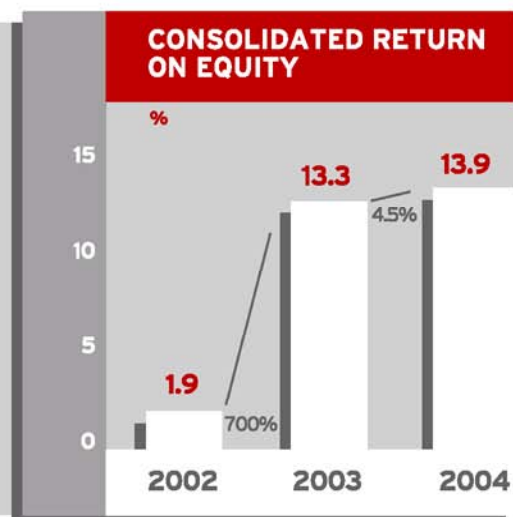
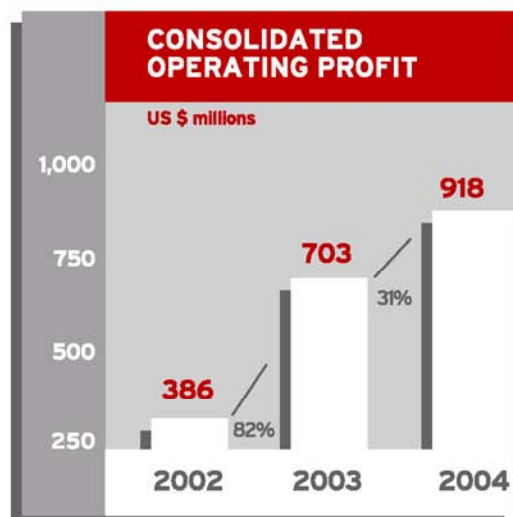
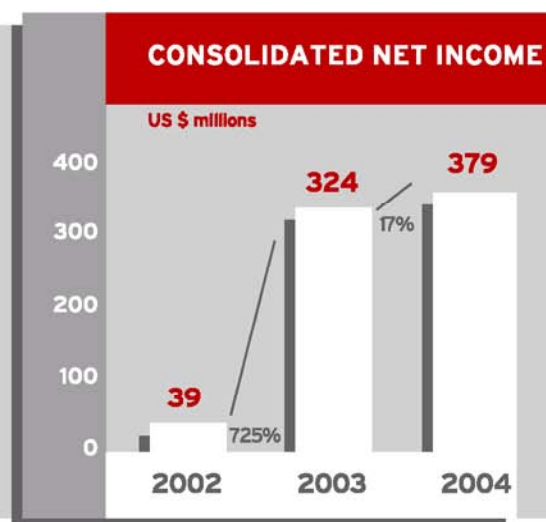




THE KOÇ GROUP
ANNUAL REPORT

2004

FINANCIAL HIGHLIGHTS



KOÇ HOLDİNG A.Ş. CONSOLIDATED FINANCIAL HIGHLIGHTS

	2004 ⁽¹⁾ (US\$ in millions)	2003 ⁽¹⁾ (US\$ in millions)
Revenues	16,589	13,149
Non-banking and financial services	15,347	11,972
Banking and financial services	1,242	1,177
Operating Profit	918	703
Non-banking and financial services	709	563
Banking and financial services	209	140
Income before taxes on income and minority interest	991	801
Income before minority interest	681	673
Net income	379	324
Short-term financial debt	1,938	1,566
Fixed assets-gross	7,963	8,083
Total assets	14,238	12,506
Total shareholders' equity	3,097	2,752
Number of employees⁽⁴⁾		
⁽¹⁾ Convenience translation with the year end of 2004 YTL1.3421 = US\$1.00 exchange rate ⁽²⁾ Convenience translation with the year end of 2004 YTL1.8268 = €1.00 exchange rate ⁽³⁾ Amounts expressed in terms of the purchasing power of the YTL at 31 December 2004 ⁽⁴⁾ For the companies included in the consolidation		

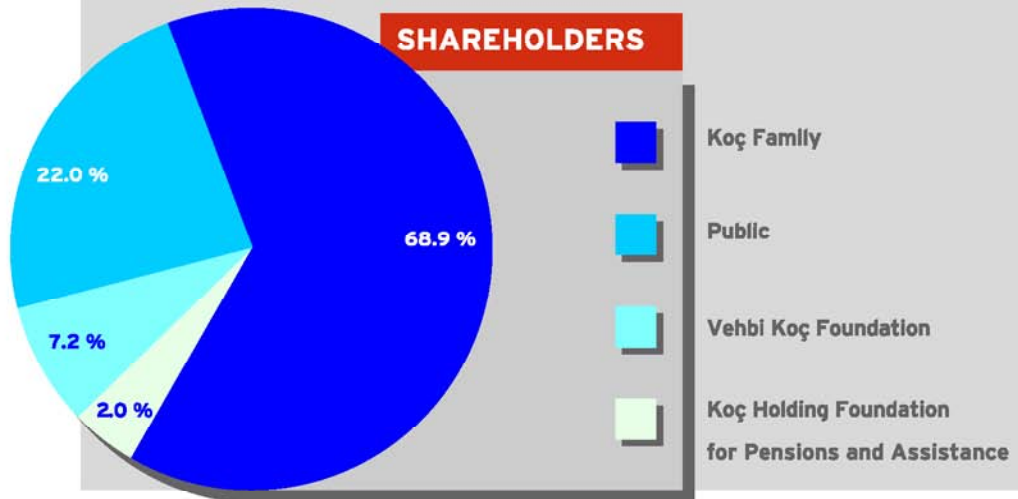


2004 ⁽²⁾ (€ in millions)	2003 ⁽²⁾ (€ in millions)	2004 ⁽³⁾ (YTL in millions)	2003 ⁽³⁾ (YTL in millions)	Change (%)
12,187	9,660	22,264	17,648	26
11,275	8,796	20,597	16,068	28
913	865	1,667	1,580	6
675	516	1,232	943	31
521	413	952	755	26
153	103	280	188	49
728	588	1,330	1,075	24
500	494	914	903	1
278	238	508	435	17
1,424	1,151	2,601	2,102	24
5,850	5,939	10,686	10,849	-1
10,460	9,188	19,109	16,784	14
2,275	2,022	4,156	3,694	13
		59,513	53,985	

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KOÇ AT A GLANCE



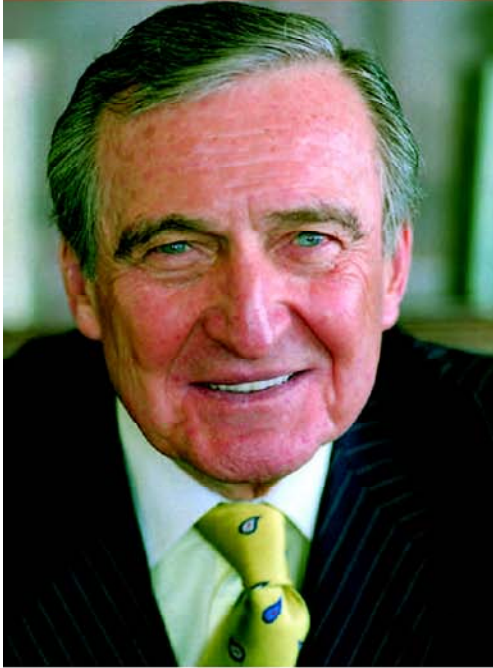
HIGHLIGHTS

- 106 consolidated companies
- 59,513 employees
- 14 listed subsidiaries, together with Koç Holding (parent), making up for 14% of ISE's total market capitalization
- 37% of sales are international
- Subsidiaries realized 9% of Turkey's total exports
- 5 subsidiaries among Turkey's 10 largest private sector industrial companies (Ford Otosan, Arçelik, Tofaş, Aygaz, Beko Elektronik)
- Domestic network of
 - 12,000 independent dealers, agencies and after sales service points
 - 463 supermarkets
 - 166 bank branches
 - Wholesale distribution of consumer products to 140,000 points
- 31 subsidiaries, 11 offices in 23 countries
- 44% of Turkey's total motor vehicle production
- 44% of Turkey's total motor vehicle exports (in terms of units)
- 58% of Turkey's major household appliance production
- 54% of Turkey's major household appliance exports (in terms of units)
- 34% of Turkey's TV production
- 33% of Turkey's TV exports (in terms of units)



Segments	Automotive	Consumer Durables	Food & Retailing	Finance	Energy	Other
Key Companies Listed Companies*	Ford Otosan* Tofaş* Türk Traktör* Döktaş* Otokar* Otoyol Birmot Otokoç	Arçelik* Beko Elektronik* Türk Demir Döküm* Arçelik-LG Arctic Blomberg Elektra Bregenz Grundig	Migros* Ramenka Koçtaş Tat* Düzey	Koç Financial Services Koç Allianz	Aygaz* Opet Entek	Kofisa Ram Koç Sistem Koçnet Setur Mares* İzocam* RMK Marine
Total # of companies included in the consolidation	13	37	9	13	15	19
Domestic	13	8	4	10	10	17
International	-	29	5	3	5	2
International Alliances	Ford Motor Co. Fiat Auto S.P.A. Case New Holland Iveco Yamaha	LG Electronics Alba Plc	Kagome Sumitomo Kaneka Seeds	Unicredito Allianz Tokyo Marine	Statoil	B&Q
Share in Consolidated Revenues	26.3%	26.3%	13.2%	7.5%	19.4%	7.3%
Share in Operating Profit	33.9%	39.3%	3.8%	22.8%	7.1%	-6.8%
Number of Employees	18,837	16,334	12,304	5,124	2,337	4,577
Domestic Market Position	#1 in Passenger Cars #1 Commercial Vehicles and Farm Tractors #1 in Total Automotive #1 in Automotive Retailing	#1 in Refrigerators, Washing Machines, Dishwashers Ovens Air-Conditioners TV's Heating Appliances	#1 in FMCG Retailing	#1 in Leasing and Factoring #3 in Insurance #3 in Mutual Funds #5 in Banking (among private banks in terms of asset size)	#1 in LPG Distribution #4 in Petroleum Products Distribution	#1 in Insulation Materials #2 in Shipbuilding (among privately owned shipyards)

HONORARY CHAIRMAN'S MESSAGE



The value of the Koç name is our biggest asset

In 2004, Koç Group turned its sights to Europe even while making impressive gains in Turkey, our domestic market.

Our long term ambition is to be one of the leading companies in Europe. We aim to penetrate each household in Europe with at least one product, just as we have in Turkey. The progress we have made so far in the automotive, household appliance and television segments sets the groundwork for our further expansion into European markets, both by exports and by acquiring manufacturing facilities and brands in Europe. We target earning 50% of our revenues from international business.

Both politically and economically, the decision to start accession negotiations with the European Union in October 2005 is a green light for further economic and social reforms and the entry of foreign capital into Turkey. We applaud the efforts of the government and non-governmental organizations who have brought Turkey to this turning point.

The single party government has move forward decisively to implement reforms in line with the IMF program and EU criteria, creating a climate of confidence. This positive climate, nurtured by single digit inflation and lower interest rates, encouraged the eruption of pentup demand which resulted in a year of extraordinary growth as Gross National Product expanded by an unheard of 9.9%.

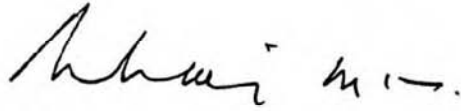
Koç Group was able, once again, to grow more than the economy, making 2004 a very satisfying year indeed as revenues, productivity and profitability increased.

We have exciting plans for future growth in our core businesses that will drive the Group forward in the coming years and shelter us from any shrinkage in the domestic market.

Koç Holding and its companies increased their market value in 2004. We will make every effort to maintain this trend in the years ahead and protect at all times the value of the Koç name, which is synonymous with quality, reliability and integrity.

On behalf of the Koç Family, I would like to express my thanks and appreciation to our management and all our employees for their achievements this year and to all the consumers everywhere who have chosen to buy our products and use our services. They are the real judge of our success as a corporation.

Rahmi M. Koç



CHAIRMAN'S STATEMENT



2004 was an especially successful year for the Koç Group. We scored big gains in both local and international markets this year, performing even better than expected.

Koç Group increased combined revenues by 34 % to \$28.3 billion, due to the outstanding operations of our major business lines during a year in which the Turkish economy expanded by an unprecedented 9.9 %.

Consolidated revenues climbed 26% in Turkish Lira terms, almost triple our target of 9%. Combined international revenues rose by 50% to \$7.5 billion.

Combined economic profit totaled \$420 million, resulting in a return on consolidated shareholders' equity of 14%.

In short, we are achieving the objectives set out in our strategic plan two years ago at a more rapid pace than anticipated.



These laudable developments reflect targeted and focused efforts on the part of our core businesses, namely consumer durables, automotive, energy and financial services.

We maintained our leadership in the domestic market in all major areas and increased our strength in foreign markets. This trend has been reinforced by new developments and initiatives.

In the Automotive sector, as a result of years of planning and investment, Koç has become a key production center for commercial vehicles for Europe. In Consumer Durables, Koç exports household appliances and televisions to 101 countries, demonstrating the excellent quality of Turkish manufacturing in global markets. In Retailing, Koç operates in a wide geographic region stretching from Central Asia to the Balkans and is continuing to open new supermarkets and shopping centers. In Energy, Koç has entered international markets and plans to continue to expand in this area.

Our vision is to see a Koç product in every household in Europe just as in Turkey we have penetrated every household with at least one product or service.

Two years after implementation of a new strategic plan, we are heading towards becoming one of Europe's leading companies by focusing on growth in sectors in which we have a proven competitive edge.

We are strengthening our position in financial services, retailing and telecommunications through new initiatives and acquisitions. One of the defining principles of Koç is to serve the consumer directly, and expansion in these areas will fortify the Group's identity as a consumer-focused corporation.

2004 marked the end of the crisis ridden years of the early 2000s in Turkey and the beginning of a new era of hope, stability and prosperity.

On December 17th, the European Union voted to start negotiations for full membership with Turkey. This is a turning point for our country.

But it would be unfair to attribute the hopeful climate in Turkey today to just the December 17th decision. Turkey has experienced significant change in the political and economic realms, especially in the last two years.

In 2004, an increase in consumer and investor confidence resulted in economic growth of close to 10%, accompanied by single digit inflation and interest rates under 20%.



Although the Turkish Lira appreciated against foreign currencies, increases in productivity and quality made it possible for Turkey's exports to set new records every month. Total exports reached the record level of \$65 billion in 2004.

Changes in the legal system and application of these changes in line with EU harmonization marked a new beginning in Turkey's political and social scene. Important work is being done to modernize public administration, the state economy and local government.

Simply changing our laws and procedures to meet EU regulations will not suffice. A change in mentality is needed for this society to move forward, for EU membership is a responsibility not only of those who sign the document but of all citizens. This means instilling the notion of global competition in business life, and the concept of being a citizen of Europe in political life.

As part of this progress, new concepts and models need to be adapted in business. Ideas such as institutionalization, professionalism, corporate citizenship and corporate governance are becoming more common in Turkey among well-established companies.

Koç Group and Koç Holding stand at the vanguard of Turkey's business practices. Two years ago we established a Family Office to handle relations between the Koç Family and the Holding. Formation of a dedicated investor relations department and the appointment many years ago of internationally respected professionals to our Board of Directors are other examples of our leadership in this area,

We have also made important progress in adapting and implementing corporate governance principles. On December 17, 2004, the Board of Directors adopted Corporate Governance Principles similar to those of international companies.

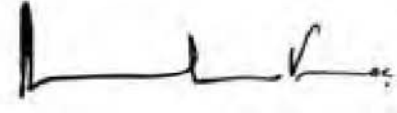
Koç Group has a deep sense of responsibility for Turkey's well being and development. Under the umbrella of the Vehbi Koç Foundation, now in its 35th year, we continue to make significant contributions to education, cultural heritage, healthcare and environmental protection.

We are proud that our corporate citizenship projects, along with our products and services, have been instrumental in helping Turkey attain a higher standard of living.

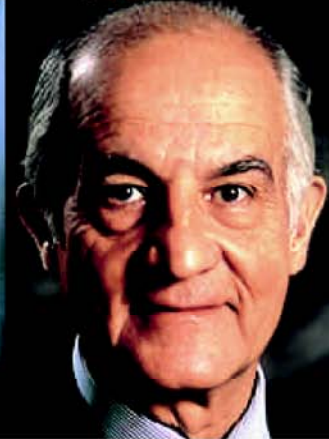
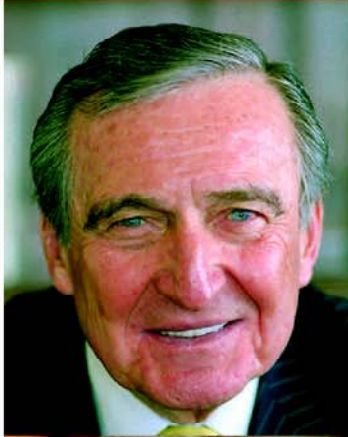
At the beginning of 2005, Koç Group is a growing enterprise of 59,000 employees and 12,000 dealers. Thanks to their hard work and the efforts of our after sales service units, we are increasing productivity, quality standards and profitability.

In 2005, strategic initiatives will further accelerate the pace of growth in Koç Group, concrete proof of our commitment to the future and our belief in the power of our people.

Mustafa V. Koç



BOARD OF DIRECTORS



Rahmi M. Koç
Mustafa V. Koç
Suna Kırac
Temel Atay
Semahat Arsel
Bülend Özaydınlı
İnan Kırac
Ömer M. Koç

Honorary Chairman
Chairman
Vice Chairman
Vice Chairman
Member
Member-CEO
Member
Member

In order from left to right.



Hasan Subaşı
W. Wayne Booker
H. Oswald Maucher
Yavuz Alangoya, Phd
John H. McArthur, Phd
Alessandro Profumo
Nevzat Tüfekçioğlu

Member
Member
Member
Member
Member
Auditor

In order from left to right.

CEO'S LETTER



Dear Shareholders,

2004 was a year of progress for both Turkey and Koç Group.

Developments in Turkey signaled the beginning of a new era of economic growth and stability.

The political and economic volatility that characterized Turkey since 2000 has been replaced by a climate of political stability and economic growth through the decisive steps taken by the government and the reconciliation of diverse elements of our society. These positive developments culminated in the decision to begin accession negotiations with the European Union, a development that will help sustain confidence in Turkey's future.

This upbeat atmosphere has been reflected fully in every business line in which Koç Group is active. We posted results far above Turkey's development and growth rates in 2004 in our core businesses.

The excellent financial results Koç Group attained in 2004 are attributable to four central factors that are the outcome of the strategic plan we adopted two years ago:

- Constant efforts to increase productivity and quality,
- Strong distribution channels and excellence in after sales service,
- Acceleration of our work tempo in line with the revival of the domestic market,
- Increasing performance in global markets



Key indicators of the Group's 2004 revenues show an accelerating trend toward profitable growth:

- Combined revenues rose by 34% to \$28.3 billion.
- Consolidated revenues increased by 26% to \$16.6 billion.
- Combined international income climbed 50% to \$7.5 billion compared to \$5 billion in 2003.
- Combined exports soared by 52% to \$5.7 billion.

When we prepared our new strategic plan in 2002, which calls for 14% average annual growth, Koç Holding's consolidated turnover stood at \$6.8 billion. Successful implementation of the plan, along with Turkey's favorable macroeconomic conditions and a strong currency, Koç Holding's 2004 consolidated revenues of \$16.6 billion, already exceeded the level we targeted for 2009.

Preserving profitability while achieving rapid growth.

Koç Holding's vision is to become one of the leading companies in Europe through rapid and profitable growth. Our measure for rapid growth is 14% average annual increase in revenues. Our criterion for profitability is creating net income exceeding the cost of equity.

We are pledged to preserve profitability while achieving growth. Thus:

- Combined pre-tax income for 2004 was up by 27% to \$1.7 billion.
- Combined net income improved by 14% to \$1.2 billion.
- Consolidated net income rose by 17% to \$379 million in 2004. We achieved a consolidated return on equity (ROE) of 14%.
- Economic profit (net income over the cost of capital) was \$420 million on a combined basis.

We aspire to be one of the leading companies in Europe.

Over the last three years, the Turkish economy grew by an average of 7.9% per year. We anticipate that the rate of growth will continue, albeit at a slower pace, in 2005 and the following years.

Supported by this encouraging environment at home, we plan to move ahead vigorously and thus make Koç Group one of the leading companies in Europe.

Our strategic plan was based on evaluations and goals formulated in 2002. The successful results achieved in 2003, its first year of implementation, are well known to our shareholders. The results achieved this year further validate our strategic plan, making us confident that we can reach our objectives.



One of the main principles underlying our strategic plan is to **generate at least 50% of revenues from international businesses.**

When formulating our strategy, we chose to reduce the effects of market volatility by diversifying our markets rather than our business lines. We want to earn a larger portion of our revenues from exports and international businesses. In making this choice, another critical factor was the limited domestic growth potential in business lines in which we are already the market leader, compelling us to focus on new markets in order to achieve rapid growth.

Today, more than one-third of the Group's revenues are earned from international businesses. Forty-four of the 106 consolidated companies are active outside Turkey. Total international revenues have risen five times in four years, climbing from \$1.4 billion in 2000 to \$7.5 billion in 2004. During the same period our export revenues has soared by an average of 58% annually, rising from \$900 million to \$5.7 billion.

Turkey's exports totaled \$63 billion in 2004. Koç Group companies were responsible for 9% of the country's total figure. This ratio stood at 3.3% in 2000, attesting to the significant progress we have made in recent years. The radiator factory Demirdöküm has established in China, the washing machine factory Arçelik is planning to build in Russia and the ambitious growth targets we set for our FMCG retailing arm in Russia, Ramenka, are striking examples of how we are increasing our activities outside Turkey.

Because of its low-cost manufacturing, China is a formidable competitor in both local and international markets. But for us, China is also a vast and important target market due to its huge population, rapidly growing economy, urbanization and consumer spending. We are convinced that many of our products have the potential to gain a share in this market. Thus, we intend to broaden our activities in China, which started with the venture of Demirdöküm, to target the local market.

In retailing, leveraging the experience of Migros in Turkey, we are operating seven shopping centers and 32 supermarkets in Moscow alone. As of end-2004, we operate a total of eight shopping centers and 44 supermarkets abroad and 17 more are scheduled to open soon. The retailing group is targeting increasing international revenues to \$1 billion in five years.

In Turkey, a vital sign of the Group's success is that every household in Turkey uses at least one Koç product. Now, we are raising the stakes to achieve a bold new goal: to attain the same level of penetration of European households. This is very ambitious, but, when we look at where we have come and our plans for the future, we believe that this is doable.



To focus on businesses closest to the consumer, in which we have a competitive edge, is another main principle of our strategic plan.

“The Group closest to the consumer” defines the theme of our portfolio. We have intensified our energy on business lines which serve the end consumer and in which we have a strong competitive advantage. We decided to gradually divest from companies that did not fit this definition and adopted a strategy designed to increase the competitive power of selected business lines in global markets.

One of these sectors is automotive manufacturing. Last year, Ford Otosan reached full capacity utilization with production of new models, becoming one of Ford’s largest and most profitable production centers in Europe. Throughout 2004, intense work and negotiations regarding the manufacturing of a new model at Tofaş continued, resulting in the signing of a final agreement in March 2005. This project will make Tofaş a production center for Peugeot and Citroen as well as for Fiat, breaking new ground in Turkey. Capacity will be increased from 250,000 to 300,000 units with full capacity utilization anticipated. With these two developments, we have made significant progress towards becoming a major production center for Europe. Our ambition is to reach one million unit annual production by 2010.

The recent acquisition of Yapı Kredi Bank (YKB) in the finance sector, and successful conclusion of our efforts related to the privatization of telecommunications and energy assets in Turkey will bring the Koç Group even closer to the consumer.

We have withdrawn to a large degree from businesses that did not fit our new strategic focus. Over the last two years, we have divested our holdings in automotive component manufacturers Goodyear, Matay, Sachs Beldesan, Tekersan and Mako; shopping center management company KoçEce; logistics company TNT; construction company Garanti Balfour Beatty; and foreign trade companies RamMan and Ram Henkel.

The third main principle is to be the market leader or a close second in each of our businesses.

Our consumer durables, automotive, retailing and energy companies enjoy a long standing leadership in the domestic market. New initiatives in finance and information technologies will make us a leader in these areas as well.

The leadership position of our companies is not limited to the domestic market. In 2004 Beko ranked as Europe’s second largest television manufacturer and, Arçelik became the fifth largest household appliance manufacturer. Ford Otosan’s Transit Connect and Fiat-Tofaş’s Doblo have made Koç Group Europe’s third largest producer in the corresponding segment. Aygaz is the fourth in Europe in LPG distribution; Türk Traktör and Dökaş rank fifth in their business lines. Tat is Europe’s biggest manufacturer of tomato products.



