçelik, a Subsidiary of the Group was committed to realise export sales amounting to USD1.119.480.490 at 31 March 2005 (31 December 2004: USD718.147.580).
- xi) As of 31 March 2005, 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 YTL70.340 thousand (31 December 2004: YTL81.780 thousand).
- xii) Aygaz, a Subsidiary of the Group, has a commitment to acquire 342.000 tonnes of LPG from Türkiye Petrol Rafineleri A.Ş. at 31 March 2005.
- xii) At 12 November 2004 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 November 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 determined in world markets.

Commitments given:

| | 31 March 2005 | 31 December 2004 |
|---|----------------------|-------------------------|
| Mortgages given | 398.014 | 399.338 |
| Commitments with respect to export incentive certificates | 1.695.669 | 996.043 |
| Commitments with respect to investment incentive certificates | 102.103 | 113.006 |
| Other | 10.488 | 10.391 |
| | 2.206.274 | 1.518.778 |

Commitments taken:

| | | |
|-----------------|---------|---------|
| Mortgages taken | 125.791 | 117.727 |
|-----------------|---------|---------|

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NOTE 32 – BUSINESS COMBINATIONS

Goodwill and negative goodwill

There is no business combination or goodwill arisen in 2005.

Previously recognized negative goodwill arisen from the business combinations in 2004 are as follows:

- i) On 23 February 2004, Entek, a subsidiary of the Group, acquired 84,78% of the issued share capital of İztek for a purchase consideration 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 consideration of YTL27.759 thousand resulting in negative goodwill amounting to YTL8.371 thousand.

Legal Mergers

Legal mergers represent transactions between subsidiaries of the Group under common control are not dealt with IFRS 3 (Note 3.ai).

There are no legal mergers as of the balance sheet date in 2005. In the General Assemblies of the Subsidiaries of the Group, İzocam and Tek-iz and Otoyol Sanayi and Otoyol Pazarlama, the legal merger decisions have been taken (Note 34).

Legal mergers realised in 2004 are as follows:

- 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 CMB's authorisation, dated 29 May 2004 and numbered 22/621, and Domestic Trade General Directorate of Ministry of Industry and Trade's authorisation, 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 Authorisation 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 the Turkish Trade Registry Gazette on 5 January 2005.

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NOTE 33 – SEGMENT REPORTING

a) Net revenues

| | 31 March 2005 | 31 March 2004 |
|------------------|----------------------|----------------------|
| Automotive | 1.136.909 | 1.244.295 |
| Consumer durable | 1.413.763 | 1.190.522 |
| Food and retail | 803.287 | 623.757 |
| Finance | 469.696 | 410.057 |
| Energy | 1.030.910 | 1.124.145 |
| Other | 372.849 | 279.003 |
| | 5.227.414 | 4.871.779 |

b) Operating profit/(loss)

| | 31 March 2005 | 31 March 2004 |
|------------------|----------------------|----------------------|
| Automotive | 39.356 | 101.856 |
| Consumer durable | 80.242 | 127.369 |
| Food and retail | 28.553 | 6.952 |
| Finance | 71.463 | 58.438 |
| Energy | 40.823 | 34.859 |
| Other | (45.021) | (26.687) |
| | 215.416 | 302.787 |

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NOTE 33 - SEGMENT REPORTING (Continued)

