Deep roots and youthful energy as we approach our 80th year

Annual Report 2005

Koç

Contents

Financial Highlights

strong performance

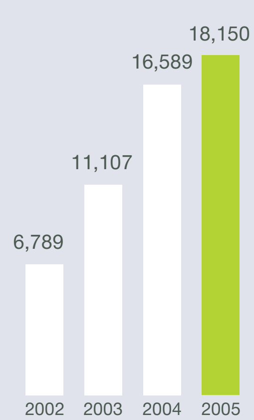
Koç Holding A.Ş. consolidated financial highlights

	2005[1] (USD millions)	2004[2] (USD millions)	2005[1] (EUR millions)	2004[2] (EUR millions)	2005 (YTL millions)	2004 (YTL millions)	Change (%)
Revenues	18,150	16,589	15,341	12,187	24,353	22,264	26
Non-Banking and Financial Services	16,363	15,347	13,830	11,275	21,955	20,597	23
Banking and Financial Services	1,787	1,242	1,511	913	2,398	1,667	66
Operating Profit	901	932	762	685	1,209	1,251	11
Non-Banking and Financial Services	708	746	599	548	951	1,001	9
Banking and Financial Services	193	186	163	136	259	249	19
Income Before Taxes on Income and Minority Interest	954	991	806	728	1,280	1,330	11
Net Income	445	379	376	278	598	508	35
Total Assets	27,338	14,198	23,107	10,431	36,682	19,055	122
Fixed Assets - Net	3,799	3,030	3,211	2,226	5,098	4,067	44
Total Financial Liabilities	5,499	3,039	4,648	2,232	7,379	4,078	108
Total Shareholders' Equity	3,605	3,097	3,047	2,275	4,837	4,156	34
Number of Employees[3]					81,926	59,513	

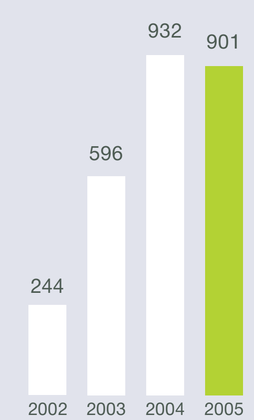
(1) Convenience translation with the year end of 2005 YTL1.3418 = USD1.00 and YTL1.5875 = EUR1.00 exchange rates
(2) Convenience translation with the year end of 2004 YTL1.3421 = USD1.00 and YTL1.8268 = EUR1.00 exchange rates
(3) For the companies included in the consolidation

As of year-end 2005, Koç Holding registered:
- consolidated assets of $27.3 billion,
- consolidated revenues of $18.2 billion
- net income of $445 million

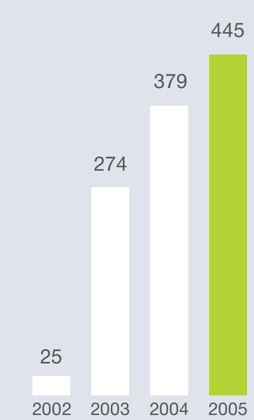
Revenues
USD millions



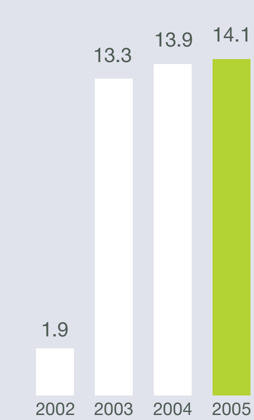
Operating Profit
USD millions



Net Income
USD millions

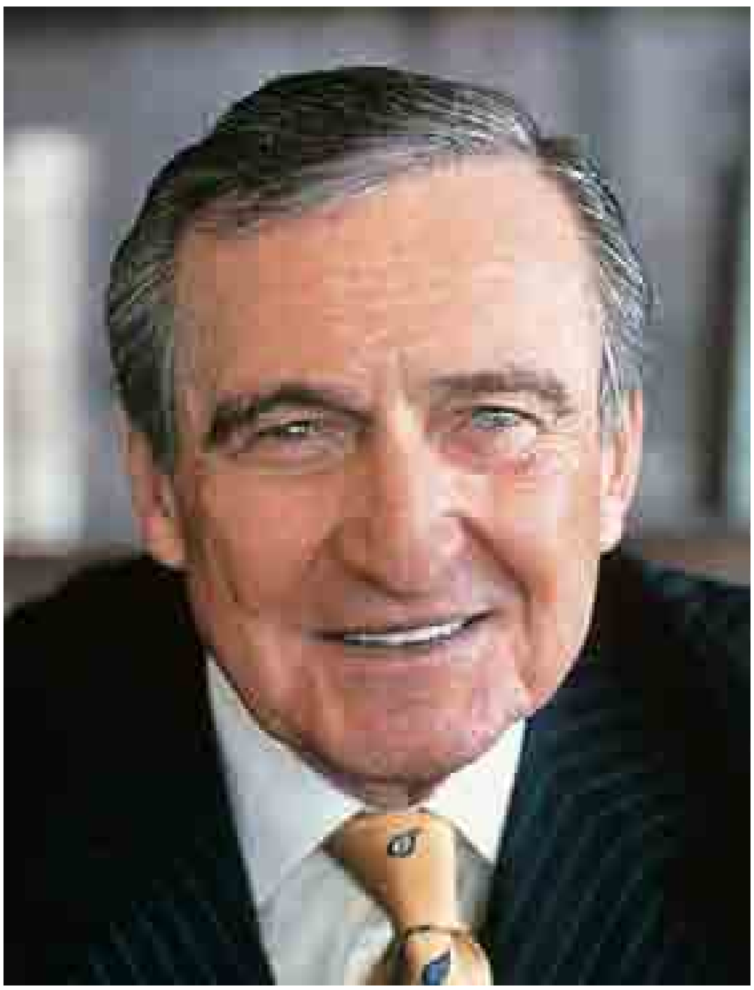


Return on Equity
%



ambitious expansion

As we approach the 80th anniversary of the Group, we intend to take our place as a leader not only on the national stage but in the international arena as the premier Turkish multinational.



2005 was a turning point for Koç Group.

Three major acquisitions - Yapı Kredi Bank, Tüpraş and Tansaş - deepened the Group's involvement in banking, energy and retailing to a very significant degree, making Koç a pivotal player in each of these business areas.

I fully believe that these companies will thrive as part of Koç Group and make a positive contribution to sales and profits in the years ahead.

This ambitious expansion program was spurred by political stability and economic growth in our home market. After many years of divisive coalition governments, the single-party government that came to power in November 2002 has displayed a decisive and disciplined attitude that has contributed greatly to Turkey's economic revival.

GNP growth rates of 9.9% in 2004 and 7.6% in 2005 reflect the vitality of the domestic market. As has so often been the case, Koç Group outperformed the economy during each year due to the strength of our product range, the quality of our services and the effectiveness of our management. At the same time, the Group continued to emphasize exports and international business. Koç companies rank among Turkey's primary exporters, an indicator of the quality and competitiveness of our products and services.

The beginning of accession talks with the European Union in September 2005 was an enormous step forward for Turkey, contributing to a favorable climate that boosted confidence and consumption. It is essential that the government maintain the momentum of this process and continue to apply a policy of strict fiscal discipline in order to sustain the optimistic expectations of the public and markets both at home and abroad.

At Koç, as a business our central objective is to achieve profitable growth; as an exemplary corporate citizen, our priority is to contribute to society. As we approach the 80th anniversary of the Group, we intend to take our place as a leader not only on the national stage but in the international arena as the premier Turkish multinational.

The success of Koç Group over the years is the outcome of the loyalty of our customers and the efforts and ingenuity of our dealers, business partners, managers and employees. I extend my gratitude and appreciation to this entire extended family for making Koç Group what it is today and what it will become in the future.

Rahmi M. Koç
Koç Holding Honorary Chairman

energy and determination

We have entrenched our position in our home market in three very important sectors, set the stage for future growth and established benchmarks for direct foreign investment and privatization of state assets.

2005 was an extremely successful year for Koç Group.

Consolidated net income increased by 18% to $445 million and consolidated revenues reached $18.2 billion, up by 9% from $16.6 billion a year earlier.

With three major acquisitions in the energy, retailing, and banking sectors, Koç took steps that will more than double total assets and turnover while achieving a more sustainable and balanced distribution of income among our five core business segments.

Koç Group's acquisition of Tüpraş makes the Group a central player in the strategically crucial energy sector in the Mediterranean region.

In retailing, the purchase of the Tansaş supermarket chain fortifies Koç Group's leadership in this very competitive segment, generating operational synergies with Migros. The enhanced productivity will benefit our business, create advantages for the consumer, and increase the efficiency of organized retailing business in Turkey.

In banking, the acquisition of the controlling shares in Yapı Kredi Bank, one of Turkey's leading financial institutions, by Koç Financial Services, an equity partnership with UniCredit of Italy, makes Koç Group a major force in banking.

Through these acquisitions, we have entrenched our position in our home market in three very important sectors, set the stage for future growth and established benchmarks for direct foreign investment and privatization of state assets.

Remarkable economic and political advances

Turkey has experienced remarkable economic and political progress over the past three years. Anchored by the support of the International Monetary Fund and European Union, most economic indicators have improved, strengthening the resilience of the economy and supporting a growth model that is focused on the private sector, nourished by structural reforms and motivated by productivity gains. Greater confidence in the economy and government has encouraged medium to long-term planning.

Several key developments marked the year:

- Accession negotiations with the European Union started in October.

- By signing a new three-year stand-by agreement with the IMF, the government committed itself to maintaining fiscal discipline and continuing with structural reforms. This guaranteed the availability of another $10 billion in funding.

- As a result of several major privatization sales, the Treasury took in $9.7 billion as privatization receipts in the last three years, more than it has in the previous 20 years.

- Foreign direct investment inflows in 2005 soared to a record high of $9 billion, compared to an average of $2 billion per year from 2001-2004 and $600-940 million annually during the 1990s.

The start of EU accession negotiations has had a very favorable impact on foreign direct investment in other candidate countries. Thus, it is reasonable to expect that sustained economic and political stability and good progress in EU negotiations will also result in an upsurge in foreign direct investment inflows into Turkey.

A strong sense of social responsibility has been an inherent part of Koç business culture for 80 years.

The prospect of full membership in the European Union had a positive impact on the Turkish economy in 2005, resulting in macroeconomic developments that have edged Turkey closer to satisfying EU-membership criteria.

Longer borrowing terms, declining inflation, a contraction in the budget deficit, serious progress in structural reforms and a sharp decline in the share of foreign currency and foreign currency indexed instruments in Turkey's total debt are all signs of increasing economic health. Reduced exchange rate volatility, heightened confidence in Turkey and its currency, and the reverse currency substitution contributed to a strong Turkish lira. Regulatory changes have institutionalized the principles of corporate governance, balance sheet transparency and risk management in publicly traded Turkish companies, thus decreasing the risk premium of investing in Turkey.

Promoting responsible corporate citizenship through the UN Global Compact

A strong sense of social responsibility has been an inherent part of Koç business culture for 80 years. Today, as Koç Group moves forward to become a much larger and more international corporation, we renew our commitment to comply with universal standards of business ethics.

On March 30, 2006 in a personal meeting with UN Secretary-General Kofi Annan at UN Headquarters in New York, I signed the United Nations Global Compact. Launched in 2000, the UN Global Compact brings business together with UN agencies, labor, civil society and governments to embrace, support and enact, within their sphere of influence, a set of ten universal principles in the areas of human rights, labor standards, the environment, and anti-corruption. With more than 2,500 participating companies in over 90 countries, it is the largest voluntary corporate citizenship initiative in the world.

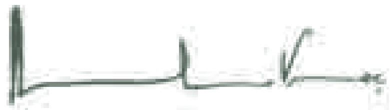
Our energy and determination during the last five years enabled us to achieve our long-term targets well in advance. The same drive and initiative willl guide our Group in 2006 as we move forward in all our businesses.

Through the power of collective action, the Global Compact seeks to promote responsible corporate citizenship so that business can be part of the solution to the challenges of globalization. In this way, the private sector - in partnership with other social actors - can help realize the Secretary-General's vision: a more sustainable and inclusive global economy.

Achieving long-term goals

Over the past five years, Koç Group has directed its energies to implementing a strategic growth plan aimed at focusing the Group on internationally competitive, sustainable business lines. I am pleased to say that we have already made significant progress towards our goals and have achieved many of our objectives.

The same drive and initiative that made this year so noteworthy will guide Koç in 2006 as we move forward in all our businesses. The pioneering spirit and values of our founder Vehbi Koç continue to inspire the Group as we invest in our businesses, our people and our country to improve lives and create value.



Mustafa V. Koç
Chairman of the Board of Directors

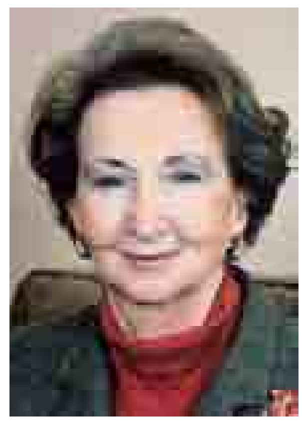
Board of Directors


Rahmi M. Koç
Honorary Chairman

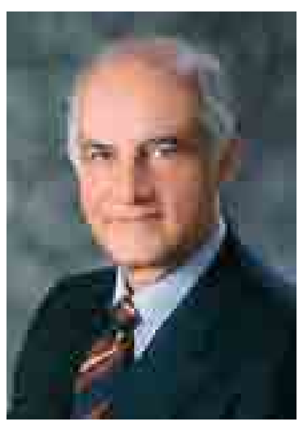

Mustafa V. Koç
Chairman


Suna Kıraç
Vice Chairman


Temel Atay
Vice Chairman

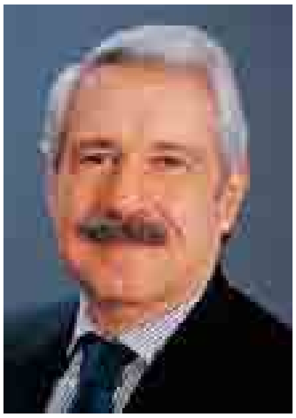

Semahat Arsel
Member


Bülend Özaydınlı
Member - CEO


İnan Kıraç
Member


Ömer M. Koç
Member


Hasan Subaşı
Member

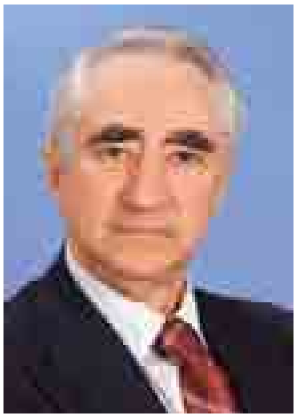

Prof. Dr. Yavuz Alangoya
Member


H. Oswald Maucher
Member


W. Wayne Booker
Member


Prof. Dr. John H. McArthur
Member


Dieter Christoph Urban
Member


Nevzat Tüfekçioğlu
Auditor

sustainable growth and profitability

Koç Group has outperformed its targets in the last three years, raising consolidated revenues by an average of 40% per year in U.S. dollars, and in the process has become a major player in the European Union as well as in Turkey's hinterland.

I am pleased to announce that Koç Holding reported consolidated revenues of $18.7 billion for 2005.

This figure had originally been our target for 2010, meaning that the strategic plan adopted in 2002 has produced results much faster than we had planned. What's more, profits have increased even more rapidly.

Consolidated EBITDA for 2005 amounted to $1.5 billion. These numbers do not yet reflect the full impact of the three major acquisitions that we undertook late in the year, which will become fully visible in our 2006 results.

International revenues topped $8 billion, up from $1 billion in 1999, an indication of the swiftness of our achievement. We aim to earn over $12 billion from international operations in 2006. The Koç Group is now a major player in Europe in many sectors as well in Turkey's hinterland.

Koç remained the clear leader in consumer durables, retailing, and the automotive sector in the Turkish market while the acquisitions we made in 2005 will carry our Group into the front ranks of the energy and banking sectors as well.

In 2002, we set out the following objectives into place:

• Become an automotive production center for Europe

• Rank amongst Europe's leading consumer durable companies.

• Accelerate international expansion in retailing while maintaining leadership in Turkey and becoming more aggressive in the food segment through restructuring.

• Undertake ventures in the energy sector.

• Climb to the top ranks of the Turkish financial services industry.

I am proud to say that after four years, Koç Group has met almost all of these targets.

The ability of the Group to take advantage of opportunities that dovetailed with our strategic objectives has been instrumental in this success. The faster and stronger than expected economic recovery in Turkey in this period has also accelerated our progress. Koç controls the biggest distribution network in Turkey as well as the largest international network of Turkish origin. This is a critical factor that will enable Koç to grow stronger in all five of its core business lines.

We are keen to achieve an optimum balance between revenues and net income of each of these five core business lines in order to minimize and manage risk for the Group as a whole. We have made great strides forward in recent years in implementing more effective risk management policies and will continue to focus on this issue in the coming years.

Going forward, Koç will pursue a profit-focused growth strategy by concentrating on areas of business in which we have the greatest competitive advantage.

Investment in technology and brands will support our bid to gain market leadership in each of our business areas. Building competitive strength outside our home market will help the Group generate 50% or more of revenues from international business.

Penetration levels in our main business areas fall below EU averages, indicating the strong growth potential that still exists in Turkey. We plan to benefit from this potential as quickly and productively as possible by leveraging our strong brands and widespread distribution system. At the same time, we will pursue growth outside Turkey in regions and business lines where we have a competitive edge.

The three major acquisitions concluded during 2005 have substantially increased the market value and visibility of Koç Group.

Yapı Kredi Bank is one of the strongest and most respected financial institutions in Turkey. It commands substantial market shares in profitable business lines such as credit cards and SME banking. Koçbank, on the other hand, has expertise in corporate and private banking as well as in asset management. The merger of these two banks will combine Yapı Kredi Bank's brand and strength in retail banking with Koçbank's prestige and risk management experience under the umbrella of Koç Financial Services (KFS), making KFS one of the top names in banking and financial services in Turkey.

While we entrenched our position in three important sectors through acquisitions, our organic growth in other sectors contributed significantly to overall growth and profitability.

The acquisition of Tansaş supermarket chain increased Migros' market share and strengthened its existing leadership in the domestic market. With the added momentum of planned merger synergies, 70 new stores will be opened in 2006. International expansion also continues at full speed. In 2005, 17 new stores and 4 shopping centers were opened, including our first in Macedonia. We plan to add another 31 stores and 7 shopping centers to our portfolio in 2006, including the first in Ukraine.

The successful bid for Turkish Petroleum Refineries Corporation (Tüpraş) makes the Koç Group one of the most important players in the crucially important energy sector along with Aygaz, Turkey's leading LPG distributor, and Opet, the country's fastest-growing fuel retailer.

Tüpraş ranks as Turkey's largest industrial company and the biggest energy company in Eastern Europe with four refineries, petrochemical plants, and a maritime transport company. Koç Group is committed to transform this formerly state-owned company into an efficient private sector company by increasing high-margin outputs significantly.

To achieve this, we will continue with existing expansion plans, invest in environment-related projects, improve the output quality of the Batman refinery, increase capacity utilization, introduce profit-enhancing programming, proactive sales, and investment planning along with effective human resources management. Our ultimate goal is to make Tüpraş a key player in European energy markets.

Organic growth in automotive and consumer durable business lines has contributed to overall profitability.

As a production center for international brands, Koç automotive companies boosted total vehicle production by 12% in 2005 and reached an all time high output. While maintaining a strong position in the competitive domestic market in both commercial vehicles and passenger cars, we have focused on international product development projects such as the start-up of manufacturing operations in and exporting Tofaş vehicles to Russia.

Ford Otosan continued to post excellent earnings as the leading producer and exporter of commercial vehicles in Turkey.

Tofaş signed the "Minicargo" agreement with Fiat and PSA, for the development and production of a new commercial vehicle for the three brands at Tofaş. Production of 165,000 vehicles per year is expected to start in late 2007. Take-or-pay exports agreements make this $420 million investment virtually risk-free for Tofaş, which expects to earn revenues of $1,200 million per year from the project.

Arçelik realized consolidated foreign sales of over $1.5 billion in 2005, becoming the fourth biggest household appliance manufacturer in Europe and the most profitable in the world. International expansion continues with factories in Romania and Russia. Arçelik's worldwide success rests on its ability to innovate through development of its own technology. Arçelik refrigerators are now the best-selling brand in the UK, where they are sold under the Beko label. Market penetration is increasing day by day in other European countries and we feel confident we can achieve growth of 20% or more in international sales of household appliances in 2006.

Beko Elektronik, the second biggest manufacturer of television sets in Europe, is set to expand in 2006 with the start-up of production activities in Russia.

Creating value for society through support of education, culture, the environment, and health is an integral part of the way Koç Group does business.

In 2005, Koç Holding initiated two projects outside Turkey aimed at introducing Turkish culture to a wider audience. The promotion of Turkey and its cultural heritage has never been more important than at present as Turkey moves closer to becoming part of the European Union.

We signed a 10-year agreement with the Smithsonian Foundation and the Turkish Ministry of Culture and Tourism to sponsor a series of exhibitions in Washington D.C. The first in the series of exhibitions “Style and Status: Imperial Costumes from Ottoman Turkey” opened in Washington D.C. In London, Koç Holding replaced the wax figure of Mustafa Kemal Atatürk at Madame Tussauds Museum with a true likeness of Turkey’s great leader.

Adoption of universal standards of doing business is another prerequisite of becoming an internationally respected corporation. By subscribing to the Global Compact formulated under the leadership of the United Nations, Koç Group has taken its commitment to corporate citizenship and corporate governance to an international level.

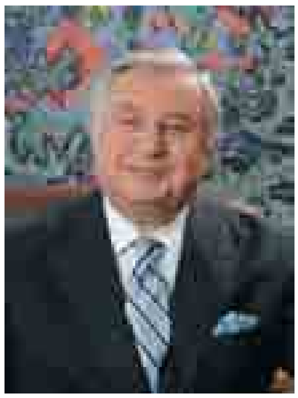
As we celebrate our 80th year, Koç Group is developing into one of the world's leading companies. We realized significant progress towards our strategic goals in 2005. With our faith in Turkey’s future, we keep on marching.

Bülend Özaydınlı
CEO

Executive Management

Bülend Özaydınlı
Chief Executive Officier - CEO

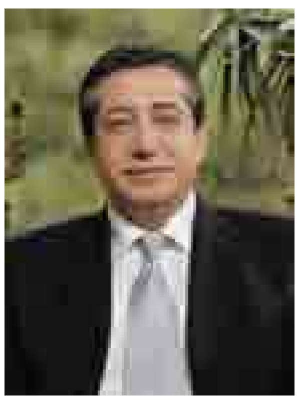
Hasan Bengü
Corporate Communications & Foreign Relations Group President



Bülent Bulgurlu, PhD
Durable Goods and Construction Group President

Ali Y. Koç
Information Technologies Group President

Rüşdü Saraçoğlu, PhD
Banking and Insurance Group President

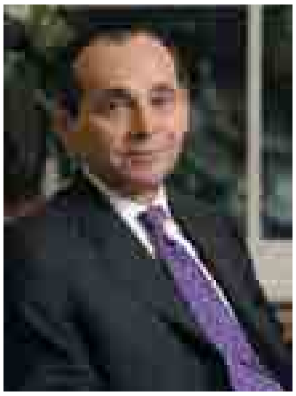


Ali Tarık Uzun
Auditing Group President

Erol Memioğlu
Energy Group President


Tamer Haşimoğlu
Strategic Planning Group President


Ömer Bozer
Food / Retailing and Tourism Group President


Kudret Önen
Automotive Supplies & Other Automotive Companies Group President* *


Ahmet Ashaboğlu
Financial Services Group President, CFO* *

* Leaving President
Supplies and Other Automotive Companies Group President
Selçuk Gezdur (He left Koç Group on 1 st January 2006)

* * Appointments
Automotive Supplies & Other Automotive Companies Group President
Kudret Önen (appointed as of 1 st January 2006)

Financial Services Group President, CFO
Ahmet Ashaboğlu (appointed as of 1 st January 2006)

rapid and profitable growth

We are pursuing a strategy focused on sustainable and profitable growth to take us forward.