Our leadership in these core business lines makes trust and respect in the Koç brand sustainable.

Another main principle of our strategic plan is to **leverage our brands and technology**.

The value of the brands in the Koç Group portfolio is one of our basic strengths. In research conducted by independent organizations, many of our brands stand out as the best known and most trusted in their category.

In 2004, we initiated a CRM project in which 17 of our companies in various sectors from finance to tourism, from automotive to food participated. The project aims to develop a Group-wide customer database that companies can use to retain customers, promote cross selling and increase sales.

Alongside efforts to raise the recognition and admiration for our own brands, we are taking steps to strengthen our portfolio by acquiring new brands both in Turkey and abroad. In this respect, Beko Elektronik acquired the Grundig brand, one of the most respected brands in Europe. In the last three years, we have acquired a total of seven brands in Europe in the consumer durables segment.

Efforts in developing brand portfolio has been matched by similar initiatives for technology development. An important and measurable indication of technological innovation is patent applications. In 2003, Koç Group companies applied for 54 patents. Sixty-one applications was targeted for 2004. 111 applications are realized, almost double the target. Beko Elektronik's acquisition of Grundig gave it ownership of more than 700 patents. In the last four years, Arçelik has applied for over 150 patents, making it the domestic company with the most patents in Turkey.

We have taken several measures to strengthen our technological capabilities. We set up a "Technology Working Group" in which all our companies participate. This group will raise efficiency and productivity of technology development activities by providing coordination between Group companies. And, in what is perhaps the most important step, we started including technology development measures in the company performance assessment system.

Impact of our performance management system

Our performance management system, which aims to increase shareholder value, emphasizes measuring profitability, company value and growth. The profitability of our companies is calculated by economic profitability, that is by taking into account the cost of equity. This method highlights the importance of asset utilization and balance sheet management, as well as operational efficiency.



We strive to increase share value over time, not simply to raise revenues or profitability in the short term. We are working to ensure that successful performance will continue in the future by putting great emphasis on employee, dealer and customer satisfaction.

Koç Group is a model corporation in Turkey in terms of human resources and one of the most sought after places to work. In 2004, of 32,000 employees who participated in a Work Life Assessment Research, 88% were pleased with their jobs and their company. Efforts to further improve the level of satisfaction have begun according to the results of this survey. The Performance Management System has been revised and integrated with the Development Planning System. Work to establish a new training and development system, Koç Academy, in 2005 continued. Our human resources strategy is aimed at attracting the most capable professionals to the Koç Group. This capacity will be a mainstay of the Group's competitive strength in the future.

Next year Koç Group is preparing to celebrate its 80th anniversary. These long years of experience show us that to win a new customer is five times more costly than retaining an existing customer. In order to be the group closest to the consumer, we must first satisfy our existing customers. For this reason, beginning in 2004, we initiated systematic and regular measuring of customer satisfaction for our companies and brands. In the latest survey, 18 companies, 37 brands and 100 competing brands were examined. After every measurement, weaknesses are determined and by taking the sector average as a reference, targets for the next period are given to our companies.

12,000 authorized dealers and nearly 150,000 sales points in Turkey

Koç dealers are "the face of our Group seen by the consumer, the roots that bind us to the community". We know that there is a direct relationship between high dealer satisfaction and customer satisfaction, thus we commissioned a comprehensive questionnaire that aims to maintain the competitive strength of the dealer network and deepen loyalty. The survey, which is periodically repeated, measures confidence in Koç brands and companies as well as loyalty. The general satisfaction level among our dealers now stands at 75%.

Committed to sustainable development, corporate citizenship and corporate governance

In modern economic and business literature "sustainable development" is an increasingly important concept. This means "economic growth achieved without harming the human, cultural and environmental fabric".

Koç Holding is committed to sensitive environmental management practices. We have made significant investments in environmental protection over the years and give priority to solving problems related to environmental, health and safety issues in all our businesses.



We are also distinguished by the pioneering role we have played in “Corporate citizenship”. In 2004 Vehbi Koç Foundation, as in the past 35 years, contributed to countless carefully planned and executed projects in the areas of cultural heritage, education and health care. Besides its own areas of concern, the Foundation supports the efforts of various NGOs.

Companies and employees in the Koç Holding portfolio organize and participate in a wide variety of volunteer projects. The “Standing United for Education” project initiated by Arçelik is one of the best examples of this. Another example is Aygaz’s sponsorship of “Turks: A Journey of a Thousand Years, 600-1600”, a blockbuster exhibition that opened at the Royal Academy of Art in London in January 2005.

The assimilation and implementation of the concept of “Corporate Governance” is a critical aspect of our responsibility to our shareholders and the public. Over the years, Koç Group has institutionalized all its operations with an emphasis on professionalism and best international business practices. Accordingly, the majority of the members of the Board of Directors are not related to the Koç Family. Four directors are internationally respected non-Turkish managers. The CEO is the only executive member on the Board of Directors. The roles of the CEO and the Chairman of the Board are separate. In 2004, the Board of Directors redefined the Management, Human Resources and Auditing Committees in a serious step toward compliance with accepted Corporate Governance principles.

Dear shareholders,

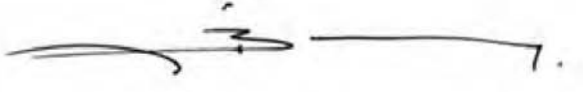
This report communicates my views regarding the development and results in our core business lines as well as an outline of our future strategic objectives and business principles, our employees - the assurance of our future, and the support of our authorized dealers and our customers whose confidence brought about our current position.

The rapid growth we have experienced in 2003 and 2004 at Koç has been bolstered by the rapprochement between Turkey and the EU and elimination of the lingering traces of the 2001 economic downturn. The sustainability of these efforts in 2005 is a critical factor in our continuing growth.

A new page was opened in 2004 that gives Turkey the chance to become a fully integrated part of Europe and a respected player in the world of business and politics. We forecast an inflow of foreign investment that will increase competition significantly in the years ahead, but have no doubt whatsoever that Koç Group has the ability to continuously improve its performance under these conditions.

Koç Holding is determined to move ahead to create value for all its stakeholders and profits for its investors in the coming years.

Bülend Özaydınlı



EXECUTIVE MANAGEMENT 2004



Chief Executive Officer / CEO
Bülend Özaydınlı



**Auditing Group
President**
Ali Tarık Uzun



**Information
Technologies
Group President**
Ali Y. Koç



**Durable Goods and
Construction
Group President**
Bülent Bulgurlu, PhD



**Energy Group
President**
Erol Memioğlu***



**Corporate
Communications &
Foreign Relations
Group President**
Hasan Bengü



**Food/Retailing and
Tourism Group
President**
Ömer Bozer***



**Financial Services Group*
President**
Rüşdü Saraçoğlu, PhD



**Supplies and Other
Automotive
Companies Group
President**
Selçuk Gezdir



**Strategic Planning
Group President**
Tamer Haşimoğlu***



**Human Resources
Director**
Neslihan Tözge***



Chief Legal Advisor
Kemal Erol

* Also Corporate Division Finance.

** Leaving President

Food - Retail and Tourism Group - H. Hasan Yılmaz (He left Koç Group on 1 st January 2005)

***Appointments

Strategic Planning - Tamer Haşimoğlu (Appointed as of 1 st May 2004)

Energy - Erol Memioğlu (Appointed as of 1 May 2004)

Food - Retail and Tourism - Ömer Bozer (Appointed as of 1 st January 2005)

Human Resources Director Neslihan Tözge (She joined as of 21 January 2004)

OUR VISION

To become one of the leading companies in Europe through rapid and profitable growth

Growth Target : 14% average annual revenue growth

Profit Target : Positive Economic Profit (net profit above cost of equity)

We aim to create a Koç Holding, which is;

- Positioned close to the consumer with all its products and services,
 - Active in relatively smaller number of sectors, and competitive at global scale in each of them,
 - Market leader or close second in domestic market in each of its businesses,
 - Aiming market leadership also in neighboring markets in all its sectors,
 - Present in almost every European household with at least one product,
 - Generating at least 50% of its revenues outside Turkey,
 - Creating new technology and developing innovative products and services,
 - Owning nationally and internationally recognized brands that are accepted as symbols of quality,
 - Attracting the most talented professionals,
 - Among the largest, and most rapidly growing companies in Europe,
 - Profitable, efficient, creating exceptional shareholder value, highly regarded by investors,
 - Setting benchmarks for transparency, integrity and compliance with legal and ethic rules,
- and as a result, one of the largest and most profitable companies in Europe.**

Our Strategies

In 2002, we renewed our strategic management approach and developed a new strategic plan, setting a new vision and new objectives for the Group. The new plan ensures that strategic objectives at business unit and subsidiary level are in line with Group strategies, and all employees' and managers' efforts are directed towards a common goal. For effective application of the plan, we also revamped our human resource management systems and instituted a performance management system that links strategic targets with individual objectives.

During the first two years of implementation, we more than achieved our targets in terms of operating performance and strategic realignment. Turkey's economic development progressed parallel to the macro scenario underlying our plan. The progress made in 2003 and 2004 verified and strengthened our determination to continue implementation of the plan.

The plan rests on five key factors:

Growth

Growth is a potent tool for creating shareholder value. Growing to international scale can improve the competitiveness of our businesses. Entry into new businesses to generate growth, will also serve shareholder value creation. Development of new business lines that fit our portfolio theme will be accompanied by divestment of those which do not, thus increasing our strategic focus. We are striving to achieve 14% average annual growth in the coming years. The factors driving this growth are:

- Exposure to rapidly growing consumer spending in Turkey
 - Unparalleled distribution network
 - Well established and respected brands
 - Leading market position.

- Potential to increase international sales
 - Access to neighboring emerging markets and Europe
 - Excellent production capabilities
 - Favorable cost structure
 - Global partners
 - Far flung international distribution network.
- New business prospects
 - Privatizations and liberalizations in Turkey and in neighboring emerging markets

Profitability

Profitability is our #1 performance criterion. To measure profitability, we use "Economic profit" (defined as net income less cost of equity), a measure which emphasizes, operating efficiency as well as asset utilization and balance sheet management.

This criterion has become an important factor in the performance management system. Top management's performance scorecards assign the greatest weight to Economic Profit, along with change in market value for publicly traded companies.

Making the Whole Greater Than the Sum of Its Parts

Subsidiaries perform better as part of the Koç portfolio than they would otherwise. Koç Holding adds value to its subsidiaries through

- Performance focused active parenting
- Creation of synergies through shared systems and resources
- Development of cross-business opportunities within the Group

Focus

Koç Holding prospered with a diversified portfolio in Turkey's closed economy environment. As Turkey's transition into a more open economy accelerates, we are responding by downscoping our portfolio in order to reduce the number of sectors in which we are active. A more focused portfolio will help us achieve greater management efficiency, optimize resource allocation and maximize cross business synergy opportunities.

Portfolio Principles

The new portfolio will consist of businesses:

- where we have a differential competitive advantage
- with the power to generate significant revenues through international operations and exports
- where we can leverage our brands and technology
- where we can be the local market leader or a close second.

A Unifying Theme

We are reshaping our portfolio around a unifying theme: closeness to the consumer. We have defined our area of activity as "manufacturing, marketing and selling goods and services that address the end-consumer."

A unifying theme ensures that businesses share common competences, which in turn enables us to create value by cross-business competence transfers and synergy opportunities. New business prospects are evaluated according to their fit with the portfolio theme, giving us direction and focus as we grow both in size and value.

A SHORT HISTORY



Today, Koç Group play a central role in the Turkish economy with activities ranging from automotive manufacturing to major household appliances, from food and retail to energy, from tourism to financial services. The modest beginnings of Koç Group stretch back 79 years ago to Ankara, when Vehbi Koç entered business.

Thanks to the broad vision and hard work of Vehbi Koç, the business was established on sound foundations. Honesty, respect for the customer, value creation and a commitment to increase the well-being of society are the defining values of Koç Group.

In the post World War II era, the government started to give priority to development of privately owned industries in order to reduce imports, industrialize the economy and raise the standard of living. In line with this policy, the Group entered the manufacturing sector in the late 1940s. A joint venture agreement with General Electric was signed in 1948 and Turkey's first electric light bulb factory was opened in 1951. During the 1950s and early 1960s, Koç Group intensified its industrial investments.

Turkey's first passenger car, first farm tractor, first truck, first light bulb, first refrigerator, first washing machine, first water heater, first compressor, first LPG container and first glass wool were manufactured by Koç Group.



Companies such as Arçelik, Ford Otosan, Turk Demir Dokum and Turk Traktor which today rank among the largest companies not just in Turkey but in Europe were founded during this period.

Institutionalization was always an important concept for Vehbi Koç. In 1963, he created Koç Holding. Under its umbrella, Koç companies grew in a rapid and sound manner.

After the establishment of Koç Holding, the Group's portfolio of products and services broadened to include agricultural machinery, office equipment, heating systems, radio and television sets, refrigerators, washing machines and electric vacuum cleaners, passenger cars and bicycles, food and retailing, tourism, finance and insurance.

Rahmi Koç was appointed Chairman of the Board in 1984. During this period, while continuing to invest for growth, emphasis was given to institutionalization and professionalism of management.

In 1995, as Turkey entered customs union with the European Union, the presence of Koç Group in European markets increased. In the early 2000s, important steps were taken with investment of nearly \$1 billion in Ford Otosan's new factory and the Koc Financial Services- Unicredito joint venture.

Today, most Koç companies rank as the strongest and biggest in their sector.

Koç companies manufacture most of Turkey's motor vehicles and household appliances. In addition, the Group has an unparalleled distribution network. This network includes 12,000 dealers, agents and after sales service points, 463 supermarkets and 166 bank branches.

The Group numbers more than 100 companies and employs 59,000 people, 10% of these abroad.

As Turkey's largest private sector corporation, the position of Koç Group today symbolizes the efforts of the country to reach a level of modern civilization. The Group represents the Turkish economy in the global economy.

As a European institution that has assimilated corporate governance principles, Koç Group is moving forward to extend the power it has in local markets to Europe. The strategic plan adopted in 2002 calls for earning at least 50% of revenues from international business and sets the vision of becoming one of Europe's largest corporations.

In 2004 Beko ranked as Europe's second largest television manufacturer. Market leaders such as Arçelik and Demirdöküm export large quantities of products. Ford Otosan's Transit Connect and Fiat-Tofaş's Doblo –vehicles engineered and built locally– have made Koç Group Europe's third largest producer of light commercial vehicles. Acquisition of well-known brands such as Grundig, Blomberg and Elektra Bregenz are another indicator of the Group's high international profile.

Mustafa Koç assumed the post of Chairman of the Board from his father Rahmi Koç on April 4, 2003, a position he continues to carry out successfully.

CORPORATE GOVERNANCE COMPLIANCE REPORT

The significant and rapid developments that have taken place in recent years in global markets and the resulting changes have made the competitive power of our markets more important than ever.

National borders, although they continue to exist, have lost their importance as the world becomes smaller. The revolution in the telecommunications sector enables funds to move from one market to another almost instantaneously.

In order to be able to grow in a global and increasingly competitive environment, it has become essential to harmonize legislation with internationally accepted practices and issue these as a set of regulations. Within this context, making the Turkish capital markets a part of the global liquidity system and increasing the funding possibilities from international financial markets is extremely important for both the country and for publicly traded companies.

As a Group, we believe that good corporate governance brings considerable benefits to companies in terms of increasing management quality, reducing risks and raising confidence and esteem in financial and capital markets.

As the first Holding Company to be established in Turkey and as a Group that is committed to institutionalization, we have been applying universal corporate governance principles for many years and have assimilated the "Corporate Governance Principles" approved by The Capital Markets Board on July 4, 2003 as decision number 35/835. We are working on principles that have yet not been implemented and plan to apply them immediately after the administrative and technical infrastructure work is completed.

In line with CMB decision no. 48/1588 dated December 10, 2004, companies listed in the Istanbul Stock Exchange are required to publish their Corporate Governance Compliance Reports in their 2004 annual report and internet sites. Accordingly, information has been added to the Koç Group 2004 Annual Report concerning the adaptation of these principles.

SECTION I - SHAREHOLDERS

Shareholders play a very crucial and significant role within the structure of corporations since each shareholder owns a particular portion of a company's property in real economic terms. As a result, each shareholder is entitled to both pecuniary and managing rights. An Investor Relations Department has been established within the Finance Group at Koç Holding to manage relations with shareholders.

The Department's main responsibilities are as follows:

- to promote the Koç Group to individual and institutional investors
- to keep potential investors and shareholders informed
- to meet the requests for information regarding Koç Group and its companies from university faculty and students



Investor Relations Department

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Investor Relations Department Manager : Bora Tezgüler
Tel : 0216 531 0000
Fax : 0216 531 0099
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In 2004, the Department held 45 investment meetings in Turkey and held talks with 140 investors.

Shareholders' Right to Obtain and Evaluate Information

Koç Holding does not discriminate among shareholders when exercising their right to obtain and evaluate information.

Enquiries directed to the Investor Relations Department are answered in writing or by arranging a phone conference with the most authorized person concerning that particular issue. In addition, our website published written reports of periodic press conferences and tables. The CEO holds regular press conference in order to inform the public of developments within the Group.

In order to broaden the scope of shareholders right to obtain and evaluate information, any type of information that may affect the way in which shareholders exercise such rights, must be updated on a regular basis in an electronic form. Websites for Koç Group and Koç companies have been renewed to include financial tables as well as the following information:

- Company articles of association
- The date of the general shareholders' meeting, in which newspapers the announcement has been published, the agenda and announcement regarding the agenda
- The minutes and register of the general shareholders' meeting,
- Notification of Capital Markets Board Special Circumstance
- Proxy form
- Company's shareholder structure
- Information regarding the members of the Board of Directors and executive management
- Frequently Asked Questions section

The articles of association do not recognize the right of individual shareholders to request the appointment of a special auditor. Company activities are audited on a regular basis by Independent External Auditors appointed at the general shareholders' meeting and by the Auditors selected at the general shareholders' meeting. At the last general shareholders' meeting PriceWaterhouseCoopers was chosen as the independent external auditor.

The General Shareholders' Meeting

In the 2004 calendar year two General Shareholders' Meetings were held, one ordinary and one extraordinary. Both meetings were open to the public including interested parties and the media.

Invitations to the General Shareholders' Meeting are issued by the Board of Directors in compliance with the Turkish Commercial Code, Capital Markets Code and the company articles of association. The ISE and CMB are notified immediately of Board of Directors' decision to hold the General Shareholders' Meeting, thus informing the public.

In addition, at least 15 days prior to the General Shareholders' Meeting, the venue, agenda, proposed amendments if any to the articles of association and a proxy form are published in two daily newspapers in Turkey. This notice states the place where independently audited financial statement for the period may be examined.

No deadline has been specified for registration in the share ledger with a view to allowing owners of registered share to attend the general meeting.

During the General Shareholders' Meeting, shareholders use their right to ask questions and all their questions are answered. Shareholders may nominate candidates for the Board of Directors and Board of Auditors and these nominations are voted on by the General Shareholders' Meeting.

Our General Shareholders' Meeting is held under the supervision of a representative of the Ministry of Industry and Trade.

There are no provisions in the Articles of Association stipulating that decisions such as the sale, purchase or lease of property should be taken at the Annual General Meeting. As the Board of Directors represents the will of the Annual General Meeting, no such arrangement was deemed necessary.

Minutes of the General Shareholders' Meeting will be posted at our new website. In addition, these minutes will be made available to all shareholders for examination purposes at the headquarters of the company.

Dividend Distribution Policies and Dividend Distribution Timeline

Koç Holding's official dividend distribution policy has not as yet been made public; however we aim to satisfy our shareholders by distributing the highest dividends possible after taking into consideration the investments and capital requirements of future years. Distribution of dividends is carried out in a legal period of time in accordance with Turkish Commercial Code and Capital Market Board regulations.

Transfer of Shares

There are no provisions in the Articles of Association restricting share transfers.

PART II - PUBLIC DISCLOSURE AND TRANSPARENCY

Company Information Policy

At Koç Holding, the Corporate Communications Coordination Department is responsible for disclosing required information to the public at the required intervals.

Disclosures of Special Circumstances

Koç Holding made a total of 34 special circumstances disclosures during the year and six additional disclosures upon the requests of the Capital Markets Board and Istanbul Stock Exchange. Koc Holding is not listed on foreign securities exchanges and therefore is not required to issue any other disclosures of special circumstances than what is required by the CMB and ISE.



No sanctions have been imposed by the CMB against Koç Holding in this regard.

Internet Site and Contents

According to CMB decisions no 48/1588 dated December 12, 2004, a Corporate Governance Compliance Report must be included in 2004 annual reports and internet websites stating the minimum elements to be disclosed in order to determine the degree of compliance of companies in regard to Corporate Governance Principles.

In this regard, Koç Holding publishes the following information on its internet site through a link with the investor relations section

- trade register information
- most recent information about the shareholder structure
- most recent information about members of the board of directors
- information about preferred shares
- the final version of the company's articles of association
- annual reports for the last two years
- special circumstances disclosures
- Corporate Governance Compliance Report
- list of participants and minutes of the general shareholders' meeting for the last two years
- form for proxy voting at the general shareholders' meeting
- periodic financial statements and independent auditors reports
- due diligence and public offering circulars
- agendas of the general shareholders' meetings
- frequently asked questions
- minutes of the important board of directors' meetings which may affect the value of capital market instruments
- disclosure of all transactions performed on the company's capital market instruments by Board members, executives and shareholders, who directly or indirectly own 5% of the company's capital.

Koç Holding publishes the financial statements given to Capital Markets Board on its official website in Turkish and English in order to provide effective and timely information to its shareholders and investors.

Disclosure of Real Person Ultimate Controlling Shareholder(s)

No real person is the ultimate controlling shareholder of Koç Holding.

Disclosure of Individuals who are in a Position to Have Insider Information

Great importance is given to regulations concerning the use of information learned by company employees in order to establish a balance between disclosure and protection of the company's interests. Information learned during working related to the company that may be considered as a trade secret or that the company does not wish to disclose to others than those with the need to know, is accepted as "Company Information". All employees of Koç Holding A.Ş. are expected not to disclose company information acquired while working and not to use directly or indirectly for any outside purpose. No employee of Koç Holding A.Ş. may engage in any activity that would affect the value of the share of Koç Holding A.Ş. or any other Koç Group company.

As of the date of this report, Members of the Board of Directors and Senior Management who could be in such a position to obtain insider information are listed below:

Board of Directors:

Rahmi M. Koç	Honorary Chairman - Member
Mustafa V. Koç	Chairman

Suna Kiraç	Vice Chairman
Temel Atay	Vice Chairman
Semahat Arsel	Member
F. Bülend Özaydınlı	Member - CEO
İnan Kiraç	Member
Ömer M. Koç	Member
Hasan Subaşı	Member
Yavuz Alangoya, Phd	Member
W. Wayne Booker	Member
H. Oswald Maucher	Member
John H. McArthur, Phd	Member
Alessandro Profumo	Member
Nevzat Tüfekçioğlu	Auditor
Group Presidents :	
Hasan Bengü	Corporate Communications and Foreign Relations Group
Ömer Bozer	Food-Retailing and Tourism Group
Bülent Bulgurlu, Phd	Durable Goods and Construction Group
Selçuk Gezdur	Other Automotive Companies Group
Tamer Haşımoğlu	Strategic Planning Group
Ali Y. Koç	Information Technologies Group
Erol Memioğlu	Energy Group
Rüşdü Saraçoğlu, Phd	Financial Services Group
Ali Tarık Uzun	Auditing and Accounting Group
General Secretariat	
Tahsin Saltık	General Secretary
Human Resources	
Neslihan Tözge	Director
Energy Group	
Cüneyt Ağca	Coordinator
Financial Services Group	
Füsun Akkal Bozok, Phd	Coordinator
Ahmet Ashaboğlu	Coordinator
Ali Uzcan	Coordinator
Memet İlkan Kamber	Coordinator
İlhami Can Öztürk	Coordinator
Önder Kutman, Phd	Coordinator
Auditing Group	
Ali Yavuz	Coordinator



Mehmet Erkan Özdemir	Coordinator
Fatih Kemal Ebiçlioğlu	Coordinator
İbrahim Yelmenoğlu	Coordinator
Serkan Özyurt	Coordinator
Mert Şaban Bayram	Coordinator

Accounting

Emine Alangoya	Manager
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Strategic Planning Group

Sedat Orbay	Assistant Coordinator
Eşfak Tüzün	Assistant Coordinator

Corporate Communications

Oya Ünlü Kızıl	Coordinator
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Information Technologies Services

Alper Göğüş	Coordinator
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Public Affairs

Ömer Tunç Koyuncu	Coordinator
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Legal Advisors

Kemal Erol	Chief Legal Advisor
Kenan Yılmaz	Assistant Legal Advisor

SECTION III- STAKEHOLDERS

Stakeholders are informed of issues that concern them through invitations to relevant meetings or by means of telecommunications.