c) Segment analysis for the period ended 31 March 2005

| | Automotive | Consumer Durable | Food and Retail | Finance | | | | Intra segment | Total Finance | Energy | Other | Inter segment profit elimination | Consolidated Total |
|----------------------------------|--------------------|---------------------|--------------------|------------------|------------------|---------------------|------------------|------------------|------------------|------------------|------------------|-------------------------------------|-----------------------|
| | | | | Banking | Insurance | Consumer Finance | Total Finance | | | | | | |
| External revenues | 1.136.909 | 1.413.763 | 803.287 | 216.458 | 226.286 | 26.952 | - | 469.696 | 1.030.910 | 372.849 | - | 5.227.414 | |
| Intra segment revenues | 169.272 | 196.907 | 91.231 | 12.395 | 616 | - | - | 13.011 | 32.400 | 11.048 | - | 513.869 | |
| Inter segment revenues | 39.750 | 249.092 | 5.044 | 5.104 | 13.362 | 143 | - | 18.609 | 20.154 | 342.298 | - | 674.947 | |
| Combined revenues | 1.345.931 | 1.859.762 | 899.562 | 233.957 | 240.264 | 27.095 | - | 501.316 | 1.083.464 | 726.195 | - | 6.416.230 | |
| External revenues | 1.136.909 | 1.413.763 | 803.287 | 216.458 | 226.286 | 26.952 | - | 469.696 | 1.030.910 | 372.849 | - | 5.227.414 | |
| Inter segment revenues | 39.750 | 249.092 | 5.044 | 5.104 | 13.362 | 143 | - | 18.609 | 20.154 | 342.298 | (674.947) | - | |
| Revenues | 1.176.659 | 1.662.855 | 808.331 | 221.562 | 239.648 | 27.095 | - | 488.305 | 1.051.064 | 715.147 | (674.947) | 5.227.414 | |
| Cost of sales | (1.035.274) | (1.310.152) | (661.618) | (116.121) | (218.023) | (17.478) | 13.011 | (338.611) | (952.191) | (661.072) | 605.776 | (4.353.142) | |
| Gross profit | 141.385 | 352.703 | 146.713 | 105.441 | 21.625 | 9.617 | 13.011 | 149.694 | 98.873 | 54.075 | (69.171) | 874.272 | |
| Administrative expenses | (38.108) | (81.747) | (104.883) | (55.188) | (19.078) | (3.740) | - | (78.006) | (25.048) | (49.211) | 77.050 | (299.953) | |
| Selling & marketing expenses | (61.995) | (181.255) | (32.448) | - | - | - | - | - | (42.091) | (15.722) | - | (333.511) | |
| Research & development expenses | (8.441) | (16.647) | - | - | - | - | - | - | (304) | - | - | (25.392) | |
| | 32.841 | 73.054 | 9.382 | - | - | - | - | 71.688 | 31.430 | (10.858) | 7.879 | 215.416 | |
| Inter segment profit elimination | 6.515 | 7.188 | 19.171 | - | - | - | - | (225) | 9.393 | (34.163) | (7.879) | - | |
| Operating profit/(loss) | 39.356 | 80.242 | 28.553 | - | - | - | - | 71.463 | 40.823 | (45.021) | - | 215.416 | |

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NOTE 33 - SEGMENT REPORTING (Continued)

c) Segment analysis for the period ended 31 March 2004

| | Consumer | | Food and Retail | Finance | | | | Intra segment | Total Finance | Energy | Other | Inter segment profit elimination | Consolidated Total |
|----------------------------------|--------------------|--------------------|--------------------|-----------------|------------------|---------------------|--------------|------------------|--------------------|------------------|------------------|-------------------------------------|-----------------------|
| | Automotive | Durable | | Banking | Insurance | Consumer Finance | | | | | | | |
| External revenues | 1.244.295 | 1.190.522 | 623.757 | 195.030 | 200.259 | 14.768 | - | 410.057 | 1.124.145 | 279.003 | - | 4.871.779 | |
| Intra segment revenues | 273.818 | 186.089 | 114.184 | 6.552 | 2.228 | 108 | - | 8.888 | 33.531 | 8.348 | - | 624.858 | |
| Inter segment revenues | 15.998 | 231.308 | 2.206 | 2.408 | 31.754 | 621 | - | 34.783 | 24.531 | 314.544 | - | 623.370 | |
| Combined revenues | 1.534.111 | 1.607.919 | 740.147 | 203.990 | 234.241 | 15.497 | - | 453.728 | 1.182.207 | 601.895 | - | 6.120.007 | |
| External revenues | 1.244.295 | 1.190.522 | 623.757 | 195.030 | 200.259 | 14.768 | - | 410.057 | 1.124.145 | 279.003 | - | 4.871.779 | |
| Inter segment revenues | 15.998 | 231.308 | 2.206 | 2.408 | 31.754 | 621 | - | 34.783 | 24.531 | 314.544 | (623.370) | - | |
| Revenues | 1.260.293 | 1.421.830 | 625.963 | 197.438 | 232.013 | 15.389 | - | 444.840 | 1.148.676 | 593.547 | (623.370) | 4.871.779 | |
| Cost of sales | (1.068.530) | (1.071.736) | (498.716) | (89.488) | (206.107) | (7.621) | 8.151 | (295.065) | (1.071.177) | (546.444) | 565.961 | (3.985.707) | |
| Gross profit | 191.763 | 350.094 | 127.247 | 107.950 | 25.906 | 7.768 | 8.151 | 149.775 | 77.499 | 47.103 | (57.409) | 886.072 | |
| Administrative expenses | (42.802) | (89.756) | (96.236) | (44.543) | (13.527) | (4.203) | - | (62.273) | (20.753) | (32.756) | 61.120 | (283.456) | |
| Selling & marketing expenses | (54.213) | (136.230) | (32.650) | | | | | - | (33.094) | (23.631) | - | (279.818) | |
| Research & development expenses | (7.098) | (12.897) | (16) | | | | | - | - | - | - | (20.011) | |
| | 87.650 | 111.211 | (1.655) | | | | | 87.502 | 23.652 | (9.284) | 3.711 | 302.787 | |
| Inter segment profit elimination | 14.206 | 16.158 | 8.607 | | | | | (29.064) | 11.207 | (17.403) | (3.711) | - | |
| Operating profit/(loss) | 101.856 | 127.369 | 6.952 | | | | | 58.438 | 34.859 | (26.687) | - | 302.787 | |