In 2002, foreseeing that Turkey
- would enter a period of sustainable growth and
- would continue the integration process with the EU

we adopted a new strategic plan that would act as a road map for the long term growth of Koç Group.

The plan set outs the principal strategies of Koç Group:
- Focus on sectors close to the consumer in which we have a differential competitive advantage
- Generate at least 50% of our revenues from international business,
- Be the market leader in all our business areas
- Increase the strength of our brands and technology.

Our vision is defined as:
"To become one of Europe's leading companies through rapid and profitable growth"

Effective implementation of the plan was ensured by revamping human resource management systems and institutionalizing a performance based management performance assessment that links strategic targets with individual objectives.

The bold steps we have taken in recent years and especially in 2005, and the results we secured, demonstrate that the Group is moving in the right direction.

The Group, driven by the strategic plan, has
- Proven the ability to achieve sustainable growth and rapidly increased revenues and earnings from both local and international businesses,
- Improved its leadership position in key business areas
- Completed large scale initiatives that will play a key role in promoting future growth
- And most importantly, created higher value for all stakeholders.

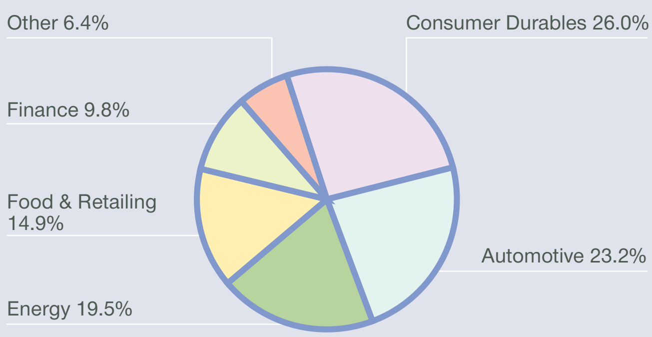
Turkey's economy has developed as we expected. Consequently, Koç Group prepared early and well for the changed business environment. The enviable position we now occupy enables us to take maximum advantage of new opportunities and ensures that we will obtain results beyond our targets.

By using our competitive advantages well, we will continue on our path of progress to ever larger objectives.

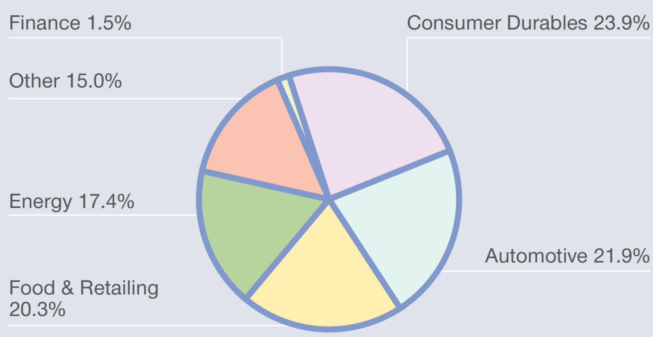
dynamism led by growth

Koç Group grew and improved its performance in 2005, producing higher value added for all stakeholders.

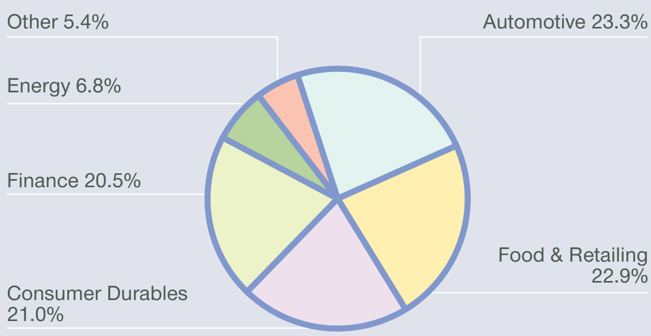
Breakdown of Consolidated Revenues by Segment (2005)



Breakdown of Capital Expenditures by Segment (2005)



Breakdown of Total Employment by Segment (2005)



Operating Profit by Segment USD millions

	Automotive	Consumer Durables	Food & Retailing	Finance	Energy	Other
2005	278	300	84	193	104	(58)
2004	315	367	34	208	61	(54)

Average annual revenue growth

Koç Group has boosted revenues for the last 3 years by an average of 40% annually.

+40%

Koç Group at a Glance

the world is our playing field

Total exports of Koç Group exceeded $6 billion in 2005, or 8.5 % of Turkey's total exports.

Koç Holding and 21 publicly traded companies equal 16% of the total market value of companies traded on the Istanbul Stock Exchange as of December 31, 2005

Automotive

Main companies
Ford Otosan* / Tofaş* / Türk Traktör* / Döktaş*
Otokar* / Otoyol / Otokoç / Birmot

Total number of companies included in consolidation
Domestic: 12

International alliances
Ford Motor Co. / Fiat Auto S.P.A.
Case New Holland / Iveco / Yamaha

Share in Consolidated Revenues
23.2%

Share in operating Profit
30.9%

Number of Employees
19,127

Domestic Market Position
1 in passenger cars
1 in commercial vehicles
2 in farm tractors
1 in total automotive
1 in automotive retailing

Consumer Durables

Main companies
Arçelik* / Beko* / Türk Demir Döküm*
Arçelik - LG / Arctic / Elektra Bregenz
Grundig

Total number of companies included in consolidation
Domestic: 6
International: 31

International alliances
LG Electronics / Alba Plc

Share in Consolidated Revenues
26.0%

Share in operating Profit
33.3%

Number of Employees
17,220

Domestic Market Position
1 in refregirators, washing machines, dishwashers, ovens, air conditioners, water heaters and combination boilers
2 in TVs

Food & Retailing

Main companies
Migros* / Tansaş* / Ramenka / Koçtaş
Tat* / Düzey

Total number of companies included in consolidation
Domestic: 8
International: 5

International alliances
Kagome Sumitomo / Kaneka Seeds / B&Q

Share in Consolidated Revenues
14.9%

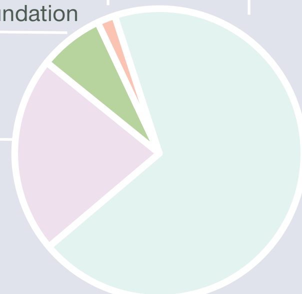
Share in operating Profit
9.3%

Number of Employees
18,795

Domestic Market Position
1 in FMCG retailing
1 in DIY retailing

*Listed companies

Shareholder Structure (December 31, 2005)



Koç Holding shares are listed on the İstanbul Stock Exchange (ISE) with KCHOL symbol.

Koç Group

25 countries
121 companies
82,000 employees

Finance

Main companies
Koç Finansal Hizmetler / Koçbank
Yapı Kredi Bankası* / Koç Allianz Sigorta
Koç Allianz Hayat ve Emeklilik / Yapı Kredi Sigorta*
Yapı Kredi Emeklilik / Koç Finans

Total number of companies included in consolidation
Domestic: 18
International: 7

International alliances
UniCredit / Allianz / Tokyo Marine

Share in Consolidated Revenues
9.8%

Share in operating Profit
21.4%

Number of Employees
16,772

Domestic Market Position
3 in total banking assets among private banks
1 in credit cards
1 in insurance
1 in mutual funds
1 in leasing and factoring

Energy

Main companies
Aygaz* / Opet / Entek / Tüpraş**

Total number of companies included in consolidation
Domestic: 10
International: 5

International alliances
Statoil

Share in Consolidated Revenues
19.5%

Share in operating Profit
11.5%

Number of Employees
5,608

Domestic Market Position
1 in LPG distribution
4 in petroleum products distribution

**Since acquired in 2006, the numbers above do not include Tüpraş.

Other

Main companies
Kofisa / Ram / Koç Sistem / Koçnet / Setur
Mares* / İzocam* / RMK Marine

Total number of companies included in consolidation
Domestic: 17
International: 2

Share in Consolidated Revenues
6.4%

Share in operating Profit
(6.4)%

Number of Employees
4,404

Domestic Market Position
1 in insulation materials
1 in travel agency and ticketing services

reliability and performance

Koç Group companies, which laid the foundation of the Turkish automotive sector, continued to grow in 2005.

In 2005, Koç Group companies accounted for 47% of total motor vehicle production in Turkey and 46% of automotive exports.

Total units produced

430,000

Koç Group automotive companies increased total production by 12% in 2005 to 430,000 vehicles.

Total units exported

260,000

Exports of Koç Group automotive companies rose by 12% to 260,000 units.

Automotive

Production of motor vehicles in Turkey rose by 6% in 2005 to 914,000 units. Total automotive exports were up by 8% to 561,000 units.

Market overview

The Turkish automotive market grew by 2% in 2005.
Sales of motor vehicles in Turkey grew by 2% in 2005 to 790,000 units contrary to expectations that demand would drop. The slowdown in the market, following very high growth rates in 2003 and 2004, (130% and 88% respectively), stems from the filling of pent-up demand caused by weak economic conditions in 2001 and 2002, higher VAT taxes on purchases of passenger cars and the elimination of the scrap subsidy.

While the passenger car market contracted by 3% in 2005, growth of around 10% was witnessed in the commercial vehicle market. The commercial vehicle segment, in which Doblo and Transit Connect are positioned, displayed the highest growth rate.

The share of imports in 2005 was 42% for commercial vehicles and 69% for passenger cars, reflecting the overall economic growth and the appreciation of the local currency.

Production of motor vehicles in Turkey rose by 6% in 2005 to 914,000 units. Total automotive exports were up by 8% to 561,000 units.

Turkey, a major automotive production hub for Europe

The Turkish automotive sector is well established and very competitive due to the favorable cost structure of its workforce and other production inputs, developed component supplier industry, high quality manufacturing and engineering skills and advanced technological infrastructure, combined with the country's strategic geographic location, transportation advantages and zero customs access to the EU market.

Currently 47 international automotive brands compete in the Turkish market. A significant number of them have production facilities, either through joint ventures, or wholly owned subsidiaries. Ford, Fiat, Renault, Mercedes Benz and Toyota are among those who have selected Turkey as a base for production and exports.

In 2005, the share of automotive exports, including components, increased to 18% of Turkey's total exports, maintaining its status as the second largest export item.

As one of Europe's leading countries for automotive production, the Turkish automotive sector is a candidate for new large-scale export projects in the coming years.

Stable outlook

The Turkish automotive sector was hit hard during the economic crisis experienced in 2000-2001, however its recovery was fast. Stable political and macroeconomic conditions during the last three years have put the sector firmly on the path to sustained growth. Production, domestic sales and exports are expected to remain stable in 2006.

Declining real interest rates, availability of favorable financing options and the increase in income per capita in parallel to the revitalization of the economy, create long-term opportunities for the Turkish automotive sector since the penetration ratio in the local market remains far below the European average.

Share of automotive exports

18%

Automotive exports, including components, account for 18% of Turkey's total exports.

Total sales of motor vehicles in Turkey (000 units)

	Total Sales 2005	Growth (%)	Imports 2005	Growth (%)
Light commercial vehicles	272	10	124	12
Other commercial vehicles	53	11	12	22
Total commercial vehicles	325	10	136	13
Passenger cars	439	(3)	302	(3)
Farm tractors	27	(3)	-	-
Total	**790**	**2**	**438**	**1**

Source: Automotive Manufacturers Association (OSD)

Production and exports of motor vehicles in Turkey (000 units)

	Production 2005	Growth (%)	Exports 2005	Growth (%)
Light commercial vehicles	383	14	222	13
Other commercial vehicles	43	7	11	46
Total commercial vehicles	426	13	233	15
Passenger cars	454	1	320	5
Farm tractors	35	(10)	8	(19)
Total	**914**	**6**	**561**	**8**

Source: Automotive Manufacturers Association (OSD)

Koç Group automotive segment

Major Koç Group companies in the automotive segment

Production	Sales and Distribution	Retailing	Components
Ford Otosan	CNH Trakmak	Otokoç	Döktaş
Tofaş	Otomotiv Lastikleri	Birmot	
Türk Traktör			
Otokar			
Otoyol			
Beldeyama			

Koç Group Automotive Segment

Koç Group is the undisputed leader of the commercial vehicle segment. Koç companies accounted for 79% of Turkey's commercial vehicle production and 91% of all exports in this segment in 2005.

Consolidated financial results

	2005* ($ in millions)	2005 (YTL in millions)	2004 (YTL in millions)	Change (%)
External Revenues	4,215	5,656	5,852	(3)
Inter segment revenues	75	101	63	60
Total revenues	4,290	5,757	5,915	(3)
Cost of sales	(3,673)	(4,929)	(5,059)	(3)
Gross profit	617	828	856	(3)
Operating expenses	(363)	(487)	(477)	2
Administrative	(155)	(208)	(218)	(5)
Selling and distribution	(184)	(247)	(227)	9
Research and development	(24)	(32)	(31)	2
Inter segment profit elimination	24	32	43	(25)
Operating profit/(loss)	278	374	422	(12)
Gross magrin		14.4%	14.5%	(0.1)**
Operating magrin		6.5%	7.1%	(0.7)**
Total assets	2,401	3,221	3,090	4
Net assets	1,195	1,604	1,546	4
Capital expenditures	192	258	132	95
Depreciation and amortization	172	231	224	3

* Convenience translation with year end YTL1.3418 = $1.00 exchange rate
** Change expressed as the difference between percentages

Koç market share in Turkey

29%

Despite severe competition in the local market, Koç Group companies boosted unit sales by 7% to gain 1% more of the market, improving their total market share to 29%.

A pioneer in the Turkish automotive industry

Koç Group has been a pioneer in Turkey's automotive industry since the 1950s. In 2005, Koç Group companies realized 47% of total motor vehicle production in the country and were responsible for 46% of automotive exports. Koç Group automotive companies increased total production by 12% to manufacture 430,000 vehicles. Exports of Koç Group automotive companies rose by 12% to 260,000 units.

Koç Group is the undisputed leader of the commercial vehicle segment. Koç companies accounted for 79% of Turkey's total commercial vehicle production and 91% of all exports in this segment in 2005.

Despite severe competition in the local market, Koç Group companies boosted unit sales by 7% to gain 1% more of the market, improving their total market share to 29%.

The automotive segment accounted for 23.2% of Koç Group's total revenues.
The automotive segment reported total revenues of $4,290 million in 2005. $4,215 million of this derives from external sales, accounting for 23.2% of Koç Holding's consolidated revenues.

The 3% decrease in revenues stemmed from lower foreign exchange rates than the previous year which put pressure on both YTL-denominated export revenues and prices in the local market, the sale of Mako and Tekersan and change in status of Türk Traktör to a joint partnership following the IPO in June 2004.

Despite intense competition in the local market, gross profit margin remained steady at 14.4% as a result of continuous control of the cost base.

Total assets increased by 4% over the previous year to $2,401 million while net assets (total assets less total liabilities) rose by 4% to $1,195 million.

Koç Group's share in Turkey's automotive production (000 Units)

	Koç Group	Growth (%)	Koç Group as a % of industry
Commercial vehicles	338	17	79
Passenger cars	73	3	16
Farm tractors	18	(15)	51
Total	**429**	**12**	**47**

Source: Automotive Manufacturers Association (OSD)

Koç Group's share in Turkey's automotive exports (000 Units)

	Koç Group	Growth (%)	Koç Group as a % of industry
Commercial vehicles	211	15	91
Passenger cars	41	3	13
Farm tractors	5	(24)	62
Total	**258**	**12**	**46**

Source: Automotive Manufacturers Association (OSD)

Koç Group domestic market shares (000 Units)

	Koç Group	Growth (%)	Koç Group (%)	Change vs. '04 % pts.
Light commercial vehicles	122	17	45	3
Other commercial vehicles	13	23	25	2
Total commercial vehicles	135	18	42	3
Passenger cars	82	(4)	19	0
Farm tractors	13	(11)	47	(4)
Total	**231**	**7**	**29**	**1**

Source: Automotive Manufacturers Association (OSD)

Export projects trigger future growth
The segment's capital expenditures climbed by 95% in 2005 to $192 million, representing 22% of Koç Holding's consolidated capital expenditures, and focusing mainly on capacity increases, investments in new models and modernization.

The export agreements signed by Koç Group in 2005 played an important role in shaping an ambitious investment program. The Group anticipates investing $1 billion in 2006 and 2007 in the automotive segment and views these export projects as a key driver of sustainable growth and a sound revenue base.

Strength in R&D
Koç Group automotive companies have outstanding Research & Development capabilities.

Research & Development operations, which are run by 390 engineers at Ford Otosan and 170 engineers at Tofaş, are one of the most significant competitive advantages of the Group's automotive companies.

Koç Group Automotive Segment

Ford Otosan increased exports by 16% in 2005 to 164,000 units. This represents 70% of Turkey's total commercial vehicle exports, making the Company Turkey's top exporter for the second consecutive year.

Ford Otosan

Market Leader Four Years in a Row

Ford Otosan, a joint venture with Ford Motor Company, maintained its leadership in the motor vehicle market in Turkey, raising its total market share by 1.5 points in 2005 to 17%, by selling 130,000 vehicles. Ford Otosan posted 13% domestic sales growth, compared to the 2% expansion in the sector, an indicator of its strong leadership in a competitive market.

In 2005, total production rose by 18% to 243,000 units. Sales volume was up 16% to 295,000 units. Total revenues increased by 9% to $ 4,516 million. Ford Otosan remained a very profitable company in 2005, reporting an operating profit of $401 million.

These results made Ford Otosan, regarded as one of the cornerstones of Turkey's automotive industry, the market leader for the fourth consecutive year.

Ford Otosan market share in Turkey

17%

The Company boosted its share in the local market by 1.5% in 2005 to 17%, making it the market leader four years in a row.

2005's Top Exporter
Ford Otosan generated 70% of Turkey's total commercial vehicle exports in 2005, increasing export units by 16% to 164,000 and became Turkey's top vehicle exporter for the second consecutive year.

This success was due in large part to the additional Transit exports which started in March 2004 and had a full-year effect on 2005 sales. Export revenues for the year totaled $2,094 million.

Ford Otosan is determined to increase exports of commercial vehicles in the year ahead.

Production volume up by 18%
Ford Otosan, the largest commercial vehicle manufacturer and exporter in Turkey, manufactured 243,000 commercial vehicles in 2005, 57% of total Turkish commercial vehicle production.

In the light commercial vehicle segment, Ford Otosan's Transit and Transit Connect models have been very successful. Both vehicles gained market share in 2005, raising the Company's share of the light commercial vehicle segment to 27%.

Ford Otosan is also the leader of the truck segment with its popular Cargo model. The Company improved its market share in this segment by 6.5 points in 2005 to 26.4%, demonstrating once again its strong position in the market.

New Ford Focus
Ford Otosan, which offers five different passenger car models to consumers, launched the new Ford Focus in 2005. With this new momentum, the Company, increased its market share by 0.5 points and became the second largest in the passenger car segment with a 10.5% share.

The success that comes with 6-Sigma
Ford Otosan views continuous improvement of work processes as the most important element of competitive strength in the long-term.

Ford Otosan is one of the successful practitioners of the 6-Sigma methodology in Turkey. In 2005, it completed 184 process improvement projects, which resulted in savings of $26 million.

The best Ford Body and Assembly Operations Plant in Europe for the last 4 years
The Kocaeli plant, which has an annual production capacity of 200,000 vehicles, was selected as Ford's best Body and Assembly Operations Plant in Europe in terms of manufacturing quality for the fourth consecutive year in 2005. The İnönü Plant, on the other hand, was chosen as the best among Ford's engine and powertrain plants.

Ford Otosan Kocaeli plant is distinguished by its young and skilled work force as well as by its modern and flexible production technology. One of the factory's most important competitive advantages is its integrated port which has a loading capacity of 500,000 units and storage capacity of 8,300 units.

New Investments
Ford Otosan has decided to increase the capacity of Kocaeli plant from 200,000 to 280,000 units rather than to 240,000 units as previously planned due to the high export potential and growth in local sales. When this capacity increase comes on stream, the Company's total capacity will increase to 295,000 units, including the 15,000 units Cargo production capacity at the İnönü Plant. In this respect, the Company plans to invest $270 million for vehicle and motor development and capacity increase.

Sustaining leadership and growth
Ford Otosan is determined to maintain its leadership in the sector in 2006 by taking steps to ensure a pattern of sustainable growth.

A large scale export program, strong brand and distribution network, high quality-low cost production capability, product development and engineering power will continue to drive growth at Ford Otosan in the years to come.

Market share in truck segment

26%

Ford Otosan's popular Cargo model truck increased its market share by 6.5 points in 2005, making the Company the leader also in this segment.

Tofaş, one of Fiat's four global production centers and the only passenger car producer of the Koç Group, reported domestic sales of 80,000 vehicles in 2005.

TOFAŞ

TOFAŞ

One of Fiat's four global production centers
Tofaş, one of Fiat's four global production centers and the only passenger car producer of the Koç Group, reported domestic sales of 80,000 vehicles in 2005. Despite slow growth and intense competition in the domestic automotive market, Tofaş maintained its position as the third largest player with a market share of 10.5%.

Tofaş increased total production by 10.5% to 161,000 units in 2005. Exports rose by 7% to 88,000 units. The Company posted export revenues of $859 million.

Total revenues for the year totaled $1,895 million. Net operating profit amounted to $25 million in spite of extremely competitive market conditions.

Doblo: The entrenched leader in its segment
Doblo has been a success story for Tofaş in the light commercial vehicle segment since its introduction in 2000. In 2005, Tofaş sold 40,000 units, strengthening its leadership in this segment with a 29% market share.

Total market share

10.5%

Tofaş maintained its position as the third largest player in the market with a market share of 10.5%.

The restyled Doblo was introduced to the market in October. Studies are underway for the production of the new generation of this popular light commercial vehicle.

Successful launch of Grande Punto
Tofaş' new passenger car Grande Punto was launched in February 2006 and immediately gained a 3.5% market share. Tofaş aims to attain leadership in the B segment with the Grande Punto and Palio models.

In 2005, Tofaş opened its first Maserati-Ferrari Showroom in Istanbul, a new initiative in the luxury passenger car segment.

Minicargo: A breakthrough for the Turkish Automotive Industry
In 2005, Tofaş signed a cooperation agreement for the production of a new light commercial vehicle as a joint project with Fiat Auto and Peugeot Citroen (PSA).

Scheduled to be introduced to the European market in late 2007, the Minicargo is Fiat Auto's and Peugeot Citroen's proactive response to the expected growth of the light commercial vehicle segment in European market. Minicargo combines easy maneuverability in city traffic with superior performance in the highway and environmentally friendly characteristics.

Minicargo will be produced for three different brands, and be a first in Turkey's automotive industry in this respect. The intellectual and industrial property rights of the vehicle will be owned by Tofaş. Minicargo is designed to be a compact, economic and multipurpose light commercial vehicle that is modern, durable and attractive.

Annual Production of 165,000 vehicles
Production capacity has been revised upwards from the initial target of 135,000 to 165,000 vehicles per year. MiniCargo will be built on a new platform and will be manufactured at the Tofaş Bursa Factory. 95% of production will be exported. Two-thirds of production will go to Peugeot Citroen and one-third to Fiat Auto.

The $420 million investment is projected to generate revenues of $1,200 million per year
The Minicargo project has a budget of $420 million including R&D and the cost of start-up production. The project includes a "Take or pay" arrangement, and therefore virtually risk-free for Tofaş. The market introduction is scheduled for November 2007. Tofaş will earn revenues of $1,200 million per year from the project.

Doblo enters the Russian market
Tofaş signed an agreement with Fiat Auto and Severstal Group of Russia in January 2006 to establish an assembly line in Russia for Palio, Albea and Doblo models.

Production is scheduled to begin in 2007 in the Neaberejniye Chelni Factory near kazan. CKD kits will be supplied by Tofaş and the Company projects $310 million annual revenues from the project. This agreement is not only a first for Tofaş, but it is also a first for the Turkish automotive industry.

To date, Tofaş has produced more than 500,000 units of Fiat Doblò, 380,000 of which have been exported. Doblo was selected as the "International Commercial Vehicle of 2006" and promises to continue to be a bestseller for Tofaş in the future. The agreement to supply CDK kits to Russia will shield the Company against downturns in the local market and contribute to a balanced profit model.