Human Resources Policies

Our most important asset is our human resources.

The quality of our products and services begins with the quality of our employees. In order to secure the continuation of Koç Group through the generations we have chosen a road based on attracting and employing the best and most capable people, by taking maximum benefit from the capabilities, strength and creativity of our people, to increase productivity, to provide the opportunity for professional development and by creating a business environment that nurtures cooperation and teamwork.

Criteria for hiring and promotion are stated clearly in Koç Holding's human resource policies. Our Human Resource targets are:

- the right person for the right job
- equal pay for equal work
- success based remuneration
- equal opportunity for everyone

We are committed to continuous development of our human resources competencies in order to maintain a lasting superiority in an environment of global competition. The human resources system and policies are defined in procedures and are announced to all employees.

PART IV - BOARD OF DIRECTORS

Structure and Formation of the Board of Directors

An important aspect of modern business practices is the priority placed on institutionalization and professionalism of family companies. To this end, the majority of member of the Board of Directors are not related to the Koç Family. Four members of the Board are internationally respected non-Turkish managers.

On the Board of Directors, all members are non-management directors, except for the CEO. The roles of the CEO and the Chairman of the Board are completely separate. Following general shareholder meeting in which members of the Board of Directors are selected, the Chairman of the Board and the Vice-Chairman determine the division of duties. If a seat on the Board of Directors is vacated during the year, the decrees of article 315 of the Turkish Commercial Code are applied. Approval of the Board for compliance with articles 334 and 335 of the Turkish Commercial Code is required for the Chairman of the Board and members to engage in businesses related to the companies activities personally or in the name of others or to be a partner in companies that perform this type of business.

The mission, vision and strategic objectives of the company

The strategic objectives developed in line with the company's vision and portfolio theme are evaluated and approved by the Board of Directors. Our strategy, the main elements of which are given below, is discussed in more detail in the related section of the annual report.

Our vision

To be one of Europe's leading companies through rapid and profitable growth

- Annual average growth of 14 %
- After-tax profit over the cost of capital

Our Portfolio Theme

The group closest to the consumer

- To produce, market and sell goods and services to the end consumer

Our Strategic Objectives

- To focus on businesses in which we have an international competitive advantage
- To obtain 50% of revenues from international business
- To be the leader in sectors in which we operate
- To increase the value of our brands and technologies

Duties and Responsibilities of the Board of Directors

The board of directors' duties and responsibilities are clearly defined in the articles of association of the company and in corporate governance principles. Their duties are described in detail in the company's signature circular.

Basic functions of the board of directors

The chairman should consult other members of the board and chief executive officer/general director to determine the agenda of the board of directors' meetings..

The General secretariat gathers and consolidates all documents related to the board meetings.

The agenda of the board meeting is determined by the proposals of the business units to the Koç Holding top executives or to the board members on issues clearly defined in the company's articles



of association. In addition, board members can set agenda items by informing the relevant top executives.

The determination of the agenda of Koç Holding Board of Directors meetings, the preparation of Board of Directors decisions taken according to article 330/II of the Turkish Commercial Code, informing the members of the Board of Directors and establishing communications are the responsibility of the General Secretariat.

The Board of Directors meets as necessary in compliance with the minimum number of meetings determined by the articles of association. In 2004, the Board had four meetings.

If a member of the board has a dissenting opinion, he appends a reasonable and detailed dissenting opinion to the records of the meeting and informs the company's auditors in writing. However, recently, no dissenting opinions have been announced.

Number, Structure and Independence of Committees Established by the Board of Directors

In accordance with the conditions and necessities of the company, an adequate number of committees are formed so as to enable the board to execute its tasks in an efficient manner.

Executive Committee

The members of the Board of Directors meet four times a year due to their limited availability. Thus their duties and responsibilities are transferred to an Executive Committee. The members of this committee are proposed and approved by the Board of Directors. The evaluation and approval of decisions to be taken by the Board of Directors are conducted according to the company's articles of association.

In principle, decisions may not be taken that are contrary or not in line with previous Board decision and the Strategic Plan. Decisions taken between two meetings of the Board of Directors are submitted in writing at the next Board of Directors meeting for approval. The Executive Committee is comprised of five members.

Audit committee

This committee selects the independent auditor and submits its proposal to the Executive Committee and Board of Directors and the General Shareholders Meeting.

The audit committee should supervise proper execution and efficiency of the accounting system, disclosure of financial information to the public, independent audit internal of the company and assure internal control systems being in line with related laws, regulations and directives and in compliance with CMB and UFRS principles.

The audit committee convenes at least once in three months and is comprised of three people other than the Chairman of the Board and the CEO, one of whom serves as chairman.

Human Resources Committee

This committee evaluates policies related to wages and bonuses and supervises the implementation of these policies. It evaluates the training and recruitment of senior managers. The committee is comprised of four people including the Chairman of the Board and meets at least four times a year or whenever necessary.

Remuneration of Board Members

Remuneration of the members of the Board of Directors are decided at the General Shareholders' meeting. At the General Shareholders meeting on 30.04.2004, it's approved by the shareholders to pay monthly salaries to Board Members.

Chairman of the Board
Mustafa V. Koç

CORPORATE CITIZENSHIP

Sensitivity to environmental, social and cultural issues is a major component of Koç's business strategy. As Turkey's largest and best known corporation, Koç Group plays an important role, not just in terms of the number of people it employs, value it creates and taxes it pays, but also by setting an example for ethical and responsible corporate behavior.

It actively contributes to the well being of society through a variety of projects and initiatives funded and supported by Vehbi Koç Foundation, Rahmi M. Koç Museum and Cultural Foundation and Suna-İnan Kıraç Foundation for Mediterranean Studies. In addition, Koç Group supports foundations for Combating Soil Erosion, Reforestation and Protection of Natural Habitats (TEMA), Volunteers for Education (TEGV), Family Health and Planning (TAPAV) and Education (TEV). Koç also continues to support the Turkish Maritime Environment Protection Association (TURMEPA) which works to keep Turkey's seas and shores clean.

Education, healthcare and cultural heritage

Established in 1969, Vehbi Koç Foundation has concentrated its activities in the areas of education, healthcare and cultural heritage. Koç University and Koç School are among the finest educational facilities in the country. The 13 elementary schools built by the Foundation in 1999-2000 in various areas of the country, although operated by the Ministry of Education, continue to benefit from the support of nearby Koç factories and the Foundation. The Foundation also supports secondary and university education through a generous scholarship program. Since 1969, the Foundation has granted scholarships to 2000 students.

Vehbi Koç Foundation provides a high standard of medical care to the community through American Hospital and its satellite clinics. SANERC, founded as part of the American Hospital in 1992, provides continuing education to all nurses and health-care personnel in Turkey in order to improve the quality of health care in Turkey. Koç University's School of Health Sciences, operating from its premises next to American Hospital, makes a valuable contribution to nursing education in Turkey.

Vehbi Koç Foundation presents an award each year since 2001 for extraordinary achievement in the fields of cultural heritage, education or health care. The 2004 award was given to Bilkent University Molecular Biology and Genetics Departments for their contribution to healthcare.

Sadberk Hanım Museum, the first private museum in Turkey, occupies a special place in the contribution it has made to Turkish cultural life. The museum houses first rate Ottoman, Islamic, ethnographic archaeological collections. In 2004, the museum organized two exhibitions: "Passion of the Heart", the Sevgi Gönül Calligraphy Collection, and "Fashion with Paper Clothes".

Rahmi M Koç Museum, the first major museum in Turkey dedicated to the history of Transport, Industry and Communications, attracted 194,277 visitors in 2004. The museum manages an active outreach program. It runs a Museum Bus that has visited 261 schools and 25.890 students. The Museum also prepared a museum education book that has been distributed to 409 classes and 10,620 students after being approved by the Ministry of National Education.

Suna & İnan Kır   Foundation was established in 2003 to provide material and moral support for people and organizations dedicated to the development of a patriotic and socially aware Turkish society. In 2004, the Foundation gave scholarships to 68 students, 43 of them for higher education.

Pera Museum, one of the principle projects of the Foundation, is scheduled to open in June 2005 in a restored early 19th century building in the Tepebaşı area of Beyoğlu. The Museum will house art exhibits in its three galleries as well as functioning as a cultural center.





The Foundation, through the Istanbul Research Institute, has purchased and restored a 19th century building in the Tepebaşı area of Beyoğlu with the goal of establishing a quality library and archive concerning Istanbul's Byzantine, Ottoman and Republican periods.

In the health care field, Suna & İnan Kıraç Foundation is in the process of establishing the ALS and Neuro-degeneration Research Laboratory in cooperation with Boğazici University.

Suna & İnan Kıraç Research Institute on Mediterranean Civilizations (AKMED), which is part of Vehbi Koc Foundation, has an excellent research library that was used by 450 academics during 2004. AKMED organized a summer school seminar and conferences together with the School of Architecture of Middle East Technical University, Bologna University and SANART on "Architecture in Situ: Western Mediterranean Coastal Settlement of Turkey: Architecture, History, Aesthetics"

Vehbi Koç and Ankara Research Center (VEKAM), inaugurated in 1994, gave support to a variety of publications, educations and research projects in 2004. To mark its 10th anniversary, VEKAM organized an exhibit "The Silent Language of Women: the Needlework of Nallihan Ipek and Its Uses in Daily Life". The exhibit traveled to the United State with the support of the Ministry of Culture and Tourism and the Ministry of Foreign Affairs. The exhibit will travel around the United States, enriched by the addition

Koç Group believes in the value of sport. Companies such as Tofas, Arcelik, Migros, Mako, Ford Otosan, Döktaş and Talya have organized intramural teams in football, basketball, volleyball, table tennis, tennis and swimming that have competed successful in regional matches.

Koç Holding

Koç Holding initiated several noteworthy projects during 2004.

The Canakkale-Gallipoli Peninsula Historic National Park Seddülbahir Fortress Restoration Project, which will start in 2005, is the biggest of these new projects. Koç Holding, working together with official government agencies, is underwriting all stages of the restoration. A team from Koç University and Istanbul Technical University will prepare the restoration project, restitution and plans for the fortress which will be used as a maritime museum and visitors' center.



Since 1997, Koç Holding has sponsored the Turkish Radio & Television (TRT) 23 April International Children's Festival. In 2004, Koç extended its sponsorship of this annual event for another five years. The Children's Festival, which started in 1979 as part of the UNESCO "World Children's Year", brings together children from around the world. Children from 50 countries, representing a variety of languages, religions and races, participated in the 2004 Festival.

Companies

Koç Group companies initiated and sponsored a variety of important activities:

- Aygaz was one of the main sponsors of "Turks: A Journey of a Thousand Years, 600-1600", a landmark exhibition held at the Royal Academy of Art in London from January 22 - April 12, 2005. The exhibit explored the artistic and cultural riches of the Turks from Inner Asia to Istanbul and beyond over a period of a thousand years, showing the artistic diversity that culminated in the splendors of the Ottoman Empire.

- Aygaz organized the "Careful Children Campaign" to educate primary school age children across Turkey on how to behave in earthquakes, fires, traffic accidents and other dangerous situations. The campaign reached 280,000 school children in 60 different provinces.

- Arcelik initiated an "Standing United for Education" to provide support to students in 290 Boarding Primary Schools throughout Turkey. In 2004, campaign improved the educational environment at 40 schools in various provinces, established volunteer family associations, supported the teaching staff and awarded scholarships to graduates.

- Opet won the "Social Responsibility Project" prize from the International Public Relations Agencies and the Turkish Public Relations Association for its "Clean Restrooms Campaign" that began in 2000.

- The "Basketball Volunteers" project started by Tofaş in 2000 in cooperation with the Prime Ministry Directorate of Youth and Sports and TEGV hold basketball clinics for 2740 children between the ages of 7-14 in 26 provinces with 56 coaches.

- Fiat/Tofaş Fund continued its support for archeological and cultural projects in 2004. The Fund increased the number of scholarships it gave to students studying in Italy.

- Birmot sponsored a nationwide program to teach children about traffic with the help of 2000 volunteers and the coordination of TEGV. During 2004, 99,000 children participated in the program which will continue in 2005 with the target of reaching 180,000 children.

- Migros, a sponsor of the Turkey Special Olympics, organized a campaign to provide sports instruction for 500 mentally challenged children.

Environmental Protection and Sustainable growth

Koç is committed to meeting the needs of customers and consumers in an environmentally sound and sustainable manner. Koç strives to continuously improve its environmental performance to promote sustainable development and thus help meet the needs of an ever-growing world population. The Group rigorously applies EMAS and ISO 14000 Environmental Management System practices at all its manufacturing plants.

Koç Group is pledged to apply OHSAS 18001, the international occupational health and safety management system specifications in all its facilities to minimize the risk of occupational accidents and dangers and provide a safe working environment.

At Koç Group, the Environment, Occupational Health and Safety Coordinating Office acts continuously develop the environmental standards of workplaces, achieve production according to environmental, health and safety standards, and increase environmental performance.

Under the umbrella of the Coordinating Office, Environment and Occupational Health and Safety Committees have been formed from representatives of Koç companies operating in various sectors. These committees consider measures to be taken to enhance occupational safety and investments to prevent environmental pollution.

The Coordinating Office prepared a Environment, Occupational Health and Safety Handbook to set standards, inform group companies of changes in national and international regulations and develop joint solutions. The Group allocates approximately \$3.5 million each year to prevent environmental pollution.

Turkish Maritime Environment Protection Association (TURMEPA)

Since its foundation in 1994, Turmepa has undertaken several pioneering projects to clean Turkey's seas and shores. In 2004, the Association introduced an Urgent Blue Rescue line, a toll-free number which people can call to complain about pollution and the polluters of seas and streams. Another important project is the Marine Cleanup & Protection of The Coves Of Göcek which draws public attention to sea pollution, prevents the dumping of garbage from boats into the sea, picks up the wastes by means of three marine cleanup vessels, ensures that waste containers are placed at the cove, and transports the waste to garbage collection centers. Turmepa has built three sea sweepers for its cleanup operations. In 2004, it collected 355,000 tons of solid waste from the Göcek-Dalaman area, a heaven for boating.



TURMEPA has acted as the Turkish coordinator for the International Coastal Cleanup (ICC) since 2002. Organized on the third Saturday of September every year, in 2004 close to 10,000 volunteers collected 38,000 of waste materials.

Both Koç Family members and Koç Group companies support the work of Turkish Foundation for Combating Soil Erosion, Reforestation and Protection of Natural Habitats (TEMA), which was established with the help of Koç Group in 1992.

Koç-Yönder

Established by top managers who have retired or resigned from the Group, Koç-Yönder provides consulting and training services on a voluntary or professional basis to a variety of companies operating in different sectors. In 2004, Koç-Yönder Economic Enterprise was founded to give professional consultancy services in various sectors. In addition to consulting services, the 245 members of the association organize training and conferences on strategic business planning, corporate restructuring, mergers, marketing and new business development.

BOARD OF DIRECTORS REPORT

To our shareholders,

The results and developments of Koç Holding and Koç Group companies during 2004 were presented at Koç Holding's 41st General Assembly on April 29, 2005. Attached to the report are consolidated financial statements and notes for Koç Holding, the auditor's report and other information in compliance with Capital Market Board (CMB) regulations.

Koç Holding strives to improve profitability and enhance the performance of its subsidiaries in order to maximize shareholder value and attract new investors.

2004 is the second year of application of the new strategic plan adopted at the end of 2002. In accordance with the plan, important structural changes have been carried out. Koç Group improved both its operations and financial structure during the year, resulting in higher shareholder value.

Koç Group's fundamental objective is to further develop its competitive advantages to grow in the domestic and international markets, and become one of the leading companies in terms of revenues and profitability, not only in Turkey, but in Europe as well.

The financial results included in this report have been prepared on a consolidated basis in compliance with International Financial Reporting Standards (IFRS). Except for items measured in foreign currency, such as export revenues, all US\$ figures expressed are convenience translations from Turkish Lira figures that reflect the purchasing power of the YTL on December 31, 2004. Percentage changes are given in terms of inflation adjusted YTL figures.

Analysis of Financial Condition and Results of Operations

(i) Financial Results

2004 was a year of strong growth for the Turkish economy, as GNP expanded by 9.9%. At Koç, growth has been driven by the revival of domestic markets, the increase in the Group's international revenues and the implementation of the strategic plan devised in 2002. The growth of core business lines - Automotive, Consumer Durables, Energy and Food & Retailing - contributed to the increase in Group revenues.

Koç Group posted combined revenues of \$28.3 billion, 34% above previous year. Consolidated revenues are \$16.6 billion. \$5.8 billion of the difference comes from joint venture accounting and \$5.9 billion from inter company eliminations

Selected Consolidated Financial Data:

	2004* (\$ in Millions)	2003* (\$ in Millions)	Change (%)
Revenues	16,589	13,149	26
Operating costs	(15,671)	(12,446)	26
Operating profit	918	703	31
Loss on net monetary position	(69)	(30)	134
Financial income-net	55	127	(56)
Net income	379	324	17
Basic and diluted earnings per share in full	379	324	17
EBITDA	1,450	1,358	7
Operating margin	5.5%	5.3%	0.2 **
Total assets	14,238	12,506	14
Total shareholders' equity	3,097	2,752	13
Capital expenditures	576	670	(14)
Depreciation and amortization	532	655	(19)
Total liabilities	9,135	7,890	16
Revenues / Total assets	1.17	1.05	0.12 **
Operating profit / Total assets	6.4%	5.6%	0.8 **
Return on equity	13.9%	13.3%	0.6 **
Current ratio	1.15	1.18	(0.03)**
Total liabilities / Equity	1.79	1.71	0.08 **

* Convenience translation with year end TL 1,342,100 = \$1.00 exchange rate

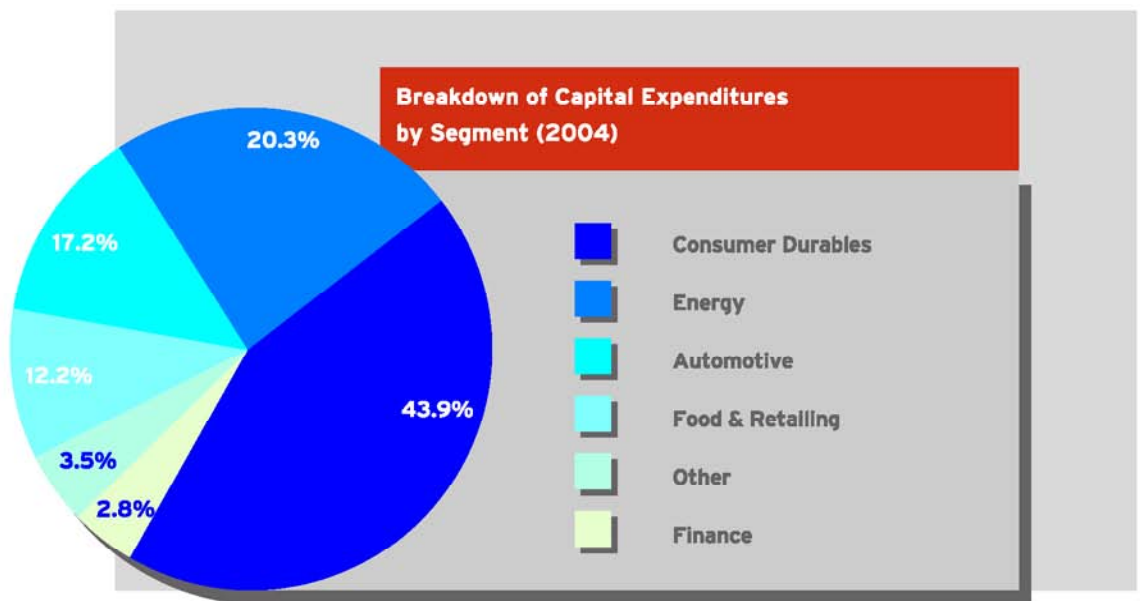
** Difference between the percentages is used to express the change

The Group has focused on raising productivity and controlling costs while rapidly increasing its revenues. As a result, operating profit increased by 31% to \$918 million. Operating profit margin improved by 0.2 percentage points to 5.5%.

As a result of the increase in bank borrowings used to finance investments and working capital, The Group's financial expenses are higher than the preceding year. Despite the declining trend in inflation, the cumulative effects of inflation on the net monetary position resulted in a monetary loss of \$69 million.

Net income amounted to \$379 million in 2004, an increase of 17% in real terms.

Capital expenditures amounted to \$576 million. The biggest portion of this belongs to investments for capacity increases and upgrading in the consumer durable, energy and automotive segments. Other significant investments were made in the Food&Retailing Segment for new stores. The Group is involved in several major privatizations, acquisitions and new models in the automotive sector which will entail large investments in the future.



Total assets rose by 14% to \$14,238 million. Shareholders' equity increased from \$2,752 million at the end of 2003 to \$3,097 million in 2004 due to net for the period, dividends and sale of subsidiaries during the year.

Koç Group focuses on increasing international sales. Nearly two thirds of international revenues are obtained from the Automotive and Consumer Durables segments. In 2004, Koç Group posted \$7.5 billion in combined international sales, 50% higher than the preceding year.

For more detailed information on the consolidated financial statements of Koç Holding A.Ş. prepared in accordance with the International Financial Reporting Standards, please refer to Consolidated Financial Statements.

Developments in Koç Holding and Koç Group in 2004

Strategic restructuring continued during the year in line with the strategic plan:

In the Automotive segment, 25% of Türk Traktör's shares were sold in June 2004 in a public offering that witnessed heavy demand from investors. Koç Holding recorded a profit of \$37 million as a result of this sale. The sale equalized Koç Group shares with those of its foreign partner Case New Holland as per the JV agreement.

Koç Group sold its stake in Tekersan, a manufacturer of wheel rims, to its foreign partner, Michelin, in July 2004 for \$2.6 million. The transaction was finalized in November 2004.

In October, Koç Holding sold its 40% stake in the auto parts manufacturer Mako to its foreign partner Magneti Marelli Holding S.p.A. for €12 million.

In the Consumer Durable segment, Beko Elektronik acquired Grundig AG of Germany in partnership with Alba Plc., a UK based company, in January 2004.

Arçelik embarked on a \$60 million investment in July 2004 for a washing machine plant in Russia with 850,000 production capacity. The plant is scheduled to become operational in 2006 and contribute \$120 million annual revenues to the company.

In accordance with the agreement signed with Statoil of Norway, Koç-Statoil Gas, two joint venture companies were established in April 2004 to import and distribute natural gas. Koç Holding has an indirect stake in both companies through its subsidiaries BOS, Mogaz, Bursa Gaz and Demir Export.

Opet-Aygaz Bulgaria, a 50%-50% joint venture company formed by Opet and Aygaz in 2003 in line with the Group's international expansion strategy, started operating in Bulgarian LPG and fuel retail markets. The company closed 2004, its first year of operation successfully and started a distribution network of 11 gas stations.

During the year, shares in Garanti Balfour Beatty, a construction company, and TNT Lojistik, were sold to the respective foreign partners in the companies.

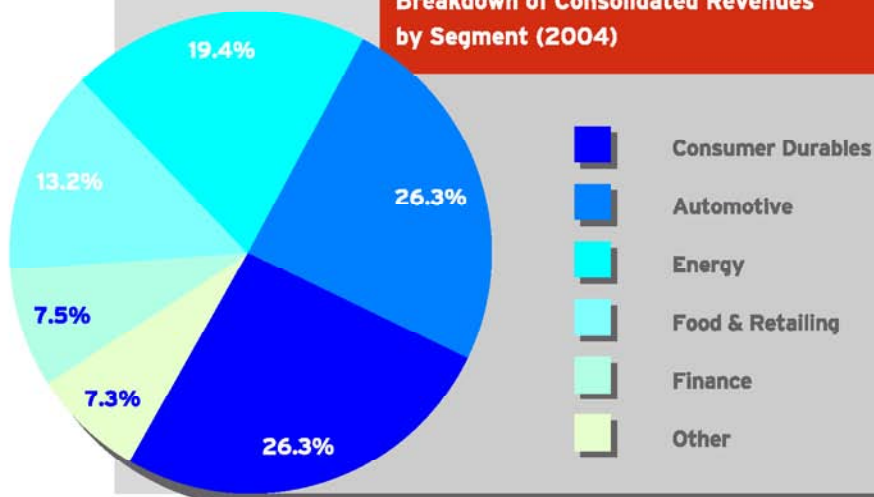
In an important development, Koç Financial Service signed a preliminary agreement to purchase controlling interest in Yapı Kredi Bank, one of Turkey's largest banks, in January 2005. The Share Purchase Agreement was signed in May.

Koç Holding distributed cash dividends of \$29 million from its IFRS consolidated net income for 2003, on May 31, 2004.

(ii) Results of operations

Koç Group's operations are divided into Automotive, Consumer Durables, Food & Retailing, Financial Services, Energy, and Other business segments. "Other" comprises Information Technologies, Hospitality, Construction, International Trade and Koç Holding A.Ş., the parent.