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NOTE 33 - SEGMENT REPORTING (Continued)

d) Segment assets

| | 31 March 2005 | 31 December 2004 |
|--|----------------------|-------------------------|
| <u>Total assets</u> | | |
| Automotive | 3.058.414 | 3.089.645 |
| Consumer durable | 5.456.429 | 5.449.048 |
| Food and retail | 2.006.518 | 1.964.478 |
| Finance | 8.798.007 | 8.453.575 |
| Energy | 2.096.124 | 1.994.934 |
| Other | 5.741.257 | 5.588.046 |
| Total | 27.156.749 | 26.539.726 |
| Less: Inter segment elimination | (7.572.573) | (7.430.933) |
| Total assets as per consolidated financial statements | 19.584.176 | 19.108.793 |

Segment liabilities

| | | |
|---|-------------------|-------------------|
| <u>Total liabilities</u> | | |
| Automotive | 1.555.905 | 1.543.683 |
| Consumer durable | 3.069.263 | 3.074.302 |
| Food and retail | 1.045.320 | 1.002.185 |
| Finance | 6.936.363 | 6.655.076 |
| Energy | 784.450 | 706.761 |
| Other | 1.255.195 | 1.202.733 |
| Total | 14.646.496 | 14.184.740 |
| Less: Inter segment elimination | (2.070.080) | (1.924.326) |
| Total liabilities as per consolidated financial statements | 12.576.416 | 12.260.414 |

Net assets

| | | |
|--|-------------------|-------------------|
| Automotive | 1.502.509 | 1.545.962 |
| Consumer durable | 2.387.166 | 2.374.746 |
| Food and retail | 961.198 | 962.293 |
| Finance | 1.861.644 | 1.798.499 |
| Energy | 1.311.674 | 1.288.173 |
| Other | 4.486.062 | 4.385.313 |
| Total | 12.510.253 | 12.354.986 |
| Less: Inter segment elimination | (8.252.918) | (8.198.714) |
| Shareholders' equity | 4.257.335 | 4.156.272 |
| Minority interest | 2.750.425 | 2.692.107 |
| Total net assets as per consolidated financial statements | 7.007.760 | 6.848.379 |

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NOTE 33 - SEGMENT REPORTING (Continued)

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

| | 31 March 2005 | 31 March 2004 |
|---|----------------|----------------|
| <u>Purchase of tangible and intangible assets and investment property</u> | | |
| Automotive | 26.528 | 62.502 |
| Consumer durable | 42.973 | 45.284 |
| Food and retail | 49.450 | 17.181 |
| Finance | 1.534 | 1.889 |
| Energy | 25.862 | 29.284 |
| Other | 7.881 | 5.854 |
| | 154.228 | 161.994 |
| <u>Depreciation and amortisation</u> | | |
| Automotive | 58.921 | 66.373 |
| Consumer durable | 50.052 | 45.261 |
| Food and retail | 32.283 | 20.251 |
| Finance | 7.655 | 8.155 |
| Energy | 20.801 | 30.129 |
| Other | 13.392 | 11.710 |
| | 183.104 | 181.879 |