An ambitious passenger car project
Tofaş signed an agreement with Fiat Auto in June 2005 to produce a brand new sedan for the C/D segment.

The D200 model will be produced on a GM-Fiat platform with an annual capacity of 60,000 units. One-third of production will be exported to Europe through Fiat Auto.

Following its launch in 2007, D200 will play an important role in strengthening Tofaş' position in the passenger car market, by addressing the mid-luxury sedan segment.

Investment for growth
Tofaş targets growing in both the local and export markets in the coming years. It plans to increase production capacity-already the largest in the sector-to 360,000 by 2008. The new export projects and the launch of the restyled Doblo will trigger growth at Tofaş over the next four years and increase the Company's market share.

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

Türk Traktör

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

The Turkish farm tractor market slipped by 3% to 27,000 units in 2005. The year witnessed the entry of new players into the market spurred by foreign exchange advantages created by the appreciation of the Turkish Lira. The share of Türk Traktör in domestic factory sales was 47%.

Türk Traktör produced 18,000 farm tractors during 2005, 51% of Turkey's total production. The Company exported 5,000 units to 30 countries. This figure represents 62% of Turkey's total farm tractor exports.

Sales revenues amounted to $360 million. Exports accounted for $112 million of total sales.

New Holland Trakmak acts as the sales and distribution company of Türk Traktör in the domestic market and has achieved total revenues of $368 million in 2005.

Share in farm tractor exports

62%

Türk Traktör exported 5,000 units to 30 countries. This figure represents 62% of Turkey's total farm tractor exports.

Otoyol

Celebrating its 40th year
Otoyol, a joint venture with Iveco, Fiat's commercial vehicle subsidiary, manufactures, imports and exports light, medium and heavy trucks and buses.

The Company produced 3,000 units in 2005 and exported 1,000 of these to more than 40 countries. Revenues for the year amounted to $210 million with exports of $23 million.

Otoyol Pazarlama, the sales and distribution arm of Otoyol in the local market, merged with Otoyol during 2005 in order to boost operational efficiency.

Otokar

Special order vehicles
Since 1963 Otokar, has produced special solutions to meet the needs of its customers using its own technology, design and applications. Otokar manufactures minibuses and small buses for public transportation, four wheel drive tactical all-road vehicles and light armored vehicles for the defense industry, and trailers and semi-trailers for the transportation and logistics sector.

Otokar produced 3,000 units in 2005. Exports soared by 121% to 1,000 units due to defense industry contracts. The Company posted total sales of $212 million and export revenues of $79 million.

Other companies

Otokoç and Birmot, dealership chains for Ford Otosan and Tofaş respectively, were brought under the same management structure in 2005. The two companies have a combined market share of 6% in passenger cars and 12% in commercial vehicles.

Set-Oto, the representative of Avis in Turkey, was integrated into Otokoç. Koç Group plans to grow its car rental business due to its promising long-term potential.

Combined sales of Otokoç and Birmot were $1,115 million in 2005.

Beldeyama, a joint venture with Yamaha, posted revenues of $95 million and exports of $27 million.

Oltaş, distributor of Continental tires, reported sales of $37 million.

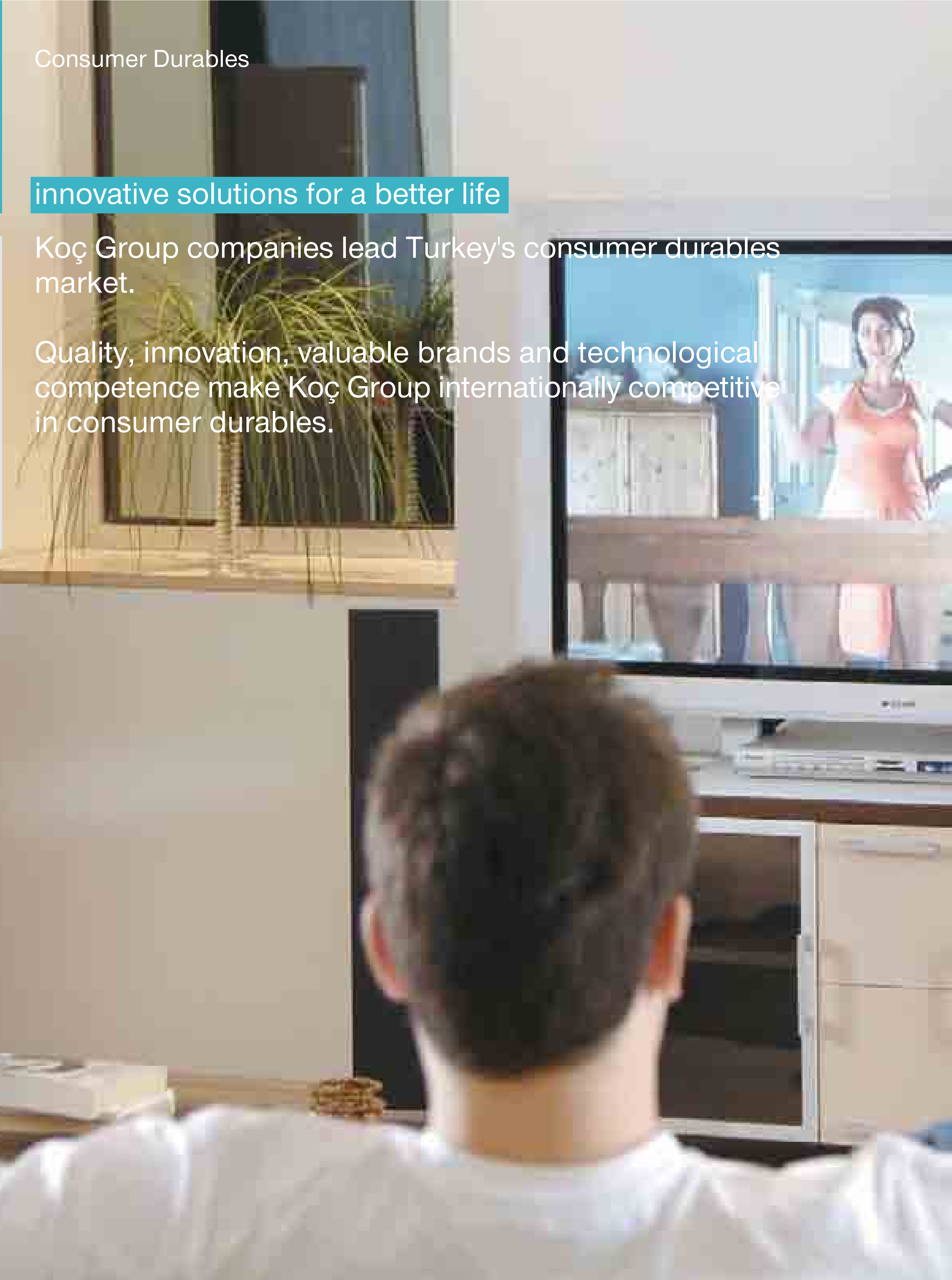
Döktaş, the fifth largest foundry in Europe, had revenues of $260 million. With its high quality products for the international automotive industry, the Company's exports amounted to $154 million.

Consumer Durables

innovative solutions for a better life

Koç Group companies lead Turkey's consumer durables market.

Quality, innovation, valuable brands and technological competence make Koç Group internationally competitive in consumer durables.



Arçelik in Europe

4th

Arçelik with revenues of $3.8 billion, has become Europe's 4th largest household appliance manufacturer.

Beko Elektronik in Europe

2nd

Beko Elektronik, with production of almost 6 million TV sets per year, is the 2nd largest television manufacturer in Europe.

Turkey's annual household appliance production exceeds 12 million units.

Market overview

The household appliance sector expanded by 3%.
Turkey has a share of 2% in the $122 billion global household appliance market. In recent years, favorable macro economic conditions contributed to strong growth for the consumer durables industry in the domestic market. Following a record 66% increase in domestic sales driven by the deferred demand in 2004, sales rose by 3% in 2005. Dishwashers, which have a relatively low penetration ratio, enjoyed the highest rate of growth.

Total production of household appliances exceeded 12 million units. At the same time, imports contracted by 3% due to the 40% decrease in washing machine imports.

In 2006, the sector is expected to grow by 5% in the domestic market and by 15% in exports. In the years ahead, continuing macroeconomic stability is the crucial factor driving sales.

Total sales of major household appliances in Turkey (000 units)

	Total Sales	Growth (%)	Imports 2005	Growth (%)
Refrigerators	2,108	5.2	63	44.6
Washing machines	1,831	(4.5)	113	(39.5)
Dishwashers	629	19.7	200	13.0
Ovens	622	3.8	50	56.7
Total	**5,189**	**2.9**	**426**	**(3.1)**

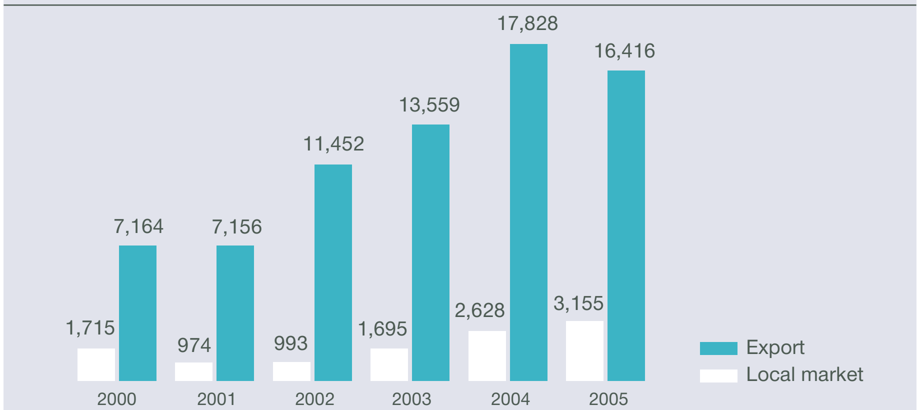
Source: White Goods Manufacturers Association (BESD)

Production and export of major household appliances in Turkey (000 units)

	Production 2005	Growth (%)	Exports 2005	Growth (%)
Refrigerators	5,538	4.3	3,640	20.8
Washing machines	4,382	10.6	2,680	20.8
Dishwashers	783	19.3	366	36.3
Ovens	1,660	(3.2)	1,102	(16.9)
Total	**12,363**	**6.2**	**7,788**	**14.1**

Source: White Goods Manufacturers Association (BESD)

Turkey's TV sales (000 units)



Export growth in white goods

14%

Exports of white goods rose by 14.1% in 2005. Dishwasher exports rose sharply by 36.3%.

20% increase in TV sales

TV sales in the local market grew by 20% in 2005 as the total number of TVs sold exceeded three million, driven by low prices for small screen TVs and increase in sales of LCD and plasma sets.

Export of television sets slipped by 8% mainly due to weak demand in Europe for CRT sets. TV production in Turkey declined by 4% in 2005 to 19.6 million units.

Growth in the heating sector driven by revival of the construction sector

The heating sector in Turkey grew by 30% in 2005 as a result of the rapid expansion of the construction sector over the last two years and the rapid spread of natural gas usage. In line with the increase in per capita income in recent years, there has been a significant increase in the number of natural gas subscribers and consequently notably higher demand for heating equipment.

Overall demand for combustion boilers rose by 30% in 2005 to 500,000 units while sales of panel radiators increased by 20%. The construction industry, driven by mass housing projects and housing loans, is expected to be a main growth factor in the heating sector in 2006 as well.

Koç Group Consumer Durables Segment

Koç Group continued to lead the consumer durables sector in 2005 in both production volume and sales revenue.

Sector leadership
Koç Group companies active in the consumer durables sector continued to be the leader in 2005 in both production volume and sales revenue.

The consumer durables segment reported revenues of $5,405 million in 2005, 4% higher than the previous year. Of this, $4,723 million are external revenues, constituting 26% of Koç Holding's consolidated revenues. Inter segment revenues mainly consist of exports made through Ram (the Group's foreign trade company).

Gross profit was up by 2% to $1,245 million while gross profit margin remained steady at 23%. The 18% decline in operating profit is attributable to the difficulties faced by Beko Elektronik due to the trends in the sector.

The segment's total assets increased by 10% to $4,482 million, while net combined assets rose by 1% to $1,787 million. Capital expenditures amounted to $209 million, accounting for 23.9% of Koç Holding's consolidated figure.

Consolidated financial results

	2005* ($ in millions)	2005 (YTL in millions)	2004 (YTL in millions)	Change (%)
External Revenues	4,723	6,338	5,841	9
Inter segment revenues	682	915	1,134	(19)
Total revenues	5,405	7,253	6,975	4
Cost of sales	(4,160)	(5,582)	(5,340)	5
Gross profit	1,245	1,671	1,635	2
Operating expenses	(954)	(1,280)	(1,154)	11
Administrative	(242)	(325)	(337)	(3)
Selling and distribution	(662)	(888)	(754)	18
Research and development	(50)	(67)	(63)	6
Inter segment profit elimination	9	12	12	3
Operating profit/(loss)	300	403	493	(18)
Gross margin		23.0%	23.4%	(0.4)**
Operating margin		5.6%	7.1%	(1.5)**
Total assets	4,482	6,014	5,449	10
Net assets	1,787	2,397	2,375	1
Capital expenditures	210	281	339	(17)
Depreciation and amortization	150	201	199	1

* Convenience translation with year end YTL1.3418 = $1.00 exchange rate
** Change expressed as the difference between percentages

Koç Group consumer durables segment

Major Koç Group companies in the consumer durables segment

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

Share in Koç Group's total revenues

26%

The consumer durables segment reported revenues of $5,405 million in 2005, 4% higher than the previous year. $4,723 million derived from external revenues. The sector contributes 26% of Koç Holding's consolidated revenues.

Technological innovation, astute strategies and a consistent vision have made Arçelik one of the top consumer durables manufacturers in Europe.

Arçelik

50 years of experience
Established in 1955, Arçelik marked its 50th anniversary in 2005.

Arçelik continued to grow rapidly in 2005, fortifying its position as one of Turkey's multinationals. The Company is the clear leader in the local white goods market with 58% market share in sales. In 2005, Arçelik also accounted for 58% of the total production and 53% of total exports of white goods in Turkey.

Arçelik's 50 years of experience support technological innovation, astute strategies and a consistent vision that have made Arçelik one of the top consumer durables manufacturers in Europe. "High quality products, a strong sales organization and efficient after sales service" is the formula that drives Arçelik's success.

Share in the white goods market

58%

The clear leader in the local white goods market, Arçelik enjoys a market share of 58% in sales and production and a 53% share in sector's exports.

Consolidated revenues of $3.8 billion make Arçelik the 4th largest in Europe
Arçelik has achieved a continuous increase in consolidated revenues over the past four years. In 2005, revenues rose by 4%, exceeding $3.8 billion, making the Company the 4th largest household appliance manufacturer in Europe.

In the local market, sales improved by 12%. A 9% increase in international sales volume brought total international revenues to $1.5 billion or 39% of total revenues. Arçelik aims to raise international revenues to over 50% of total sales in the years ahead. Arçelik boosted production by 6% in 2005 to 7.9 million units in four major product groups.

Higher profitability
With a gross profit margin of 25%, Arçelik increased operating profit by 5% to $304 million in 2005. Income before interest, taxes and depreciation increased by 5% and reached $416 million representing EBITDA of 11%. Net income rose by 8% to $233 million. The Company's net income has risen twice as fast as revenues over the past two years.

Arçelik invested $186 million in 2005 to increase capacity and develop new products.

A new venture in Russia
Arçelik broke ground for a washing machine and refrigerator factory in the Vladimir region of Russia, 100 km from Moscow, in June 2005. The decision to start manufacturing activities in Russia is based on the size and growth potential of the market, geographic proximity, low penetration ratios and purchasing power. The factory is expected to go on-stream in the second half of 2006 with an annual production capacity of 900,000 units per year. Arçelik will invest $70 million in the project as part of its international expansion strategy.

Arçelik sells products and services to more than 100 countries around the world. International sales have increased by an average of 35% annually between 2000-2005 and the Company targets an 19% increase in 2006.

Arçelik in China
As part of its long-term international production strategy, Arçelik will enter the Chinese market in 2006.

Higher production volumes providing cost advantages through economies of scale and price competition of manufactures from the Far Eastern countries pose a significant threat to many industries, including consumer durables.

China is an attractive country for Arçelik due to the rapid growth of the consumer market, low-cost manufacturing possibilities and the logistic advantages it offers in the Far East region.

Initially, Arçelik established a sales and marketing company in Shanghai. In March 2006, Arçelik started exporting of washing machines and dishwashers to China. These exports will serve to test the market as a first step toward establishing a manufacturing facility in China in the future.

Expansion of product portfolio and new business lines
Arçelik's mission is to provide consumers with goods and services that raise the quality of life. In line with this mission, the Company is expanding into new business lines. Arçelik entered the furniture sector with the Arstil brand in 2004 and by the end of 2005 reached its target of 80 stores.

In addition, Arçelik started distributing Sony consumer electronics products through the Arçelik and Beko dealer network in an effort to complement its product range.

Innovation
The ability to use technology creatively is one of the most important aspects driving Arçelik's success. In the last three years, Arçelik produced 13% of all patent applications in Turkey and 45% of applications made from Turkey to the World Intellectual Rights Organization. Developing its own technology and protecting its products with over 300 licenses is part of Arçelik's corporate culture.

Objectives and strategies
Arçelik targets revenues of $4.2 billion in 2006, representing a total unit increase of 14% (6% domestic and 19% international). The Company plans to invest $150 million during the year.

Arçelik's new vision is to become one of the ten most preferred brands in consumer durables in the world by 2010.

Beko Elektronik, with an annual production capacity of 8.5 million TV sets, utilizes the advantages of economies of scale to the maximum extent. The Company offers a wide range of products and models to customers due to its strong research & development capability and state-of-the-art technology.

Beko Elektronik

Europe's 2nd largest TV producer
With production volume of almost six million units, Beko Elektronik is Europe's 2nd largest TV producer.

The Company's 2005 revenues totaled $1,636 million. Beko Elektronik has a strong position in the local market, with a market share of 33% and sales volume of over one million units.

During the year, as a result of the transition from analog technology (CRT) to digital technology (LCD and Plasma), Beko Elektronik's total production declined by 22%. The absence of major international sports events during the year also depressed sales. However, the reduction in revenues was limited to 2%, thanks to the high value added of digital products and the successful performance of Grundig.

Beko Elektronik has a 16% market share in Europe for television sets.

European market share for TVs

16%

With a production volume of almost six million units, Beko Elektronik is Europe's 2nd largest TV producer with a 16% market share.

Increasing variety of digital products and models

New developments in imaging technology have caused a very pronounced shift in customer preferences.

Beko Elektronik, with an annual production capacity of 8.5 million TV sets, utilizes the advantages of economies of scale to the maximum extent. The Company offers a wide range of products and models to customers thanks to its strong research & development capability and state-of-the-art production technology.

The technology in the segment is moving from analog to digital, and from CRT displays to flat panel type displays. In line with this trend, Beko Elektronik increased production of LCD and plasma sets three-fold while decreasing production of CRT TVs by 33% in 2005.

During this transition from analog to digital technology and from tube to flat screens, Beko Elektronik is diversifying and enriching its digital product range. In 2005, the Company introduced 68 new models to the market. At present, Beko Elektronik produces 175 conventional TV models and 77 different LCD and plasma models, including a new generation of dual-use products such as CRT-DVD combo and LCD-DVD combo.

TV production in Russia

Beko Elektronik is investing in a manufacturing facility in Russia in the Vladimir region adjacent to Arçelik's refrigerator and washing machine factory. The TV facility, which will use the production line from the Beylikdüzü plant, is scheduled to go on-stream in 2006 with an initial capacity of 700,000 CRT and LCD TVs per year. Beko Elektronik targets gaining 10% of the Russian TV market within two years. The factory in Russia is a significant step in the Company's international expansion strategy. Russia is a very important market due to its growth potential, where Koç Group aims to replicate the success it achieved in retailing, also in consumer durables with the Beko brand.

Success of Grundig in Germany

Early in 2004, Beko Elektronik acquired Grundig's brand name, intellectual property, R&D, sales and after sales service networks in a 50-50 joint partnership with Alba Plc., a UK-based consumer electronics company.

Since the introduction of new marketing, branding and distribution strategies in May 2004, Grundig's market share in Germany has risen from 4.7% to 9% in December 2005, making the Company the second most popular brand in one of Europe's biggest markets.

Grundig has also improved its position in other European markets. As part of the rationalization of the marketing and sales organization, the Scandinavian sales group was restructured and brought under unified management. These efforts resulted in significant cost savings while positively impacting profitability.

Grundig branded products were also launched in the Turkish market in 2005.

The repositioning of the internationally known Grundig brand is a key element of Beko Elektronik's growth strategy.

Rapid growth in ICT products

Beko Elektronik is growing its operations in the Turkish information and communication technology (ICT) market, which is estimated at $2.5 billion.

The Company offers Beko, Arçelik and Keysmart branded desktop and laptop personal computers, monitors, digital cameras, PDAs, memory sticks and UPS cables while also distributing leading international brands of ICT products.

Beko Elektronik's ICT products revenues reached $140 million in 2005, only three years after entering this market segment, and $170 million is targeted in 2006.

Beko Elektronik also leads the domestic market for gas pump cash registers, now mandatory in Turkey, with a 50% share. Satellite receivers (STB) are another rapidly growing export item for Beko.

Demirdöküm gained local market share in all product categories in 2005, enhancing its leadership in the heating and cooling segments.

Demirdöküm export growth

30%

Demirdöküm's export revenues grew by 30% to $142 million in 2005.

Demirdöküm

The sector leader

Demirdöküm leads the market for water heating appliances, combination boilers, boilers, panel and cast iron radiators.

Demirdöküm gained local market share in all product categories in 2005, enhancing its leadership in the heating and cooling segments.

Following the replacement of the previously licensed combination boiler product range by a new series developed by the Company, 2005 sales increased by 58% to 221,000 units. Total revenues increased by 16% to $426 million.

Demirdöküm benefits from the growing natural gas network in Turkey as more and more households convert to natural gas. Falling interest rates and the plans to introduce a mortgage system is expected to spur housing demand, which will create further demand for the Company's products.

Expansion of manufacturing activities in China

Demirdöküm has started production of towel rails, instant water heaters and electric radiators in China with its partner Chung Mei. A portion of these products are exported to Turkey and third counties, while combination boilers and panel radiators produced in Turkey are also sold in China.

Efforts to reduce dependence on the domestic market and take advantage of growth opportunities in foreign markets generated strong growth in international revenues. Exports increased by 30% in 2005 to $142 million.

Demirdöküm will continue to pursue growth in 2006. Following the transfer of the production line acquired form German Schaefer, the Company will become the largest manufacturer of panel radiators in Europe.

Arçelik-LG

Global partnership in air conditioning

In a 50-50 JV with LG Electronics, Arçelik-LG manufactures room air conditioners and is the domestic market leader with its products sold under various Koç Group brands. Its total sales volume grew by 47% in 2005 to over 400,000 units.

enjoying the taste of quality

For more than half a century, Koç Group has sought to provide the highest quality goods at the best terms in the food and retail segment.

Increase in total revenues

24%

The food & retailing segment succeeded in raising revenues by 24% in 2005.

Nationwide sales points reached

174,000

Düzey services 174,000 sales points as of 2005.

Food and Retailing

Competition between major local and foreign names in Turkey's retailing sector is intensifying.

Retailing market overview

Changing retail landscape
In 2005 several major changes occurred in the Turkish retail sector. The awaited consolidation among national large-scale retail chains has for the most part been completed through acquisitions and mergers.

In line with this, Migros acquired Tansaş in November 2005. In addition to the consolidation on the national scale, the sector has also witnessed M&A activity among smaller regional players.

Intense competition
Competition between major local and foreign names in Turkey's retailing sector is intensifying.