Consumer Durables and Automotive segments played a key role in the growth of revenues in 2004.



In the Automotive segment, an 88% increase in total motor vehicle sales in Turkey resulted in higher sales to the local market. The increase in exports of Ford Otosan's Transit series contributed to a significant degree to higher revenues. The company doubled its export revenues on a U.S. dollar basis. Total consolidated revenues of the automotive segment make up 26.3% of Koç Holding's consolidated revenues. Operating profit rose by 66% to \$312 million.

In the Consumer Durables segment, sales in both local and international markets increased sharply, resulting in a 41% growth in total revenues. Productivity increases and cost savings caused the ratio of operating expenses to revenues to decrease by 2.2 percentage points. Thanks to this, even though gross margin decreased by 3.3 percentage points, operating margin fell by only 1.2 points. Operating profit was up by 20% to \$361 million. The share of Consumer Durables Segment of Koç Holding's consolidated revenues is 26.3%, the same as the Automotive segment.

Total revenues of the Food and Retailing segment rose by 16% to make up 13.2% of Koç Holding's consolidated revenues. Profit margins continued to decline, reflecting intense competition in the sector. Operating profit declined by 9%.

The 18% increase in revenues in the Energy segment stemmed mainly from petroleum products business. However, since profit margins in the sector are controlled by the government and determined on a U.S. dollar basis, operating profit decreased by 29% reflecting declining exchange rates. The Energy segment contributes 19.4% of the Group's consolidated revenues.

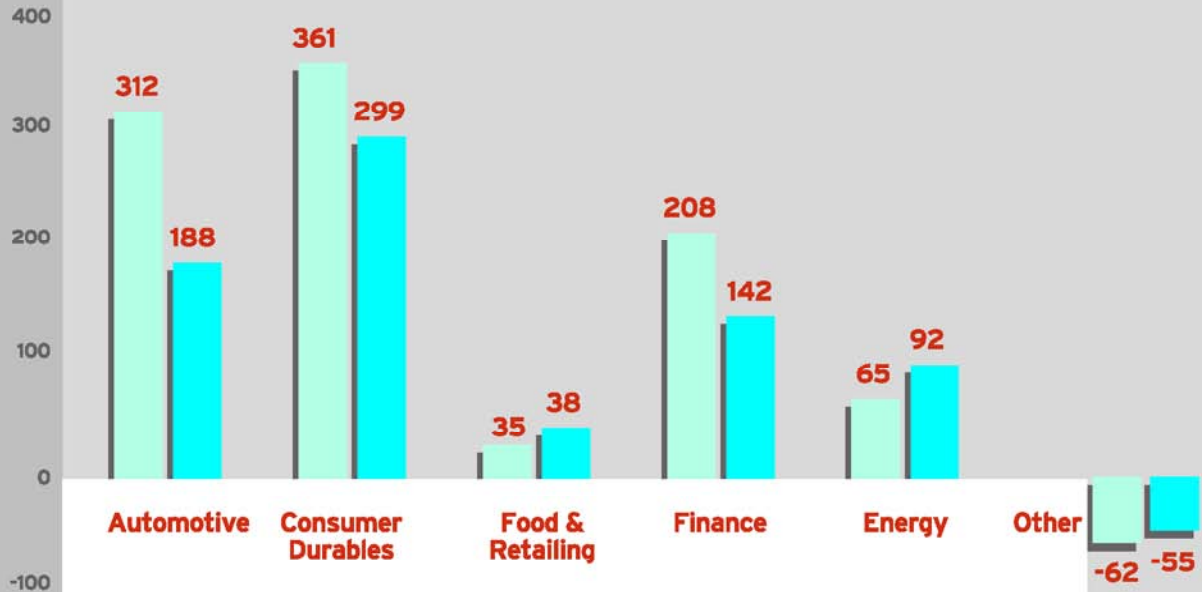
Total revenues of the Finance Group increased by 6%, accounting for 7.5% of the Group's consolidated revenues. Total assets, the key indicator of growth in this segment, were up by 17%. The increase in revenues was lower than this due to the declining trend in interest rates.

Operating Profit by Segment

US \$ millions

2004

2003



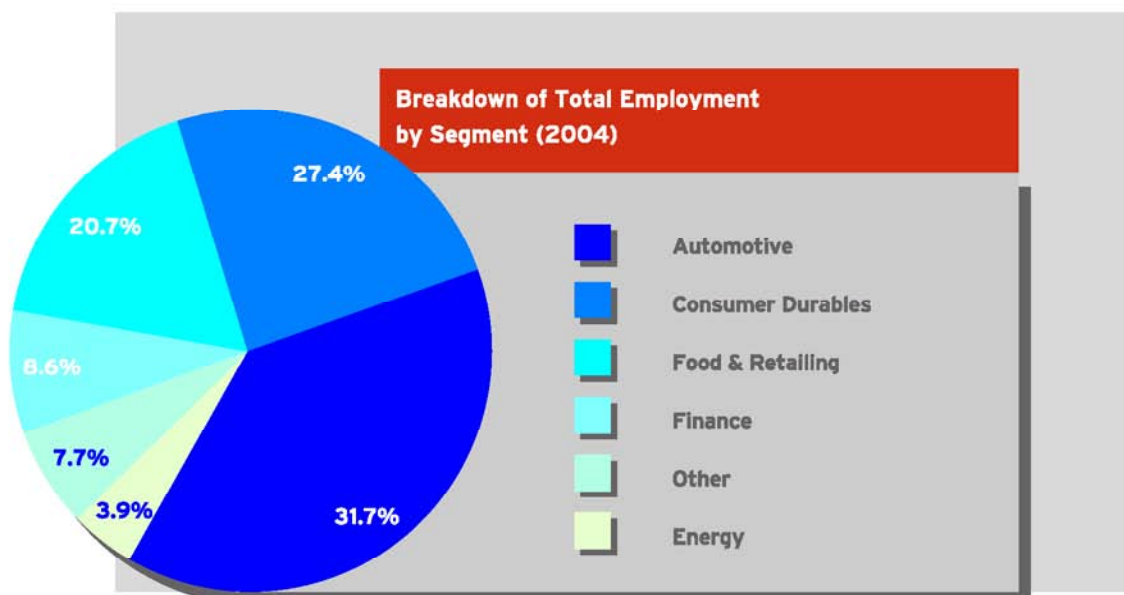
Despite lower interest rates, margins remained the same and commission income increased. Effective management of costs and general administrative expenses raised the gross margin by 3.2 points and operating margin by 4.4 percentage points. Gross profit rose by 17% and operating profit increased by 49%.

Other business segment comprises Hospitality, Information Technologies, International Trade, Construction and the parent company Koç Holding A.Ş.. The total revenues of these companies increased by 45% in 2004 to account for 7.3% of the Group's consolidated revenues.

Other Issues

Total employment of Group companies increased by 5,528 people over 2003 and reached 59,513 at the end of 2004. On a segment basis, the highest employment is in Automotive, Consumer Durables and Food & Retailing. Nearly 80% of total employment is attributable to these three segments.

During 2004, 17 companies signed collective bargaining agreements, covering 28,000 hourly employees (two of these companies were divested in 2005). The MESS (Turkish Employers' Association of Metal Industries) Group Collective Bargaining Agreement, which expired on August 31, 2004, was renewed on November 11, 2004 without any dispute.



The Group has focused on managing various financial risks arising from its operations including the effect of changes in foreign exchange and interest rates on pricing of loans and capital markets. The Group intends to minimize the negative effects of market volatility by applying a risk management program (e-risk). Subsidiaries manage their own interest rate, loan and foreign exchange risks according to the policies approved by their respective Boards of Directors.

CAPITAL INCREASE and CHANGES IN ARTICLES OF ASSOCIATION

According to a decision taken by the Board of Directors on December 29, 2004 to raise paid-in capital of \$ 588,443 thousand to \$ 745,101 thousand through

\$ 63,110 thousand	Addition of share sales according to Article 28/A of Corporate Tax Law and
\$ 93,547 thousand	Addition by 26.62234% from The Inflation Adjustment of Shareholders' Equity Account

At the Extraordinary General Assembly on March 28, 2005, amendment of Article 8 of the Articles of Association and capital increase of registered capital ceiling from \$ 745,101 thousand to \$ 2,235,303 thousand was accepted.

DIVIDENDS PAYMENT PROPOSAL

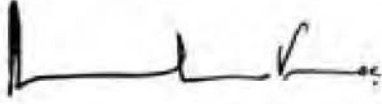
The distribution of the distributable profit of \$ 176,168,000 determined according to the Capital Market Regulations, from the consolidated net profit of \$ 378,881,000, provided in the financial tables prepared under the Turkish Commercial Code, and related Articles of the Company Articles of Association, is submitted to the approval of the General Assembly of Shareholders, in the amounts shown and from the sources provided below.

\$ 4,792 thousand	5% legal reserve,
\$ 52,850 thousand	As first dividend to shareholders,
\$ 4,402 thousand	To holders of usufruct certificates as per article 32/d of our Articles of Association,
\$ 1,069 thousand	To Koç Holding Foundation for Pensions and Assistance as per article 32/c of our Articles of Association, (1% and after deducting payments made within the year),
\$ 5,994 thousand	As second dividend to shareholders,

Taking into account the cash flow for 2005 and in compliance with Capital Market Board regulations, we hereby propose to the General Assembly to pay a total of \$ 58,844,000 as dividends, funded by extraordinary reserves allocated between 1999-2003, at the rate of 10% per share on May 30, 2005.

We kindly thank you for your interest in and attendance at the General Shareholders' Assembly.

Chairman
Mustafa V Koç





MD&A BY SEGMENTS

AUTOMOTIVE

CONSUMER DURABLES

FOOD & RETAILING

ENERGY

FINANCE

OTHER

AUTOMOTIVE

In recent years, Turkey became a production hub for major global automotive manufacturers, as a result of its high quality-low cost manufacturing and engineering capabilities. Production volume tripled in the last three years and reached 862 thousand units.

Koç Group companies in the automotive segment captured 28% of the intensely competitive local automotive market and accounted for 44% of Turkey's automotive exports.

Major Koç Group companies in the automotive segment:			
Production	Sales and Distribution	Retailing	Automotive Component Supply
Ford Otosan Tofaş Türk Traktör Otokar Otoyol Beldeyama	New Holland Trakmak Otoyol Paz. Otomotiv Lastikleri	Otokoç Birmot	Döktaş Mako

Market Overview

The recovery seen in domestic demand from mid-2003 gained pace in 2004. Favorable macro economic developments, declining interest rates, deferred demand and a scrap subsidy boosted sales in the first half of the year by 217%. In the second half, in order to control the rising foreign trade deficit, the government took measures to slow down the growth, including reducing the scrap subsidy, increasing special consumption tax and taxes on consumer loans. This effectively reined in demand, bringing the full year growth rate to 88%. Rapid growth and declining F/X rates encouraged imports, which increased their share to 44% in commercial vehicles, compared to 37% a year ago, and to 69% in passenger cars.

Total sales of motor vehicles in Turkey:				
(000 Units)	Total Sales 2004	Growth (%)	Import Sales 2004	Growth (%)
Light commercial vehicles	247	80	111	87
Other commercial vehicles	55	53	14	37
Total commercial vehicles	302	74	125	79
Passenger cars	451	99	312	103
Farm tractors	28	71	4	401
Total	782	88	441	97

Source: Automotive Manufacturers Association (OSD)

Production of motor vehicles in Turkey surpassed the record set in 2003 to reach 862,000 units. This 300,000 unit (53%) increase is evenly split between the domestic and export markets.

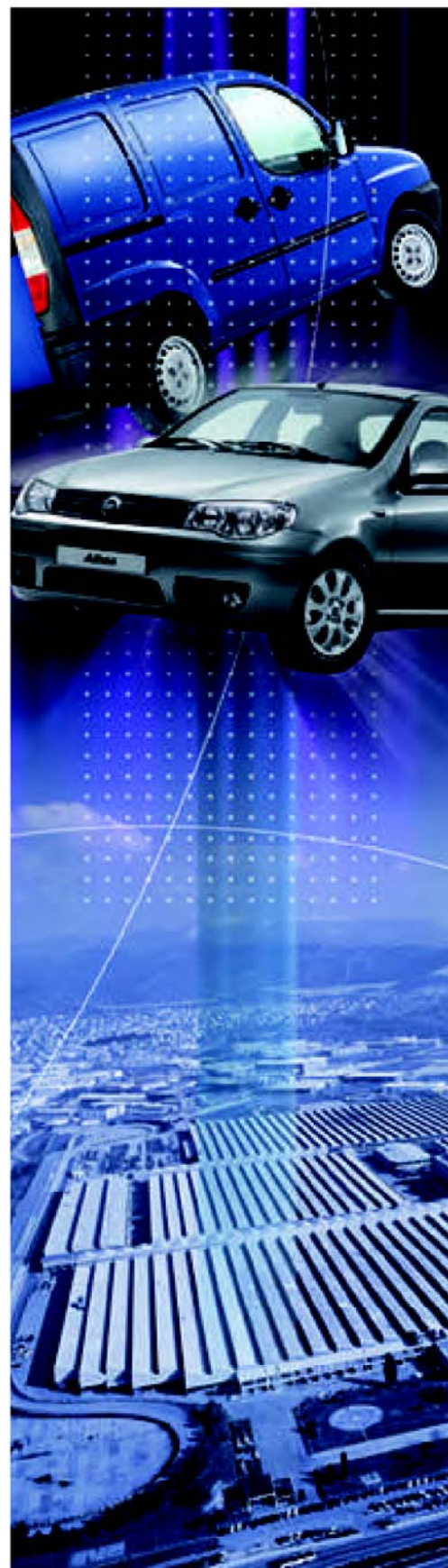
Production and exports of motor vehicles in Turkey:

(000 Units)	Production 2004	Growth (%)	Exports 2004	Growth (%)
Light commercial vehicles	330	58	196	54
Other commercial vehicles	46	55	7	3
Total commercial vehicles	376	57	203	52
Passenger cars	447	52	305	43
Farm tractors	39	34	10	(14)
Total	862	53	519	44

Source: Automotive Manufacturers Association (OSD)

In recent years, Turkey has become a production hub for major global manufacturers, benefiting from its low cost-high quality manufacturing and engineering capabilities and its zero customs access to the EU market. Automotive exports, including components, accounted for 16% of Turkey's total exports in 2004. Ford, Fiat, Renault, Toyota and Mercedes Benz are among the global companies that have manufacturing operations in Turkey through joint ventures or wholly owned subsidiaries. As a result, Turkey is among the foremost vehicle producing countries in Europe.

Domestic sales more than quadrupled in the last two years. Pent-up demand due to weak economic conditions in 2001 and 2002 has been an important driver of growth. Although the conditions for continued strong demand that started in 2003, namely, falling inflation and interest rates, are still in place, domestic demand has reached a plateau and growth is expected to come from exports in the coming years.



Analysis of Financial Condition and Results of Operations

(i) Selected Financial Data:

Consolidated Financial Data:			
	2004* (\$ In Millions)	2003* (\$ In Millions)	Change (%)
External revenues	4,360	3,172	37
Inter segment revenues	47	68	(31)
Total Revenues	4,407	3,240	36
Cost of sales	(3,783)	(2,781)	36
Gross profit	624	459	36
Operating expenses:	(347)	(297)	17
Administrative	(156)	(142)	10
Selling and distribution	(168)	(142)	18
Research and development	(23)	(13)	80
Inter segment profit elimination	35	26	33
Operating profit/(loss)	312	188	66
Gross margin	14.2%	14.2%	(0.0)**
Operating margin	7.1%	5.8%	1.3**
Total assets	2,302	2,475	(7)
Net assets	1,152	1,163	(1)
Capital expenditures	99	203	(51)
Depreciation and amortization	175	260	(33)
* Convenience translation with year end TL1,342,100 = \$1.00 exchange rate			
** Difference between the percentages is used to express the change			

Total revenues of the automotive segment increased by 36% to \$4,407 million. \$4,360 million of this derives from external sales, accounting for 26.3% of Koç Holding's consolidated revenues.

Despite intense competition in the growing domestic market and increased raw material costs, gross profit margin remained steady. Operating profit margin increased by 1.3 points thanks to higher volumes. Gross profit rose by 36% to \$624 million, and operating profit rose by 66% to \$312 million.

Despite the increase in revenues, total assets decreased by 7% and net assets (total assets less total liabilities) decreased by 1% over the previous year. The decline stemmed from the sale of 25% of the shares in Türk Traktör in an IPO in June 2004. Following the IPO, the company's status changed from a subsidiary to a joint venture.

The segment's capital expenditures amounted to \$99 million, 17.2 % of Koc Holding's consolidated figure.

(ii) Results of operations

Koç Group companies play a central role in Turkey's automotive industry. In 2004, Koç Group companies manufactured 44% of total motor vehicles in the country and were responsible for 44% of automotive exports.

Koç Group in automotive production of Turkey:

(000 Units)	Koç Group	Growth (%)	KoçGroup as a % of industry
Commercial vehicles	290	59	77
Passenger cars	71	7	18
Farm tractors	21	21	54
Total	382	44	44

Source: Automotive Manufacturers Association (OSD)



Koç Group in automotive exports of Turkey:

(000 Units)	Koç Group	Growth (%)	Koç Group as a % of Industry
Commercial vehicles	183	55	90
Passenger cars	40	(3)	13
Farm tractors	7	(26)	66
Total	230	37	44

Source: Automotive Manufacturers Association (OSD)

Koç automotive companies capitalized on higher domestic demand as well as boosting exports, mainly due to export sales of Ford Otosan's Transit, a light commercial vehicle.

Koç Group captured 28% of the intensely competitive local automotive market in 2004. Combined exports soared to \$3 billion, a growth of 52%.

Koç Group domestic market shares:

(000 Units)	Koç Group	Growth (%)	Koç Group (%)	Change vs. '03 % pts
Light commercial vehicles	104	67	42	(3.0)
Other commercial vehicles	11	60	19	0.4
Total commercial vehicles	115	67	38	(1.6)
Passenger cars	86	98	19	(0.1)
Farm tractors	15	74	54	2.2
Total	215	79	28	(1.4)

Source: Automotive Manufacturers Association (OSD)

Ford Otosan

Ford Otosan, a joint venture with Ford Motor Company, maintained its leadership in the total motor vehicle market in Turkey, raising its total market share from 15.3% in 2003 to 15.5% in 2004 in a highly competitive environment.



Ford Otosan is the largest commercial vehicle manufacturer and exporter in Turkey. In 2004, total production rose to 207,000 units (all commercial vehicles), representing 55% of Turkey's total commercial vehicle production – up from 48% a year ago. **Ford Otosan** also single handedly realized 68% of Turkey's total commercial vehicle exports – up from 56% a year ago. Higher production of Transit was behind this remarkable growth.

Sales volume grew by 88% due to strong growth in both domestic and export markets. The Transit Series models played a significant role in this accomplishment with total sales of some 107,000 units in 2004. Total revenues reached \$4,142 million, \$2,005 million of which stemmed from exports.

Ford Otosan implements global best practices, including Ford Production Systems (FPS). The Kocaeli plant is Ford's best Body and Assembly Operations Plant in Europe in terms of manufacturing quality. The İnönü Plant has the second highest FPS score among powertrain plants. **Ford Otosan** is also ranked second among European subsidiaries of Ford Motor Company in terms of after-sale customer satisfaction in passenger car segment.

Ford Otosan targets production of 230,000 commercial vehicles in 2005 with 110% capacity utilization, and exports of 149,000 units. The company aims to maintain its leadership position in motor vehicles market in Turkey by widening and refreshing its product range with new vehicle and engine projects.

Tofaş

Tofaş, a joint venture with Fiat Auto S.p.A., is one of Fiat's four global production centers. Currently the only passenger car producer of the Koç Group, **Tofaş** increased production of passenger cars by 9% to 65,000 units in 2004. Total production increased by 15% from 127,000 units in 2003 to 146,000 units in 2004.

Despite intense competition from imports in both passenger cars and light commercial vehicles, **Tofaş** maintained a market share of 10.5%. Domestic sales climbed by 71% in unit terms, driven by the introduction of Panda (selected Car of the Year in Europe), Fiat's first pick-up model Strada and the Idea models.

Exports remained steady in 2004 in terms of total units and export revenues totaled \$825 million.

As a result of efforts initiated in 2004, **Tofaş** signed an agreement in March 2005 to become the global supply base for a new model. The agreement calls for **Tofaş** to produce the same model for Peugeot and Citroen in addition to Fiat. The new model, which will be ready in early 2008, will have a production volume of 135,000 per year, 95% of which will be exported.

Türk Traktör

Türk Traktör is Turkey's largest farm tractor manufacturer and exporter. The Company is a joint venture with Case New Holland.

The recovery in domestic demand was felt strongly in farm tractors. Sales soared by 74% to 14,500 units in 2004, up from 8,400 units a year earlier, giving **Türk Traktör** a market share of 54%. A new series of farm tractors, the TT series, was a key factor in the company's continuing success in the market.

In June 2004, 25% of the shares in the company were sold in an initial public offering. The sale equalized Koç Group shares with those of its foreign partner Case New Holland as per the JV agreement. Koç Holding recorded a profit of \$37 million as a result of the sale, which was 2.1 times over-subscribed.

New Holland Trakmak acts as the sales and distribution company of **Türk Traktör** in the domestic market and has achieved total revenues of \$318 million in 2004.

Otoyol

Otoyol leads the domestic market in the mid-size bus and mid-size truck segments. The company is a joint venture with Iveco, Fiat's commercial vehicle subsidiary. Total production increased by 6% from 4,400 units in 2003 to 4,700 units in 2004.

Otoyol Pazarlama acts as the sales and distribution company of **Otoyol** in the local market. Total revenues amounted to \$196 million in 2004.

Otokar

Otokar, produces armoured vehicles of its own design; 4x4 tactical vehicles under license from Land Rover in addition to trailers with the license of Freuhauf; minibus and mid-size buses of its unique design for public transportation. In 2004, revenues increased by 29% to \$216 million, as domestic sales volume grew by 55% over the preceding year. **Otokar**, the leader manufacturer of the Turkish defense industry, aims to increase its exports to \$ 55 million in 2005 by almost doubling the share of sales in the defense industry from 15% of total revenues to 27%.

Other Companies

Döktaş, the fifth largest foundry in Europe, increased revenues by 25% to \$266 million in line with the overall growth of the automotive industry.

Otokoç and **Birmot**, dealership chains for Ford Otosan and Tofaş respectively, benefited from the domestic market growth to increase their combined revenue by 55% to \$1,075 million. The two companies have a combined market share of 6% in passenger cars and 15% in light and medium commercial vehicles.

Beldeyama, a joint venture with Yamaha, achieved a market share of 49% in 2004 in the motorcycle and moped segment.

Otomotiv Lastikleri (Oltaş), distributor of Continental tires, maintained a 5% market share in 2004.

Koç Group sold its stake in **Tekersan**, manufacturer of wheel rims, to its foreign partner, Michelin, in July 2004 for \$2.6 million. This transaction was completed in November 2004. Koç Holding also sold its 40% stake in the auto parts manufacturer **Mako** to its foreign partner Magneti Marelli Holding S.p.A. for €12 million.



CONSUMER DURABLES

Besides robust growth in domestic demand, Turkey furthered its position as a major exporter of consumer durables. Turkey is the largest television manufacturer in Europe. In household appliances, exports exceeded seven million units in 2004. Koç Group companies generated one-third of television and more than half of household appliance production and export volume.

Major Koç Group companies in the consumer durables segment:

White Goods Mfg.	Consumer Electronics Mfg.	HVAC Mfg.	Int'l Sales and Dist.
Arçelik Arctic (Romania) Blomberg Werke (Germany)	Beko Elektronik Fusion Digital	Arçelik LG Demirdöküm	Beko UK Beko France Beko Deutschland Beko Espana Beko Polska Blomberg Elektra Bregenz DD Heating Grundig

Market Overview

Favorable macro economic performance, low inflation, low interest rate on consumer loans and deferred demand contributed to strong growth for the consumer durables industry in 2004. White goods continued to perform very strongly as domestic sales grew by 64% to reach 5 million units, double the 2002 level.

Total sales of major household appliances in Turkey:

(000 Units)	Total Sales 2004	Growth (%)	Import Sales 2004	Growth (%)
Refrigerators	2,004	47	44	6
Washing machines	1,917	78	187	(2)
Dishwashers	526	101	177	74
Ovens	599	58	32	22
Total	5,045	64	440	22

Source: White Goods Producers Association (BESD)

Imports constituted only 8% of total sales. Although the market has high growth potential, the fact that the majority of sales are made through dealer networks, rather than multi-brand retail chains, is a critical factor for new entries.

Production volume increased by 34% as a result of the strong growth in both domestic demand and exports. Exports exceeded 7 million units, accounting for 62% of total production.