f) Non-cash expenses

| | 31 March 2005 | | | | | | Total |
|---|---------------|---------------------|--------------------|---------------|----------------|--------------|----------------|
| | Automotive | Consumer Durable | Food and Retail | Finance | Energy | Other | |
| Changes in provision for impairment of unlisted investments | - | - | - | - | - | 1.261 | 1.261 |
| Changes in provision for doubtful receivables | (16) | 3.083 | 288 | 832 | 2.346 | (688) | 5.845 |
| Changes in provision for loan losses | - | - | - | 9.460 | - | - | 9.460 |
| Changes in warranty provision | 4.252 | 24.658 | - | - | - | 329 | 29.239 |
| Changes in provision for employment termination benefits | 4.120 | 240 | 26 | (548) | 979 | 2.277 | 7.094 |
| Changes in insurance reserves | - | - | - | 48.110 | - | - | 48.110 |
| Changes in impairment for inventories | 612 | 1.103 | (29) | - | - | - | 1.686 |
| | 8.968 | 29.084 | 285 | 57.854 | 3.325 | 3.179 | 102.695 |
| | 31 March 2004 | | | | | | Total |
| | Automotive | Consumer Durable | Food and Retail | Finance | Energy | Other | |
| Amortisation of goodwill | - | (1.180) | 4.514 | - | 1.794 | 907 | 6.035 |
| Changes in provision for impairment of unlisted investments | - | 822 | 822 | - | - | 3.707 | 5.351 |
| Changes in provision for doubtful receivables | 24.329 | (4.411) | 195 | (62) | (4.185) | (145) | 15.721 |
| Changes in provision for loan losses | - | - | - | (8.190) | - | - | (8.190) |
| Changes in warranty provision | 2.326 | (1.842) | - | - | - | (297) | 187 |
| Changes in provision for employment termination benefits | 2.234 | (7.823) | 416 | 685 | 697 | (962) | (4.753) |
| Changes in insurance reserves | - | - | - | 30.445 | - | - | 30.445 |
| Changes in impairment for inventories | - | 11.282 | 942 | - | - | - | 12.224 |
| | 28.889 | (3.152) | 6.889 | 22.878 | (1.694) | 3.210 | 57.020 |

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NOTE 33 - SEGMENT REPORTING (Continued)

g) Minority interest

| | 31 March 2005 | | | 31 December 2004 | | |
|------------------|---------------------------|------------------|------------------|---------------------------|------------------|------------------|
| | Koç family members | Other | Total | Koç family members | Other | Total |
| Automotive | 202.813 | 297.611 | 500.424 | 209.097 | 292.625 | 501.722 |
| Consumer durable | 354.908 | 510.392 | 865.300 | 341.862 | 506.199 | 848.061 |
| Food and retail | 234.787 | 235.632 | 470.419 | 242.881 | 232.055 | 474.936 |
| Finance | 48.747 | 44.422 | 93.169 | 48.551 | 37.800 | 86.351 |
| Energy | 136.397 | 256.156 | 392.553 | 114.237 | 249.799 | 364.036 |
| Other | 196.418 | 232.142 | 428.560 | 199.714 | 217.287 | 417.001 |
| | 1.174.070 | 1.576.355 | 2.750.425 | 1.156.342 | 1.535.765 | 2.692.107 |

h) Finance sector operating results

Finance sector operating profit

| | 31 March 2005 | 31 March 2004 |
|-----------------------------------|----------------------|----------------------|
| Banking operating profit (*) | 72.853 | 71.779 |
| Consumer finance operating profit | 5.840 | 2.988 |
| Insurance operating profit | (7.230) | (16.329) |
| Total | 71.463 | 58.438 |

(*) Banking operating profit

| | 31 March 2005 | 31 March 2004 |
|--|----------------------|----------------------|
|--|----------------------|----------------------|

Net revenues

| | | |
|------------------------------------|----------------|----------------|
| Interest income | 171.697 | 148.740 |
| Commission income | 35.050 | 36.667 |
| Marketable securities sales income | 1.540 | 3.701 |
| Foreign exchange gains and losses | 1.189 | 3.677 |
| Other operating income | 6.982 | 2.245 |
| Total operating revenues | 216.458 | 195.030 |