The organized retail sector started to expand in Turkey in the 1990s and is currently in a period of growth and restructuring. In the last eight years, the number of organized retail outlets has climbed by 159%; in the same period, the number of hypermarkets with floor space above 2,500 m^2 has risen to 160 and the number of supermarkets reached 5,385.

Share in Koç Group total revenues

15%

Total revenues of the Food and Retailing segment rose by 24% to $2,729 million in 2005, constituting 15% of Koç Holding's consolidated revenues.

The organized retail sector in Turkey comprises only about 30-35% of the whole sector compared to 80% in EU countries.

The small share of the organized sector underlines its potential for growth. Unorganized and unrecorded food retailers continue to dominate the sector causing a loss of revenue for the government and unfair competition. Integration with the European Union and enforcement of new regulations are expected to favor the organized retailing sector. During this period, the share of organized retailing in the total retailing sector will rise, further benefiting the consumer.

DIY market continues to grow
Do-It-Yourself (DIY) markets have great potential in developing economies such as Turkey. The size of Turkey's DIY market is around $6 billion. Only about 4-5% of this market is organized, made up mostly of international chains.

Food market overview

Growth potential
Food production is an important part of the Turkish economy.

Product and service quality is becoming increasingly important in the sector, where price has traditionally been the major competitive factor. The share of the sector in total consumer spending is rising rapidly since mid-2005, underlining the growth potential.

Strong leadership position in the Food & Retailing sector
Koç Group has been a pioneer in introducing modern retailing to Turkey. Total revenues of the Food and Retailing segment rose by 24% to $2,729 million in 2005, constituting 15% of Koç Holding's consolidated revenues.

Gross margin improved by 0.7 points and increased to 20.1%. Gross profit increased by 28% to $549 million while operating profit amounted to $84 million. Operating profit margin was up by 1.5 points to 3.1%. The improvement in the results reflects the end results of projects which have been focusing on increasing efficiency and productivity.

The segment's total combined assets rose 56% to $2,280 million while net combined assets were up by 12%. Capital expenditures amounted to $178 million, representing 20% of Koç Holding's consolidated investments.

The local market is expected to grow further as a result of market trends and higher purchasing power, during the integration with the EU. Koç Group seeks to maintain and enhance its leadership in this market in the years to come.

Koç Group food and retailing segment

Major Koç Group companies in the food and retailing segment

Food	Retailing	Distribution
Tat	Migros	Düzey
Tat Tohumculuk	Tansaş	
Tat-Tariş Alcoholic Beverages	Koçtaş	
Koç Ata Sancak	Ramenka (Russia)	
	Rambutya (Kazakhstan)	
	Ramstore (Azerbaijan)	
	Ramstore Bulgaria	
	Ramstore Macedonia	

Consolidated financial results

	2005* ($ in millions)	2005 (YTL in millions)	2004 (YTL in millions)	Change (%)
External Revenues	2,712	3,639	2,941	24
Inter segment revenues	16	22	19	16
Total revenues	2,729	3,661	2,961	24
Cost of sales	(2,179)	(2,924)	(2,385)	23
Gross profit	549	737	575	28
Operating expenses	(478)	(642)	(551)	16
Administrative	(148)	(199)	(171)	16
Selling and distribution	(330)	(443)	(381)	16
Research and development	0	0	0	
Inter segment profit elimination	13	18	22	(19)
Operating profit/(loss)	84	113	46	146
Gross margin		20.1%	19.4%	0.7**
Operating margin		3.1%	1.5%	1.5**
Total assets	2,280	3,059	1,964	56
Net assets	802	1,076	962	12
Capital expenditures	178	239	95	153
Depreciation and amortization	70	94	80	17

* Convenience translation with year end YTL1.3418 = $1.00 exchange rate
** Change expressed as the difference between percentages

With 50 years of experience, Migros is Turkey's largest supermarket chain and the pioneer of the sector.

Migros

Undisputed leader of the sector
Migros, which has been active in Turkey for 50 years, remained the country's largest supermarket chain in 2005.

Migros sells a wide variety of food and consumer goods to both consumers and wholesalers and operates shopping centers in Turkey and abroad.

Consolidated sales up 18%
Consolidated net sales of the Company increased by 18% to $2,002 million in 2005. Consolidated gross profit amounted to $474 million. Gross profit margin increased to 23.7% from 22.5% the previous year. Operating profit rose by 39% to $80 million, which corresponds to a 4.0% operating profit margin, compared to 3.4% in 2004. This increase is attributable to the performance in domestic operations. Migros reported pre-tax profit of $73 million and net income of $55 million for the year.

Gross profit margin

23.7%

Migros posted consolidated gross profits of $474 million. Gross profit margin improved from 22.5% to 23.7%.

Acquisition of Tansaş fortifies Migros' market position
Migros, together with Koç Holding, acquired a 78.1% stake in national supermarket chain Tansaş for $449.1 million in 2005. Its shareholding increased to 81.7% through a tender call for minority shareholders.

This acquisition fortifies the leadership of Migros and strengthens the position of Koç Group in the organized retail sector. Migros and Tansaş will be merged by mid-2006. This operation will raise the sales volume to the level originally targeted for 2013.

Tansaş is a well-established and respected player in the Turkish retailing sector. Considering the strong brand value of Tansaş, particularly in the Aegean region, the brand name will be conserved. Similarly, the upscale Macro supermarket chain that belongs to Tansaş and the existing chain of Şok discount minimarkets will retain their own brands. This multi brand strategy will enable Migros to serve all consumer segments.

Serving the local market through 722 points
Migros operates a total of 505 stores and five shopping centers in seven regions in Turkey. With the addition of Tansaş, the group reached a total of 722 stores in 46 cities with a total sales area of 477,000 m^2 by the end of 2005.

Integration with Tansaş will increase efficiency and sales volume in 2006. The group intends to open 70 new stores during the year to keep up the pace of growth.

Leader in CRM applications
Migros gives utmost importance to providing customers with the best service quality. Migros Club Card, the most successful CRM application in the sector, providing promotions and special discounts to holders, has reached 4.5 million members.

61 stores in five countries
Migros has grown into an increasingly important regional retailer with 61 stores and 12 shopping centers in five countries: Russia, Kazakhstan, Azerbaijan, Bulgaria and Macedonia.

Migros continued its international expansion in 2005, opening 17 new stores and four shopping centers. The opening of the first store in Macedonia brought the number of countries served by Migros to five.

In 2006 Migros plans to open 31 new stores and seven shopping centers, and to enter the Ukrainian market. Migros aims to attain international sales revenues of $1 billion, and become a strong regional chain.

Domestic Stores

	End-2005	End- 2004
Hypermarkets (Migros)	3	3
Supermarkets (Migros)	191	176
Discount markets (Şok)	311	283
Tansaş+Macro	217	-
Total	722	462

International Stores

	Hypermarkets	Supermarkets	2005 Total	Hypermarkets	Supermarkets	2004 Total
Russia	10	39	49	7	25	32
Kazakhstan	1	4	5	1	4	5
Bulgaria	-	3	3	-	4	4
Azerbaijan	-	3	3	-	3	3
Macedonia	1	-	1	-	-	-
Total	12	49	61	8	36	44

Koçtaş intends to continue its successful penetration of the market by opening three new stores in 2006.

Koçtaş

Rapid growth

Koçtaş is a 50-50 JV with the UK-based Kingfisher/B&Q group active in the Do-It-Yourself (DIY) retailing segment. In 2005, Koçtaş opened two new stores, one on the European side of Istanbul and one in Edremit in the northern Aegean region, bringing the total number of stores in Turkey to seven, with 33,000 m^2 total sales area. Revenues increased by 33% to $112 million.

Koçtaş will keep up the pace of growth by opening three more stores in 2006 and strengthen the leadership achieved in 2005.

Increase in Koçtaş sales

33%

With seven stores and 33,000 m^2 total sales area, Koçtaş boosted sales by 33% to $112 million in 2005.

Tat Gıda

Focusing on Efficiency

Following the merger of the operations in food sector under Tat in 2004, the Company stepped up its marketing activities by launching new products and re-launching existing brands. In 2005, the Company focused on increasing efficiency in production, selectively growing in profitable categories and divesting loss-making operations.

Tat relocated its dairy plant next to its tomato processing plant in 2005. This move provides benefits for both suppliers and management and has reduced the cost of raw materials. In addition, the Yenişehir tomato paste factory was closed following the end of the production season. This move significantly increased the efficiency of the tomato paste production.

As a result of these restructuring efforts, Tat's revenues reached $261 million in 2005. The net operating loss was reduced from $42 million to $15 million and the net loss for the period fell from $40 million to $11 million.

A leader in tomato products

Tat tomato paste and other tomato products are among the most recognized brands in the local market. The Company maintained its high market share in tomato products in 2005. Significant improvements were achieved in the cost of raw materials by more efficient inventory and production planning, while one of the tomato processing plants was closed. The Company expects to see the impact of these structural changes as profit margin improvements in 2006 and 2007.

Among the top three in the market

Tat's other brands also gained market share in 2005, while the Company introduced nine new products to the market. Maret's processed meat products, Tat mayonnaise and SEK milk rank 3rd in their respective segments.

Partnership with Tariş

The 50-50% joint venture of Tat and Tariş (Turkey's biggest union of agricultural sales cooperatives) started production of “rakı”, Turkish anise liquor, in a new $18 million factory located in Manisa-Alaşehir in western Turkey. The factory has an annual capacity of 5 million liters with the necessary infrastructure to increase capacity to 10 million liters. The Company introduced two brands of rakı to the market during the year, Mercan and Fasıl.

Düzey

Supplying 174,000 sales points across the country

Düzey is the sales and distribution company for various brands belonging to Tat, including Mercan and Fasıl branded rakı, and BAT (British American Tobacco) products. As of 2005, Düzey is supplying 174,000 sales points across the country. The Company reported total revenues of $670 million for 2005.

energy for a happy future

The acquisition of 51% of Tüpraş, Turkey's largest industrial company, was one of the most important steps taken by the Koç Group in 2005. The addition of Tüpraş to its portfolio makes Koç Group the leader in Turkey’s energy sector, combined with its long established leadership in LPG distribution and its rapidly expanding petroleum product distribution activities. Koç Group's target is to be a key energy player in the Mediterranean.

Total increase in revenues

+10%

Total revenues of Koç Group energy companies increased by 10% in 2005 to $3.621 million.

LPG market share

30.5%

Koç Group has a 30.5% share in Turkey's highly competitive LPG market comprising more than 50 companies.

Energy

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

Market Overview

Transformation in Turkey's energy sector continues
Turkey has embarked on a far-reaching reform program to deregulate the energy sector in order to pave the way for private capital investment and market competition.

In line with this program, product prices for fuel and LPG were deregulated in 2005 and Tüpraş, Turkey's largest industrial enterprise and sole refinery, was privatized through a competitive tender.

Petroleum Market Law: liberalization to encourage development of the sector
The Petroleum Market Law, which went into effect in 2005, introduced important measures that liberalize the Turkish petroleum market, set standards and regulate the sector.

Deregulation of product prices and elimination of import quotas were the most important changes introduced by the new law, encouraging the development of the energy sector. Licensing is executed by the Energy Market Regulatory Board (EPDK), ensuring the healthy operation and regulation of the fuel market.

Stable outlook for the LPG market
Total LPG consumption slightly decreased by 2% in 2005 due to higher taxation of cylinder and bulk LPG compared to natural gas and other substitute fuels and expansion of the natural gas pipeline network. Auto LPG remains the first choice of commercial vehicles due to the cost savings it provides despite the elimination of its tax advantage.

Crude oil prices spiral upward
Crude oil prices have risen significantly in recent years parallel to the economic growth seen in China and the United States. ICE Brent crude price rose from $39.8/barrel at the end of 2004 to $58.7 at the end of 2005. Crude oil prices are expected to remain high through 2006.

Despite rising prices, consumption of petroleum products (gasoline, diesel, kerosene, heating fuel and lubricants) in Turkey decreased by only 3% in terms of tonnage. The size of the Turkish fuel market increased from $16 billion in 2004 to $22 billion in 2005.

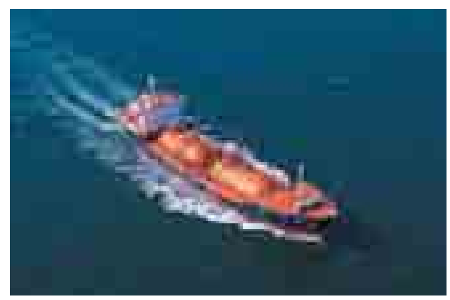
Total consumption of petroleum products reached 20.3 million cubic meters. Consumption of white products (gasoline and diesel) remained stable while consumption of black products (fuel oil) declined by 12.4% due to the increasing use of natural gas.

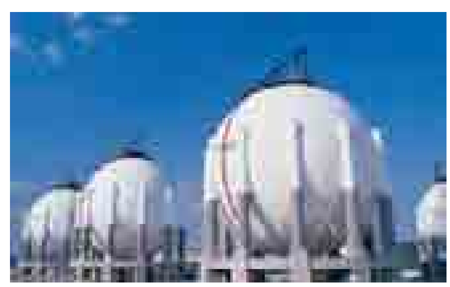
Consumption of LPG Products in Turkey

2005	Consumption (000 tons)	Growth (%)
Cylinder	1,557	(6)
Bulk	383	(16)
Auto	1,752	7
Total	3,692	(2)

Consumption of Petroleum Products in Turkey

2005	Consumption (million m^3)	Growth (%)
White Products	16.4	(0.3)
Black Products	3.9	(12.4)
Total	20.3	(2.9)





Koç Group Energy Segment

Koç Group intends to enlarge and improve the operations of Tüpraş, the 7th largest refinery in Europe with an annual capacity of 27.6 million tons.

10% increase in total revenues
Total revenues of Koç Group's energy companies increased by 10% to $3,621 million in 2005. $3,545 million of this figure was derived from external revenues and accounted for 19.5% of the Group's consolidated revenues. The decline in profitability experienced in 2004 was reversed in 2005. Gross profit was up by 11% to $299 million, while operating profit jumped by 69% to $104 million.

Gross profit margin improved slightly by 0.1 point while operating profit margin was up 1.0 point. The segment's total combined assets increased by 12% to $1,661 million, while net assets rose by 7%. Net combined assets of the energy sector companies reached $1,024 million.

The segment's capital expenditures amounted to $152 million or 17.4% of Koç Holding's consolidated figure.

These results do not include Tüpraş as the transfer of shares took place in 2006. The Company will be included in the consolidation starting from 2006.

Koç Group remained the leader of Turkey's highly competitive LPG market with a 30.5% share. The Group ranks fourth in petroleum products distribution with a market share of 13.2%

Share in Koç Holding's total revenues

19.5%

Companies in the energy segment generated 19.5% of Koç Holding's total consolidated revenue.

Koç Group energy segment

Major Koç Group companies in the energy segment

LPG Distribution & Trade	Petroleum Products Distribution	Industrial Gases	Electricity & Natural Gas	Mining
Aygaz	Opet	BOS	Entek	Demir Export
Mogaz	Opet-Aygaz Bulgaria		Eltek	
Akpa			Koç-Statoil Gaz	

Consolidated financial results

	2005* ($ in millions)	2005 (YTL in millions)	2004 (YTL in millions)	Change (%)
External Revenues	3,545	4,756	4,329	10
Inter segment revenues	76	102	105	(3)
Total revenues	3,621	4,859	4,434	10
Cost of sales	(3,322)	(4,457)	(4,071)	9
Gross profit	299	401	363	11
Operating expenses	(218)	(292)	(300)	(3)
Administrative	(87)	(116)	(121)	(4)
Selling and distribution	(130)	(174)	(176)	(1)
Research and development	(1)	(2)	(2)	(13)
Inter segment profit elimination	22	30	19	58
Operating profit/(loss)	104	140	82	69
Gross margin		8.3%	8.2%	0.1**
Operating margin		2.9%	1.9%	1.0**
Total assets	1,661	2,229	1,995	12
Net assets	1,024	1,374	1,288	7
Capital expenditures	152	204	157	30
Depreciation and amortization	99	133	125	7

* Convenience translation with year end YTL1.3418 = $1.00 exchange rate
** Change expressed as the difference between percentages

Acquisition of Tüpraş

Koç Group acquired a 51% stake in Tüpraş in 2005 as a result of a privatization tender. The tender, organized by the Privatization Administration, took place on September 12, 2005 and attracted nine Turkish and foreign bidders. The Koç-Shell Consortium, formed by Koç Holding, Aygaz, Opet and Shell won the tender with the highest bid of $4.14 billion.

The sale was approved by the Privatization Administration on November 7, 2005 and published in the Official Gazette issue number 25987 on November 8, 2005. The share transfer agreement was signed on January 26, 2006 in Ankara by the Privatization Administration and Energy Investments Inc. (Enerji Yatırımları A.Ş.), an acquisition company established by the Koç-Shell Consortium. The purchase price of $4.14 billion has been paid in full, completing the block sale process of 51% of Tüpraş.

Europe's 7th largest oil refinery

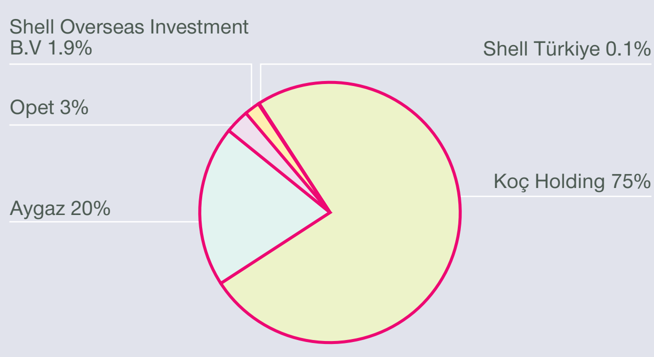
Tüpraş is Europe's 7th largest oil refinery with an annual capacity of 27.6 million tons. Tüpraş has two coastal refineries in İzmir and İzmit, two inland refineries in Kırıkkale and Batman, one petrochemical plant and a Maritime Transportation Company. Tüpraş supplies approximately 70% of Turkey's petroleum products.

Limited additions to refining capacity in the face of higher world demand has increased the value of Tüpraş and its importance for Turkey.

Tüpraş is distinguished from other European refineries by its ability to process low quality crude with high sulfur content. Koç Group intends to enlarge and improve the operations of Tüpraş. The Group aims to create higher value added for Turkey through its investments in Tüpraş to increase capacity, improve product quality and composition, and ensure environmental compliance.

Koç Group's target is to make Tüpraş a key energy player in the Mediterranean in the years ahead.

Enerji Yatırımları A.Ş. shareholder structure



Aygaz is Turkey's largest LPG distributor with a sales volume of 1.1 million tons, making it the 10th largest industrial company.

Aygaz

The undisputed leader of Turkey's LPG sector
Aygaz is the largest LPG distributor with a sales volume of 1.1 million tons, making it the 10th largest industrial company in Turkey, according to the annual survey published by the Istanbul Chamber of Commerce.

Aygaz is active in LPG sourcing, storage, filling and distribution services, production and marketing of cylinders, valves, regulators, LPG storage tanks, heaters and patio heaters in domestic and international markets. Aygaz gives utmost importance to customer satisfaction and has built a nationwide presence in 81 provinces and almost 4,000 towns in order to be able to respond quickly to the needs of its customers and dealers.

Aygaz exports increase

39%

Total exports of Aygaz rose by 39% in 2005 to $212 million.

Modern techniques increase customer satisfaction
Aygaz operates 12 LPG storage and filling facilities throughout Turkey at world standards, using state-of-the-art technology. LPG supplied from domestic refineries and imported from foreign sources, is transported to the filling facilities by pipelines, sea and land tanker fleets. From these facilities, LPG reaches the consumers as cylinder LPG, bulk LPG and auto LPG via Aygaz dealers all around Turkey. Aygaz provides uninterrupted and guaranteed service to its customers by using such advanced processes as computerized customer code system, automatic cylinder ordering system and wireless distribution system.

Logistics superiority, higher exports
Aygaz's marine LPG fleet, the first in Turkey, gives the Company logistics superiority over its competitors. The Company operates four high capacity, specially equipped LPG tankers. In addition to marine transport and pipelines, Aygaz supplies LPG also via 22 m^3 and 45 m^3 tanker trucks to its filling facilities. Aygaz LPG equipment and gas appliance products, such as LPG cylinders, mobile heaters, barbecue grills, patio heaters, LPG valves and regulators or storage tanks, are exported to over 40 nations. The Company also handles a significant share of LPG exports from Turkey to Iraq. Total exports of Aygaz rose by 39% in 2005 to $212 million.

25% market share
Aygaz has 25% share in Turkey's highly competitive LPG market, in which 52 companies are active. Aygaz also leads the auto gas market with a 17% share.
The number of stations selling Aygaz auto LPG increased to 472 during the year.

Opet-Aygaz Bulgaria, established jointly by Aygaz and Opet in 2003, is Koç Group's first energy related international venture. The Company operating in the Bulgarian LPG and fuel retail markets, expanded its network of gas stations to 17 during the year.

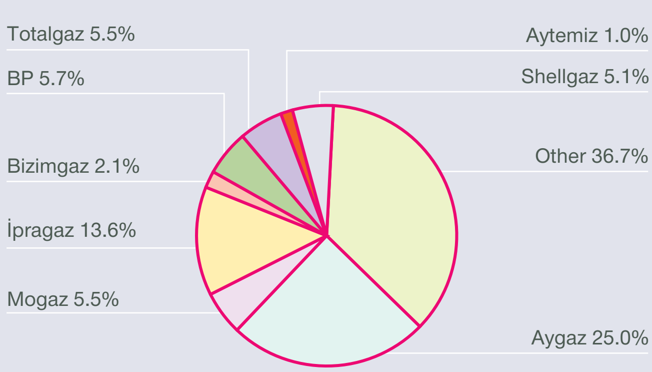
Mogaz

A proactive distribution network of 600 dealers
Mogaz, the other LPG company of the Group, is active in all three segments of the market and distributes its products and services under the Mogaz and Lipetgaz brands. The Company has a 5.5% market share through its network of 600 dealers. The number of stations selling Mogaz/Lipetgaz auto LPG increased to 376 during the year.

Koç Group LPG Market Share

2005 (%)	Aygaz	Mogaz	Total Koç
Cylinder	32.9	5.0	37.9
Bulk	30.9	10.6	41.4
Auto	16.6	4.8	21.4
Total	25.0	5.5	30.5

Market shares in Turkey's LPG market



Opet continued to expand its retail presence by opening 103 new stations in 2005, reaching a total of 1,220 stations.

Opet

Building the largest storage capacity in Turkey

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

Opet succeeded in increasing its market share in white products (gasoline and diesel) from 11.5% in 2004 to 12.7% in 2005 and currently ranks fourth in this segment.

Demand for black products (fuel-oil) fell in 2005 due to the spread of natural gas and Liquefied Natural Gas (LNG). Opet decreased its market share in this segment from 20.3% to 15.3%, in line with company policy, and ranks the third in the segment.

Opet seeks to strengthen its operations in lubricants. In June 2005, the Company established Opet-Fuchs Lubricants company as a 50-50 joint venture with Fuchs Petrolub AG of Germany, world's largest independent lubricant manufacturer, to produce and distribute industrial lubricants.

Marmara Ereğli Terminal Project

Opet's existing terminal capacity of 351,000 m^3 is the second largest in Turkey. In 2006, with the completion of the new 453.000 m^3 Marmara Ereğli terminal, the Company will have the largest storage capacity in the country.

1,220 gas stations

Opet continued to expand its gas station chain in 2005 by opening 103 new stations, bringing the total number of stations to 1,220, 638 of which operate under the SUNPET brand.

In 2005 Opet introduced the innovative Fuel Warranty System for new Ford-Otosan, Fiat and Iveco vehicles and New Holland Trakmak farm tractors. The warranty, effective if the vehicle continuously uses Opet fuel, covers 100% of any fuel related damage.

Share in white products

12.7%

Opet succeeded in increasing its market share of white products (gasoline and diesel) from 11.5% in 2004 to 12.7% in 2005 and ranks fourth in this segment.