Production and export of major household appliances in Turkey:				
(000 Units)	Production 2004	Growth (%)	Exports 2004	Growth (%)
Refrigerators	5,308	24	3,361	11
Washing machines	3,963	61	2,236	44
Dishwashers	657	65	288	21
Ovens	1,715	9	1,326	12
Total	11,643	34	7,211	20

Source: White Goods Producers Association (BESD)

The surge in domestic demand was also witnessed in the 55% increase in TV sales which totaled 2.6 million units in 2004. Declining prices of larger screen CRT sets, especially 28-inch sets, triggered replacement demand that drove sales.

Total TV production increased by 34% to 20.5 million units, making Turkey the top TV manufacturer in Europe. The majority of production, 87%, is exported and about 90% of these exports are to European countries.

Expansion of the natural gas network has created strong demand for heating equipment, particularly individual combustion boilers. Household natural gas consumption grew by 20% in 2004 and is expected to increase by 30% in 2005 reaching 6.1 million cubic meters. In Europe, more stringent environmental standards both stimulate replacement demand, and also lead to the closure of many foundries, creating opportunities for Turkish manufacturers.

The potential for continued growth in the domestic consumer durables sector is strong due to demographic factors such as population growth, high marriage rates, the young age of the population, an increase in smaller family sizes and an increasing number of working women.



In addition, low penetration rates compared to Europe, rising purchasing power and falling interest rates are expected to support growth in the domestic demand.

Analysis of Financial Condition and Results of Operations

(I) Financial Results

Selected Financial Data:			
	2004* (\$ in Millions)	2003* (\$ in Millions)	Change (%)
External revenues	4,366	3,264	34
Inter segment revenues	900	474	90
Total Revenues	5,266	3,738	41
Cost of sales	(4,084)	(2,775)	47
Gross profit	1,182	963	23
Operating expenses:	(828)	(670)	24
Administrative	(220)	(246)	(10)
Selling and distribution	(561)	(386)	45
Research and development	(47)	(38)	24
Inter segment profit elimination	7	6	14
Operating profit/(loss)	361	299	20
Gross margin	22.4%	25.8%	(3.3)**
Operating margin	6.8%	8.0%	(1.2)**
Total assets	4,226	3,304	28
Net assets	1,902	1,575	21
Capital expenditures	253	193	31
Depreciation and amortization	149	182	(18)
* Convenience translation with year end TL1,342,100 = \$1.00 exchange rate			
** Difference between the percentages is used to express the change			

Total revenues of the Consumer Durables Segment rose by 41% to \$5,266 million. Of this, \$4,366 million are external revenues, constituting 26.3% of Koç Holding's consolidated revenues. Inter segment revenues mainly consist of exports made through Ram (the Group's foreign trade company).

Although gross margin decreased by 3.3 points and operating margin fell by 1.2 points, gross profit was up by 23% to \$1,182 million while operating profit increased by 20% to \$361 million.

The segment's total assets and net assets (total assets less total liabilities) increased by 28% and 21% respectively, below the increase in revenues.

The segment's capital expenditures of \$253 million accounted for 43.9% of Koç Holding's consolidated figure.

(ii) Operational results

Arçelik

Arçelik is the undisputed leader of Turkey's consumer durables sector, representing 53% of domestic sales and 54% of Turkey's exports of major household appliances. Arçelik's revenues increased by 29% in 2004, reaching \$3,656 million. Both strong growth in local demand and fast growing international sales (accounting for 44% of total revenues) brought about this result. With this performance, Arçelik is now among the five largest household appliance manufacturers in Europe.

Arçelik market shares:

(000 Units)	Total Market 2004	Arçelik	Arçelik (%)
Refrigerators	2,004	966	48
Washing machines	1,917	1,023	53
Dishwashers	526	358	68
Ovens	599	341	57
Total	5,045	2,688	53

Source: White Goods Producers Association (BESD)

Arçelik's total production capacity reached 9 million units in 2004. Each of the company's four manufacturing facilities in Turkey (refrigerator factory in Eskişehir, washing machine factory in İstanbul, dishwasher factory in Ankara, and oven factory in Bolu), are the largest in Europe in their respective product categories in terms of production capacity. Total capacity will exceed 11 million units with the investments planned in 2005.

In 2004 Arçelik started the distribution of Sony consumer electronics products through the Arçelik and Beko dealer networks. The product portfolio is further enhanced by the addition of Motorola, Philips and LG mobile phones, and introduction of Arçelik and Beko branded mobile phones. At the end of 2004, a furniture product line was introduced under the "Arstil" brand name. The company also initiated leasing of durable goods, a first in Turkey.

A \$60 million investment started in July 2004 for a washing machine plant in Russia with 850,000 units per year production capacity. The plant is scheduled to become operational in 2006 and to contribute \$120 million annual revenues to the company. Arçelik's current market share of 8% in washing machines in Russia is expected to increase to 15% with the new plant.



Repositioning of brands acquired in Europe continues and the product lines are renewed. The completely renewed Blomberg line received one of Europe's most prestigious design awards, PlusX. Beko's new "Diffusion" series was introduced in domestic and international markets simultaneously.

Besides aggressive organic growth, Arçelik continues to search for potential acquisition targets and new investments.

Beko Elektronik

Consumer electronics manufacturer **Beko Elektronik**, accelerated its growth in exports and in the expanding domestic market. Total revenues reached \$1,667 million, 62% higher than 2003.

TV production has increased by 65% in the last two years to reached seven million units, of which 5.9 million (85%) are exported. The 1.1 million units sold locally correspond to a 41% market share.

Beko Elektronik in Turkey:			
(000 Units)	Industry 2004	Beko Elektronik	Beko Elektronik as a % of industry
Domestic sales	2,628	1,082	41
Exports	17,829	5,926	33
Total	20,457	7,008	34

Through capacity expansion investments undertaken in 2004, the company's annual TV manufacturing capacity grew by 1 million units to reach 7 million units.

Early in 2004, **Beko Elektronik** acquired Grundig's brand name, intellectual property (717 patents), R&D, sales and after sales service organizations with a 50-50 joint partnership with Alba Plc., a UK-based consumer electronics company. The acquisition will propel **Beko Elektronik** from OEM/ODM manufacturing to the high-end brand league in Europe. Already Grundig's market share in Germany has risen from a pre-acquisition level of 3% to 9.2% at the end of 2004.

In recent years, **Beko Elektronik** added ICT (Information and Communication Technologies) hardware to its product portfolio. Mostly imported and sold in the domestic market, revenues in this category grow rapidly. The share of ICT products in total domestic revenue exceeded 20% in 2004, and is expected to double in 2005. A new brand, "KeySmart" for these products was introduced in 2004.

Türk Demirdöküm

As a leader in water heating appliances, combustion boilers, boilers, panel radiators and cast iron radiators, **Türk Demirdöküm** is a beneficiary of the growing natural gas network in Turkey as more and more households convert to natural gas.

As interest rates fall, demand for housing is on the rise. The eventual establishment of a market for mortgages is expected to spur housing demand, which bodes well for **Türk Demirdöküm's** future prospects.

Türk Demirdöküm increased its market share and maintained its leadership position in the domestic market in all its product categories.

Domestic Sales and Market Share		
	Volume	Mkt. Share (%)
Instantaneous Water Heaters (000 units)	279	75
Water Storage Heaters (000 units)	131	83
Panel Radiators (000 m)	2,035	43
Cast Iron Radiators (000 m2)	1,548	70
Combustion Boilers (000 units)	142	28

Following the introduction of a new line of combustion boilers developed by **Türk Demirdöküm** to replace the existing line manufactured under license, sales volume increased by 34% to 142,000 units in 2004.

Efforts to reduce dependence on the fluctuating domestic market and take advantage of growth opportunities in international markets generated strong growth in international revenues. Exports increased by 32% to \$109 million. Operations in China with the local partner Chung Mei, is expanding. In addition to electrical radiators, the company started producing towel rails and instant water heaters. **Türk Demirdöküm** is pursuing further growth in China.

Arçelik-LG

A 50-50 JV with LG Electronics, **Arçelik-LG** manufactures room air conditioners. **Arçelik-LG** is the domestic market leader with its products sold under various Koç Group brands. Its total sales volume grew by 70% in 2004 to 275,000 units.

FOOD & RETAILING

The food and retail sector continued to expand in 2004 on top of strong growth in 2003 following depressed market conditions in 2001 and 2002. Foreign interest in the sector has returned and is expected to intensify in the years ahead. The sector has been compelled to adjust its strategies to the new low inflation environment, creating a squeeze on profits.

Koç Food & Retailing Group maintained the pace of growth in 2004 in the expanding domestic food and retail markets as well as the international retailing markets.

Major Koç Group companies in the food and retailing segment:		
Food	Retailing	Distribution
Tat Tat Tohumculuk Koç Ata Sancak	Migros Koçtaş Ramenka (Russia) Rambutya (Kazakhstan) Ramstore Azerbaijan Ramstore Bulgaria	Düzey

Market Overview

Rising incomes and consumer confidence spurred growth in the food and retail sectors in 2003 and 2004. However the presence of unorganized and sometimes unregistered players continue.

The organized FMCG sector comprises only about 30% of the whole sector with the remaining 70% made up of unorganized and unrecorded retailers. Accordingly, the level of concentration is very low. The top three retailers have an 11% market share compared to shares in excess of 50% in EU countries. The number of stores per capita is also considerably lower in Turkey than in the EU.

This picture underlines the potential for growth in the sector, in line with Turkey's rapid rate of urbanization, population growth, a large young population and the increasing number of working women.

Economic recovery has been accompanied by a sharp decline in inflation rates. In this highly competitive market, retailers have not been able to raise prices above inflation, eroding the operating profitability. In addition, lower interest rates have limited the ability of retailers to generate financial income. Accordingly, retailers have focused on operating efficiency to maintain profitability.

The appetite of foreign investors for the Turkish retail sector waned following the 2001 crisis. Foreign appetite returned in 2003, as witnessed by the acquisition of the regional chain Kipa by Tesco of the U.K. Continued foreign interest in the sector is likely to lead to some consolidation.

Foreign companies have also targeted Turkey's organized food sector for acquisition. The number of such acquisitions in Turkey has increased significantly since 2000. Large foreign players have entered into the sector by purchasing well-known domestic brands.

While demand for food products is typically considered to be inelastic, the demand for packaged foods in Turkey is quite sensitive to fluctuations in the economy. Packaged food consumption dropped by a significant 25% following the 2001 crisis. During such periods, consumption shifts to unpackaged and unregistered products. Despite the improvements in the economy seen over the past two years, the unorganized food segment still plays a large role in the sector, remaining a major competitor of the packaged foods industry. Economic development is likely to encourage consolidation and growth in the sector.



Analysis of Financial Condition and Results of Operations

(i) Financial Results

Selected Financial Data:			
	2004* (\$ in Millions)	2003* (\$ in Millions)	Change (%)
External revenues	2,192	1,892	16
Inter segment revenues	14	3	330
Total Revenues	2,206	1,895	16
Cost of sales	(1,777)	(1,506)	18
Gross profit	429	389	10
Operating expenses:	(411)	(370)	11
Administrative	(291)	(276)	6
Selling and distribution	(120)	(94)	27
Research and development	-	-	-
Inter segment profit elimination	17	19	(9)
Operating profit/(loss)	35	38	(9)
Gross margin	19.4%	20.6%	(1.1)**
Operating margin	1.6%	2.0%	(0.5)**
Total assets	1,464	1,421	3
Net assets	717	695	3
Capital expenditures	70	106	(33)
Depreciation and amortization	60	61	(2)
* Convenience translation with year end TL1,342,100 = \$1.00 exchange rate ** Difference between the percentages is used to express the change			

Total revenues of the Food and Retailing segment rose by 16% to \$2,206 million. Of this, \$2,192 million are external revenues, constituting 13.2% of Koç Holding's consolidated revenues.

Gross margin declined by 1.1 points and operating margin fell by 0.5 point in 2004 due to intense competition in the sector. Gross profit increased by 10% to \$429 million while operating profit declined by 9% to \$35 million.

The segment's total assets and net assets (total assets less total liabilities) increased by 3%, lower than the increase in revenues, indicating a rise in asset turnover.

The segment's capital expenditures amounted to \$70 million, 12.2% of Koç Holding's consolidated figure.

(ii) Results of operations

Migros

Migros is the largest and most profitable supermarket chain in Turkey, and is the leader of Turkey's organized FMCG retail market with 19-20% share.

Migros continued to grow at home and abroad in 2004. Consolidated revenues reached \$1.7 billion. The number of domestic locations grew to 463 at end 2004. In April 2004 Migros expanded its domestic coverage to the Black Sea region with the opening of a shopping center in Ordu. Migros covers all regions in Turkey through its presence in 41 provinces. Domestic revenues increased by 10% in 2004.

Domestic Number of Stores		
	'04 year-end	'03 year-end
Supermarkets (Migros)	176	173
Discount markets (Şok)	283	273
Wholesale outlets	1	1
Hypermarkets	3	3
Total	463	450

Ramenka (Russia), Rambutya (Kazakhstan), Ramstore (Azerbaijan), Ramstore (Bulgaria)

Migros continued to expand internationally through its subsidiaries, especially in Russia. With openings in Rostov, St. Petersburg and Samara the number of stores outside of Moscow rose to seven in 2004.

At the end of 2004, Migros' subsidiaries had a total of 44 Ramstores in four countries, consisting of 36 supermarkets and 8 hypermarkets. The 8 hypermarkets are located in shopping malls operated by Migros.

	2004			2003		
	Super-markets	Hyper-markets	Total	Super-markets	Hyper-markets	Total
Russia	25	7	32	19	6	25
Kazakhstan	4	1	5	2	1	3
Bulgaria	4	-	4	3	-	3
Azerbaijan	3	-	3	3	-	3
Total	36	8	44	27	7	34

A new shopping mall constructed in Macedonia by Ramstore Macedonia, a subsidiary of Ramstore Bulgaria, is scheduled to start operations by mid-2005.

Koçtaş

Koçtaş, a 50-50 JV with the Kingfisher/B&Q group, is one of the three international Do-It-Yourself retailing chains in Turkey. It has 23,800 m2 total sales area in five stores. Revenues increased by 31% in 2004 and a 5.4% operating profit margin is achieved.

Tat

Following the merger of the operations in food sector under **Tat**, the company stepped up its marketing activities in 2004 by launching new products and re-launching existing brands.

Active public relations and advertising campaigns promoted **Tat's** changing face. The company's strategy is to leverage its strong brands to enlarge its customer base by extending the product range. As a result, revenues inched up by 2% in 2004 to \$283 million, despite stiff competition and declining prices.

Tat established a 50-50% JV with Tariş (Turkey's biggest union of agricultural sales cooperatives) in 2004 for the production and sales of "rakı", an anise flavored liquor favored by Turks. The construction of the factory is underway. The total investment is foreseen as €10 million. Product launch date is scheduled for May 2005.

Düzey

Düzey is the FMCG sales and distribution company of the Group. It is the sole distributor of Tat products and BAT (British American Tobacco) products in Turkey. Düzey also distributes various other fast moving consumer goods.

As a result of a thorough restructuring, the number of distribution points multiplied to 140,000 in 2004, up from 24,000 at the end of 2002.



ENERGY

Turkey has embarked on a far-reaching reform program aimed at the liberalization of the energy sector in order to pave the way for private capital investment and market competition.

Koç Group, with its long-standing leadership in LPG distribution and its more recent involvement in petroleum products distribution, is determined to strengthen its position in the energy market by adding new businesses to its portfolio. The Group closely monitors the privatization efforts especially in the natural gas and electricity sectors, and prepares for the opportunities as they arise.

Major Koç Group companies in the energy segment:				
LPG Distribution and Trade	Petroleum Products Distribution	Industrial Gases	Electricity & Natural Gas	Mining
Aygaz Mogaz Bursa Gaz	Opet Opet-Aygaz Bulgaria	BOS	Entek Eltek Koç-Statol Gaz	Demir Export

Market Overview

Privatization of the energy sector is expected to accelerate in 2005. The privatization of electricity distribution assets is to begin in the second quarter of 2005. In addition, BOTAS, the natural gas monopoly, is expected to issue tenders in April 2005, which would transfer 16 billion m³ of its existing contracted volume to private investors. Both domestic and international groups have expressed interest in these upcoming privatization projects.

The Petroleum Market Law enacted in 2003, became effective at the beginning of 2005. The law introduced important measures that liberalize the Turkish petroleum market, set standards and regulate the sector. The most significant change introduced is the deregulation of product prices, a change that is expected to stimulate competition.

In 2004, total LPG consumption grew by 4.6%. The growth is entirely attributable to higher demand in auto LPG, as demand in the cylinder segment remained stagnant and bulk LPG sales declined due to higher taxation compared with natural gas and other substitute fuels and expansion of the natural gas pipeline network. These trends are expected to continue in 2005.

Consumption of Petroleum Products in Turkey		
2004	Consumption (000 tons)	Growth (%)
Cylinder	1,804	0.1
Bulk	570	(11.9)
Auto	1,390	20.9
Total	3,764	4.6

Consumption of petroleum products increased to 18.1 million tons in 2004 from 17.5 million tons in 2003. Consumption of white products (gasoline and diesel) reached 13.6 million tons in 2004, or \$19 billion. Consumption of black products (fuel-oil) was 4.5 million tons in 2004, or \$1.9 billion.

Consumption of Petroleum Products in Turkey

2004	Consumption (million tons)	Growth (%)
White Products	13.6	6.9
Black Products	4.5	(6.5)
Total	18.1	3.9

The Turkish electricity market expanded by 6.8% to nearly 150 twh in 2004. The public sector dominates the electricity market, controlling 61.5% of the country's total installed capacity. The remaining 38.5% capacity is controlled by private players, such as autoproducers, independent power producers and private producers with special contracts (BOT, BOO, TOR). Despite their 38.5% share in installed capacity, private companies account for 54.6% of total power generation.

Analysis of Financial Condition and Results of Operations

(i) Financial Results

Selected Financial Data:

	2004* (\$ in Millions)	2003* (\$ in Millions)	Change (%)
External revenues	3,226	2,716	19
Inter segment revenues	78	78	-
Total Revenues	3,304	2,794	18
Cost of sales	(3,071)	(2,558)	20
Gross profit	233	236	(1)
Operating expenses:	(186)	(162)	15
Administrative	(98)	(105)	(7)
Selling and distribution	(87)	(56)	56
Research and development	(1)	(1)	68
Inter segment profit elimination	18	18	(1)
Operating profit/(loss)	65	92	(29)
Gross margin	7.1%	8.4%	(1.4)**
Operating margin	2.0%	3.3%	(1.3)**
Total assets	1,486	1,326	12
Net assets	960	904	6
Capital expenditures	117	131	(10)
Depreciation and amortization	93	80	16

* Convenience translation with year end TL1,342,100 = \$1.00 exchange rate

** Difference between the percentages is used to express the change



Total revenues of Koç Group's energy companies increased by 18% to \$3,304 million. \$3,226 million of this figure derived from external revenues and accounted for 19.4% of the Group's consolidated revenues.

Profit margins in the energy sector are calculated on a U.S. dollar basis. The decline in the exchange rate in 2004 resulted in a tightening in gross profit and operating profit margins by 1.4 points and 1.3 points respectively. Gross profit in absolute terms declined by 1% to \$233 million, while operating profit declined by 29% to \$65 million.

The segment's total assets increased by 12%, while net assets (total assets less total liabilities) rose by 6%.

The segment's capital expenditures amounted to \$117 million, or 20.3% of Koç Holding's consolidated figure.

(ii) Results of operations

Koç Group remained the leader of the domestic LPG market with a 32% share. In petroleum products distribution, the Group ranks fourth with a 13.4% share of the market. Entry into the liquefied natural gas (LNG) wholesale further diversified Koç Group's energy related activities.

Aygaz & Mogaz

Aygaz ranks as the largest LPG distributor in Turkey and as the fourth largest in Europe with a sales volume of around one million tons. **Aygaz** is active in LPG sourcing, storage, filling and distribution services to residential, commercial and industrial markets. **Aygaz** also produces cylinders, valves, regulators, LPG storage tanks, heaters and patio heaters, and markets these products in domestic and international markets.

Aygaz sold 989,000 tons of LPG through its 1,500 dealers in all 81 provinces of Turkey, to capture 26.3% of the highly fragmented LPG market in which 57 companies compete.

The company increased its market share in auto LPG from 19.7% to 20.1%. The number of stations selling **Aygaz** auto LPG reached 440.

Koç Group LPG Market Share			
2004	Aygaz (%)	Mogaz (%)	Total Koç (%)
Cylinder	30.9	4.4	35.3
Bulk	26.7	8.6	35.3
Auto	20.1	6.2	26.4
Total	26.3	5.7	32.0

In 2004, **Aygaz** intensified its marketing activities and redefined its corporate identity. The company launched a new auto LPG product in accordance with European standards under the brand EuroLPG.

Aygaz's exports increased by 61% to \$153 million. Exports to Iraq, and sales through **Opet-Aygaz Bulgaria** have contributed to this growth.

Opet-Aygaz Bulgaria, established jointly by **Aygaz** and **Opet** in 2003, is Koç Group's first energy related international venture. In its first year of operation in Bulgarian LPG and fuel retail markets, the company expanded its network to 11 stations.

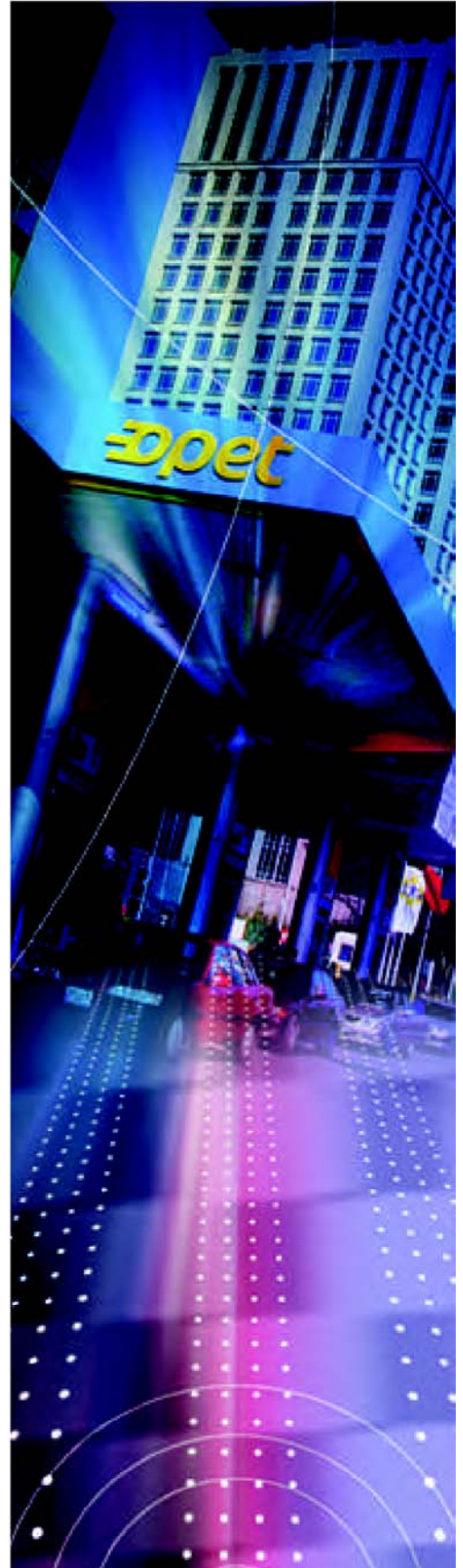
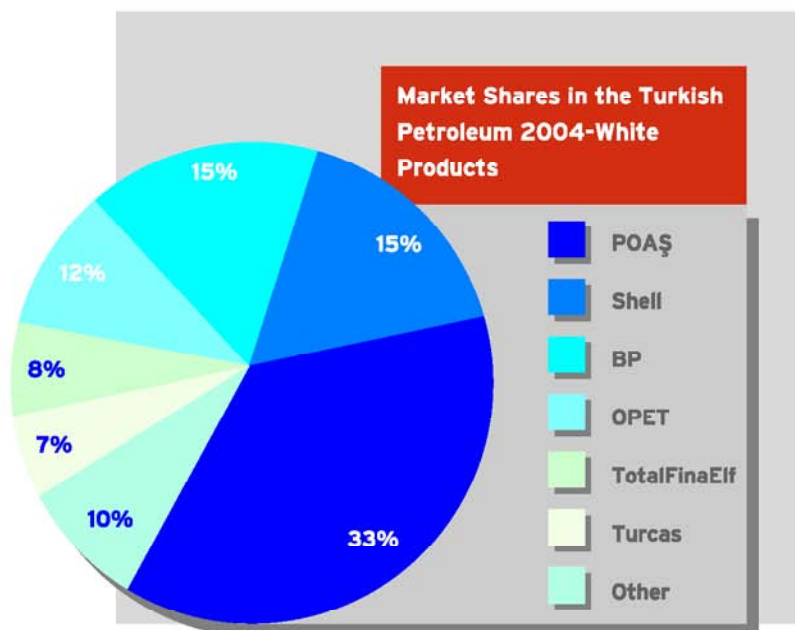
In line with the Group's international expansion strategy, **Aygaz** searches for investment opportunities in Western Europe, focusing on acquisitions or joint ventures.