Operating expenses

| | | |
|--|------------------|------------------|
| Interest expense | (77.270) | (64.984) |
| Commission expense | (4.219) | (7.637) |
| Provision expense for loan impairment losses | (11.915) | (8.090) |
| Other operating expenses | (50.201) | (42.540) |
| Total operating expenses | (143.605) | (123.251) |

| | | |
|---------------------------------|---------------|---------------|
| Banking operating profit | 72.853 | 71.779 |
|---------------------------------|---------------|---------------|

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NOTE 34 - SUBSEQUENT EVENTS

- i) At the General Assembly Meeting of Koç Holding A.Ş. held on 29 April 2005, it has been unanimously decided to distribute, out of the distributable profit amounting to YTL236.435 which is determined in accordance with the CMB Regulations from the consolidated net profit of YTL508.496 thousand achieved according to the consolidated balance sheet and income statement at 31 December 2004; YTL6.431 thousand as 5% legal reserves in accordance with the Turkish Commercial Code, the CMB Regulations and the Principal Agreement terms, YTL70.931 thousand as first dividend to the shareholders, YTL1.434 thousand to Koç Holding Emekli ve Yardım Sandığı Vakfı in accordance with the Article 32/c of the Articles of Association (as 1% and after subtracting the deductions paid during the year), YTL5.908 thousand to the holders of the bonus shares in accordance with the Article 32/d of the Articles of Association and YTL8.044 thousand to the shareholders as second dividend. It was also unanimously decided to set the dividend distribution date as 30 May 2005.
- ii) On 31 January 2005, KFS, a Joint Venture of the Group, entered into a "Share Agreement" with Çukurova Holding A.Ş. and other Çukurova Group companies to purchase 57,4% shares of Yapı ve Kredi Bankası A.Ş. ("YKB"). As a result of the due diligence and negotiation process in the scope of the "Share Agreement", KFS and Koçbank Nederland, Subsidiaries of the Group, entered into a "Share Sale Agreement" with Çukurova Holding A.Ş., other Çukurova Group companies and Mehmet Emin Karamehmet to purchase 57,4% shares of YKB. According to the Share Sale Agreement, the shares will be transferred to KFS together with Koçbank Nederland or Koçbank. The evaluated value of the 100% of the shares of YKB is EUR2.021.000.000. This price will be subject to adjustment which will be made according to the difference between the price of the shares of YKB in Turkcell Holding A.Ş and Turkcell İletişim Hizmetleri A.Ş. on 28 November 2004 and the price of these shares calculated by taking the weighted average of their prices at İstanbul Stock Exchange on the last 30 days before the completion of the share transfer transaction.
- iii) At the General Assembly Meeting of İzocam and Tek-iz, Subsidiaries of the Group it was decided to authorise the Board of Directors was authorised to initiate the legal merger process of İzocam and Tek-iz in which all the assets and liabilities of Tek-iz will merge under İzocam. The General Assembly Meeting related to the signing of the legal merger agreement will take place on 24 June 2005. The legal merge will come into effect after the registration of the General Assembly Meeting on this date.
- 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 authorise the Board of Directors to initiate the process of the legal merger of these two companies. Otoyol Pazarlama ve Otoyol Sanayi legally merged on 28 April 2005.
- v) The shareholders of Otoyol Sanayi, a Subsidiary of the Group, continue to the negotiations to establish a joint venture by selling shares to the current foreign partner Iveco S.p.a.

NOTE 35 - DISCONTINUED OPERATIONS

The Group has no discontinuing operations as of 31 March 2005.

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NOTE 36 - OPERATING REVENUE

| | 31 March 2005 | 31 March 2004 |
|---------------------|----------------------|----------------------|
| Non-finance sectors | 4.757.718 | 4.461.722 |
| Finance sector | 469.696 | 410.057 |
| Net revenue | 5.227.414 | 4.871.779 |

Non-finance sectors :

| | 31 March 2005 | 31 March 2004 |
|--------------------|----------------------|----------------------|
| Domestic sales | 2.954.529 | 2.899.064 |
| Foreign sales | 2.032.120 | 1.768.117 |
| Gross sales | 4.986.649 | 4.667.181 |
| Less: Discounts | (228.931) | (205.459) |
| Net sales | 4.757.718 | 4.461.722 |

Finance sector:

Information on the banking, insurance and consumer finance sectors is disclosed in Note 33.c and Note 33.h.