Entek ve Eltek

Electricity for Bursa and İzmit
Entek, Koç Group's power generation company has two natural gas fired cogeneration plants in Bursa and İzmit with a total capacity of 300 MW. The Company posted revenues of $130 million in 2005. Eltek, established in 2004, operates in the wholesale electricity market and had revenues of $28 million in 2005.

BOS

Number two in industrial and medical gases
BOS, Turkey's second largest industrial and medical gas company, has a 21% market share. The Company started as a joint venture with the BOC of UK but has been wholly owned by Koç Group since the acquisition of the partner's shares by Aygaz in February 2004.

Akpa

LPG, fuel and consumer durables
Akpa, formerly known as Bursa Gaz, is active in LPG distribution, fuel marketing and consumer durables retailing in various provinces in Turkey. Revenues of the Company amounted to $179 million in 2005.

Demir Export

A well-known name in supply and extraction of coal and iron ore
Demir Export is a supplier and extractor of coal and iron ore. Besides its long established activities in Turkey's mining sector, Demir Export operates two stone quarries in the United Arab Emirates. Although managed by Koç Holding, the Company was not a subsidiary in 2005.

Koç-Statoil Gaz

A Koç-Statoil joint venture
Koç-Statoil Gas, a 50%-50% joint venture with the Norwegian oil and natural gas company Statoil, was established in April 2004. Currently active in wholesale and transmission of liquefied natural gas (LNG). Koç-Statoil Gas plans to add compressed natural gas (CNG) wholesale to its activities in 2006. The Company posted revenues of $14 million in 2005.

Finance

the power to realize dreams

Koç Holding operates in the banking, non-banking financial services, insurance, private pension and consumer finance areas through Koç Financial Services (KFS), Koç Allianz and Koçfinans. The acquisition of 57.4% of Yapı Kredi Bank by Koçbank is a significant step by Koç Holding to improve its services and strength in the financial sector.

KFS Group Return on Equity

19.7%

KFS posted consolidated net earnings of $268 million in 2005, resulting in a return on equity of 19.7%.

KFS Group total asset growth

236%

KFS Group's total assets grew by 236% from $9.5 billion in 2004 to $31.8 billion following the acquisition of Yapı Kredi in 2005.

Economic growth had a favorable impact on the banking sector in 2005 as total assets climbed by 29.5% to $296 billion.

Banking and Insurance

Banking sector continues to make strong advances
Economic growth had a favorable impact on the banking sector in 2005 as total assets climbed by 29.5% to $295.6 billion, up from $228.3 billion a year earlier.

The decrease of marketable securities portfolio as a share of total assets, the increasing importance of loans in sectoral balance sheet and the decline of non-performing loans reflect the healthy development of the Turkish banking sector and indicate a higher degree of support for the real sector.

Total loan volume for the sector, based on 2005 figures, rose by 50.9%, mainly due to retail loans, including housing loans and loans to small and medium size businesses. The share of Turkish Lira deposits in total deposits increased by 27.2%. The deposit base is expected to continue its pattern of sound growth as a result of new tax regulations.

The low-cost of foreign borrowing encourage Turkish banks to tap international markets. In 2005, banks secured a total of $5.8 billion in structured finance and syndicated loans.

As of end-2005, 47 banks were operating in Turkey. The total number of branches stood at 6,247 and the number of employees at 132,258.

The banking sector is likely to continue growing in 2006. Interest rates are expected to decline parallel to the contraction in inflation, increasing the size of loan portfolios while reducing the cost of funds. The ratio of loans to GDP is expected to rise in 2006 as housing loans, other consumer loans and loans to small and medium size businesses gain importance. The share of private sector banks in the sector will increase as well as the attractiveness of retail and private banking.

Interest of foreign banks picks up
The interest of foreign investors in the Turkish banking sector intensified in 2005, with the TEB-Banque Paribas and Garanti Bank-GE Consumer Finance partnerships. Dışbank was sold to the Fortis Group. In early 2006, National Bank of Greece (NBG) acquired 46% of Finansbank, indicating that sales to foreign banks will continue to gain steam. Plans to privatize the state banks is another issue that will affect the banking sector in the future.

The very low penetration of banking products in provincial cities and among certain segments of the population, signals the high growth potential in the sector.

Insurance sector expands by 21%
The insurance and pension sector posted total premium production of $6.3 billion in 2005, 21% higher than the previous year.

While insurance achieved a nominal growth of 15.1% to reach $5.8 billion, pension companies experienced a growth of 204% to reach a total portfolio size of $880 million and annual contributions of $523 million. Intense competition continued to dominate the sector, especially in automobile insurance, making it impossible for companies to make any technical profit from the accident branch.

The insurance sector has also attracted the interest of foreign capital. Groupama International of France purchased 57% of Başak Sigorta and 41% of Başak Pension Company in a block sale held by the Privatization Administration. The insurance sector is expected to continue growing parallel to the economic revival in Turkey. Growth will also be spurred by the introduction of a mortgage system.

Koçbank's acquisition of the controlling share of Yapı Kredi Bank is a milestone for Koç Group.

One of Turkey's largest financial services group
Koç Group is active in banking, brokerage services, asset management, leasing, factoring, insurance and consumer finance.

Revenues of Koç Group banking and insurance companies increased by 42% to $1,845 million, reflecting the addition of Yapı Kredi Bank. $1,787 million of this is generated from external revenues, accounting for 9.8% of Koç Holding's consolidated revenues.

Gross profit margin dropped by 2.5 points to 32.5%. The segment recorded gross profit of $600 million and operating profit of $193 million. Capital expenditures amounted to $13 million, or 1.5% of Koç Holding's consolidated figure.

Total combined assets of Koç Group Banking and Insurance segment amounted to $18.5 billion, while combined net assets increased to $3,023 million.

Major Koç Group companies in banking and insurance segment

Banking	Leasing and Factoring	Asset Management	Insurance	Consumer Finance
Koçbank	Koç Lease	Koç Yatırım	Koç Allianz Sigorta	Koç Finans
Yapı ve Kredi Bankası	Koç Faktoring	Koç Portföy	Koç Allianz Hayat ve Emeklilik	
Koçbank Nederland	Yapı ve Kredi Finansal Kiralama	Yapı Kredi Yatırım	Yapı Kredi Sigorta	
Koçbank Azerbaijan	Yapı Kredi Faktoring	Yapı Kredi Portföy Yönetimi	Yapı Kredi Emeklilik	
YKB Deutschland				
YKB Nederland				
YKB Moscow				

Koç Financial Services (KFS)

Pursuing rapid growth
Koç Financial Services, a 50-50 partnership of Koç Holding and UniCredit of Italy, continued to make rapid progress in 2005.

KFS posted consolidated net income of $268 million in 2005, resulting in a return on equity of 19.7%. Total assets soared by 236% from $9.5 billion in 2004 to $31.8 billion following the acquisition of Yapı Kredi in 2005.

Pro-active strategies, effective control and management of costs, state-of-the-art technology and an outstanding distribution network contributed to the excellent performance of Koç Financial Services during the year.

Koçbank

Another successful year
As the fifth largest private sector bank in Turkey, Koçbank continued to grow in 2005. Operating through 174 branches, 288 ATMs, 3,590 employees, a call center and internet banking, Koçbank provides commercial, retail and private banking products and services to a broad customer base. As the most profitable company in Koç Financial Services, Koçbank reported a net income of $191 million with a Return on Equity ratio of 21.3% and a capital adequacy ratio of 11.6%.

Koçbank achieved a cost/income ratio of 52% due to close focus on effective management of resources.

The Bank's organic growth continued in 2005 with the opening of 15 new branches. Koçbank worked to improve service quality during the year. Committees were established to apply international standards of corporate governance, audit and risk management in order to improve the Bank's performance.

Consolidated financial results

	2005* ($ in millions)	2005 (YTL in millions)	2004 (YTL in millions)	Change (%)
External Revenues	1,787	2,398	1,667	44
Inter segment revenues	57	77	77	0
Total revenues	1,845	2,475	1,744	42
Cost of sales	(1,245)	(1,670)	(1,134)	47
Gross profit	600	805	611	32
Operating expenses	(389)	(521)	(305)	71
Inter segment profit elimination	(18)	(25)	(26)	(5)
Operating profit/(loss)	193	259	279	(7)
Gross margin		32.5%	35.0%	(2.5)**
Operating margin		10.5%	16.0%	(5.6)**
Total assets	18,513	24,841	8,400	196
Net assets	3,023	4,056	1,798	126
Capital expenditures	13	18	22	(21)
Depreciation and amortization	35	47	31	51

* Convenience translation with year end YTL1.3418 = $1.00 exchange rate
** Change expressed as the difference between percentages

Share in Koç Holding's operating profit

21.4%

Companies in the finance segment contributed 21.4% of Koç Holding's net operating profit in 2005.

Koç Financial Services targets at servicing 8.2 million active customers by the end of 2006, sharply increasing the share and influence of Koç Group in the finance sector.

Yapı Kredi

Yapı Kredi is one the most valuable brands in the Turkish banking sector.
Founded in 1944 by Kazım Taşkent as Turkey's first national private sector bank, Yapı Kredi has been a pioneer throughout its 61 years in terms of its products, services and cultural and social initiatives, contributing greatly to economic development and social change in Turkey.

Strong business lines, customer focus and a reputation for excellence and innovation make Yapı Kredi a leader in the Turkish banking sector. It provides a large variety of products and services to nearly six million corporate, commercial and retail customers through 400 domestic branches, 1,500 ATMs and over 4.3 million credit cards. With a 24% share in credit cards, Yapı Kredi is at the forefront of retail banking. In 2005, Global Finance selected Yapı Kredi as "Turkey's Best Bank" in the credit card sector for its Worldcard program.

Koçbank acquired Yapı Kredi
Koçbank, the flagship of KFS, acquired 57.4% of Yapı Kredi from Çukurova Group in a block sale in accordance with the agreement made between Çukurova Group, Banking Regulatory and Supervisory Agency (BRSA) and Saving Deposit Insurance Fund (SDIF) on May 8, 2005. The block sale was finalized on September 28, 2005 for a purchase price of EUR 1.18 billion calculated according to the total share of EUR 2.1 billion. The next step is to merge Yapı Kredi and Koçbank in the most efficient way.

This acquisition is a milestone for both Koç Group and the Turkish banking sector, making Koç Group and its partner UniCredit of Italy one of the most influential players in the Turkish financial sector.

Koçbank-Yapı Kredi: The 3rd largest private sector bank of Turkey in terms of asset size
Combining the assets, loan volume, deposits and number of branches of Koçbank and Yapı Kredi creates a powerful force in the Turkish banking sector that ranks third in terms of asset size among private sector banks. Key operational, financial and corporate data for the two banks is given below:

Key indicators: Koçbank-Yapı Kredi

$ in millions	Yapı Kredi	Koçbank
Total assets	19,466	10,964
Total loans, net	8,928	5,303
Total deposits	13,366	6,973
Number of branches	419	174
Number of ATMs	1,467	300
Number of employees	11,211	3,590

KFS: A contender in all areas of banking
The combination of Koçbank's leadership in corporate banking, private banking and asset management with the expertise of Yapı Kredi, one of Turkey's most established and respected financial institutions, in retail and small business banking will make KFS a contender for leadership in all areas of banking in Turkey.

Yapı Kredi's strong position, the esteem of the Koç name and UniCredit's experience in global banking and risk management make the KFS Group one of the biggest, most trusted and most profitable financial groups in the country. The different product and customer bases of Koçbank and Yapı Kredi complement each other rather than overlap, indicating that KFS Group will achieve a high level of growth and capital inflows in the coming years.

An outstanding cost/income ratio, effective sales team and successful risk management system will enable KFS Group to reach its targets within a short period of time.

KFS: A larger financial services network with YKB subsidiaries
KFS provides a full array of non-banking financial services including leasing, brokerage, factoring and insurance to corporations, companies and individuals.

Leasing

KoçLease, is the leader of the sector in terms of asset size. Now in its 10th year, the Company serves a nationwide customer base. By combining the qualified manpower and high technology, KoçLease has developed rapidly by supporting investments that would benefit the development of the country.

KoçLease services a wide range of clients, mainly operating in automotive, printing-packing, health, finance, trade, tourism, food, construction and agriculture sectors, and provides financing for their investment goods. At year-end 2005 KoçLease had a market share of 12%. It reported $50 million in net income and total assets of $624 million, up by 26% over the previous year.

Yapı Kredi Leasing, had a 4% market share in 2005 and realized total investments of $168 million during the year. Serving commercial and corporate customers, YK Leasing is the only Turkish member of Multilease Association.

Factoring

Koç Faktoring, is a leading player with a market share of 18.2% Koç Faktoring reported transaction volume of $12.9 million and net earnings of $9.5 million in 2005.

Yapı Kredi Faktoring, has a market share of approximately 10%. 37% of the Company's transaction volumes are composed of international transactions, representing a 20% market share.

Asset Management

Koç Portföy, actively manages mutual funds, pension funds and discretionary portfolios for institutions, individuals and endowments. It has a market share of 12.7% and assets under management of $3,231 million at year-end 2005. It posted net income of $19.8 million for the year.

Yapı Kredi Portföy, manages all mutual and pension funds established by Yapı Kredi Bank, Yapı Kredi Yatırım and Yapı Kredi Emeklilik. It has $2.4 billion assets under management and a 10.1% share in the mutual fund segment.

Koç Financial Services Group has a widespread and effective presence abroad, enriching the range of products and services it offers to customers.

Brokerage Services

Koç Yatırım, provides equity brokerage, equity research, and corporate finance services to a broad range of corporate, retail and private banking clients. As one of the most respected brokerage houses in the Turkish financial services industry, the Company has 1.7% market share in equity trading. Total asset size reached $66.0 million as of 2005-end while the net income reached $21.4 million for the year.

Yapı Kredi Yatırım, provides trading services for stocks, mutual funds, bonds, repurchase agreements and asset management services to investors. In 2005 it ranks third in total transaction volume for the capital markets and seventh for equity trading.

International Banking Services

Koçbank Nederland: Founded in 1996, Koçbank Nederland, operates in the areas of trade finance and other correspondent banking activities, serving Turkish and international clients. The Bank reported total assets of $1,032 million at year-end 2005 and net income of $12.3 million.

Koçbank Azerbaijan: Koçbank Azerbaijan provides a full range of banking services to over 12,000 customers. The Bank announced net earnings of $1.5 million in 2005.

Yapı Kredi Nederland: The Bank operates through a widespread correspondent bank network in Europe, the United States, the Middle East and Asia. It posted total assets of $634 million in 2005.

Yapı Kredi Bank Deutschland, has expertise in corporate banking and an asset size of $290 million at 2005-end.

Yapı Kredi Moscow, contributes to the development of Turkish-Russian trade relations, providing services to the construction, contracting, trade and tourism sectors. The Bank had an asset size of $120 million in 2005.

Structural integration efforts continue

Following the acquisition of Yapı Kredi, KFS Group implemented a plan directed at the integration of the two banks. In line with this, operation centers were merged and steps were taken to unify banking software. Efforts to establish a joint management structure were completed in 2005 and took effect with the approval of the BRSA.

All structural integration efforts aim to institutionalize a shared service culture, gain advantages of scale and hasten the growth of both banks.

Koç Allianz Group

A strong partnership of Koç Holding and Allianz

The Koç Group-Allianz partnership 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 Fire Insurance in the insurance sector.

Koç Allianz Group reported premium income of $540.8 million in 2005 from insurance and $29.7 million from pension funds. It is the number three insurance company in Turkey with a market share of 9.3% and the 9th largest pension fund company with a market share of 5.7% and funds under management reached $622 million.

Koç Allianz Group has been selected by Capital Magazine as Turkey's "Most Admired Insurance Company". Koç Allianz Sigorta received ISO 9001 certification in 2005 following the certification of Koç Allianz Life and Pension in 2004. As of end-2005, the Group works with 1,023 agents and 575 direct sales representatives.

Yapı Kredi Sigorta

60 years of experience in insurance

Founded in 1943, Yapı Kredi Sigorta has 60 years of experience in the sector. It serves all the non-life insurance needs of its customers with ethical and fair business principles, well-qualified human resources, professional agents and major international reinsurance companies.

Yapı Kredi Sigorta continued to improve its organization, production, product development and information technology infrastructure during the year in order to provide faster and more efficient service to its customers and agents. The Company reported revenues of $355 million and net assets of $352 million for 2005.

Yapı Kredi Emeklilik

The leader in pension funds

Yapı Kredi's subsidiary for individual pension plans, Yapı Kredi Emeklilik is the leader of the sector with 119,000 contracts. As of year-end 2005, Yapı Kredi Emeklilik had funds under management totaling $142 million.

Koç Group's share in the insurance sector is increasing

With the addition of Yapı Kredi Sigorta and Yapı Kredi Emeklilik, Koç Group increased its presence in the sector to a very significant degree. Koç aims to raise the market share of all its insurance companies and to further develop this business line.

Koçfinans

Support for the automotive and consumer durables sectors

Koçfinans, the Group's consumer finance company for automotive and consumer durables, expanded its loans portfolio by 93% to reach a consumer loan volume of $512 million. Koçfinans, the only non-captive company operating in this area, has a market share of 32% in automotive and 55% in other sectors. It provides 9% of all passenger car and light commercial vehicle credits in Turkey. Koçfinans raised net profit by 104% in 2005 to $15.9 million and posted Return on Equity of 36%.

products and service that add to life

- tourism
- information technologies
- other

Total asset growth

18%

Total combined assets of companies operating in other segments rose by 18% in 2005. Net combined assets were up 12%.

Other

In the tourism sector, Koç Group operates hotels, restaurant and patisserie chains, catering services, a travel agency, ticket sales, duty-free shops and marinas.

Consolidated financial results

	2005* ($ in millions)	2005 (YTL in millions)	2004 (YTL in millions)	Change (%)
External Revenues	1,167	1,566	1,634	(4)
Inter segment revenues	1,209	1,622	1,537	5
Total revenues	2,376	3,188	3,171	1
Cost of sales	(2,177)	(2,922)	(2,895)	1
Gross profit	198	266	276	(4)
Operating+ expenses	(217)	(291)	(299)	(3)
Administrative	(150)	(201)	(197)	2
Selling and distribution	(67)	(90)	(101)	(11)
Research and development	0	0	0	
Inter segment profit elimination	(40)	(53)	(49)	8
Operating profit/(loss)	(58)	(78)	(72)	8
Gross margin		8.3%	8.7%	(0.4)**
Operating margin		(2.4%)	(2.3%)	(0.2)**
Total assets	4,905	6,582	5,588	18
Net assets	3,673	4,928	4,385	12
Capital expenditures	132	177	28	530
Depreciation and amortization	52	69	55	25

* Convenience translation with year end YTL1.3418 = $1.00 exchange rate
** Change expressed as the difference between percentages

Koç Group other segment

Major Koç Group companies under the other heading:

Tourism	Information Technologies	Others
Setur	Koç Sistem	İzocam
Divan	Koçnet	RMK Marine
Mares	Biletix	Ram Dış Ticaret
Ayvalık Marina	Promena	Ram Pacific
Tek-Art Marina	Bilkom	Kofisa S.A.
Netsel Marina	Ultra Kablo	Kav Danışmanlık

Share in Koç Group total revenues

6.4%

Total revenues of Koç Group companies operating under the Other heading amounted to $2,376 million in 2005.

Overview

The total revenues of Koç Group companies classified in the "Other" segment was $2,376 million. $1,167 million of the sales is composed of external revenues, accounting for 6.4% of the Group's consolidated revenues.

Total combined assets increased by 18% and net combined assets rose by 12%. 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 $132 million, representing 15% of Koç Holding's consolidated figure.

Tourism

The Koç Group tourism portfolio includes hotels, restaurant and patisserie chains, catering services, a travel agency, ticketing, duty free shop shops and a chain of marinas.

Divan: An esteemed brand in the Turkish hotel industry

Divan Hotel is an icon in the Turkish hotel industry since 1963 with its continuous quality and customer focused service approach. Divan currently owns or manages six five star hotels: Divan Istanbul, Divan Marmaris Mares, Divan Antalya Talya, Divan Bodrum Palmira, Divan Taxim Suites and Divan City Istanbul. Divan also runs 65 food outlets in a variety of formats including patisserie cafes, restaurants, pubs, cafeterias and brasseries. The industrial food service business expanded to 72,000 servings per day by 2005-end.

Setur: Turkey's leading travel and ticketing agency

Setur, Turkey's leading travel and ticketing agency, offers a wide range of tourism services. In addition, Setur operates a chain of 17 duty-free shops and in-flight sales on eight airlines.

Setur Marinas: The largest marina chain in Turkey

Setur manages eight marinas along Turkey's Marmara, Aegean and Mediterranean coastlines. In 2005, Setur acquired a 55% share in Marmaris Netsel Marina, Turkey's highest capacity marina, fortifying its leadership in this sector.

Koç Group considers information technology and telecommunications as important growth areas as well as strategic elements for the Group's culture of innovation and pursuit of excellence in business processes.

Information Technologies
Koç Group considers information technology and telecommunications as important growth areas as well as strategic elements for the Group's culture of innovation and pursuit of excellence in business processes.

The companies under Information Technologies Group are leading players in the IT sector. These include one of the largest system integrators in Turkey, as well as companies providing e-business solutions and business communication solutions.

KoçSistem: The leading system integrator in Turkey
One of the leading domestic systems integrators in Turkey, KoçSistem offers e-transformation solutions and services to both corporate and government entities. Strong customer references from both private and public sector clients, nationwide service capability, İstanbul-Ankara operating, outsourcing, disaster recovery centers and services, a strong portfolio of business partners and formulation and ability to provide brand-independent solutions to its customers comprise KoçSistem’s key competitive advantages. KoçSistem’s revenue growth was 14% in 2005.

Koç.net: Integrated business communication solutions
The leading service provider in the corporate market, Koç.net obtained a long-distance phone service license from the Telecommunication Board 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. In cooperation with BT (British Telecom), one of the world's largest telecommunication companies, Koç.net offers Koç.net Phone Card to the individual voice market. Koç.net’s revenue growth was 57% during 2005.

Ultra TV: Serves approximately 20% of the cable TV subscribers in Turkey as part of a revenue sharing agreement with Türk Telekom. During the year, the Company continued preparations to acquire a Cable TV license.

Promena: Electronic procurement and sourcing
The leader of the electronic procurement and sourcing market in Turkey, Promena continued to operate successfully in 2005. The Company increased its transaction volume by 80% to $340 million during 2005.

Biletix: Leader of e-ticketing in Turkey
The first and market leader company in Turkey to provide event ticketing over the internet, Biletix was appointed the official ticketing service agency for the 2005 Formula 1 Turkish Grand Prix and the 2005 UEFA Champions League Final, both held in Istanbul. Biletix sold more than five million tickets worth over $60 million for 8,000 events during 2005.

Tanı: CRM and customer loyalty programs
Tanı uses Customer Relations Management techniques and its patented Paro platform to serve Koç Group and non-Koç Group customers in their endeavor to achieve customer loyalty and one-to-one campaign management.

Bilkom: Main distributor of Apple and Adobe
Operating since 2005 under the name Apple IMC, Bilkom offers Apple and Adobe products to the retail and corporate markets at Apple Centers as well as through a nationwide dealer network. The Company is the main distributor of Apple and Abode in Turkey. Bilkom's revenue growth was 52% during 2005.

GVZ: Leader in voice technologies
GVZ started to diversify its corporate customer base and exploit opportunities in the public sector in 2005. GVZ is a strong innovator and the market leader in speech recognition, voice authentication technologies and text to speech engines.

KocBryce: A joint venture between KoçSistem and JohnBryce Training
Established as a joint venture with JohnBryce Training, the Company provides classroom IT training and distance learning services to corporate customers. KoçBryce's vendor portfolio includes major players in the IT sector.

Other
İzocam, the leading Turkish producer of glass wool, rock wool and foamboard insulation materials, merged with **Tekiz,** a Group company that manufactures prefabricated buildings, on June 30, 2005. Revenues for the year rose 6%.

RMK Marine is among the largest privately owned shipyards in Turkey. Revenues were up by 30% in 2005.

Beko Ticaret buys media and services for the Group in a bid to create savings and enhance efficiency. The Company continued to enlarge its portfolio of services and reported a 52% increase in revenues in 2005.