Mogaz, the other LPG company of the Group, is active in all three segments of the market. It distributes its products and services under the brands **Mogaz** and **Lipet**. The company has a 5.7% market share through its network of 600 dealers and 349 stations that sell Mogaz/Lipet auto LPG.

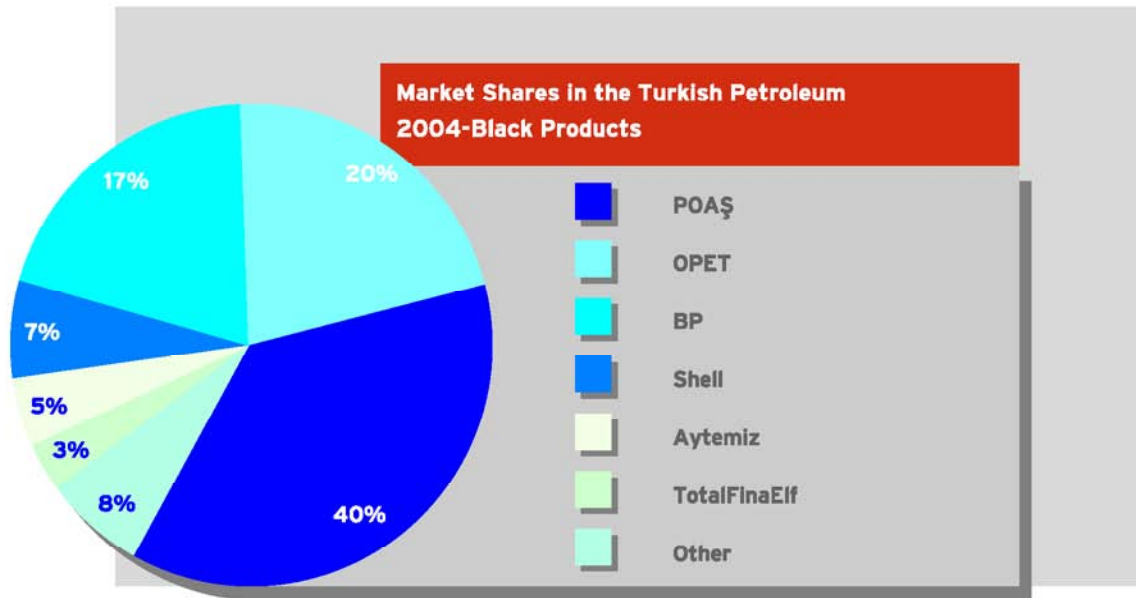
OPET

OPET, together with its subsidiaries, operates in fuel retail and wholesale, lubricants production and marketing, marine bunkering and international trade of petroleum products.

OPET increased its market share in white products (gasoline and diesel) from 9.7% in 2003 to 11.5% in 2004. It ranks fourth in this segment.



Despite of the downward trend in demand for black products (fuel-oil), **OPET** succeeded in pushing its market share from 20.0% to 20.4%, thus retaining its number two rank in the segment.



In 2004, **OPET** launched two new products, 98-octane gasoline and 50 ppm Euro diesel. In both cases, **OPET** was the first company to bring the products to the domestic market. In addition, **OPET** renewed its corporate identity and re-launched its brand to emphasize its up-to-date and dynamic character.

OPET's existing terminal capacity of 330,000 m³ is the second largest in the country. In 2004, **OPET** initiated the construction of a new terminal with a planned storage capacity of 430.000 m³. This will endow the company with the largest storage capacity in Turkey.

Investments in gasoline stations accelerated in 2004. **OPET's** network reached a total number of 1,161 stations with the opening of 113 stations, 635 of these stations operate under **SUNPET** brand.

Export of 955,000 tons of fuel to Iraq generated additional revenues of \$466 million in 2004.

Entek & Eltek

In 2004, **Entek**, Koç Group's power generation company in Bursa, completed the acquisition of Türk Edison, an electricity autoproducer in İzmit with 64 MW capacity. **Entek's** total capacity increased to 220 MW, and the company plans to reach 300 MW by the end of 2005 as a result of additional capacity expansion.

Eltek, the recently established company, started its operation in the wholesale electricity market.



BOS

BOS, Turkey's second largest industrial and medical gas company, has an 18% market share. The company was a joint venture with the BOC of UK, until Aygaz purchased the shares belonging to BOC for €15.3 million in February 2004.

Bursa Gaz

Bursa Gaz is active in LPG distribution, fuel marketing and consumer durables retailing. Revenues of the company amounted to \$173 million in 2004

Demir Export

Demir Export, a long established supplier and extractor of coal and iron ore, continued its activities both in Turkey and abroad, including a stone quarry in the United Arab Emirates, the company's first international venture. In 2005, the company plans to take over operation of a second stone quarry in the UAE. Although managed by Koç Holding, the company is not a subsidiary, and thus is not included in the financial indicators given above.

Koç-Statoll Gas

Koç-Statoll Gas, a 50%-50% joint venture with the Norwegian oil and natural gas company Statoil, was established in April 2004 with the purpose of carrying out natural gas importing and marketing activities in Turkey. The company intends to participate in the upcoming privatization tenders of natural gas import contracts by BOTAŞ, in order to become a major natural gas importer.

Meanwhile, the company commenced wholesaling and transmission of liquefied natural gas (LNG). **Koç-Statoll Gas** plans to enter compressed natural gas (CNG) wholesaling in 2005.

FINANCE

The finance sector in Turkey, especially the banking sector, has undergone comprehensive reforms since 2001. New regulations and standards have improved the operating environment. The introduction of private pension system is an important development in terms of general economic stability and the growth of the insurance sector.

Koç Group is involved in banking, brokerage services, asset management, leasing, factoring, insurance and consumer finance. In order to pursue aggressive growth in banking, a 50-50 partnership with UniCredito of Italy, Koç Financial Services (KFS), was established in 2002. KFS is active in banking, brokerage, asset management, leasing and factoring. In 2005, KFS signed a preliminary agreement to purchase controlling interest in Yapı Kredi Bank, one of Turkey's largest banks. The Share Purchase Agreement was signed in May.

Major Koç Group companies in finance segment:				
Banking	Leasing & Factoring	Portfolio Man.	Insurance	Consumer Finance
Koçbank Koçbank Nederland Koçbank Azerbaijan	Koç Lease Koç Factoring	Koç Yatırım Koç Portföy	Koç Allianz Sigorta Koç Allianz Hayat ve Emeklilik	Koçfinans

Market Overview

Banking & Finance

Reform of the banking sector has reduced the number of banks operating in Turkey to 48 in 2004 compared to 79 at the end of 2000.

In line with the general improvement in the economy and development in the banking sector, the structure of banks' assets and liabilities changed. The total loan portfolio for the sector increased by 52% over the previous year, raising the loans-to-assets ratio to 33% compared to 27% at end-2003. As inflation and interest rates fell, profit margins narrowed, compelling banks to focus on business that generate commission income rather than on government paper. Thus the sector's marketable securities portfolio declined from 43% to 40% of total assets and total commission income increased by 45% over the previous year. Consumer loans gained importance, rising to 26% of total loans compared to 19% at the end of 2003.

Compared to European counterparts, banking in Turkey is competitive in terms of service and technology, but much smaller in terms of asset size, loans and deposit volumes.



Turkish banks have an average of 119 branches compared to 25 in the EU. As of 3Q04, the loans-to-GDP ratio was 23.5% compared to 26% in Poland and 39% in the Czech Republic, emerging market peers of Turkey.

Insurance

A total of 55 insurance and three reinsurance companies operate in Turkey. In 2004, 52% of premium income was generated by five companies, reflecting the high degree of concentration in the sector.

Total premium income increased by 33% to \$4.7 billion in 2004. This development was supported by strong growth in the sale of consumer items such as automobiles.

Improved macroeconomic climate and stable financial markets also had a positive effect on the insurance industry. Price competition continued despite the high level of concentration and declining investment incomes. As the financial markets continue to develop, well-structured and efficient insurance companies are likely to consolidate their position of leadership in the sector.

Low penetration rates indicate that the Turkish Insurance sector has considerable room for growth. Both per capita premiums and ratio of premium production to GDP are far below other countries, underlining the huge potential for growth in the insurance sector.

	Premium in % GDP	Premium per Capita \$
Sweden	6.97	2,358
Greece	2.10	343
Argentina	2.54	86
Turkey	1.35	38
Romania	1.45	36

Source: Swiss Re, as of 2003

Growth of the private pension business will be one of the important drivers of future growth. By increasing the savings rates and supporting the deepening of capital markets, the private pension business is expected to become a significant contributor to the development of the economy.



Currently 11 insurance companies offer pension plans. Total enrollment reached 314,010 individuals, total contribution just over \$200 million.

Analysis of Financial Condition and Results of Operations

(I) Financial Results

Selected Financial Data:			
	2004** (\$ in Millions)	2003** (\$ in Millions)	Change (%)
External revenues	1,242	1,177	6
Inter segment revenues	57	47	21
Total Revenues	1,299	1,224	6
Cost of sales	(845)	(835)	1
Gross profit	454	389	17
Operating expenses	(228)	(228)	-
Inter segment profit elimination	(18)	(19)	(5)
Operating profit/(loss)	208	142	46
Gross margin	35.0%	31.7%	3.2**
Operating margin	16.1%	11.5%	4.4**
Total assets	6,299	5,368	17
Net assets	1,340	1,194	12
Capital expenditures	17	17	-
Depreciation and amortization	23	42	(45)
* Convenience translation with year end 1,342,100TL = \$1.00 exchange rate			
** Difference between the percentages is used to express the change			

Total revenues of the Finance Group increased by 6% to \$1,299 million. \$1,242 million of this derives from external revenues, accounting for 7.5% of the Group's consolidated revenues.

Effective management of costs and general administrative expenses raised the gross margin by 3.2 points and operating margin by 4.4 points. The segment's contribution to Koç Holding's consolidated gross profit rose by 17% to \$454 million while its contribution to operating profit increased by 46% to \$208 million.

The segment's total assets were up by 17% while net assets (total assets less total liabilities) increased by 12%.

The segment's capital expenditures amounted to \$17 million, or 2.8% of Koç Holding's consolidated figure.

(II) Results of operations

Koç Financial Services

Koç Financial Services posted consolidated net earnings of \$192 million in 2004, resulting in a return on equity of 23%. Cost control contributed to the strong performance of **Koç Financial Services**. The cost/income ratio declined to 39.4% from 41.9% the previous year. Total assets grew by a significant 16% thanks to the economic recovery in 2004 that spurred expansion in core banking operations.

During 2004, KFS continued to emphasize risk control and focused on managing market, operations and credit risk.

Koçbank

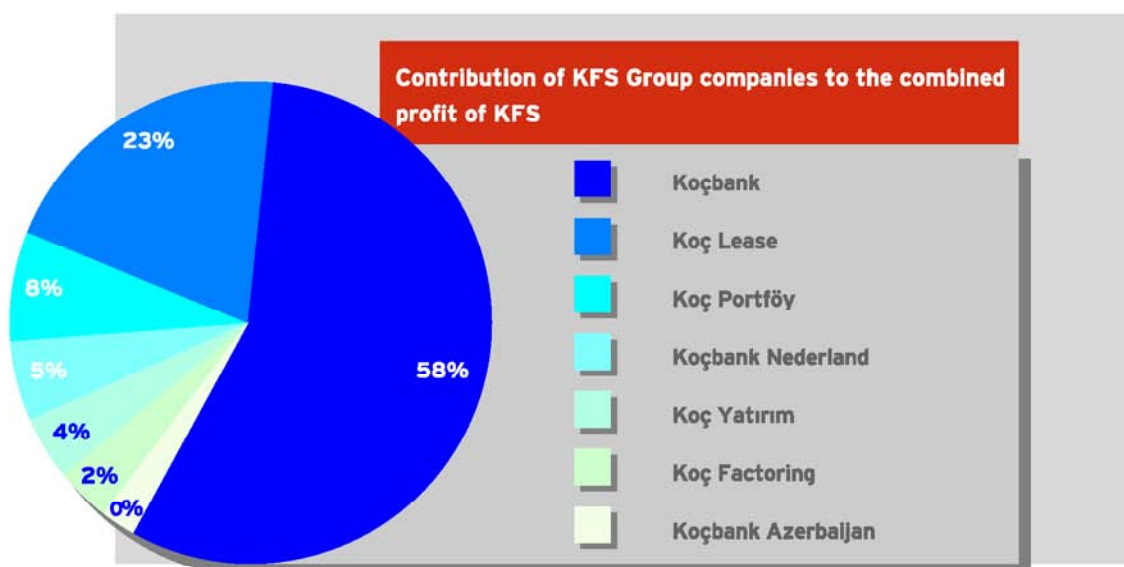
Koçbank achieved net earnings of \$117 million. Net revenues increased by \$77 million, while ROE reached 26%. In terms of both asset and deposit size, **Koçbank** ranks as the eighth largest bank in Turkey and the fifth largest among privately-held banks despite a smaller branch network and fewer employees. The Bank ranked 13th in terms of both number of branches and employees. **Koçbank** has a strong asset and liability structure. Deposits make up a large share of liabilities, reflecting the Bank's commercial profile. 94% of the bond portfolio is held to maturity, eliminating earnings volatility.

The flagship of Koç Financial Services, **Koçbank** comprises 83% of the assets of KFS. The Bank has a broad client base and strong distribution network consisting of 159 branches, access to 4,737 ATMs (294 belonging to Koçbank), 28,000 POS machines and 123 telephone agents.

Koçbank borrowed \$600 million from the international markets during the year. The two syndicated loan facilities were obtained at the most favorable conditions available to Turkish banks.

Koç Lease

Koç Lease retained its leadership position with a 13.2% market share in 2004. **Koç Lease** recorded 2004 net earnings of \$46 million in 2004. The company's total assets grew 15% to \$482 million.



Koç Portföy

The asset management subsidiary of the Group, **Koç Portföy** manages mutual funds, pension funds and discretionary portfolios for institutions, individuals and endowments. It is the third largest asset management company in Turkey with a market share of 12.1% in 2004. Net earnings totaled \$16.3 million and assets under management reached \$2.5 billion in 2004.

Koç Yatırım

The brokerage arm **Koç Yatırım** posted net earnings of \$21 million in 2004. Asset size remained unchanged at \$70 million. The company has a 2.15% share in equity trading volume.

Koç Factoring

Koç Factoring is a leading player in Turkey's factoring market, accounting for 18% of total volume and 34% of international transactions. **Koç Factoring** announced 2004 net earnings of \$5.2 million, 59% higher than the previous year.

Koçbank Nederland

Active in Amsterdam and Frankfurt, **Koçbank Nederland** operates in the areas of trade finance and other correspondent banking activities. The bank earned a net profit of \$10.1 million, an impressive 32% increase over the previous year.

Koçbank Azerbaijan

A joint venture with the IFC, **Koçbank Azerbaijan**, announced net earnings of \$1.0 million and total assets of \$33 million in 2004.

Koç Allianz Group

The Koç Group is active in the insurance sector through two companies: **Koç Allianz Sigorta** in non-life branches and **Koç Allianz Hayat ve Emeklilik** in life and pension funds. Koç Group has partnerships with the Allianz Group and Tokyo Marine and Nichido Fire Insurance in the insurance sector.

Koç Allianz is the number three insurance company in Turkey. The company had a market share of 9.5% at end 2004. Premium income grew by 11%.

Top 5 Companies	2004 \$ In Millions	Market Share (%)
Anadolu (İş Bank)	778	16.4
Axa Oyak (Oyak Group)	543	11.5
Koç Allianz (Koç Group)	451	9.5
Yapı Kredi (Y.K. Bank)	369	7.8
Başak (Ziraat Bank)	324	6.8

Koç Allianz Group is the leader in the health insurance market with a 22% share.

Koç Allianz Hayat ve Emeklilik is among the pioneers in private pension fund services. The company started collecting private pension system contributions in October 2003. The company has a 5.7% market share in terms of the number of participants and a 6.3% share of the total amount of funds contributed.

The **Koç Allianz** distribution network consists of 800 agents and 12 regional headquarters as well as a branch in the Turkish Republic of Northern Cyprus. In addition, the Koç Allianz Group benefits from Koçbank branches and has more than 500 direct sales representatives.

Koçfinans

Koçfinans, the Group's consumer finance company, was able to expand its loans portfolio by 122% y-o-y despite a highly competitive operating environment. Narrowing profit margins were characteristic of the sector in 2004. **Koçfinans** differentiated itself through the quality of its service to clients, contributing to a profit above expectations.



OTHER

Major Koç Group companies under the "Other" heading:

Hospitality	Information Technologies	Others
Setur	KoçSistem	İzocam
Mares	Koçnet	Tek-iz
Ayvalık Marina	Biletix	RMK Marine
Tek-Art Marina	Promena	Ram Dış Ticaret
Setoto-Avis	Bilkom	Ram Pacific
	Ultra Kablo	Kofisa S.A.
		Kav Danışmanlık

Analysis of Financial Condition and Results of Operations

(I) Financial Results

Selected Financial Data:

	2004* (\$ in Millions)	2003* (\$ in Millions)	Change (%)
External revenues	1,203	928	30
Inter segment revenues	1,052	630	67
Total Revenues	2,255	1,558	45
Cost of sales	(2,050)	(1,366)	50
Gross profit	205	192	7
Operating expenses:	(224)	(212)	5
Administrative	(149)	(171)	(13)
Selling and distribution	(75)	(41)	82
Research and development	-	-	-
Inter segment profit elimination	(43)	(35)	24
Operating profit/(loss)	(62)	(55)	13
Gross margin	9.1%	12.3%	(3.2)**
Operating margin	(2.8)%	(3.6)%	0.8**
Total assets	3,998	3,845	4
Net assets	3,135	3,096	1
Capital expenditures	20	21	(3)
Depreciation and amortization	33	29	13

* Convenience translation with year end TL1,342,100 = \$1.00 exchange rate

** Difference between the percentages is used to express the change

The total revenues of Koç Group companies classified in the "Other" segment was \$2,225 million. \$1,203 million of this derives from external revenues, accounting for 7.3% of the Group's consolidated revenues.

While gross profit margin declined by 3.2 points, operating profit margin improved by 0.8 point. Despite the fall in margins, gross profit was up by 7% to \$205 million. Operating profit, however, was negative \$62 million.

Total assets increased by 4% and net assets (total assets less total liabilities) rose by 1%. The parent company (Koç Holding A.Ş.) is also under this heading, explaining the high level of total assets and net assets.

Capital expenditures amounted to \$20 million, 3.5% of Koç Holding's consolidated figure.

(ii) Operational results

Hospitality

The Koç Group has long been active in the hospitality industry. Its first hotel, the Divan, was opened in 1963. Koç's operations in the hospitality industry have diversified over the years. The portfolio now includes six hotels, companies operating in ticketing, duty free shop operations, a marina chain, car rental, and restaurant and patisserie chains.

Setur's duty free operations registered 38% growth over the previous year. The operation includes 40 shops and in-flight sales on Turkish Airlines and 9 charter carriers. Setur maintained its leadership in ticketing. The importance of cruise business has increased in 2004 and Setur has become the most important player in this line in Turkey.

Group companies own and/or manage five highly regarded five star properties: Talya in Antalya on the Mediterranean, Mares and Divan Palmira on the southern Aegean, and in Istanbul, Divan Hotel and Taxim Suites. Furthermore, a four star hotel has been added in 2004 in Istanbul, Divan City.

Patisserie, restaurant and catering revenues increased, as a result of aggressive expansion and entry to new product categories. The number of restaurants, patisseries and pubs reached 64 while the catering business expanded to 50,000 servings per day.



Information Technologies

Koç Group has a presence in the IT sector through **KoçSistem**, one of the largest system integrators in Turkey, **Koç.net**, a leading e-business solutions provider, **Bilkom**, the exclusive distributor of Apple computers in Turkey, **Biletix**, Turkey's first electronic ticket provider, and through other start ups, **Ultra TV**, **Promena**, **Tani**, **KocBryce** and **GVZ**.

KoçSistem is one of Turkey's leading systems integrator companies, active both in corporate and government markets. Delayed corporate and government IT spending in 2003 materialized during 2004 and enabled the company to increase its revenues by 8%.

Koç.net offers total business communication solutions. The company continues to be the market leader and grow rapidly in the corporate market with its state-of-the-art infrastructure. **Koç.net** obtained the long-distance phone service license issued by the Telecommunications Agency in May 2004 and started offering international and domestic voice over IP services throughout the country. The company has interconnection agreements with leading international telecom operators and offers other voice related value added services.

Bilkom has established its retail sales channel in line with the Group's strategy of being "the Group closest to the consumer". The company strengthened its strategic position, by increasing penetration in markets that utilize Apple and Adobe products.

Biletix, Turkey's first electronic ticket provider, was appointed the official ticketing service agency for the 2005 Formula 1 Istanbul Grand Prix and the 2005 UEFA Champions League Final in Istanbul, evidencing its leadership in this segment.

Ultra TV, which serves approximately 20% of the cable TV subscribers in Turkey on a revenue sharing basis with Türk Telekom, has completed most of its investments, and earned a net profit in 2004.

Promena has strengthened its leading position in electronic procurement and sourcing market in Turkey during 2004. Total transaction volume in e-procurement and e-auctions has reached \$200 million.

Tani, utilizes CRM techniques and its patented Paro platform to serve its Koç Group and non-Koç Group customers in their endeavors to achieve customer loyalty and one-to-one campaign management.

KocBryce is Turkey's leading IT training and distance learning company. Traditionally focused on corporate markets in Turkey, the company signed an agreement with NIIT of India during 2004 and strategically positioned itself to exploit opportunities in individual training markets as well.

GVZ continued developing and marketing speech recognition, voice authentication technologies and text to speech engines. The company diversified its corporate customer base and began exploiting opportunities on the government side.

Koç Information Technologies Group is continuously pursuing privatization and liberalization opportunities in the telecommunications sector, which has been identified as one of the top growth areas for Koç Holding.

The tender for the privatization of Turkey's state owned telecom incumbent Türk Telekom through the block sale of 55 percent of its shares was announced on November 25, 2004. The buyer will also control 40% of Türk Telekom's mobile subsidiary Avea. Koç Group is among pre-qualified applicants invited to detailed due diligence. Bidding deadline is June 24, 2005.

Privatization of Milli Piyango (National Lottery) comprises another strategic growth area for the Koc Group with its strong brand name, potential for growth and synergies with Koc's existing businesses. National Lottery privatization process was actively monitored during 2004 when Privatization Agency and the National Lottery Agency finalized privatization model discussions and outside consultants were hired by Privatization and National Lottery Agencies to lead the process. With the finalization of the discussions regarding governing rules and regulations, the tender process is expected to resume during first half of 2005.

In financial consolidation, **Tanı** and **Biletix** have been considered as participations. **Promena** has not been included in the financials, as Koç Holding, although active in its management, has no shareholding.

Other

İzocam, producer of glass wool, rock wool and polystyrene insulation materials, maintained its domestic market leadership in glass-wool and rock-wool, while increasing revenues by 25%.

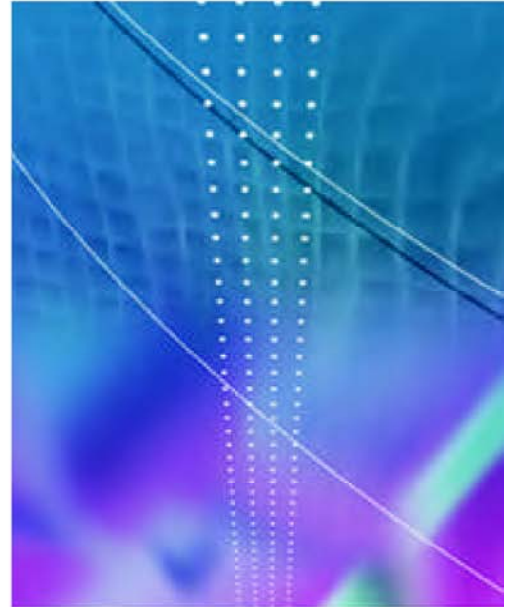
RMK Marine is the second largest private shipyard in Turkey. The company has increased its revenues by 12% in 2004. Ship building capacity is fully booked until the end of 2006.

Ram Dış Ticaret is serving in the field of business development in international markets for both Koç and non-Koç companies, with special interest in the Balkans, Russia, Central Asian Republics, the Middle East and North Africa.

Ram Pacific, Koç Group's gateway to the Asia-Pacific Rim, promotes new investment opportunities for Koç Group in Asia. It has achieved a remarkable growth in 2004, increasing its revenue seven-fold.

Kofisa, international trade company based in Geneva, significantly increased its trade finance volume.

Koç sold its shares in two joint ventures, Garanti Balfour Beatty (construction company), and TNT Logistic, to its partners during the year.