NOTE 37 – OPERATING EXPENSES

| | 31 March 2005 | 31 March 2004 |
|---------------------------------|----------------------|----------------------|
| Selling & marketing expenses | 333.511 | 279.818 |
| General administrative expenses | 299.953 | 283.456 |
| Research & development expenses | 25.392 | 20.011 |
| Operating expenses | 658.856 | 583.285 |

NOTE 38 - OTHER INCOME/EXPENSES

Other income and expenses for the periods ended 31 March 2005 and 2004 are as follows:

| | 31 March 2005 | 31 March 2004 |
|---------------------------------------|----------------------|----------------------|
| Other income | | |
| Rent income | 5.716 | 3.477 |
| Service income | 4.695 | 2.303 |
| Tangible asset and scrap sales income | 4.039 | 15.670 |
| Commission income | 3.041 | 1.488 |
| Income from provision reversals | 2.850 | 2.434 |
| Income from incentives | 2.596 | 395 |
| Goodwill amortisation | - | 2.181 |
| Other | 13.278 | 3.298 |
| Other income | 36.215 | 31.246 |

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NOTE 38 - OTHER INCOME/EXPENSES (Continued)

| | 31 March 2005 | 31 March 2004 |
|--------------------------------|----------------------|----------------------|
| Other expenses | | |
| Provision expenses | (5.470) | (2.279) |
| Maintenance service expenses | (1.802) | (2.828) |
| Impairment of financial assets | (2.444) | (6.484) |
| Goodwill amortisation | - | (9.836) |
| Other | (3.578) | (1.814) |
| Other expenses | (13.294) | (23.241) |
| Other income - net | 22.921 | 8.005 |

NOTE 39 - FINANCIAL INCOME/EXPENSES

Financial income and expenses for the periods ended 31 March 2005 and 2004 are as follows:

| | 31 March 2005 | 31 March 2004 |
|---|----------------------|----------------------|
| Interest income | 41.840 | 75.098 |
| Interest expense | (38.036) | (42.876) |
| Gains/(losses) on forward agreement - net | (11.177) | (2.864) |
| Foreign exchange gains/(losses) - net | (3.938) | 28.584 |
| Credit finance gains/(losses) - net | (1.749) | 15.273 |
| Other - net | (8.545) | 3.714 |
| Financial (expense)/income - net | (21.605) | 76.929 |

NOTE 40 - NET MONETARY POSITION GAIN/LOSSES

Since the application of inflation accounting is no longer required for the companies in Turkey effective from 1 January 2005 in line with CMB Accounting Standards, there is no gain/loss on net monetary position for the first three-months period of 2005 (Note 2.b).

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NOTE 41 - TAXES ON INCOME

| | 31 March 2005 | 31 December 2004 |
|--|----------------------|-------------------------|
| Corporation and income taxes payable: | | |
| Domestic | 51.231 | 73.690 |
| Foreign | 4.447 | 7.152 |
| | 55.678 | 80.842 |
| Deferred tax assets (Note 14) | (240.125) | (212.643) |
| Deferred tax liabilities (Note 14) | 221.886 | 217.856 |
| Deferred tax (assets)/liabilities - net | (18.239) | 5.213 |
| | 37.439 | 86.055 |

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 2005 is 30%. Corporation tax is payable on the total income of the companies 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" 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, amortisation 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 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 Law numbered 5281 law dating from 1 January 2005.

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NOTE 41 - TAXES ON INCOME (Continued)

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 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.

Furthermore, the 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 utilised within the scope of investment incentive certificates granted prior to 24 April 2003 are subject to withholding tax at the rate of 19,8%, irrespective of profit distribution.

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. 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 can not 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.

Taxes on income for the periods ended 31 March are summarised as follows:

| | 31 March 2005 | 31 March 2004 |
|----------------------------|----------------------|----------------------|
| Current year corporate tax | 89.695 | 142.216 |
| Deferred tax (Note 14) | (27.792) | 19.887 |
| | 61.903 | 162.103 |

NOTE 42 - EARNINGS PER SHARE

| | 31 March 2005 | 31 March 2004 |
|--|----------------------|----------------------|
| Net profit for the period | 88.514 | 103.800 |
| Weighted average number (000's) of shares with nominal value of TL1.000 each | 1.000.000.000 | 1.000.000.000 |
| Basic and diluted earnings per share in full | 89 | 104 |

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NOTE 43 - SUPPLEMENTARY CASH FLOW INFORMATION

Cash and cash equivalents are carried in the balance sheet at amortised cost (Note 4.a).