Ram Dış Ticaret is an international business provider for both Koç and non-Koç companies, with special interest in developing and facilitating business in the Balkans, Russia, Central Asian Republics, the Middle East and North Africa.

Ram Pacific, Koç Group's gateway to the Asia-Pacific Rim, sources low-cost goods for the Group and promotes new investment opportunities in Asia.

Kofisa, which is based in Geneva-Switzerland, provides commodity and investment good financing.

sensitivity to environmental, social and cultural issues

As Turkey's largest and best known corporation, Koç Group plays an important role, not just in terms of the people it employs, the value it creates and the taxes it pays, but by setting an example for ethical and responsible corporate behavior.

Koç Group is a pioneer in corporate citizenship in Turkey. Koç Holding and its subsidiaries actively contribute to the well being of society through a variety of projects and initiatives in the areas of cultural heritage, art, education, healthcare, sports and environmental protection. In 2005, Koç Group sponsored events and activities abroad in order to promote Turkish cultural values to an international audience.

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 people it employs, value it creates and taxes it pays, but by setting an example for ethical and responsible corporate behavior.

Koç Holding manages the majority of its corporate citizenship projects through Vehbi Koç Foundation. Rahmi M. Koç Museum and Cultural Foundation and Suna-İnan Kıraç Foundation also undertake an important role in these activities. 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 (TAPV), Education (TEV) and Turkish Maritime Environment Protection Association (TURMEPA) whose mission is to keep Turkey's seas and coasts clean.

Corporate Citizenship

Koç Holding signed the UN Global Compact to ensure the development of a sustainable and inclusive global economy.

KOÇ GROUP SIGNS THE UN GLOBAL COMPACT

On March 30, 2006, Chairman of the Board Mustafa V. Koç signed the United Nations Global Compact in a personal meeting with UN Secretary-General Kofi Annan at UN Headquarters in New York.

Participation in the UN Global Contract confirms in an official and international way Koç Group's commitment to corporate citizenship and sensitivity to social issues. Koç Group is pledged to observe and implement the principles of the agreement fully and completely in the geographical region in which it operates.

GLOBAL COMPACT RELIES ON PUBLIC ACCOUNTABILITY, TRANSPARENCY AND THE ENLIGHTENED SELF-INTEREST OF COMPANIES, LABOR AND CIVIL SOCIETY TO INITIATE AND SHARE SUBSTANTIVE ACTION IN PURSUING THE PRINCIPLES UPON WHICH THE GLOBAL COMPACT IS BASED.

The Global Compact is a purely voluntary initiative with two objectives: mainstream the ten principles in business activities around the world and catalyze actions in support of UN goals. United Nation Secretary-General Kofi Annan challenged business leaders to join an international initiative - the Global Compact - that would bring companies together with UN agencies, labor and civil society to support universal environmental and social principles on January 31, 1999 in an address to the World Economic Forum. The Global Compact's operational phase was launched at UN Headquarters in New York on 26 July 2000. Today, many hundreds of companies from all regions of the world, international labor and civil society organizations are engaged in the Global Compact, working to advance ten universal principles in the areas of human rights, labor, the environment and anti-corruption.

The Global Compact is a network. At its core are the Global Compact Office and six UN agencies: Office of the High Commissioner for Human Rights, UN Environment Program, International Labor Organization, UN Development Program, UN Industrial Development Organization, and UN Office on Drugs and Crime.

THE GLOBAL COMPACT'S TEN PRINCIPLES

Human Rights
- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2: make sure that they are not complicit in human rights abuses.

Labor Standards
- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labour;
- Principle 5: the effective abolition of child labor; and
- Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment
- Principle 7: Businesses should support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility; and
- Principle 9: encourage the development and diffusion of environmentally friendly technologies

Anti-Corruption
- Principle 10: Businesses should work against all forms of corruption, including extortion and bribery.

Corporate citizenship activities at Koç Holding

Koç Holding continued to initiate creative, worthwhile corporate projects in 2005. These are summarized below:

A new school in Adıyaman

Koç Holding, together with Vehbi Koç Foundation, undertook the construction of a new building of the Faculty of Vocational and Technical Education in Adıyaman in southeast Turkey. Construction started on June 14, 2005 and is expected to be completed within one year.

Seddülbahir Fortress Restoration Project

Koç Holding and Vehbi Koç Foundation consider cultural heritage preservation as an important aspect of corporate citizenship. In 2005, Koç underwrote the restoration of Seddülbahir Fortress in the Çanakkale, Gallipoli Peninsula Historic National Park.

Istanbul Pedestrian Exhibition

Koç Holding was the main sponsor of the creative outdoor art exhibition held between Tünel and Karaköy in the historic Galata district of Istanbul. The exhibition sought to draw the attention of pedestrians - one of the fundamental actors of city life - to the texture of the urban landscape and introduce them to new art forms.

April 23rd International Children's Festival

Koç Holding has sponsored the Turkish Radio & Television (TRT) April 23rd International Children's Festival for the past nine years. In 2005, children from 45 countries, representing a variety of languages, religions and races, participated in the 2005 Festival at Antalya's antique Aspendos Theatre in a celebration of brotherhood, love, peace and friendship.

Replacement of Atatürk's Wax Figure at Madame Tussaud's Museum in London

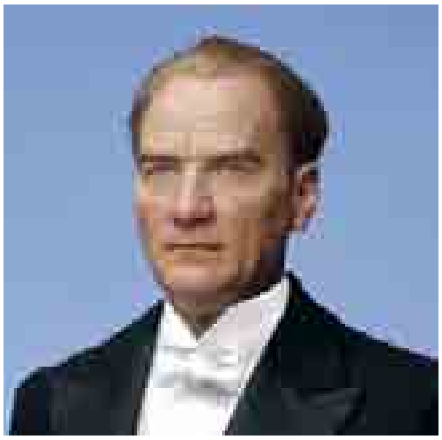
Koç Holding replaced of the wax figure of Mustafa Kemal Atatürk, the founder of the Turkish Republic, at Madame Tussauds Museum in London with a faithful likeness. The Commandant of Ataturk's Mausoleum in Ankara provided valuable support and assistance during the making of the wax effigy, assuring that the effigy depicted him in a realistic and accurate way.

The project, which commenced in September 2004, was completed with an opening ceremony at Madame Tussaud's Museum on November 10, 2005. The new wax figure was put on public view on November 11. The Turkish Public Relations Association honored Koç Holding with its Golden Compass Award for its contribution to Turkey's image abroad.

Style and Status: Imperial Costumes from Ottoman Turkey

Koç Holding signed a 10-year agreement with the Smithsonian Foundation and the Turkish Ministry of Culture and Tourism to sponsor a series of exhibitions in Washington D.C. and Smithsonian exhibitions in Turkey.

The first in the series of exhibitions – Style and Status: Imperial Costumes from Ottoman – opened on October 25 at the Sackler Gallery in Washington D.C. to great acclaim.



It was the first international exhibition devoted to sumptuous and graphically stunning imperial Turkish robes (kaftans) from the 16th and 17th century – robes that dazzle with their audacious play of colors, bold designs, and rich finish.

At the core of the 68 objects on view was a group of opulent imperial robes from the Topkapı Palace Museum in Istanbul, Turkey, the largest repository of Islamic textiles in the world. Additional works were on loan from the Mevlana Museum, Konya, Turkey, the Hermitage Museum in St. Petersburg, Russia, and several national collections. Broadly organized according to technique, the exhibition celebrated Ottoman artistic creativity and its success at transforming silk into the most potent and visible symbol of the empire's power and wealth. Many of the robes were exhibited on custom-made mannequins that show off their full splendor. In addition to robes belonging to Sultan Selim (reigned 1512-1520), Sultan Suleyman (reigned 1520-1566) and his son Bayazid, who was executed in 1561, the exhibition included trousers, hats, cushion and floor coverings, as well as several large, inscribed textiles from the Topkapı's renowned collection. Examples of ecclesiastic copes and chasubles made from Ottoman silks and velvets were also on display.

Established in 1969, Vehbi Koç Foundation has the largest endowment of any philanthropic foundation in Turkey. It concentrates its activities in the areas of education, healthcare and cultural heritage.

Supporting education with computers

Koç Holding opened computer classrooms in 160 schools, each equipped with 21 computers, in the province of Sakarya as part of the Ministry of National Education's Support for Education with Computers project. Koç Holding donated a total of 3,381 computers to be used by 66,000 students in Sakarya, adding another facet to its support of education.

Sizinkiler - Musical for Children

Limon and Zeytin, the characters of cartoonist Salih Memecan's popular Sizinkiler series, came to life in a children's musical peformed by the BKM Players. Nearly 100,000 children saw the show, which was performed in Istanbul and then in 16 cities in Turkey through the support of Koç Holding as part of its 80th anniversary celebrations. The musical aims to enhance the imagination and support the intellectual and cultural development of children.

Foundations

Vehbi Koç Foundation

Established in 1969, Vehbi Koç Foundation has the largest endowment of any philanthropic foundation in Turkey.
It concentrates its activities in the areas of education, healthcare and cultural heritage.

• American Hospital: In 2005, the hospital treated over 130.000 patients and carried out research and teaching activities.

• Koç University: Operating as part of Vehbi Koç Foundation, Koç University grants full scholarships to 30% of its students.
The University has added value to Turkey through its academic success and supported a number of volunteer projects to create a sense of social responsibility among the student body. Koç University Volunteers for Society have initiated a number of worthwhile projects, including Children Who Can Think, Support for High Schools and Summer Workshop.

• Koç Elementary and High School
The global perspective and educational standards of Koç Elementary and High School have made it one of Turkey's finest schools. It grants scholarships to deserving students. The Koç School is the first Turkish school to offer the International Baccalaureate (IB) degree. Students who join this internationally recognized degree program are required to participate in a special program known Creativity, Action and Service (CAS) which emphasizes that learning does not end in the classroom. These requirements are fulfilled through 150 hours of work in three areas that support values and behavior that supercede racial, class, religious and political barriers and instill a philosophy of social service. Among other activities related to social responsibility, members of the Koç High School demonstrated exemplary environmental awareness by recycling milk and juice cartons into a table that they gave to their sister school, A. Refik Oral Elementary School.

• Nursing Fund A Nursing Fund was established in 1974 as part of Vehbi Koç Foundation to provide financial support to research, publications and projects. Semahat Arsel Nursing Education and Research Center (SANERC) offer continuing education to all nurses and health-care personnel in Turkey in order to improve the quality of health care in Turkey.

• Sadberk Hanım Museum,
Opened in 1980 as the first private museum in Turkey, Vehbi Koç Foundation Sadberk Hanım Museum has a valuable collection of over 17,000 pieces of Islamic and Ottoman Art, Turkish Ethnography and archaeological objects from Anatolia dating back to the Neolithic Age some 8,000 years ago.

To mark its 25th anniversary, Sadberk Hanım Museum held a special exhibition entitled "Together Again After Centuries", which displayed 339 Turkish works of art, the Museum acquired from abroad over the last quarter century.

• Suna & İnan Kıraç Resarch Institute on Mediterranean Civilizations (AKMED),
Established in 1996, Suna-İnan Kıraç Mediterranean Civilizations Research Institute dedicates itself to the research, documentation and preservation of the archeological, ethnographic and cultural treasures of Antalya and its hinterland. Since 1999, the Institute has been located in an old Turkish house in the historic Kaleiçi district of Antalya. In 2000, AKMED opened Suna-İnan Kıraç Kaleiçi Museum to document traditional Turkish popular culture and introduce these to new generations. The Museum operates in a traditional Turkish two-story house designed around an interior courtyard that was restored and transformed into a unique ethnographic museum that uses special effects to display scenes from late 19th century Kaleiçi life. In 2005, the Museum hosted various archaeological seminars and conference, welcoming 10,786 foreign and local visitors.

• Vehbi Koç and Ankara Research Center (VEKAM)
Located in a country house near Ankara dating from1923 where Vehbi Koç and his family lived for many years, VEKAM has been in operation since1994. During 2005, VEKAM continued to contribute to artistic, cultural and social life in Ankara. VEKAM hosted a number of photographic exhibits, and brought together many well-known figures from art and business in conference and events held in honor of 23 April Children's Day and Museums, Libraries and Tourism Weeks.

Rahmi M. Koç Museum
Founded in 1994, this is the first major museum in Turkey dedicated to the history of Transport, Industry and Communications. The museum manages an active outreach program with its Museum Bus that acquainted 52,000 students in 76 provinces with the museum to improve their understanding of the development of technology and the value of historic preservation. Rahmi M Koç Museum opened a branch in Ankara in 2005 in the historic Kale district of the capital.

TURMEPA and TEMA: Working to protect the environment
Turkish Maritime Environment Protection Association (TURMEPA) and the Foundation for Combating Soil Erosion, Reforestation and Protection of Natural Habitats (TEMA) are two of the most effective NGOs active in environment protection. Both Koç Family members and Koç Group companies continued to support the work of these foundations in 2005.

The pollution of the seas that surround Turkey endangers the country's quality of life and poses a threat to tourism, fishing and boating. Every year millions of tons of waste materials are dumped in the Black Sea and Mediterranean. Turmepa has undertaken several pioneering projects to clean Turkey's seas and shores, including the Urgent Blue Rescue line, a toll-free number which people can call to complain about pollution and the polluters of seas and streams. Turmepa has built three sea sweepers for cleanup operations and acts as the Turkish coordinator for the International Coastal Cleanup (ICC)

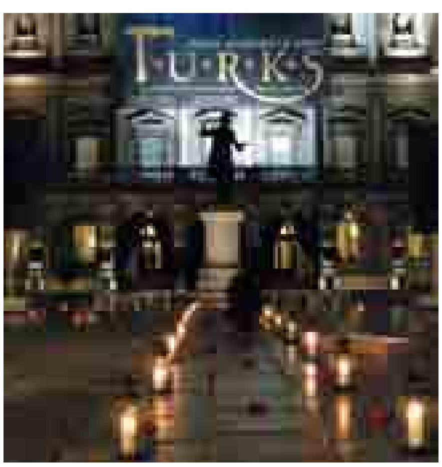
In 2005, Koç Financial Services sponsored a 5-Year Environmental Education Project together with TURMEPA and the Ministry of National Education to raise awareness among elementary and junior high students of the dangers of marine pollution.

Koç Group companies demonstrated their commitment to corporate citizenship by sponsoring a variety of activities in 2005.

Companies

Aygaz

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. The exhibition brought together 374 objects from Topkapı Palace Museum, Museum of Turkish and Islamic Art in Istanbul, and museums and private collections in Europe and the United States. The exhibition attracted 275.000 visitors.



Aygaz also sponsored the publication of Hatıra-i Uhuvvet: The Attraction of Portrait Photographs.

The book, written by Bahattin Öztuncay, publishes photographs of statesmen, of members of the Ottoman and European royal families, painters, poets and writers who played an important role in the political, military, literary and artistic life from 1846-1950 in Istanbul and the Ottoman Empire.

The Company was a sponsor of the 9th Istanbul International Biennale organized by the Istanbul Foundation for Culture and Art from September 17–October 30 which drew audience of 51,000 people.

Aygaz is underwriting the restoration of the antique city of Sagalassos, 110 km from Antalya, and is the sole sponsor for the restoration of the Antonin Fountain (161-180 A.D.), the site's most spectacular structure. The work is expected to last six years.

Arçelik

Arçelik expanded its "Volunteers for Education Association", an eight-year project to provide support to elementary-age students in 300 Boarding Schools throughout Turkey in cooperation with various NGOs. The project aims to contribute to the formation of modern, self-confident young men and women by raising the quality of education received by some 200,000 children studying in boarding schools. The project also intends to create public awareness of the needs of these state-run boarding schools. In 2005, the number of schools covered by the project increased to 55 in 10 provinces, touching the lives of 40,000 students. In 2006, the project will add 45 more schools in 13 provinces.

Koçbank

Koçbank, is one of the biggest sponsors of archeological excavations in Turkey. Since 1998, Koçbank has been the main sponsors of the Çatalhöyük excavation. In 2005, it continued to contribute financial support to this excavation as well as supporting the publication of research about the findings of the work so far and creating public awareness of the value of excavating archaeological sites.

Koçbank also supports the continuing excavations at Afrodisias by working with Geyre Foundation to organize fund-raising events that support the on-going work at one of the most beautiful sites in Turkey.

Koç Allianz
Koç Allianz is the sponsor of the Sobessos excavation in Cappadocia which is expected to contribute substantially to the understanding of the history of the region. Due to lack of funds, a significant portion of the site has been destroyed. The excavation has uncovered 80 graves dating to 1,500 years ago, a large number of mosaics, a bath and a meeting hall.

Migros
A traditional sponsor of children's theatre in Turkey, Migros has enabled 16,000 children to attend the 23 April Theatre Festival since 1994. Migros Children's Theatre has staged 55 plays related to the importance of healthy foods and the love of books in seven provinces for 16,400 children.

Migros continued to participate in the support campaign for the Special Olympics started in 2004 by Proctor & Gamble and supported the training of 500 mentally-challenged athletes in 2005.

Opet
Opet expanded its model village social awareness projects in 2004, adding Dara Village in the Mardin region, Yesemek Village in the Gaziantep region and Pazarköy Buca in the Bolu region.
The project targets remote villages, helping villagers to increase their skills, take advantage of their historic, geographic or cultural potential, raise the educational level and develop environmental awareness. As part of the project, Hittite Sculpture Workshop, Turkey's first open air museum, was revived in Yesemek.

The Clean Toilet Campaign initiated by Opet in 2000 is one of the longest running social projects in Turkey. The project highlights the importance if cleanliness and hygiene in the restrooms of Opet gas station. The Opet Training Team was founded for this purpose and has traveled one million kilometers through 72 provinces to give 1,700 hours of training to close to 300,000 people regarding bathroom hygiene and cleanliness.

The Green Road Project developed together with the General Directorate of Highways and TEMA kicked off at Opet's Kurtköy service station. The project aims to plant trees along the highways and gas stations across Turkey. The 10-year project will landscape 273 Opet gas stations by planting 200,000 trees and plants.

Otokoç
In cooperation with Istanbul Traffic Supervision Directorate, Istanbul National Education Directorate and The Turkish Association to Prevent Traffic Accidents, Otokoç embarked on a campaign to educate the public concerning road safety and traffic accidents. In the first stage of the project, classes were held for 2,000 children in Istanbul public schools and the visibility of traffic patrol officers at crosswalks was heightened by providing uniforms with reflectors.

The traffic education campaign, run jointly by Otokoç and Birmot, reached 130,000 children in 2005.

Tofaş
Tofaş has restored and converted an old silk factory into Tofaş Bursa Anatolian Transport Museum. The museum, which was opened in 2002, attracts thousands of visitors each year.

The Anatolian Transport Museum illuminates the manufacture of transport vehicles in Anatolia over thousands of years. Bursa lay on the Silk Road and was a center of commerce, silk weaving and many other trades. Many types of carts once produced in Anatolia can be seen at the Museum of Anatolian Transport. While most of the carts were horse drawn, there are also ox carts and the first Turkish built car, the Anadol.

Yapı Kredi Bank
Yapı Kredi has been one of the major contributors to art and culture in Turkey. In 2005, the Bank sponsored the International Ankara Music Festival organized by Sevda-Cenap and Music Foundation which brought musicians from around the world to Turkey's capital. Yapı Kredi was also a supporting sponsor of the 9^{th} International Istanbul Biennale organized by the Istanbul Foundation for Culture & Arts.

KOÇ-YÖNDER
Established in 1995 by 20 top managers who had 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. The organization strives to share Koç Group's culture and knowledge with society and to represent the Koç image in the best possible way. In addition to consulting services, the 245 members of Koç-Yönder organize training programs and conferences on strategic business planning, corporate restructuring, mergers, marketing and new business development.

ENVIRONMENT, OCCUPATIONAL HEALTH AND SAFETY AT KOÇ GROUP
At Koç Group, the Environment, Occupational Health and Safety Coordinating Office acts to continuously develop the environmental standards of workplaces, achieve production according to environmental, health and safety standards, and increase environmental performance.

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 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. Beko Elektronik, Aygaz, BOS and Opet have qualified for OHSAS 18001 certification.

In another development in 2005, 11 companies organized an Occupational Health and Safety Committee that brings together experts in the field.

The systematic efforts of Koç Group companies to protect the environment and prevent pollution continued in 2005 with new projects and investments.

KOÇ HOLDİNG A.Ş.
CORPORATE GOVERNANCE COMPLIANCE REPORT

Growth in today's increasingly global and competitive environment requires compliance with internationally accepted practices. In order to improve the availability and cost of funding from international financial markets, it is extremely important for both Turkey and for publicly traded companies that Turkish capital markets are a part of the global liquidity system.

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.

Koç Holding was one of the first companies to implement necessary measures to reach the highest standards in this area at a time when corporate governance principles were not generally applied in Turkey. The approach of Koç Holding to corporate governance has always been voluntary and proactive. It has thus, made 1) Transparency, 2) Fairness, 3) Responsibility and 4) Accountability its four inviolable principles.

Koç Group's deeply-rooted corporate identity and reputation facilitates sound corporate governance. Honesty, prestige, ethical behavior and compliance with laws and regulations are central to the way the Group conducts its business and an integral part of its culture.

Koç Holding's management structure, processes and policies have been set in conformity with regulatory authorities, ensuring clarity and transparency in decision making and responsibility. Koç Holding is one of the first Turkish companies to appoint independent members to its Board of Directors and one of the few to link compensation of top managers to economic profitability and share performance. Koç Holding has voluntarily applied international accounting standards. Consolidated financials have been prepared in accordance with International Accounting Standards (IAS) since 1995, and International Financial Reporting Standards (IFRS) since 2004, as required by the Capital Markets Board.

Koç Holding, in accordance with present laws and regulations, provides the requisite information to all investors and analysts simultaneously in a regular and reliable fashion. In order to ensure continuous and effective communication with investors and public, Koç Holding organizes investor meetings, conferences and panels and holds press conferences.

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 largely adopted the “Corporate Governance Principles” approved by The Capital Markets Boards on July 4, 2003 as decision number 35/835 and then revised in May 2005. 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.

The detailed compliance report that summarizes our standing in respect of the Capital Markets Board's Corporate Governance Principles is presented below.

SECTION I - SHAREHOLDERS

Investor Relations Department

An Investors Relations Department has been established within the Strategic Planning Group at Koç Holding in order to manage relations with current and potential shareholders, respond to investor inquiries in the most beneficial manner and carry out activities aimed at increasing the company value.

KOÇ HOLDİNG A.Ş.
CORPORATE GOVERNANCE COMPLIANCE REPORT

The Department's main responsibilities are as follows:

• To promote Koç Holding and Group companies to individual and institutional investors in Turkey and abroad,
• To inform current and potential investors and shareholders about the Group's operations, financial results and strategies on a regular basis,
• To meet the requests for information regarding Koç Holding and Group companies from analysts and researchers and to prepare accurate and comprehensive reports for investors in order to promote the Group effectively,
• To publish reports related to Koç Holding and Group companies following the announcement of quarterly results,
• To inform investors about developments in Koç Group and the Turkish Capital Markets by participating in conferences and investor meetings on a regular basis,
• To develop recommendations on capital market transactions related to Koç Holding and Group companies,
• To update communication tools such as the website and annual report regularly in order to provide accurate and complete information to shareholders regarding Koç Group,
• To keep accurate records of meetings that are held for and with shareholders,
• To ensure the General Shareholders' Meetings are conducted in accordance with the legislation, Articles of Association and the Company's internal policies; prepare documents that will be used by the shareholders in the meetings; keep records and publish reports regarding the resolutions of these meetings on the internet.

The Investor Relations Department contacts are provided below:

Strategic Planning Group President: Tamer Haşimoğlu
Tel: 0216 531 0221
Fax: 0216 531 0099
E- mail: tamerh@koc.com.tr

Investor Relations Department Coordinator: Funda Güngör
Tel: 0216 531 0535
Fax: 0216 531 0099
E- mail: fundag@koc.com.tr

In 2005 and the first quarter of 2006, the Department attended 9 conferences in Turkey and abroad, held one-on-one meetings with over 200 investors and answered more than 500 telephone and e-mail inquiries. Maximum care was taken to comply with all regulations in carrying out these functions. There are no complaints filed with our Company regarding the exercise of shareholders' rights nor are there any administrative or legal proceedings regarding this subject. Thank you letters have been received due to the regular and full attendance at meetings held for institutional investors by brokerage houses.