AUDIT REPORT

To the General Assembly of Koç Holding Inc.

The findings of our audit covering the 2004 accounting year is presented hereunder:

1. The audit was in essence carried out on the records of Koç Holding Inc. kept in accordance with provisions of the Taxation Procedures Law and the Capital Markets Law, having observed its proceedings at Board of Director meetings and of actual count and verification of the contents of the company cash and securities safes.
2. The company's obligatory books as required by the Turkish Commercial Code, the Taxation Procedures Law and the Capital Markets Law were properly kept; its records were substantiated by supporting documents; decisions taken by the Board of Directors were entered into its registry books; and the financial statements accurately reflect the consolidated Koç Holding Inc. financial tables.
3. The consolidated financial tables prepared in accordance with communiqué no. 25 Series XI of the Capital Markets Board and in accordance with International Financial Reporting Standards were audited by an independent auditor; Başaran Nas Serbest Muhasebeci Mali Müşavirlik Inc., a member of Pricewaterhouse Coopers, and relevant information concerning this audit was obtained from the independent auditors.
4. The decision of the Board of Directors for distribution of dividends is in accord with the relevant Capital Markets Board regulations.

As a result of the audit of Koç Holding Inc. 2004 annual accounts and transactions, performed in accordance with generally accepted accounting principles and standards as well as with the provisions of the Turkish Commercial Code, Capital Markets legislation and with the company articles of association, I hereby submit for approval the annual report and financial tables presented to the General Assembly, and deem it appropriate that the Board of Directors be absolved with regard to its activities during 2004.

Yours truly,
12.04.2005

Auditor
Nevzat Tüfekçioğlu



AUDITOR'S REPORT

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

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

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

4. As explained in Note 3 to the consolidated financial statements, the statements include the accounts of the parent company, its Subsidiaries, Joint Ventures and the Associate. Subsidiaries are companies in which Koç Holding has power to control the financial and operating policies for the benefit of Koç Holding through the exercise of voting power relating to the shares held by Koç Holding and its Subsidiaries together with the voting power which Koç Holding effectively exercises relating to the shares held by Koç family members and enterprises controlled by them. Joint Ventures are companies in respect of which there are contractual arrangements through which an economic activity is undertaken subject to joint control by Koç Holding and its Subsidiaries (through the "control basis") and one or more other parties. In effect the Koç family members allow Koç Holding to exercise the voting power in respect of their shares held in these companies. In the consolidated financial statements, the shares held by Koç family members are treated as minority interest.
5. As explained in Note 2 to the consolidated financial statements, Euro ("EUR") and US Dollar ("USD") amounts shown in the accompanying consolidated financial statements have been included solely for the convenience of the reader of the consolidated financial statements and are translated from YTL, as a matter of arithmetic computation only, at the official EUR and USD bid rates announced by the Central Bank of the Republic of Turkey ("CBRT") at 31 December 2004. Such translations should not be construed as a presentation that the YTL amounts have been or could be converted into EUR and USD at these or any other rates.

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



Zeynep Uras, SMMM
İstanbul, 7 April 2005

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

KOÇ HOLDİNG A.Ş.

CONSOLIDATED BALANCE SHEETS

AT 31 DECEMBER

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

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

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

KOÇ HOLDİNG A.Ş.
**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER**

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

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

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

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

KOÇ HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2004

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

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

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

The address of the registered office is as follows:

Nakkaştepe Azizbey Sok. No: 1
Kuzguncuk-İSTANBUL

Koç Holding is registered with the Capital Markets Board ("CMB") and its shares have been quoted on the Istanbul Stock Exchange ("ISE") since 10 January 1986. At 31 December 2004, the shares quoted on the ISE represent some 22,00% of the total shares. At 31 December 2004, the principal shareholders and their respective shareholdings in the Company are as follows (Note 23):

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

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

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

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

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

Geographical segment information has not been included in the consolidated financial statements since geographical segments other than Turkey are not material enough to be reported separately.

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

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

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

Subsidiary	Country of incorporation	Nature of business	Segment
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 Ticaret A.Ş. ("Beko Ticaret")	Turkey	Trading	Consumer durable
Beko Plc. ("Beko Plc.")	The U.K.	Trading	Consumer durable
Blomberg Werke GmbH ("Blomberg Werke")	Germany	Production	Consumer durable
Blomberg Vertriebsgesellschaft mbH ("Blomberg Vertrieb")	Germany	Distribution	Consumer durable
Elektra Bregenz AG ("Elektra Bregenz")	Austria	Trading	Consumer durable
Raupach Wollert GmbH ("Raupach")	Germany	Holding	Consumer durable
SC Arctic SA ("Arctic")	Romania	Production	Consumer durable
Sherbrook International Ltd. ("Sherbrook")	The U.K.	Trading	Consumer durable
Türk Demir Döküm Fabrikaları A.Ş. ("TDDF")	Turkey	Production	Consumer durable
Demrad Döküm Ürünleri Sınai ve Tic. A.Ş. ("Demrad")	Turkey	Production	Consumer durable
DD Heating Limited ("DD Heating")	The U.K.	Trading	Consumer durable
Panel Radyatör Sanayi ve Ticaret A.Ş. ("Panel")	Turkey	Production	Consumer durable
Düzye Tüketim Malları Pazarlama A.Ş. ("Düzye")	Turkey	Trading	Food and retailing
Limited Liability Company Rambutya ("Rambutya")	Kazakhstan	Retail	Food and retailing
Migros Türk T.A.Ş. ("Migros")	Turkey	Retail	Food and retailing
Ramstore Macedonia DOO ("Ramstore Macedonia")	Macedonia	Retail	Food and retailing
Ramstore Bulgaria A.D. ("Ramstore Bulgaria")	Bulgaria	Retail	Food and retailing
Ramstore Sınırlı Sorumlu Türk Gıda Müessesesi ("Ramstore")	Azerbaijan	Retail	Food and retailing
Tat Konserve Sanayi A.Ş. ("Tat Konserve")	Turkey	Food	Food and retailing
Tat Tohumculuk A.Ş. ("Tat Tohumculuk")	Turkey	Agriculture	Food and retailing

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

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

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

KOÇ HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2004

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

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

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

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

KOÇ HOLDİNG A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in thousands of New Turkish Lira (YTL) in terms of the purchasing power of Turkish Lira at 31 December 2004 unless otherwise indicated)

NOTE 2 - BASIS OF PREPARATION**a) New Turkish Lira financial statements**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), including the International Accounting Standards ("IAS") and Interpretations issued by the International Accounting Standards Board ("IASB"). Koç Holding and its Subsidiaries and Joint Ventures registered in Turkey maintain their books of account and prepare their statutory financial statements ("Statutory Financial Statements") in TL in accordance with the Turkish Commercial Code (the "TCC"), tax legislation, and the Uniform Chart of Accounts issued by the Ministry of Finance, applicable Turkish Insurance laws for Insurance companies and Banking law and accounting principles promulgated by the Banking Regulation and Supervising Agency for banks and for listed companies; accounting principles issued by the CMB of Turkey ("CMB Principles"). The foreign Subsidiaries and Joint Ventures maintain their books of account in accordance with the laws and regulations in force in the countries in which they are registered. These consolidated financial statements are based on the statutory records, which are maintained under the historical cost conversion, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with IFRS (including the restatement of the TL to match the purchasing power at the balance sheet date).

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

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

KOÇ HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2004

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

NOTE 2 - BASIS OF PREPARATION (Continued)

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

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

b) New Turkish Lira

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

All references made to Turkish lira or lira in laws, other legislation, administrative transactions, court decisions, legal transactions, negotiable instruments and other documents that produce legal effects as well as payment and exchange instruments shall be considered to have been made to YTL at the conversion rate indicated as above. Consequently, effective from 1 January 2005, the YTL replaces the TL as a unit of account in keeping and presenting of the books, accounts and financial statements.

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

c) Financial statements of Foreign Subsidiaries and Joint Ventures

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

d) EUR and USD translation

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

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

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

NOTE 3 - GROUP ACCOUNTING

- a) The consolidated financial statements include the accounts of the parent company, Koç Holding, its Subsidiaries and its Joint Ventures (collectively referred as the "Group") on the basis set out in sections (b) to (g) below. The financial statements of the companies included in the scope of consolidation have been prepared as of the date of the consolidated financial statements and are based on the statutory records, which are maintained under the historical cost convention, with adjustments and reclassifications including restatement for changes in the general purchasing power of the YTL, for the purpose of fair presentations in accordance with IFRS and applying uniform accounting policies and presentation.
- b) Subsidiaries are companies over which Koç Holding has power to control the financial and operating policies for the benefit of Koç Holding, either (a) through the power to exercise more than 50% voting rights relating to shares in the companies as a result of ownership interest owned directly and indirectly by itself, and/or as a result of agreements by certain Koç family members and companies owned by them (collectively referred as the "Koç family members") whereby Koç Holding exercises control over the ownership interest of (but does not have the economic benefit of) the shares held by them; or (b) although not having the power to exercise more than 50% of the ownership interest, otherwise has power to exercise control over the financial and operating policies.

The table below sets out all Subsidiaries included in the scope of consolidation and shows their ownership and effective interests as of 31 December 2004:

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 (%)	
Beldesan	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	
Arduç	39,14	100,00	-	100,00	
Artesis	25,44	65,00	-	65,00	
Beko Deutschland	39,14	100,00	-	100,00	
Beko Espana	39,13	100,00	-	100,00	
Beko Elektronik	46,47	67,65	4,64	72,29	
Fusion	30,21	65,00	-	65,00	
Beko France	39,12	99,95	-	99,95	
Beko Polska	39,14	100,00	-	100,00	
Beko Ticaret	39,00	39,00	60,00	99,00	
Beko Plc	19,57	50,00	50,00	100,00	
Bloomberg Werke	39,14	100,00	-	100,00	
Bloomberg Vertrieb	39,14	100,00	-	100,00	
Elektra Bregenz	39,14	100,00	-	100,00	
Raupach	39,14	100,00	-	100,00	
Arctic	37,12	94,85	-	94,85	
Sherbrook	23,54	80,00	-	80,00	
TDDF	46,10	46,10	24,57	70,67	
Demrad	46,10	100,00	-	100,00	
DD Heating	23,05	50,00	50,00	100,00	

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

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

NOTE 3 - GROUP ACCOUNTING (Continued)

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

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

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

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

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

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

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

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

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

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

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

NOTE 3 - GROUP ACCOUNTING (Continued)

- c) Joint Ventures are companies in respect of which there are contractual arrangements through which an economic activity is undertaken subject to joint control by Koç Holding and one or more other parties. Koç Holding exercises such joint control through the power to exercise voting rights relating to shares in the companies as a result of ownership interest directly and indirectly by itself and/or as a result of written agreements by certain Koç family members and companies, whereby Koç Holding exercises control over the voting rights of (but does not have the economic benefit of) the shares held by them. The Group's interest in Joint Ventures is accounted for by way of proportionate consolidation. According to this method the Group includes its share of the assets, liabilities, income and expenses of each joint venture in the relevant components of the financial statements.

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

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

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

KOÇ HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2004

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

NOTE 3 - GROUP ACCOUNTING (Continued)

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

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

- d) Available-for-sale investments, in which the Group together with Koç family members, have ownership interests below 20%, or over which the Group does not exercise a significant influence or which are immaterial and that do not have quoted market prices in active markets and whose fair values cannot be reliably measured, are carried at cost and restated to the equivalent purchasing power at 31 December 2004, less any provision for diminution in value (Note 7).

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

- e) The results of the foreign Subsidiaries and Joint Ventures are translated into YTL at the average exchange rate for the year and then restated from the date of the transaction. The assets and liabilities of foreign undertakings of the Group are translated into YTL at the closing rate for the year. Exchange differences arising on retranslation of the opening net assets of foreign Subsidiaries and Joint Ventures and differences between the average and year-end rates are included in translation reserves.
- f) The minority shareholders' share in the net assets and operating results for the year for Subsidiaries are separately classified in the consolidated balance sheets and statements of income as "minority interest". Certain Koç family members and companies controlled by them have interests in the share capital of certain Subsidiaries. In the consolidated financial statements their interests are treated as minority interest and are not included in the Group's net assets and profits attributable to shareholders of Koç Holding A.Ş..
- g) All balances and transactions of/with the Joint Ventures in the notes to the consolidated financial statements are presented with the effective interest rates of such Joint Ventures.

KOÇ HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2004

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

NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Related parties

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

b) Investments

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

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

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

Investment securities intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, or client's servicing activity are classified as "available-for-sale". These are included in non-current assets unless management has the intention of holding these investments for less than 12 months from the balance sheet date, or unless they will need to be sold to raise operating capital, in which case they are included in current assets. The appropriate classification of investments is determined at the time of the purchase and re-evaluated by management on a regular basis.

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

Available-for-sale investments, in which the Group has attributable interests of 20% or less or Subsidiaries which are either immaterial, or where a significant influence is not exercised by Koç Holding, are carried at cost less provision for diminution in value and restated to equivalent purchasing power at 31 December 2004.

KOÇ HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2004

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

NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

c) Repurchase and resale transactions

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

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

d) Trade receivables and provision for doubtful receivables

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

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

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

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

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

i) Loans and advances to customers

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2004

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

NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The movement in provision is charged against the income for the period. When a loan is deemed uncollectible, it is written off against the related provision for impairment. The loan is written off after all the necessary legal proceedings have been completed and the amount of the loan loss is finally determined. Subsequent recoveries are credited to the income statement if previously written off. Provisions are reversed, in part or as a whole, if the reason that originated them ceases to exist.

ii) Debt securities

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

f) Factoring receivables / Factoring fees and commissions

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

g) Credit finance income/charges

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

h) Inventories

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

i) Investment property

Land and buildings that are held in the production or supply of goods or services or for administrative purposes or for long-term rental yields or for capital appreciation or both rather than for the sale in the ordinary course of business are classified as "investment property". Investment properties are carried at cost less accumulated depreciation and any accumulated impairment losses restated to the equivalent purchasing power at 31 December 2004. Investment properties (except for land) are depreciated with the straight-line depreciation method over their useful lives (Note 15).

Investment properties are reviewed for impairment losses and where the carrying amount of the investment property, is greater than the estimated recoverable amount, it is written down to its recoverable amount. Recoverable amount of the investment property is the higher of asset net selling price or value in use.

KOÇ HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2004

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

NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Property, plant and equipment and related depreciation

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

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

Property, plant and equipment are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of asset net selling price or value in use. Recoverable amount of the investment property is the higher of asset net selling price or value in use.

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

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

Gains or losses on disposals of property, plant and equipment are determined by comparing proceeds with their restated carrying amounts and are included in the related income and expense accounts, as appropriate (Note 13).

k) Leases

(1) The Group as the lessee

Finance leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other current/non-current liabilities.

The interest element of the finance cost is charged to the income statement over the lease period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

Operating leases

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2004

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

NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(2) The Group as the lessor

Finance leases

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

Operating leases

Assets leased out under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognized on a straight-line basis over the lease term.

l) Intangible assets including amortization

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

m) Goodwill including amortization

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

n) Deferred income taxes

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

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

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

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

KOÇ HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2004

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

NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) Employment termination benefits

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

p) Foreign currency transactions

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

r) Provisions

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

s) Revenue recognition

Finance sector

Banking

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

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

Insurance

Life insurance:

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

Non-life insurance:

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

Other Segments

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2004

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NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

t) Recognition of income and expenses related to construction agreements

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

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

u) Insurance reserves

Life mathematical reserves

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

Claims and claim provisions

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

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

Unearned premium reserves

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

v) Share capital and dividends

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

y) Research and development costs

Research and development costs are recognized and expensed in the statement of income in the period in which they are incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognized as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility, and only if the cost can be measured reliably (Note 14). Other development expenditures are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Development costs that have been capitalized are amortized from the commencement of the commercial production of the product on a straight-line basis over five years.

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NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

z) Licence fees

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

aa) Warranties

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

ab) Government grants

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

ac) Borrowing costs

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

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

Derivative financial instruments are initially recognized in the balance sheet at cost and subsequently are remeasured at their fair value. The derivative instruments of the Group mainly consist of foreign exchange forward contracts and currency swap instruments. These derivative transactions, even though providing effective economic hedges under the Group risk management position, do not qualify for hedge accounting under the specific rules in IAS 39, "Financial Instruments: Recognition and Measurement", and are therefore treated as derivatives held for trading.

In addition, on the date a derivative contract is entered into, the Group designates certain derivatives as either (1) a hedge of the fair value of a recognized asset or liability ("fair value hedge"), or (2) a hedge of a forecasted transaction or of a firm commitment ("cash flow hedge").

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

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting under IAS 39, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the committed or forecasted transaction ultimately is recognized in the statement of income. However, if a committed or forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of income.

ae) Financial instruments and financial risk management

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2004

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NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Trade receivables

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

Foreign currency risk

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

Fair value of financial instruments

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

The estimated fair values of financial instruments have been determined by the Group, using available market information and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realise in a current market exchange.

The following methods and assumptions are used in the estimation of the fair value of the financial instruments for which it is practicable to estimate fair value:

Monetary assets

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

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2004

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NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Monetary liabilities

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

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

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

a) Earnings per share

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

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings and revaluation surplus (Note 23). For the purpose of earnings per share computations, the weighted average number of shares in existence during the period has been adjusted in respect of bonus share issues without a corresponding change in resources, by giving them retroactive effect for the period in which they were issued and each earlier period as if the event had occurred at the beginning of the earliest period reported.

Bonus shares issued in 2004 and 2003 are as follows:

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

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

ag) Offsetting

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

ah) Legal mergers

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

ai) 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.

KOÇ HOLDİNG A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 5 - SEGMENT INFORMATION**a) External revenues**

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

b) Operating profit/(loss)

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 5 – SEGMENT INFORMATION (Continued)

c) Segment analysis for the year ended 31 December 2004

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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 5 – SEGMENT INFORMATION (Continued)

c) Segment analysis for the year ended 31 December 2003

	Finance								Inter Segment Profit Elimination	Consolidated Total		
	Consumer Durables	Food and Retail	Banking	Insurance	Consumer Finance	Intra Segment	Finance	Total				
External revenues	4,257,149	4,381,247	2,539,915	838,214	693,804	47,481	-	1,579,499	3,644,653	1,245,272	-	17,647,735
Intra segment revenues	958,613	624,854	321,053	25,047	11,192	7,584	-	43,823	155,008	48,968	-	2,152,319
Inter segment revenues	90,886	635,917	4,437	21,888	40,698	2	-	62,588	105,049	844,965	-	1,743,842
Inter segment revenues	5,306,648	5,642,018	2,865,405	885,149	745,694	55,067	-	1,685,910	3,904,710	2,139,205	-	21,543,896
External revenues	4,257,149	4,381,247	2,539,915	838,214	693,804	47,481	-	1,579,499	3,644,653	1,245,272	-	17,647,735
Inter segment revenues	90,886	635,917	4,437	21,888	40,698	2	-	62,588	105,049	844,965	(1,743,842)	-
Revenues	4,348,035	5,017,164	2,544,352	860,102	734,502	47,483	-	1,642,087	3,749,702	2,090,237	(1,743,842)	17,647,735
Cost of sales	(3,732,325)	(3,724,353)	(2,021,462)	(487,277)	(650,191)	(27,059)	43,234	(1,121,293)	(3,433,502)	(1,832,699)	1,645,891	(14,219,743)
Gross profit	615,710	1,292,811	522,890	372,825	84,311	20,424	43,234	520,794	316,200	257,538	(97,951)	3,427,992
Administrative expenses	(190,588)	(329,660)	(370,309)	(202,716)	(77,682)	(25,961)	-	(306,359)	(141,494)	(229,387)	117,628	(1,450,169)
Selling & marketing expenses	(191,063)	(517,575)	(126,027)	-	-	-	-	-	(74,498)	(55,622)	-	(964,785)
Research & development expenses	(17,402)	(51,101)	(55)	-	-	-	-	-	(1,084)	-	-	(69,642)
Inter segment profit elimination	216,657	394,475	26,499	-	-	-	-	214,435	99,124	(27,471)	19,677	943,396
Operating profit/(loss)	251,811	402,714	51,902	-	-	-	-	(26,065)	24,041	(47,095)	(19,677)	-
Operating profit/(loss)	251,811	402,714	51,902	-	-	-	-	188,370	123,165	(74,566)	-	943,396

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NOTE 5 - SEGMENT INFORMATION (Continued)**d) Segment assets employed**

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

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NOTE 5 - SEGMENT INFORMATION (Continued)**e) Purchase of tangible and intangible assets and investment property, depreciation and amortization**

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

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

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NOTE 5 - SEGMENT INFORMATION (Continued)**f) Non-cash expenses**

	2004						
	Automotive	Consumer Durable	Food and Retail	Finance	Energy	Other	Total
Amortization of goodwill	-	(4.844)	1.166	-	7.724	19.354	23.400
Changes in provision for diminution in value for unlisted entities	-	-	-	(7.887)	-	22.850	14.963
Changes in provision for doubtful receivables	(3.055)	(2.354)	1.596	(18)	(1.733)	575	(4.989)
Changes in provision for loan losses	-	-	-	13.573	-	-	13.573
Changes in warranty provision	9.162	27.815	-	-	-	(312)	36.665
Changes in provision for employment termination benefits	3.739	1.157	1.228	1.714	32	(266)	7.604
Changes in insurance reserves	-	-	-	83.581	-	-	83.581
Changes in impairment for inventories	(94)	(6.749)	961	-	-	(343)	(6.225)
Changes in impairment for goodwill	-	-	-	-	-	16.638	16.638
	9.752	15.025	4.951	90.963	6.023	58.496	185.210

	2003						
	Automotive	Consumer Durable	Food and Retail	Finance	Energy	Other	Total
Amortization of goodwill	-	(2.412)	1.166	-	8.794	6.417	13.965
Changes in provision for diminution in value for unlisted entities	-	-	-	(11.403)	-	35.747	24.344
Changes in provision for doubtful receivables	980	(6.473)	445	(12.254)	22	(6.902)	(24.182)
Changes in provision for loan losses	-	-	-	29.832	-	-	29.832
Changes in warranty provision	18.610	61.174	-	-	-	(633)	79.151
Changes in provision for employment termination benefits	7.088	2.459	219	1.260	(980)	2.491	12.537
Changes in insurance reserves	-	-	-	89.784	-	-	89.784
Changes in impairment for inventories	191	13.727	(1.955)	-	-	697	12.660
	26.869	68.475	(125)	97.219	7.836	37.817	238.091

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NOTE 5 - SEGMENT INFORMATION (Continued)**g) Minority interest**

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

h) Finance sector operating results

Finance sector operating profit		2004	2003
Banking operating profit (*)		271.673	206.976
Consumer finance operating profit		9.253	4.571
Insurance operating profit		(548)	(23.177)
Total		280.378	188.370
(*)Banking operating profit		2004	2003
Net revenues			
Interest income		661.071	652.347
Commission income		139.935	131.503
Foreign exchange gains and losses		17.401	34.823
Marketable securities sales income		13.842	14.460
Other operating income		9.745	5.081
Total operating revenues		841.994	838.214
Operating expenses			
Interest expense		(299.605)	(337.214)
Commission expense		(21.014)	(39.532)
Provision expense for loan impairment losses		(47.896)	(51.558)
Other operating expense		(201.806)	(202.934)
Total operating expenses		(570.321)	(631.238)
Banking operating profit		271.673	206.976

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NOTE 6 - CASH AND CASH EQUIVALENTS

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

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

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

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

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

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

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

NOTE 7 - INVESTMENTS**a) Held-for-trading investments**

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

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NOTE 7 - INVESTMENTS (Continued)

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

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

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

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

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

b) Available-for-sale investments

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

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NOTE 7 - INVESTMENTS (Continued)

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

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

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

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

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

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

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

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

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

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NOTE 7 - INVESTMENTS (Continued)

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

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

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

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

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

Available-for-sale investments, in which Koç Holding and its Subsidiaries and Joint Ventures, together with Koç family members, have attributable interests of 20% or more, which are either immaterial, or where a significant influence is not exercised by Koç Holding, are carried at cost less provision for diminution in value and restated to equivalent purchasing power at 31 December 2004. These companies have neither been accounted for using the equity method nor consolidated line-by-line due to the insignificance of their combined impact on the net worth, financial position and results of Koç Holding.