Analysis of cash and cash equivalents included in the consolidated statement of cash flow for the three months interim period ended 31 March is as follows:

| | 31 March 2005 | 31 March 2004 |
|--|----------------------|----------------------|
| Changes in reserves and provisions: | | |
| Changes in deferred tax | (23.452) | 18.777 |
| Changes in provision for diminution in value of unlisted investments | 1.261 | 5.351 |
| Changes in provision for doubtful receivables | 5.845 | 15.721 |
| Changes in provision for loan losses | 9.460 | (8.190) |
| Changes in warranty provision | 29.239 | 187 |
| Changes in provision for cost and expenses | (1.035) | - |
| Changes in provision for employment termination benefits | 7.094 | (4.753) |
| Changes in insurance technical reserves | (48.110) | 30.445 |
| Changes in impairment for inventories | 1.686 | 12.224 |
| | 78.208 | 69.762 |
| Add back net interest income: | | |
| Non-banking interest income | (41.840) | (75.098) |
| Banking interest income | (171.697) | (148.740) |
| Non-banking interest expenses | 38.036 | 42.876 |
| Banking interest expenses | 77.270 | 64.984 |
| | (98.231) | (115.978) |
| Net changes in the operating assets and liabilities: | | |
| <u>Changes in current assets and liabilities:</u> | | |
| Inventories | (50.985) | (127.978) |
| Trade receivables | (99.645) | 84.199 |
| Other current assets | (46.939) | (217.124) |
| Trade payables | (84.946) | (133.306) |
| Other current liabilities | (16.950) | 136.367 |
| Balances with related parties, net | (11.655) | (12.221) |
| Investments | (238.702) | 16.821 |
| | (549.822) | (253.242) |
| <u>Changes in finance segment current assets and liabilities:</u> | | |
| Cash and cash equivalents with original maturities of more than 3 months | (3.450) | 6.442 |
| Reserve deposits with the Central Banks | 16.798 | (810) |
| Loans and advances to customers, short-term | (180.172) | 210.098 |
| Loans and advances to customers, long-term | (105.873) | (158.911) |
| Customer deposits | (50.951) | (317.283) |
| | (323.648) | (260.464) |
| <u>Changes in other non-current assets and liabilities:</u> | | |
| Changes in other non-current assets | (7.833) | 33.399 |
| Changes in other non-current liabilities | (8.599) | (38.573) |
| | (16.432) | (5.174) |
| | (889.902) | (518.880) |

**CONVENIENCE TRANSLATION INTO ENGLISH OF
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ORIGINALLY ISSUED IN TURKISH**

KOÇ HOLDİNG A.Ş.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED AT 31 MARCH 2005**

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

NOTE 44 – DISCLOSURE OF OTHER MATTERS

a) 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:

| | 31 March 2005 | 31 December 2004 |
|---|-------------------|-------------------|
| Current assets | 5.482.816 | 5.546.656 |
| Non-current assets | 4.806.079 | 4.541.380 |
| Total assets | 10.288.895 | 10.088.036 |
| Current liabilities | 6.640.893 | 6.314.337 |
| Non-current liabilities | 725.678 | 853.919 |
| Share capital | 2.922.324 | 2.919.780 |
| Total liabilities and shareholders' equity | 10.288.895 | 10.088.036 |

| | 31 March 2005 | 31 March 2004 |
|------------------|---------------|---------------|
| Revenues | 1.802.411 | 1.666.540 |
| Operating profit | 117.375 | 131.070 |
| Net income | 82.653 | 126.564 |

b) Funds

At 31 March 2005, the Group, manages 15 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 March 2005, the Group earned fund management fees amounting to YTL14.476 thousand (31 March 2004: YTL14.507 thousand).