Shareholders' Right to Obtain Information

Enquiries directed to the Investor Relations Department, with the exception of information considered confidential or a trade secret, are answered in writing or by phone after consulting the most authorized person concerning that particular issue. By bringing top management together with shareholders at meetings and conferences, information regarding strategy and operations is communicated to shareholders firsthand. In order to increase shareholder access to publicly disclosed information, all such announcements, including material disclosures, are posted in English and Turkish on our website.

Koç Holding does not discriminate among shareholders in the exercise of their right to obtain and evaluate information.

In addition, all information of interest to shareholders for both the current and past periods is published in Turkish and English on our website (www.koc.com.tr) under Investor Relations.

Company activities are audited on a regular basis by Independent External Auditors and by the internal auditors appointed at the General Meeting. At the last General Meeting, a member of PriceWaterhouseCoopers was chosen as the independent external auditor. During this reporting period, no shareholder request has been received for appointment of a special auditor.

The General Shareholders' Meeting

The General Shareholders' Meeting was held with 78.1% attendance on April 29, 2005 in full compliance with the relevant Istanbul Stock Exchange (ISE) and Capital Markets Board (CMB) regulations. In addition, an Extraordinary Shareholders' Meeting was held on March 28, 2005 with 78.7% attendance.

KOÇ HOLDİNG A.Ş.
CORPORATE GOVERNANCE COMPLIANCE REPORT

As Koç Holding is a holding company, the General Shareholders' Meetings are held in April following the consolidation of Group companies' financial statements.

Both meetings in 2005 were open to the public including stakeholders and the media and were conducted under the supervision of a government observer from the Ministry of Industry and Trade.

Invitation to the General Shareholders' Meeting is issued by the Board of Directors in compliance with the Turkish Commercial Code, Capital Markets Board Regulations and the Koç Holding's Articles of Association. The public is informed by notifying the ISE and CMB immediately of Board of Directors' decision to hold the General Shareholders' Meeting.

In addition, at least 21 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 on our website www.koc.com.tr and in a high circulation daily newspaper in Turkey.

Prior to the General Shareholders' Meeting, the agenda items and all related documents are announced to the public in compliance with all legal procedures and regulations. In order to provide shareholders the easiest access, the agenda items of the Shareholders' Meeting - annual report, financial statements, corporate governance report, profit distribution proposals, independent external auditor's reports, auditor's report and, if changes are going to be made to the Articles of Association, copies of the old and new versions including the proposed amendments - are posted on the internet websites and in company headquarters from the date of the announcement of the General Shareholders' Meeting as per the permissions issued by the Capital Markets Board and the Ministry of Industry and Trade.

Proxy forms are provided on the internet and in the newspaper for shareholders who wish to be represented by a proxy at the Shareholders' Meeting. The voting procedure is explained to shareholders on the website and through newspaper notices.

All shareholders of our Company are registered. Shareholders, whose shares are in custody in investor accounts under intermediary institutions at the Central Registry Agency Inc. of Turkey (CRA), who wish to participate in the Shareholders' Meeting are noted in the "General Meeting Blocked List" within the framework of the respective regulations. The CRA list of blocked shares is issued the evening before the Shareholders' Meeting.

Our Shareholders' Meetings are held at the Company headquarters. However, as stated in our Articles of Association, the meeting may also take place in another part of the city where the majority of shareholders are located. The location of the general shareholders' meeting is selected so as to be easily accessible to all shareholders.

The agenda items are expressed in an unbiased and detailed manner and presented in a clear and concise method in the general shareholders' meeting. Shareholders are provided with equal opportunities to express their opinions and raise any questions.

During the General Shareholders Meeting, questions asked by shareholders, people in the audience and members of the press are answered by the Chairman of the Board and Executive Managers.

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

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

Decisions regarding the division and merger of companies which change the capital and management structure are taken in the Shareholders' Meeting. The decisions regarding the sale, purchase or lease of tangible/intangible assets are made by the Board of Directors as stipulated by the Articles of Association.

Voting Rights and Minority Rights
Koç Holding shares are divided into A and B groups. Every registered A Group share has 2 voting rights at the Shareholders' Meeting. Where amendments to the Articles of Association are required, A Group preferred shareholders meet and approve the decisions taken by the Shareholders Meeting. However, in decisions requiring a change in the Articles of Association, all shares have 1 vote. As stated in the Articles of Association, shareholders of preferred stock do not have the privilege to nominate candidates to the Board of Directors.

The Company takes all precautionary measures that would increase the effectiveness of institutional representation at General Shareholders Meetings.

In our Company, any actions that may complicate the use of voting rights is avoided. Each shareholder is given the opportunity to exercise his/her voting right in the most appropriate, fair and convenient manner.

A shareholder can vote either personally or by appointing a third person as his/her representative. Our Articles of Association does not include a provision preventing non-holders to vote by proxy as an appointed representative. However, A Group shareholders may only be represented by another A Group shareholder. If such is the case, it should be documented in the legal representations in writing.

Within the Holding, no cases of cross ownership associated with a controlling relationship exist.

Save for the special provisions of the relevant legislation and Articles of Association, voting is conducted through open ballot and by raising hands during the General Shareholders' Meeting. Upon request by shareholders, the voting procedure will be determined by the General Shareholders' Meeting.

Our company gives care to the exercise of minority rights. There were no criticisms or complaints filed to our Company in this regard in 2005. Our Articles of Association does not include the cumulative voting procedure that has been recommended by the Capital Markets Board. The advantages and disadvantages of this method will be appraised in line with regulatory developments.

Dividend Distribution Policy and Timing
Our dividend distribution policy is based on the capital requirements of our companies and subsidiaries, long term strategies, investment and financing policies, profitability and cash condition and Capital Market Board regulations.

Dividend distribution will be decided at the General Shareholders' Meeting and may be paid out in full either as cash or as bonus issue (resources funded by the company) or can be paid out partially as cash and partially as bonus issue.

With regards to dividend distribution, Turkish Commercial Code, Capital Markets Board regulations and our company's Articles of Association are the relevant guiding principles and there is compliance to General Shareholders' decisions and legal time frames. Within the framework of the dividend policy, all outstanding shares receive equal dividends during the pay-out period.

Our company's paid-in capital is comprised of A and B type shares and neither have preference in receiving dividends. In the Articles of Association, in the section related to distribution of profits, under article 32 paragraph (d) and again in the Articles of Association under article 12 related to dividend right certificate, according to the ratio and amount to be determined by the Capital Markets Board that will not disrupt distribution of the first dividend payment, from the company's distributable profit, according to Turkish Commercial Code regulations, 5% legal reserves and after all financial provisions and deducting 5% of paid-in capital, 3% of the amount calculated is paid to dividend right certificate holders. The amount paid to dividend right certificate holders from pure profits following deductions as described in paragraphs (a) and (b) of this article cannot exceed 1/10 of the amount.

Our dividend policy, distribution history and details related to capital increases are announced to the public on our website.

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

PART II - PUBLIC DISCLOSURE AND TRANSPARENCY

Company Disclosure Policy
Koç Holding is one of Turkey's most respected institutions making a significant contribution to the Turkish economy and comprising a substantial share of the ISE. As such, the company is observing a transparent and efficient disclosure policy that conforms to legislative rules and regulations. The purpose of the disclosure policy is to provide the relevant authorities, shareholders, current and potential investors, the general public and stakeholders with information concerning past performance, future expectations, strategies and targets and vision excluding any commercially sensitive information. The Holding's financial information is prepared according to generally accepted accounting principles and Capital Markets Board Regulations and is communicated in an accurate, fair, detailed and timely manner through the investor relations and corporate communications departments that provide a constant, efficient and transparent communications platform.

Koç Holding observes an active and transparent approach in its communications adhering to Capital Markets Board Regulations, Istanbul Stock Exchange practices and CMB Corporate Governance Principles when preparing and releasing public disclosures.

Our disclosure policy is announced to the public on our website. The Corporate Communications and Investor Relations Departments are responsible for the preparation of the Disclosure Policy. The President of Koç Holding A.Ş. Corporate Communications and Foreign Relations is responsible for the implementation and development of these policies and for periodic reporting on this issue to the Audit Committee, Strategic

Planning Department and the Finance Department. Enquiries from outside the company are answered by the Chairman of the Board of Directors, the CEO, CFO, Strategic Planning President or the Investor Relations and Corporate Communications coordinators depending on the content of the enquiry. In answering the inquiries, we take utmost care that all stakeholders are treated equally.

Except in the instances specified by the regulations, all public disclosure is made using written and visual media, electronic data distribution channels, websites and electronic mail.

Announcement of future expectations are also part of our disclosure policy and will be supported by underlying assumptions and relevant data.

Board members, executives and shareholders, who directly or indirectly, own 5% of the company's capital are required to disclose the details of purchase or sell transactions in Koç Holding or Group companies' capital market instruments in accordance with CMB regulations.

Material Disclosures
Koç Holding made a total of 77 material disclosures during the year, of which 28 were additional disclosures to the requests of the Capital Markets Board and Istanbul Stock Exchange. Koç Holding is not listed on foreign securities exchanges and therefore is not required to issue any other material disclosures than what is required by the CMB and ISE. No sanctions have been imposed by the CMB against Koç Holding for not complying with material disclosure timeframes.

Internet Site and Contents
The Koç Holding web site (www.koc.com.tr) provides detailed contemporary and historic information in both Turkish and English, as follows:

- Detailed information on corporate identity
- Vision and main strategies
- Information about members of the Board of Directors and executive management
- Company organization and shareholding structure
- Articles of Association
- Commercial registry information
- Foreign partnerships
- Summary information on operational departments and group companies
- Financial information, key performance indicators and analysis reports
- Press releases
- CMB Material Disclosures
- Information about shares, share price performance, graphics and calculators
- Investor presentations
- Information about analysts covering the company and analyst reports
- Announcements regarding date, agenda and topics of General Shareholders' Meetings
- General Shareholders' Meetings Minutes
- Proxy form
- Corporate Governance practices and compliance report
- Dividend policy, dividend pay-out history and capital increases
- Disclosure Policy
- Frequently asked questions
- Detailed information about Corporate Social Responsibility

The principles related to the management of our website is included in the Disclosure Policy.

Disclosure of Ultimate Controlling Shareholder(s)
Koç Holding's shareholder structure is published in the website and related documents. Since the public is aware that Koç Family members are the “ultimate controlling shareholders” a separate public announcement is not required.

Disclosure of Individuals who are in a Position to Have Insider Information
In balancing transparency and protecting our Company's interests, utmost importance is given to compliance with Company policies on preventing insider trading. Information that is obtained by working in the Company, that belongs to the Company, that bears commercial value is defined as “Company Information”. All Koç Holding employees are responsible for protecting such information during and after their employment with Koç Holding and cannot, directly or indirectly, use Company Information for any other purpose.

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All Koç Holding employees are strictly forbidden to use Company Information for insider trading of Koç Holding or Koç Group company shares.

As of the date of this report, Members of the Board of Directors and Senior Management who could be in a position to obtain insider information are listed below, and also announced on our website.

Board of Directors:

Rahmi M. Koç	Honorary Chairman
Mustafa V. Koç	Chairman
Suna Kıraç	Vice Chairman
Temel Atay	Vice Chairman
Semahat Arsel	Member
F. Bülend Özaydınlı	Member - CEO
İnan Kıraç	Member
Ömer M. Koç	Member
Hasan Subaşı	Member
Prof. Yavuz Alangoya	Member
W. Wayne Booker	Member
H. Oswald Maucher	Member
John H. McArthur	Member
Dieter Christoph Urban	Member
Nevzat Tüfekçioğlu	Auditor

Group Presidents:

Dr. Rüşdü Saraçoğlu	Banking & Insurance Group
Ali Y. Koç	Information Technology Group
Ahmet Ashaboğlu	CFO (Finance Group)
Dr. Bülent Bulgurlu	Consumer Durables and Construction Group
Ali Tarık Uzun	Auditing Group
Kudret Önen	Supplies and Other Automotive Companies Group
Erol Memioğlu	Energy Group
Ömer Bozer	Food Retailing and Tourism Group
Hasan Bengü	Corporate Communications and Foreign Relations Group
Tamer Haşimoğlu	Strategic Planning Group

Finance:

Dr. Füsun Akkal Bozok	Director
Ali Uzcan	Coordinator
Memet İlkan Kamber	Coordinator
İlhami Can Öztürk	Coordinator
Dr. Önder Kutman	Coordinator
Yeşim Uçtum	Coordinator

Accounting:

Emine Alangoya	Director

Human Resources:

Neslihan Tözge	Director
Emre Görgün	Coordinator
Kadir Eşber Çekiç	Coordinator
Buket Çelebiöven	Coordinator

Legal Affairs:

Kenan Yılmaz	Chief Legal Advisor

Auditing:

Ali Yavuz	Coordinator
Mehmet Erkan Özdemir	Coordinator
Serkan Özyurt	Coordinator
Mert Şaban Bayram	Coordinator
Kemal Uzun	Coordinator

Strategic Planning:

Murat Tomruk	Coordinator
Eşfak Tüzün	Coordinator
Murad Ardaç	Coordinator
Funda Güngör	Coordinator

Corporate Communications:

Oya Ünlü Kızıl	Coordinator

Information Technology Services:

Alper Göğüş	Coordinator

Public Affairs:

Ömer Tunç Koyuncu	Coordinator

Secretary General:

Tahsin Saltık	Secretary General

SECTION III - STAKEHOLDERS

Company Policy Regarding Stakeholders

Stakeholders are informed of issues that concern them by means of invitations to regular meetings or means of telecommunication. Public disclosures are made by press conferences, statements and bulletins. Shareholders' meeting requests are fulfilled and we endeavor to facilitate management attendance at the most senior level. Important announcements, management changes and press bulletins are posted on the intranet for the convenience of Group employees. Employees are kept updated on developments through certain organizations and continuous access to the CEO through chat opportunities over the internet. Additionally, some important announcements and executive management messages are sent to employees by e-mail. For the dealer network, regular dealer meetings are organized in a different province each time. The Chairman of the Board, CEO and top managers participate in these meetings to give information regarding recent developments and hear the ideas of dealers.

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Stakeholders' Participation in the Company Management

Stakeholders are able to forward their requests, views, suggestions and complaints through the feedback mechanism on our website or directly to the Investor Relations Department while employees are able to post their requests, complaints and suggestions to management over the intranet. Employees also have the opportunity to share views with top managers and chat with the company CEO over the internet. Additionally, our companies hold meetings during the year for both dealers and suppliers to encourage a mutual exchange of ideas. The ideas and suggestions generated at these meetings are evaluated and put into practice.

Human Resources Policy

At the end of 2005, Koç Group had a total of 81,926 employees – 74,448 in Turkey and 7,478 abroad. Our objective as the Koç Group is to grow our Company, while adding value to our investors and shareholders, and our employees, who are essential in creating this value added. We aspire to become a company that has a successful professional staff that is closest to the customers and employees.

Our human resources policies seek to ensure continuous business success, to attract qualified young people and experienced professionals to our Group to lead it into the future and to continuously develop and increase the competencies of our existing employees.

In the application of these policies, we utilize Integrated Performance Management and Development Planning as an effective tool to ensure that we are all heading towards the same targets, measure success, reward outstanding performance and determine the potential of future managers.

In measuring and rewarding the performance of our executives, criteria such as economic profit, company value, growth, employee satisfaction and customer satisfaction are taken into consideration. Performance Management and Development Planning processes are conducted over the web throughout the Group. This transparent communication environment makes policies and applications fair and transparent.

Koç Academy, a web-based training and development platform that we launched in 2005, plays an important role in the implementation of policies capable of planning the development of employees and monitor the developments related to these activities.

As a reflection of our human resources policies, the MyKoçFamily program introduced with the purpose of making a contribution to raise the life quality of each employee within the Koç Family and aiming to be by their side throughout their lives and offering advantages and discounts, has been warmly greeted by employees.

Occupational health and safety standards are implemented in all our workplaces in compliance with all relevant laws, regulations and directives by eliminating and preventing risks determined by risk analysis of workplaces.

Additionally, the Koç Group Committee on Occupational Health and Safety meets periodically. The main objective of the meetings is to share information to ensure workplaces meet the standards that have been set and to improve occupational health and safety through better coordination.

Many of our companies have been certified by OHSAS 18001, SA 8000, ISO14001 and ISO9001 and efforts continue to certify more companies.

In line with legal regulations, in workplaces with unionized workers including collective bargaining agreements, there are designated union representatives that manage employee relations. They cooperate with management to ensure the sustainability of business success.

Job satisfaction and success are measured regularly with questionnaires evaluating business life and continuous improvements are implemented according to the results of the research.

Our competitive power depends on our workforce.

Customer and Supplier Relations

Since 2003, Koç Holding has been conducting a centralized customer satisfaction survey, reflecting the importance given to this subject. As Turkey's most comprehensive consumer research project, the survey encompasses 40 brands belonging to 18 Koç companies as well as 133 competitive brands. The results of research conducted with 42,000 customers nationwide are shared with upper and middle management of the Holding and Group companies, areas that need improvement are pinpointed and appropriate actions are taken. Due to the importance of company-dealer-customer relations, the level of satisfaction of companies that work through dealers is also monitored.

The Dealer Satisfaction Survey was conducted three times this year by an independent research company among 6,000 dealers of 11 companies. Targets for improvement of customer and dealer satisfaction are reflected in upper management performance targets.

Corporate Citizenship

Koç Holding and Group companies achieved great progress in the area of corporate citizenship in 2005.

On March 30, 2006, Chairman of the Board, Mustafa V. Koç, signed the United Nations Global Compact in a personal meeting with UN Secretary-General Kofi Annan at UN Headquarters in New York. Participation in the UN Global Contract confirms in an official and international way Koç Group's commitment to corporate citizenship and sensitivity to social issues. Koç Group is pledged to observe and implement the principles of the agreement fully and completely in the geographical region in which it operates. Hundreds of companies from all regions of the world, international labor and civil society organizations are engaged in the Global Compact, working to advance ten universal principles in the areas of human rights, labor, the environment and anti-corruption.

Koç Holding's Corporate Citizenship philosophy is best reflected in the words of our founder Vehbi Koç, whose motto was “If my country exists, so do I.” Companies seek to give back to the society in which they have grown and developed through projects that will create value and contribute to the development of this same society.

Every year, thousands of scholarships are extended to students and numerous projects in the fields of culture, art, environment and health are initiated. In addition to projects in Turkey, Koç Group actively contributes to the promotion of Turkey in the international arena by sponsoring an art exhibition each year.

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Working through Vehbi Koç Foundation, Koç Group has established the first privately-owned museum, the first industrial museum and first student dormitory in Turkey, making it a pioneer in the area of corporate citizenship. The same philosophy and principles guide the corporate citizenship projects undertaken by individual companies in the Group.

Koç Group views corporate citizenship, not as a duty to be performed by all employees and investors, but as an integral part of doing business. This philosophy of corporate citizenship is one the distinguishing characteristics of Koç Group. Koç Group has assumed an important social mission, not just in terms of the people it employs, the value it creates and the taxes it pays, but through its philosophy of corporate citizenship.

PART IV - BOARD OF DIRECTORS

Structure and Formation of the Board of Directors and Independent Directors

Koç Holding is the first Turkish company to appoint internationally respected non-Turkish executives to the Board of Directors. The structure of the Board of Directors conforms to Capital Market Board principles. On the Board of Directors, no one other than the CEO is responsible for execution. Four of the 14 members of the Board are independent.

The names and attributes of the Board of Directors are given below:

Rahmi M. Koç	Honorary Chairman-non-executive
Mustafa V. Koç	Chairman-non-executive
Suna Kıraç	Vice Chairman- non-executive
Temel Atay	Vice Chairman- non-executive
Semahat Arsel	Member-non-executive
F. Bülend Özaydınlı	Member-CEO
İnan Kıraç	Member-non-executive
Ömer M. Koç	Member-non-executive
Prof. Yavuz Alangoya	Member-non-executive
Hasan Subaşı	Member-non-executive
W. Wayne Booker	Member-independent
H. Oswald Maucher	Member-independent
John H. McArthur	Member-independent
Dieter Christoph Urban	Member-independent
Nevzat Tüfekçioğlu	Auditor

There were no changes in the structure or independence of the Board of Directors in 2005. Following the Shareholders' Meeting in which Board members are selected, the Chairman and Vice-Chairman determine division of duties. If a seat on the Board is vacated during the year, clause 315 of the Turkish Commercial Code is invoked. There is no restriction on directors taking on other employment or functions. Due to the significant contribution made to the Board by the work experience and knowledge of independent directors, no such restriction was considered necessary.

Qualification of Directors

The Board of Directors is structured to optimize its effectiveness and efficiency. The basic qualifications of the directors meet CMB Corporate Governance Principles Section 4, articles 3.1.1, 3.1.2, 3.1.3, 3.1.4 and 3.1.5.

Qualified candidates with high level of knowledge and skills, higher education, specific experience and background are eligible for Board membership. The CVs of directors are presented on the website. Preparations are also being made to provide CVs for candidates proposed at Shareholders' Meetings.

Company Mission and Vision and Strategic Goals

The strategic goals set down with due consideration to our Company's vision and portfolio theme are assessed and approved by the Board. Our strategy, whose main concepts have been cited below, is explained in more detail in the relevant parts of our Annual Report.

Our vision

“To become one of Europe's leading companies through rapid and profitable growth”
• To register an average annual growth rate of 14%
• To archieve after-tax profit in excess of the cost of equity

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Our Portfolio Theme
“The Closest Group to the Consumer”
• To manufacture, market and sell products and services that appeal to the end-user

Our Strategic Goals
• To focus on businesses in which we have an international competitive power
• To generate 50% of revenues from international business
• To become the leader or the closest contender in sectors in which we operate
• To increase our brand power while mastering technology fully in the industries that we operate

Every year Koç companies prepare their strategic plans, in line with the principles and methods set by Koç Holding, within the context of Koç Group's strategic plan and objectives approved by Board of Directors. Following the evaluation of these strategic plans, strategies and financial projections are consolidated and, if necessary, the Group's strategic plan is revised. The final strategic plan and financial plan are then submitted to the Board of Directors for approval. The Board of Directors may approve the plans as they are submitted or they may request changes. At the end of the year, in line with the strategic plan and financial plan approved by the Board of Directors, companies prepare an annual budget in line with the methods and principles set by Koç Holding. After being approved by senior management, the company budgets are consolidated and submitted to the Board of Directors for approval. The Board of Directors may approve the budgets as submitted or they may request changes. Annual scorecards are prepared for executives based on the strategic plans and budgets.

Koç Holding's strategic objectives such as economic profit, company value, growth and employee and customer satisfaction are emphasized on all scorecards. Koç Holding is one of the few companies in Turkey where executive performance and compensation is linked to the share price performance.

Koç Holding Board of Directors and upper management monitor the performance and operations of companies against their budgets and achievement of objectives in periodic meetings throughout the year. At quarterly meetings, where the Chairman of the Board, CEO and Koç Holding upper management attend, the financial performance, developments of business segments and the actual performance of Koç Holding senior management and general managers are assessed and measured against objectives and budgets.

The Board of Directors meet every three months to review the quarterly financial performance of Koç Group against budgets, monitor strategic developments and make recommendations.

Risk Management and Internal Control Mechanisms
The responsibility for Risk Management and Reporting is shared by Presidents taking into consideration possible sources. Risks are investigated and assessed in detail at periodic meetings.

Great importance has been given to internal control since the establishment of the company. To date, there has always been an Internal Control unit, operating under various names. In line with the principle of “separation of management and audit functions” the Audit Group President charged with this duty has reported directly to the Board of Directors since 2004. Periodic audits are also made of processes, risk, finances, operations and corruption of companies with relations to our Group companies. The Audit Committee President and members convey their conclusions to the upper management of our companies on a regular basis.