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

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NOTE 7 - INVESTMENTS (Continued)**b) Held-to-maturity investments**

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

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

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

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

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

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

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

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

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NOTE 8 - RESERVE DEPOSITS WITH THE CENTRAL BANKS

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

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

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

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

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

NOTE 9 - LOANS AND ADVANCES TO CUSTOMERS

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

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NOTE 9 - LOANS AND ADVANCES TO CUSTOMERS (Continued)

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

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

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

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

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

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

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

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

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

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

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NOTE 9 - LOANS AND ADVANCES TO CUSTOMERS (Continued)

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

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

NOTE 10 - TRADE RECEIVABLES

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

NOTE 11 - INVENTORIES

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

NOTE 12 - OTHER CURRENT ASSETS

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 13 - PROPERTY, PLANT AND EQUIPMENT

[illegible]

KOÇ HOLDİNG A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 13 - PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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

Leased assets:

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

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

NOTE 14 - INTANGIBLE ASSETS

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

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

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

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

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NOTE 15 - INVESTMENT PROPERTY

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

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

NOTE 16 - CUSTOMER DEPOSITS

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

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

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NOTE 17 - BANK BORROWINGS

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

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

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

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

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

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

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

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

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

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NOTE 17 - BANK BORROWINGS (Continued)

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

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

NOTE 18 - TRADE PAYABLES

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

NOTE 19 - INSURANCE TECHNICAL RESERVES

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

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NOTE 20 - OTHER CURRENT LIABILITIES

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

NOTE 21 - TAXATION

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

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NOTE 21 – TAXATION (Continued)

Domestic

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

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

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

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

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

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

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

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

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

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NOTE 21 - TAXATION (Continued)

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

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

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

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

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

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

	<u>2004</u>	<u>2003</u>
Current year corporate tax	(422.430)	(355.069)
Deferred tax	6.080	183.497
	<u>(416.350)</u>	<u>(171.572)</u>

Deferred taxes

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

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

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NOTE 21 - TAXATION (Continued)

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

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

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

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

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

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

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

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NOTE 22 - PROVISION FOR EMPLOYMENT TERMINATION BENEFITS

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

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

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

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

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

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

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of YTL1.648,90 (1 January 2004: YTL1.485,43) which is effective from 1 January 2005 has been taken into consideration in calculating the reserve for employment termination benefit of the Company and its Turkish subsidiaries and associates.

	<u>2004</u>	<u>2003</u>
Discount rate (%)	5,45	6,00
Turnover rate to estimate the probability of retirement	1-18	1-16

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

	<u>2004</u>	<u>2003</u>
1 January	144.387	131.850
Increase during the period	9.214	21.642
Monetary gain	(11.877)	(9.105)
31 December	141.724	144.387

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

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NOTE 23 - SHARE CAPITAL

Koç Holding adopted the registered share capital system available to companies registered with the CMB and set a limit on its registered share capital representing registered type shares with a nominal value of TL1.000 Koç Holding's historical authorized and paid-in share capital at 31 December 2004 and 31 December 2003 are as follows:

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

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

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

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

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

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

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NOTE 23 - SHARE CAPITAL (Continued)

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

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

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

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

The holders of usufruct shares are entitled to receive 3% of the profit before tax remaining after taxes, 5% of legal reserves and 5% of the paid capital have been deducted. However, this cannot be higher than 10% of the amount obtained after deducting legal reserves, taxes and first dividend from distributable profit. Usufruct shares do not have any interest in the capital of Koç Holding and do not have any voting rights associated with them. In the event of liquidation, usufruct shareholders are not entitled to receive any portion of the liquidation proceeds.

The analysis of shares by type is as follows:

Group	Unit of shares	YTL thousand	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 24 - RETAINED EARNINGS AND LEGAL RESERVES

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

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

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

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NOTE 24 - RETAINED EARNINGS AND LEGAL RESERVES (Continued)

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

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

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

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

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

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

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

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

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NOTE 24 - RETAINED EARNINGS AND LEGAL RESERVES (Continued)

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

31 December 2004

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

31 December 2003

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

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

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

If a profit distribution decision is given in the general assemblies of subsidiaries, joint ventures and investments, which are consolidated under parent financials that are prepared in accordance with the Communiqués No: XI-21 and No: XI-25 the parent can distribute its share of the profits at these companies up to the profit at the consolidated financial statements at parent. Financial statements of such companies prepared in accordance with foregoing regulations, with maximum profit that is inherited in parent company's consolidated financial statement and connected with the decision of profit distribution in general assemblies, the transfer of profit from such companies to the parent company is taken into consideration in the parent company's distributable profit.

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

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NOTE 25 - FINANCIAL INCOME - NET

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

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

NOTE 26 - FOREIGN CURRENCY POSITION

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

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

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NOTE 26 - FOREIGN CURRENCY POSITION (Continued)

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

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

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NOTE 26 - FOREIGN CURRENCY POSITION (Continued)

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

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

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NOTE 27 – INVESTMENT INCENTIVES

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

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

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

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

NOTE 28 - COMMITMENTS AND CONTINGENT LIABILITIES

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

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

Commitments - given:**(a) Commitments - Banking**

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

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NOTE 28 - COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

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

Credit related commitments:

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

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

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

Custody services:

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

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

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

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

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NOTE 28 - 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 133.500 units of Transit Connect to Ford of Europe to fully offset engineering payables is considered highly probable as at 31 December 2004 within the next two years and the relationship is properly documented. Accordingly, unrealised foreign exchange losses on foreign currency denominated engineering payables from inception to 31 December 2004 amounting to YTL18.916 thousand were booked under the shareholders' equity as "cumulative loss on hedging"
- ii) The long-term loan from ABN Amro Bank B.V. amounting to EUR55.557.000 (2003: EUR61.112.000) was obtained to finance the investment to manufacture Doblo light commercial vehicles of Tofaş, a Joint Venture of the Group. According to the manufacturing agreement signed between Fiat (the customer of the majority of Doblo production) and Tofaş, the repayment obligations related to such loan is guaranteed by Fiat through future purchases of Doblo until the end of 2008. Accordingly, the Group's exposure to foreign exchange rate and interest rate fluctuations is undertaken by Fiat. The portion of the foreign exchange gains in excess of the inflation index amounting to YTL14.696 thousand on the bank loan that is determined to be an effective hedge is accounted under shareholders' equity as "cumulative loss on hedging".
- iii) Ford Otosan, a Joint Venture of the Group, entered into two collar agreements in 2000, which are outstanding as of 31 December 2004 to hedge the interest rate risk arising from borrowings amounting to EUR21.729.905. The collar agreements have fixed floor and ceiling rates. Accordingly, at the dates defined in the agreements, if the EURIBOR rate is below the floor rate Ford Otosan compensates the difference between the floor rate and the actual rate to the counter bank. Contrarily, if the EURIBOR rate is above the ceiling rate, the counter bank compensates the difference to Ford Otosan.

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

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

- iv) Historically, future contracts were entered into to manage the exposure of product inventories for fluctuations in the base fuel price. In general, Opet's, a Joint Venture of the Group, policy was to hedge 100% of the inventories on-hand at any specific time. As of 31 December 2004, the settlement dates of open futures contracts is average four months. If the open futures contracts are realised, Opet would recognize an income of USD159.188.
- v) According to the decision of the Board of Directors meeting of Koç Holding dated 11 November 2002, the signing of the "Project Funds Agreement" for the USD50.000.000 syndicated loan of Beko Elektronik, a Subsidiary of the Group, from IFC and banks is agreed. It is also agreed to give "comfort" confirming that Koç Group shares at Beko Elektronik will not be below 51% until this loan is fully paid.
- vi) Ford Otosan, a Joint Venture of the Group, entered a loan agreement with Akbank T.A.Ş. in 2003. During the term of this agreement, Ford Otosan is required to ensure that its export proceeds up to an amount of EUR123.120.000 for each calendar year, except for the last year, will be processed through a deposit account at Akbank T.A.Ş. For 2008, the last year of the agreement, the transaction commitment in this deposit account at Akbank is EUR82.080.000.

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NOTE 28 - COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

- vii) All assets of Ramenka, a Joint Venture of the Group, amounting to YTL301.560 thousand are pledged as security for the IFC loan agreement amounting to USD30.000.000.
- viii) All assets of Rambutya, a Subsidiary of the Group, amounting to YTL36.798 thousand are pledged as security for the IFC loan agreement signed on 30 July 1999 amounting to USD11.000.000.
- ix) At 31 December 2004 short-term and long-term bank borrowings of Entek, a Subsidiary of the Group, amounting to YTL111.503 thousand have been guaranteed as follows:
- YTL72.571 thousand of loan is guaranteed by USD35.000.000 and USD65.000.000 of receivable collection to be made from Çelikkord and Pirelli (Shareholders and customers of İztek).
 - YTL38.932 thousand of loan is guaranteed by a mortgage amounting to USD67.500.000.
- x) In connection with the investment incentives, the Group was committed to realize export sales amounting to USD718.147.580 at 31 December 2004 (2003: USD331.075.820).
- xi) As at 31 December 2004, the Group has a commitment for the investment construction of Ramenka, a Joint Venture of the Group, and Ramstore Bulgaria, a Subsidiary of the Group, amounting YTL81.780 thousand (2003: YTL81.852 thousand).
- xii) Aygaz, a Subsidiary of the Group, has a commitment to buy 305.000 tonnes of LPG from Türkiye Petrol Rafineleri A.Ş., totalling a minimum of 690.000 tonnes of LPGs in 2005 as of 31 December 2004.
- xii) Tat Konserve, a Subsidiary of the Group, signed a long-term agreement which will be valid until 2009 with Japanese Kogame Co. Ltd. ("Kogame") and Sumitomo Corporations at 12 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 established in world markets.

Commitments given:

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

Commitments taken:

Mortgages taken	117.727	75.228
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NOTE 29 - MAJOR ACQUISITIONS

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

Goodwill

2004

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

2003

Temel Ticaret ve Yatırım A.Ş., the main shareholder of Koç Holding, has increased its share in Koç Holding by 7,21% through transferring its 50,81% share in Migros Türk T.A.Ş. with a nominal value of YTL27.984.941.580.000 to Koç Holding as a capital increase. The increase of YTL471.525 thousand in Koç Holding's share capital represents the fair value of those shares. As a result of this transaction, the Group has acquired the net assets of Migros Türk T.A.Ş. with a fair value of YTL302.608 thousand resulting in goodwill amounting to YTL168.917 thousand.

Negative Goodwill

2004

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

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

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

2003

There is no purchase resulting in negative goodwill in 2003.

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NOTE 30 - LEGAL MERGERS

Legal mergers realized in 2004 and 2003 are as follows:

2004

- i) In the Extraordinary General Assembly Meeting of Mares, a Subsidiary of the Group, held on 30 June 2004, it was decided to merge Mares with Talya Tütaş under Mares, in accordance with Turkish Commercial Code 451 and Corporate Tax Laws 37-39, with the reference to Capital Market Board's authorization, dated 29 May 2004 and numbered 22/621, and Domestic Trade General Directorate of Ministry of Industry and Trade's authorization, dated 2 June 2004 and numbered 3827, and to approve the merger agreement. In the communiqué of the Competition Board, dated 12 November 2003 and numbered 3090, it was stated that this acquisition was not within the scope of the Article 7 of the Law No. 4054 on "Protection of Competition" and Communiqué No. 1997/1 on "Mergers and Acquisitions Calling for the Authorization of the Competition Board" since there was no change in control of companies according to the acquisition took place between two companies of the same group.

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

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

2003

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

- ii) As of 31 December 2003, İnternet Rezervasyon Sistemleri A.Ş. has legally merged with Setur.

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

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

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

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AT 31 DECEMBER 2004**

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

NOTE 31 - MINORITY INTEREST

Changes in minority interest during the years are as follows:

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

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

NOTE 32- INTEREST IN JOINT VENTURES

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

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

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NOTE 33 - FUNDS

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

Fund Name	Management fee commission rates		Total fund value (*)	
	31 December 2004 %	31 December 2003 %	31 December 2004 YTL	31 December 2003 YTL(**)
Investment Funds				
Koçbank A.Ş. A Tipi Değişken Fon	0,015	0,015	40.024	48.933
Koçbank A.Ş. B Tipi Değişken Fon	0,012	0,012	690.649	756.973
Koçbank A.Ş. A Tipi İMKB Ulusal 30 Endeksi Fonu	0,015	0,015	40.570	21.318
Koçbank A.Ş. B Tipi Tahvil ve Bono Fonu	0,012	0,012	398.337	540.243
Koçbank A.Ş. A Tipi Hisse Senedi Fonu	0,015	0,015	6.566	6.347
Koçbank A.Ş. A Tipi Koç Allianz Sigorta Özel Fon	0,00274	0,00274	1.785	604
Koç Yatırım Menkul Değerler A.Ş. A Tipi Koç Şirketleri İştirak Fonu	0,015	0,015	3.309	2.770
Koç Yatırım Menkul Değerler A.Ş. B Tipi Değişken Fon	0,00685	0,00685	217.252	208.160
Koçbank A.Ş. A Tipi Karma Fonu	0,015	0,015	1.338	2.412
Koçbank A.Ş. B Tipi Likit Fonu	0,01	0,01	1.314.865	826.850
Koçbank A.Ş. A Tipi Holdingler (***) ve Yatırım Şirketleri Sektör Fonu	0,015	0,015	8.385	1.459
Koç Yatırım Menkul Değerler A.Ş. A Tipi Değişken Fonu	0,00685	0,00685	33.343	39.074
Koç Yatırım Menkul Değerler A.Ş. B Tipi Tahvil ve Bono Fonu	0,012	0,012	147.648	73.457
Koç Yatırım Menkul Değerler A.Ş. B Tipi Likit Fonu	0,01	0,01	54.365	45.949
Total investment funds			2.958.436	2.574.549
Pension funds				
Koç Allianz Hayat ve Emeklilik A.Ş. ("Koç Allianz") Para Piyasası Emanet Likit Kamu Emeklilik Yatırım Fonu	0,0084	0,0084	251	4
Koç Allianz Para Piyasası Likit Kamu Emeklilik Yatırım Fonu	0,0084	0,0084	1.687	542
Koç Allianz Büyüme Amaçlı Esnek Emeklilik Yatırım Fonu	0,01	0,01	1.167	128
Koç Allianz İhtisaslaşmış İmkb Ulusal 30 Endeksi Emeklilik Yatırım Fonu	0,009	0,009	1.778	208
Koç Allianz Gelir Amaçlı Kamu Borçlanma Araçları Emeklilik Yatırım Fonu	0,0095	0,0095	11.614	562
Koç Allianz Gelir Amaçlı Kamu Borçlanma Araçları (Döviz End.) Emeklilik Yatırım Fonu	0,0058	0,0058	189	105
Koç Allianz Gelir Amaçlı Kamu Dış Borçlanma Araçları Emeklilik Yatırım Fonu	0,0064	0,0064	1.037	569
Koç Allianz Gelir Amaçlı Uluslararası Karma Emeklilik Yatırım Fonu	0,0055	0,0055	276	108
Total pension funds			17.999	2.226
Total			2.976.435	2.576.775

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

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

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

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AT 31 DECEMBER 2004**

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NOTE 34 - SUPPLEMENTARY CASH FLOW INFORMATION

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

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

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

KOÇ HOLDİNG A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2004

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NOTE 35 - SUBSEQUENT EVENTS

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

KOÇ GROUP COMPAINES ON THE WEB

Vehbi Koç	www.vehbikoc.gen.tr
Arctic S.A.	www.arctic.ro
Arçelik A.Ş.	www.arcelik.com.tr
Ark İnşaat A.Ş.	www.arkinsaat.com.tr
Artesis A.Ş.	www.artesis.com
Aygaz A.Ş.	www.aygaz.com.tr
Beko Elektronik A.Ş.	www.bekoelektronik.com.tr
Beko France	www.beko.fr
Beko Polska S.A.	www.qdnet.pl/beko
Beko U.K. Ltd.	www.beko.co.uk
Beko Ticaret	www.bekoticaret.com.tr
Beldeyama Mot. Vasıtalar San.Tic. A.Ş.	www.beldeyama.com.tr
BİLETİX Bilet Dağıtım ve Basım Tic. A.Ş.	www.biletix.com.tr
Bilkom A.Ş.	www.bilkom.com.tr
Birleşik Oksijen San A.Ş.	www.bos.com.tr
BİRMOT Birleşik Motor Sanayi ve Tic. A.Ş.	www.birmot.com.tr
Blomberg	www.blomberg.de
Demir Export A.Ş.	www.demirexport.com
Divan Oteli	www.divanoteli.com.tr
Divan Üretim	www.divanpastaneleri.com.tr
Döktaş Dökümcülük Tic. San. A.Ş.	www.doktas.com.tr
Düzey A.Ş.	www.duzey.com.tr
Elektra Bregenz AG	www.elektrabregenz.com
Ford Otosan Otomotiv San. A.Ş.	www.ford.com.tr
Fusion Digital Tech.	www.fusiondigitec.com
GVZ	www.gvz.com.tr
Grundig	www.grunding.com
İzocam Tic. San. A.Ş.	www.izocam.com.tr
Kav Danışmanlık Paz. Tic. A.Ş.	www.kav.com.tr
Kobiline	www.kobiline.com
Koç Allianz Hayat ve Emeklilik A.Ş.	www.kocallianzhayat.com.tr
Koç Allianz Sigorta A.Ş.	www.kocallianz.com.tr
Koç Ata Sancak Besi ve Tarım Ürünleri A.Ş.	www.kocata.com.tr
Koç Bilgi Grubu İletişim ve Teknoloji Şirketleri A.Ş.	www.kocbilgi.com
Koç Bryce Teknoloji Eğitim Hizmetleri A.Ş.	www.kocbryce.com.tr
Koç Faktoring A.Ş.	www.kocfaktor.com.tr
Koç Fiat Kredi A.Ş.	www.kocfiatkredi.com.tr
Koç Statoil Gaz Toptan Satış A.Ş.	www.kocstatoil.com.tr
Koç Yatırım Menkul Değerler A.Ş.	www.kocyatirim.com.tr
Koç Holding	www.koc.com.tr
Koç.net A.Ş.	www.koc.net
Koçbank A.Ş.	www.kocbank.com.tr
Koçbank Azerbaycan	www.kocbank.com.az
Koçbank Nederland N.V.	www.kocbank.nl
Koçfinans Tük. Fin. ve Kart Hizm. A.Ş.	www.kocfinans.com.tr
Koçlease Finansal Kiralama A.Ş.	www.koclease.com.tr
Koçportföy Yönetimi A.Ş.	www.kocportfoy.com.tr
KoçSistem Bilgi ve İletişim Hizm. A.Ş.	www.kocsistem.com.tr
Koçtaş Yapı Marketleri A.Ş.	www.koctas.com.tr

Kofisa S.A.	www.kofisa.com
Maret	www.maret.com.tr
Mares Otel Marmaris Altinyunus Turistik Tes. A.Ş.	www.mares.com.tr
Migros Türk T.A.Ş.	www.migros.com.tr www.kangurum.com.tr
Mogaz Petrol Gazları A.Ş.	www.mogaz.com.tr
New Holland Trakmak Traktör ve Zir. Mak. Tic. A.Ş.	www.trakmak.com.tr
Opet A.Ş.	www.opet.com.tr
Otokar Otobüs Karoseri San. A.Ş.	www.otokar.com.tr
Otokoç A.Ş.	www.otokoc.com.tr
Otomotiv Lastikleri Tevzi A.Ş.	www.oltas.com.tr
Otoyol Pazarlama A.Ş.	www.opaz.com.tr / www.iveco.com.tr
Otoyol Sanayi A.Ş.	www.otoyol.com.tr
Pastavilla	www.pastavilla.com.tr
PROMENA Elektronik Ticaret A.Ş.	www.promena.net
Ram Dış Ticaret A.Ş.	www.ram.com.tr
Ramstore Bulgaria	www.ramstore.bg
Ramenka Ramstore - Rusya	www.ramstore.ru
RMK Marine Gemi Yapım San. Deniz Taş. İşl. A.Ş.	www.rmkmarine.com.tr
Samkocauto J.S.C.	www.ska.uz
Set Oto Tic. Turizm A.Ş. AVIS Rent A Car	www.avis.com.tr
Sek Süt	www.seksut.com.tr
Setair Hava Taşımacılığı ve Hizm. A.Ş.	www.setair.com.tr
Setur Servis Turistik A.Ş.	www.setur.com.tr www.bookinturkey.com
Sherbrook International Limited	www.sherbrook.co.uk
Talya Oteli Tütaş Türk Turizm A.Ş.	www.talya.com.tr
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	www.paro.com.tr
Tat Konserve San. A.Ş.	www.tat.com.tr
Tat Tohumculuk A.Ş.	www.tat.com.tr
TBS Denizcilik ve Petrol Ürünleri Dış Ticaret A.Ş.	www.tbs.com.tr
Tek-İz İzolasyon ve Yapı Elemanları San. A.Ş.	www.tekiz.com.tr
Tofaş Türk Otomobil Fabrikası A.Ş.	www.tofas.com.tr
Türk Demir Döküm Fabrikaları A.Ş.	www.demirdokum.com.tr
Türk Traktör ve Ziraat Makineleri A.Ş.	www.turktraktor.com.tr
Ultra Kablolı TV ve Telekomünikasyon San.Tic. A.Ş.	www.ultratv.com.tr
Zinerji Enerji ve San. Tic. A.Ş.	www.zinerji.com.tr
THE VEHBİ KOÇ FOUNDATION	
AKMED Suna-İnan Kiraç	www.akmed.org.tr
Research Institute on Mediterranean Civilizations	
American Hospital	www.amerikanhastanesi.com.tr
Koç School	www.kocschool.k12.tr
Koç University	www.ku.edu.tr
Rahmi Koç Museum	www.rmkmuseum.org.tr
Sadberk Hanım Museum	www.sadberkhanimmuzesi.org.tr
Suna-İnan Kiraç Museum	www.kaleicimuzesi.com
Vehbi Koç Foundation	www.vkv.org.tr
Vehbi Koç&Ankara Research Center	www.vekam.org.tr

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Azerbaijan	Koçbank Azerbaijan Ram Representative Office Ramstore Azerbaijan QTSC Set Auto LTD.	Rashid Behbudov Street No:15 370014 Baku-Azerbaijan Huseyn Javid Prospekti 528, Baku-Azerbaijan Babek Prospekti 1129 cu Mehelle Baku-Azerbaijan Samet Vurgun Kucesi 13 Menzil 6, Baku-Azerbaijan
Bahrain	Koçbank Bahrain Branch	Al Jasrah Tower 10th Floor, building no:95 road 1072 Arae 317 Diplomatic Area Kingdom of Bahrain
Bulgaria	Opet/Aygaz Bulgaria EAD Ramstore Bulgaria AD	Busines Park Sofia, Building 3 / 108 Mladost 4, 1715 Sofia-Bulgaria 196, Alexander Stamboliski Street Sofia-Bulgaria
China	Archin LTD. Dongguan Dei Chung LTD. Tianjin Demrad LTD. Ram Pacific / Shanghai Rep. Office Ram Pacific / Shenzen Rep. Office	No: 4201 Seg Plaza Futian District Shenzhen-China Block LL, West Industrial Rd., 1st Industrial Zone, Tong Xia, Shi Qu Dongguan P.R-China 523720 Ocean Shipping Mansion Tower A 15 TH Floor 1514-1515 Near Tianjin Railway Station Tianjin P.R China Room 1502, Nanzheng Build., No:580 W Nanjing Road, Jingan District, Shanghai, 200041 China A8 8th floor, No:2 East Build., SEG Tech. Park, Futian District Shenzhen China
England	Beko PLC. DD Heating LTD. Sherbrook Opet International LTD. Fusion Digital Technology	Beko House Caxton Way Watford Hertfordshire WD1 8UF England 16-18 The Manton Centre Manton Lane Bedford MK 41 7PX United Kingdom Upper Keys Business Park, Keys Park Road, Hednesford, Staaffordshire WS12 2GE-UK 3 rd floor 112 Jermyn St. London SW1Y 6LS London Victoria mews 23 Millfield Road, Cottingley Business Park, Bingley-England, BD16 1PY
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00 97317541055	00 97317541056
00 35929769539 00 35929200550	00 35929769540 00 35929293671
00 8675584361402-06 00 867697981800 00 862224207335 00 862162674461 00 8675583767221	00 8675584361407 - 00 862224207337 00 862162670676 00 8675583767225
00 441923818121 00 441234363363 00 441543495555 00 442079307950-23 00 44(0)8706060044	00 441923819652 00 441234355800 00 448700512061 00 442079303798 00 44(0)1274565111
00 33158344646 00 33158344681	00 33158344647 00 33158344747
00 49610271820 00 492382780-0 00 493520542652 00 49911703 0 00 499117038991	00 496102800930 00 492382780-332 00 493520542658 -
00 85229561331 00 85223891318	00 85229561330 00 85227978025
00 96415423590	-
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00 3902318284	00 390231828440
00 73272916839 00 73272587566	00 73272938242 00 73272587568
00 38923178010	00 38923109020
00 31204624444	00 31206631331
00 48227150701	00 48227150700
00 40212048000 00 40245710565	00 40212048002 -
00 70952326730 00 70959370440 00 70952313010	00 70952326732 00 70959370441 00 70952313011
00 34933184647	00 34933184542
00 41223185959	00 41223185958
001 2127597216	001 2127597260
00 998711526779 00 998662220170-75	00 998711526780 00 998662223839

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Istanbul - Turkey

Web : <http://www.koc.com.tr>



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