| Fund Name | Management fee commission rates | | Total fund value (*) | |
|--|------------------------------------|--------------------------|-----------------------------|--------------------------------|
| | 31 March 2005 % | 31 December 2004 % | 31 March 2005 YTL'000 | 31 December 2004 YTL'000 |
| Investment Funds | | | | |
| Koçbank A.Ş. A Tipi Değişken Fon | 0,015 | 0,015 | 37.293 | 40.024 |
| Koçbank A.Ş. B Tipi Değişken Fon | 0,012 | 0,012 | 759.339 | 690.649 |
| Koçbank A.Ş. A Tipi İMKB Ulusal 30 Endeksi Fonu | 0,01 | 0,015 | 40.610 | 40.570 |
| Koçbank A.Ş. B Tipi Tahvil ve Bono Fonu | 0,01 | 0,012 | 526.849 | 398.337 |
| Koçbank A.Ş. A Tipi Hisse Senedi Fonu | 0,015 | 0,015 | 5.941 | 6.566 |
| Koçbank A.Ş. A Tipi Koç Allianz Sigorta Özel Fon | 0,00274 | 0,00274 | 1.729 | 1.785 |
| Koç Yatırım Menkul Değerler A.Ş. A Tipi Koç Şirketleri İştirak Fonu | 0,01 | 0,015 | 3.201 | 3.309 |
| Koç Yatırım Menkul Değerler A.Ş. B Tipi Değişken Fon | 0,01 | 0,00685 | 129.282 | 217.252 |
| Koçbank A.Ş. A Tipi Karma Fonu | 0,015 | 0,015 | 1.735 | 1.338 |
| Koçbank A.Ş. B Tipi Likit Fonu | 0,01 | 0,01 | 1.373.246 | 1.314.865 |
| Koçbank A.Ş. A Tipi Holdingler ve Yatırım Şirketleri Sektör Fonu | 0,008 | 0,015 | 4.707 | 8.385 |
| Koç Yatırım Menkul Değerler A.Ş. A Tipi Değişken Fonu | 0,011 | 0,00685 | 27.631 | 33.343 |
| Koç Yatırım Menkul Değerler A.Ş. B Tipi Tahvil ve Bono Fonu | 0,01 | 0,012 | 146.767 | 147.648 |
| Koç Yatırım Menkul Değerler A.Ş. B Tipi Likit Fonu | 0,01 | 0,01 | 56.341 | 54.365 |
| Koçbank A.Ş. B Tipi Özel Bankacılık Fonu | 0,01 | - | 42.627 | - |
| Total investment funds | | | 3.157.298 | 2.958.436 |

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

NOTE 44 – DISCLOSURE OF OTHER MATTERS (Continued)

| Fund Name | Management fee commission rates | | Total fund value (*) | |
|--|------------------------------------|---------------------|----------------------|---------------------|
| | 31 March 2005 | 31 December 2004 | 31 March 2005 | 31 December 2004 |
| | % | % | YTL'000 | YTL'000 |
| Pension funds | | | | |
| Koç Allianz Hayat ve Emeklilik A.Ş. ("Koç Allianz") Para Piyasası Emanet Likit Kamu Emeklilik Yatırım Fonu | 0,006 | 0,0084 | 240 | 251 |
| Koç Allianz Para Piyasası Likit Kamu Emeklilik Yatırım Fonu | 0,006 | 0,0084 | 2.821 | 1.687 |
| Koç Allianz Büyüme Amaçlı Esnek Emeklilik Yatırım Fonu | 0,0075 | 0,01 | 1.753 | 1.167 |
| Koç Allianz İhtisaslaşmış İmkb Ulusal 30 Endeksi Emeklilik Yatırım Fonu | 0,0082 | 0,009 | 2.569 | 1.778 |
| Koç Allianz Gelir Amaçlı Kamu Borçlanma Araçları Emeklilik Yatırım Fonu | 0,0075 | 0,0095 | 19.823 | 11.614 |
| Koç Allianz Gelir Amaçlı Kamu Borçlanma Araçları (Döviz End.) Emeklilik Yatırım Fonu | 0,0058 | 0,0058 | 616 | 189 |
| Koç Allianz Gelir Amaçlı Kamu Dış Borçlanma Araçları Emeklilik Yatırım Fonu | 0,0055 | 0,0064 | 2.035 | 1.037 |
| Koç Allianz Gelir Amaçlı Uluslararası Karma Emeklilik Yatırım Fonu | 0,0055 | 0,0055 | 487 | 276 |
| Total pension funds | | | 30.344 | 17.999 |
| Total | | | 3.187.642 | 2.976.435 |

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