Authority and Responsibilities of the Board of Directors
The authority and responsibilities of the members of the Board of Directors have been clearly defined in the Company Articles of Association. The authority to sign has been indicated in detail in the Company Signature Circular.

Fundamental Activities of the Board of Directors
Matters which have been made subject to the decision of the Board of Directors in the Company Articles of Association are determined through notification of top level management and Board of Directors members by the departments concerned, which, in turn determines the agenda for Board Meetings. Outside of this, in the event that any one of the members of the Board of Directors notifies Company Senior Management about a decision that must be taken about a certain matter, the agenda of the meeting is drawn up accordingly.

Matters that are to be discussed at the Company's Board of Directors Meeting are collected at the General Secretariat, which shall consolidate and place them on the agenda.

The Koç Holding A.Ş. General Secretariat and the Finance Group Presidency has been assigned the duties of determining the agenda for the Koç Holding A.Ş. Board of Directors Meetings, preparing Board decisions within the scope of the provisions of TCC 330/II, making disclosures to the Board and ensuring the flow of communication.

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The Board of Directors meets, as far as business dictates and in any case at a minimum, the number of times set forth by the Company Articles of Association. In 2005, the Board met three times.

Differences of opinion and grounds for opposing votes at Board Meetings are recorded in the Resolution Book. Since no opposition or difference of opinion has been declared recently, no public announcement about this has been made.

Actual participation to the Board of Directors would be provided in matters within the scope of Section IV. Number 2.17.4 of CMB Corporate Governance Principles.

Prohibition of engaging in transactions and competing with the company
According to Articles 334 and 335 of the Turkish Commercial Code, it is necessary to obtain permission from the Board of Directors for a board member to engage in transactions and compete with the company.

Ethical Rules
Throughout its 80 years, Koç Group's culture has given priority to honesty, respect, ethical behavior and compliance with all laws and regulations.

Koç Group made further progress in terms of both corporate citizenship and corporate governance and ethical rules by signing the United Nations Global Compact in 2006.

The Number, Structure and Autonomy of Committees Formed by the Board of Directors
Committees are formed at our Company with the aim of ensuring that the Board of Directors is able to fulfill its duties and responsibilities. These committees work under the following principles:

Management Committee
Because of their busy schedules, members of the Board of Directors meet four times a year. For this reason, outside of the restrictions set down in the definition of the Management Committee, the Board of Directors assigns its authorities and duties to the Management Committee. The members of the committee are nominated by the Board members who represent the majority shares, and are approved by the Board. The evaluation and approval procedure of the Committee's decisions at the Board are undertaken in accordance with the Company Articles of Association.

In principle, the Committee may not take decisions or make revisions about matters previously decided upon by the Board of Directors or on subjects that are contrary to the Strategic Plan. The Committee shall bring the decisions it has taken between Board Meetings to the next meeting of the Board and have them approved. The Management Committee is comprised of five persons.

Audit Committee
This Committee decides upon the selection of the Independent Auditing Company and submits the grounds for this to the Management Committee, the Board of Directors and to the General Assembly.

The responsibility of the Auditing Committee and of company management is to not only undertake internal and external auditing, but also to see that records, procedures and reporting are in accordance with the laws, rules and regulations, and with the principles set down by the CMB and IFRS. This Committee is comprised of three persons in addition to the Chairman of the Board and the CEO. One person acts as chairman. The Committee meets at least four times a year and more frequently when the need arises.

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 more frequently if necessary.

Financial Benefits Granted to the Board of Directors
The financial benefits to be granted to the members of the Board of Directors are decided upon at the Shareholders' Meeting and are announced to the public by means of minutes of meetings open to the press.

KOÇ HOLDİNG A.Ş.
BOARD OF DIRECTORS' REPORT

To our shareholders:
The results and developments of Koç Group companies during 2005 were presented at Koç Holding's 42nd General Assembly on April 29, 2006. The first part of this annual report describes and assesses 2005 operations while the succeeding pages give detailed information regarding the developments of our core business segments. The second part of the report contains audited financial statements and accompanying notes as of December 31, 2005 and other disclosures required by the Capital Markets Board.

The consolidated financial statements presented in this report are prepared in compliance with International Financial Reporting Standards (IFRS). However, in accordance with the decree issued by the Capital Markets Board on March 17, 2005, inflation accounting has not been applied to the financial statements.

Overview of 2005
Koç Group continued to grow and improve its performance in 2005. Business volume, number of customers and profitability increased significantly in all areas in which we are active. As a result of the satisfactory financial and operational results we have obtained, the added value we create for shareholders continued to rise significantly.

Shares of Koç Holding and its publicly traded subsidiaries are among the most heavily traded on the Istanbul Stock Exchange. The market value of Koç Holding and its 21 publicly traded subsidiaries represented 16% of the total market value of companied traded on the ISE as of December 31, 2005. This demonstrates the central place Koç Group occupies in the Turkish economy and is a matter of great pride for us.

As you may remember, Koç Group adopted a new strategic plan at the end of 2002. I am pleased to report that the Group continued to successfully implement the plan in 2005. During the year, key investments were completed that increased production, exports and employment significantly.

The Koç brand stands for quality and reliability in many different areas of life. We continued to see strong demand from customers for our products and services in many different segments from automotive to food.

As Koç Group approaches its 80th anniversary, it celebrates some of the biggest steps in its history:
• Yapı Kredi Bank, one of the strongest and most respected financial institutions in Turkey is now part of Koç Financial Services. With this acquisition, Koç Group has confirmed very strongly its intention to increase its size and market share in the finance sector.
• The second important step forward was the acquisition of Tüpraş (Turkish Petroleum Refineries Corporation), an industrial enterprise that carries great strategic importance for Turkey. The consortium led by Koç Group won Tüpraş tender, one of three biggest privatization sales in Turkey to date, by submitting the highest bid. Following full payment of the purchase price, the block sale process was completed, 51% of shares was transferred to the consortium, in which Koç Group has a 98% stake, and Koç Holding took over the management of the company.
• The third important step we took in 2005 was the purchase of Tansaş by Koç Holding and Migros, thus fortifying the Group's leadership in the retailing sector. .

KOÇ HOLDİNG A.Ş.
BOARD OF DIRECTORS' REPORT

Financial Results
The Group's core business segments of automotive, consumer durables, food & retailing, energy, finance and other continued to contribute to the development of revenues.

Combined revenues increased by 16% to $32,846 million. Consolidated revenues amounted to $18,150 million, 9% higher than the previous year. Of the difference between combined and consolidated revenue figures, $8,372 million is attributable to joint venture accounting and $6,324 million to inter company eliminations.

Koç Holding's net operating profit declined by 3% from the previous year to $901 million. Profit before interest, taxes and depreciation (EBITDA) increased by 1% to $1,480 million. Consolidated net income for 2005 was $445 million, 18% above the previous year.

Total assets in 2005 rose by 93% to $27,338 million. This steep increase reflects the effects of Yapı Kredi and Tansaş acquisitions.

Shareholders' equity increased from $3,097 million in 2004 to $3,605 million in 2005 due to profit for the period and a capital increase during the year.

Total capital expenditures of $877 million was realized in 2005, not including Yapı Kredi and Tansaş acquisitions. The biggest portion of this belongs to investments for capacity increases and new models in the consumer durable and automotive segments. Other significant investments were made in the food and retailing segment for new stores and in the energy segment for gas stations and terminals.

Koç Holding's subsidiaries in various business segments are among the leading exporters in Turkey. Koç Group continued to increase the international component of its sales in 2005. Koç Holding subsidiaries generated combined international sales of $8.5 billion, 14% over the previous year. Nearly 75% of international revenues are generated by the automotive, consumer durables and retailing businesses.

Employment and labor relations
Total employment of Group companies reached 81,926 at the end of 2005, representing an increase of 22,413 over the previous year end. On a segment basis, the highest employment is (in order) provided by automotive, food and retailing, consumer durables and finance. Nearly 88% of total employment is attributable to these four segments.

During 2005, three companies (Tat, Migros, Aygaz-Marine Fleet operations) signed collective bargaining agreements covering 6,400 employees.

Risk Management
The Group has focused on managing various financial risks arising from its operations including the effects of changes in foreign exchange and interest rates, 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). Companies manage their own Interest rate, loan and foreign exchange risks according to the policies approved by their respective boards of directors.

Capital Increase
According to a decision taken by the Board of Directors on September 21, 2005 to raise paid-in capital from YTL1,000 million ($745 million) by 15% through a cash injection of YTL150 million ($112 million), Koç Holding's paid-in capital increased to YTL1,150 million ($857 million).

KOÇ HOLDİNG A.Ş.
BOARD OF DIRECTORS' REPORT

Dividends Payment Proposal

According to the financial statements prepared by Koç Holding A.Ş. and audited by Başaran Nas Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of PricewaterhouseCoopers), for the period January 1 - December 31, 2005, after the 5% legal reserve in accordance with the Turkish Commercial Code, Article 446, amounting to YTL17.8 million ($13.3 million), distributable profits of YTL338.2 million ($252.0 million) and YTL201.2 million ($149.9 million) have been attained according to the legal records and Capital Market Board Regulations respectively. We submit for the approval of the General Assembly of Shareholders, in accordance with Capital Market Board Regulations and our Articles of Association, the distribution of IFRS distributable profits to be as follows;

YTL60.3 million	($45.0 million)	As first dividend to shareholders,
YTL4.3 million	($3.2 million)	To holders of usufruct certificates as per article 32/d of our Articles of Association,
YTL1.1 million	($0.8 million)	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),
YTL34.7 million	($25.8 million)	As second dividend to shareholders,

that the balance is to be considered as extraordinary reserve; that the first and second dividends totaling YTL95 million ($68.8 million) are not to be distributed as cash, but added to the paid-in capital and respective bonus shares to be given to our shareholders, and that payments to the usufruct certificate holders and Koç Holding Foundation for Pensions and Assistance is made from the portion of current year profit attributable to exempt income; and, that the distribution date is set as May 22, 2006

Dear Shareholders:

On behalf of the Board of Directors, I would like to thank our valued shareholders and customers for their continued trust and support, and our employees for their dedication and outstanding contribution to Koç Group.

Mustafa V. Koç
Chairman

KOÇ HOLDİNG A.Ş.
BOARD OF DIRECTORS' REPORT

Koç Holding Consolidated Financial Results

	2005* ($ in millions)	2005 (YTL in millions)	2004 (YTL in millions)	Change (%)
Revenues	18,150	24,353	22,264	9
Operating Profit	901	1,209	1,251	(3)
Income Before Taxes on Income and Minority Interest	954	1,280	1,330	(4)
Income Before Minority Interest	731	981	913	7
Net Income	445	598	508	18
Earnings per Share (Ykr)	¢41.9	56.2	50.8	11
EBITDA	1,480	1,985	1,965	1
Operating Margin (%)		5.0	5.6	(0.7)**
Total Assets	27,338	36,682	19,055	93
Total Liabilities	21,221	28,475	12,207	133
Total Shareholders' Equity	3,605	4,837	4,156	16
Capital Expenditures	877	1,177	773	52
Depreciation and Amortization	578	776	714	9
Revenues / Total Assets		0.66	1.17	(0.50)**
Operating Profit / Total Assets (%)		3.3	6.6	(3.3)**
Return on Equity		14.1	13.9	0.2**
Current Ratio		0.83	1.14	(0.31)**
Total Liabilities / Equity		3.5	1.8	1.7**

* Convenience translation with year end YTL1.3418 = $1.00 exchange rate
** Change expressed as the difference between ratios

KOÇ HOLDİNG A.Ş.
AUDITOR'S REPORT

To the Shareholders' Meeting of Koç Holding A.Ş.

The findings of our audit covering the 2005 accounting year are presented below:

1. The audit was in essence carried out by examining the records of Koç Holding A.Ş. which are kept in accordance with the provisions of the Taxation Procedures Law (VUK) and the Capital Market Board (SPK) Regulations, attending the meetings of the Board of Directors of Koç Holding A.Ş. and conducting an actual count and verifying the amount of cash and securities held by the company.

2. The company's compulsory books as required by the Turkish Commercial Code (TTK), Taxation Procedures Law and 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 financial statements of Koç Holding A.Ş.

3. In my opinion the consolidated financial statements that were prepared in accordance with Decree No. 25 Series XI of the Capital markets Board which was revised on December 31, 2005 and, in accordance with the decree issued by the Capital Markets Board on March 17, 2005, without applying inflation accounting starting January 1, 2005, accurately reflect the consolidated financial position of the Company on December 31, 2005 and the consolidated results of its operations for the period.

4. The proposal of the Board of Directors for distribution of dividends is in accord with the relevant Capital Market Board regulations.

As a result of the audit of Koç Holding A.Ş. 2005 accounts and operations, performed in accordance with generally accepted accounting principles, the Turkish Commercial Code, Capital markets legislation and the company's articles of association, I hereby submit for approval the annual report and financial tables presented to the Shareholders' Meeting and deem it appropriate that the Board of Directors be absolved with regard to its activities in 2005.

Respectfully yours,

Nevzat Tüfekçioğlu
Auditor

April 10, 2006

KOÇ HOLDİNG A.Ş.
AUDITOR'S REPORT FOR THE PERIOD
1 JANUARY - 31 DECEMBER 2005

1. We have audited the accompanying consolidated balance sheet of Koç Holding A.Ş. (“Koç Holding”) at 31 December 2005 and the related consolidated statement of income for the year then ended. Our examination was made in accordance with the auditing principles issued by the Capital Market Board (“CMB”) and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

2. 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 2005 and the results of its operations for the year then ended in accordance with the accounting principles issued by the CMB (Note 2).

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

3. As explained in Note 3 to the consolidated financial statements, the statements include the accounts of the parent company, its Subsidiaries and Joint Ventures. Subsidiaries are companies in which Koç Holding has power to control the financial and operating policies for the benefit of Koç Holding through the exercise of voting power relating to the shares held by Koç Holding and its Subsidiaries together with the voting power which Koç Holding effectively exercises relating to the shares held by Koç family members and enterprises controlled by them. Joint Ventures are companies in respect of which there are contractual arrangements through which an economic activity is undertaken subject to joint control by Koç Holding and its Subsidiaries (through the “control basis”) and one or more other parties. In effect the Koç family members allow Koç Holding to exercise the voting power in respect of their shares held in these companies. In the accompanying consolidated financial statements, the shares held by Koç family members are treated as minority interest.

4. 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 New Turkish Lira (“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 at 31 December 2005. Such translation should not be construed as a representation that the YTL amounts have been or could be converted into EUR and USD at these or any other rates.

Additional paragraph for convenience translation into English:

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

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

Zeynep Uras, SMMM
Partner

Istanbul, 7 April 2006

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

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

	Notes	2005 EUR'000 (*)	2005 USD'000 (*)	2005 YTL'000	As restated 2004 YTL'000
ASSETS					
Current assets:					
Cash and due from banks	4.a	2,344,391	2,773,677	3,721,720	1,986,401
Marketable securities (net)	5	1,164,157	1,377,328	1,848,099	1,165,165
Reserve deposits with the Central Banks	4.b	454,747	538,017	721,911	324,359
Trade receivables (net)	7.a	2,633,249	3,115,429	4,180,283	3,160,548
Loans and advances to customers (net)	7.b	4,070,665	4,816,054	6,462,181	1,760,596
Lease receivables (net)	8	147,510	174,521	234,172	139,713
Due from related parties (net)	9.a	23,911	28,290	37,959	32,267
Other receivables (net)	10	7,388	8,740	11,728	12,706
Biological assets (net)	11	-	-	-	-
Inventories (net)	12	1,374,427	1,626,102	2,181,903	2,174,871
Construction contracts receivables (net)	13	18,431	21,806	29,259	2,063
Deferred tax assets	14	-	-	-	-
Other current assets	15.a	310,883	367,810	493,527	342,853
Total current assets		**12,549,759**	**14,847,774**	**19,922,742**	**11,101,542**
Non-current assets:					
Trade receivables (net)	7.a	39,822	47,114	63,217	55,240
Loans and advances to customers (net)	7.b	2,368,365	2,802,041	3,759,779	701,061
Lease receivables (net)	8	148,521	175,717	235,777	136,786
Due from related parties (net)	9.a	-	-	-	-
Other receivables (net)	10	-	-	-	-
Financial assets (net)	16	3,228,263	3,819,398	5,124,868	2,130,702
Goodwill/negative goodwill (net)	17	672,507	795,651	1,067,605	289,536
Investment property (net)	18	44,643	52,818	70,871	64,789
Property, plant and equipment (net)	19	3,211,115	3,799,109	5,097,645	4,067,183
Intangible assets (net)	20	352,321	416,836	559,310	249,873
Deferred tax assets	14	450,178	532,611	714,658	212,643
Other non-current assets	15.b	41,248	48,801	65,481	45,858
Total non-current assets		**10,556,983**	**12,490,096**	**16,759,211**	**7,953,671**
Total assets		**23,106,742**	**27,337,870**	**36,681,953**	**19,055,213**

(*)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 2005, and therefore do not form part of these consolidated financial statements (Note 2.5).

These consolidated financial statements as at and for the year ended 31 December 2005 have been approved for issue by the Board of Directors on 7 April 2006 and signed on its behalf by Rüşdü Saraçoğlu, President of Financial Services Group, and by Emine Alangoya, Accounting Director.

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

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

	Notes	2005 EUR'000 (*)	2005 USD'000 (*)	2005 YTL'000	As restated 2004 YTL'000
LIABILITIES					
Current liabilities:					
Customer deposits	6.b	8,386,738	9,922,452	13,313,946	3,455,566
Short-term borrowings (net)	6.a	2,325,044	2,750,788	3,691,007	2,063,890
Short-term portion of long-term borrowings (net)	6.a	665,708	787,607	1,056,811	537,355
Lease payables (net)	8.b	2,074	2,453	3,292	5,739
Insurance technical reserves	23.c	227,776	269,485	361,595	204,389
Other financial liabilities (net)	10	192,122	227,301	304,993	217,153
Trade payables (net)	7.a	1,818,027	2,150,930	2,886,118	2,189,181
Due to related parties (net)	9.b	70,754	83,710	112,322	96,819
Advances received	21	160,183	189,514	254,290	248,206
Construction contracts progress billings (net)	13	-	-	-	97
Provisions	23.a	20,736	24,533	32,918	80,842
Deferred tax liabilities	14	-	-	-	-
Other current liabilities (net)	15.c	1,250,408	1,479,372	1,985,022	607,308
Total current liabilities		**15,119,570**	**17,888,145**	**24,002,314**	**9,706,545**
Non-current liabilities:					
Customer deposits	6.b	129,860	153,639	206,153	204,544
Long-term borrowings (net)	6.a	1,657,189	1,960,640	2,630,787	1,476,831
Lease payables (net)	8.b	1,274	1,508	2,023	7,066
Insurance technical reserves	23.c	459,922	544,139	730,126	340,997
Other financial liabilities (net)	10	6,725	7,956	10,676	12,728
Trade payables (net)	7.a	14,895	17,623	23,646	22,948
Due to related parties (net)	9.b	-	-	-	-
Advances received	21	-	-	-	-
Provisions	23.b	300,254	355,235	476,654	141,724
Deferred tax liabilities	14	172,509	204,097	273,858	217,856
Other non-current liabilities (net)	15.d	74,707	88,389	118,595	75,594
Total non-current liabilities		**2,817,335**	**3,333,226**	**4,472,518**	**2,500,288**
Total liabilities		**17,936,905**	**21,221,371**	**28,474,832**	**12,206,833**
Minority interest	**24**	**2,122,937**	**2,511,672**	**3,370,162**	**2,692,108**
SHAREHOLDERS' EQUITY					
Share capital	25	724,409	857,058	1,150,000	1,000,000
Treasury shares	25	-	-	-	-
Capital reserves	26	1,006,350	1,190,626	1,597,582	1,582,932
Share premium		1,120	1,326	1,779	32
Share cancellation gains		-	-	-	-
Revaluation fund		-	-	-	-
Financial assets fair value reserve		12,647	14,963	20,077	7,174
Inflation adjustment to shareholders' equity		992,583	1,174,337	1,575,726	1,575,726
Profit reserves	27	159,883	189,160	253,815	216,877
Legal reserves		21,122	24,989	33,531	27,100
Statutory reserves		-	-	-	-
Extraordinary reserves		157,805	186,701	250,515	214,646
Special reserves		-	-	-	-
Investment and property sales income to be added to the capital		450	533	715	1,431
Translation reserve		(25,363)	(30,007)	(40,263)	(22,080)
Cumulative gain/(loss) on hedging		5,869	6,944	9,317	(4,220)
Net income		376,455	445,388	597,624	508,193
Retained earnings	28	779,803	922,595	1,237,938	848,270
Total shareholders' equity		**3,046,900**	**3,604,827**	**4,836,959**	**4,156,272**
Total liabilities and shareholders' equity		**23,106,742**	**27,337,870**	**36,681,953**	**19,055,213**
Commitments, contingent assets and liabilities	**31**				

(*) EUR and USD amounts presented above are translated from YTL for convenience purposes only, at the official YTL exchange rate announced by CBRT at 31 December 2005, and therefore do not form part of these consolidated financial statements (Note 2.5).

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

KOÇ HOLDİNG A.Ş.
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED 31 DECEMBER

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

	Notes	2005 EUR'000 (*)	2005 USD'000 (*)	2005 YTL'000	As restated 2004 YTL'000
Operating revenues					
Revenues (net)	33, 36	15,340,708	18,149,779	24,353,374	22,264,015
Cost of revenues (-)	33	(12,623,810)	(14,935,385)	(20,040,299)	(18,216,999)
Gross operating profit		**2,716,898**	**3,214,394**	**4,313,075**	**4,047,016**
Operating expenses (-)	37	(1,955,119)	(2,313,124)	(3,103,751)	(2,796,320)
Net operating profit		**761,779**	**901,270**	**1,209,324**	**1,250,696**
Other income	38	81,391	96,295	129,209	190,249
Other expenses (-)	38	(71,822)	(84,974)	(114,018)	(92,501)
Financial income/(expenses) (net)	39	34,737	41,098	55,145	74,256
Operating profit		**806,085**	**953,689**	**1,279,660**	**1,422,700**
Monetary loss	40	-	-	-	(92,941)
Income before taxes and minority interests		**806,085**	**953,689**	**1,279,660**	**1,329,759**
Taxes on income	41	(188,006)	(222,433)	(298,458)	(416,350)
Income before minority interest		**618,079**	**731,256**	**981,202**	**913,409**
Minority interest	24	(241,624)	(285,868)	(383,578)	(405,216)
Net income		**376,455**	**445,388**	**597,624**	**508,193**
Earnings per share (YTL)	42			0.562	0.508

(*) EUR and USD amounts presented above are translated from YTL for convenience purposes only, at the official YTL exchange rate announced by CBRT at 31 December 2005, and therefore do not form part of these consolidated financial statements (Note 2.5).

KOÇ HOLDİNG A.Ş.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED 31 DECEMBER

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

		Capital Reserves			Profit Reserves					Retained Earnings			
	Share capital	Share premium	Inflation adjustment to shareholders' equity	Financial assets fair value reserve	Legal reserves	Extraordinary reserves	Translation reserve	Cumulative gain and loss on hedging	Investment and property sales income to be added to the capital	Retained earnings	Undistributed profits	Total	Total shareholders' equity
Balance at 31 December 2003 - as previously reported	**789,750**	**32**	**1,699,460**	**-**	**16,449**	**181,326**	**(9,080)**	**(21,083)**	**-**	**602,181**	**435,008**	**1,037,189**	**3,694,043**
Accounting policy change - IAS 39 (Note 2.6)	-	-	-	6,871	-	-	-	-	-	(6,871)	-	(6,871)	-
Balance at 31 December 2003 - as restated	**789,750**	**32**	**1,699,460**	**6,871**	**16,449**	**181,326**	**(9,080)**	**(21,083)**	**-**	**595,310**	**435,008**	**1,030,318**	**3,694,043**
Capital increase	210,250	-	(125,550)	-	-	-	-	-	-	(84,700)	-	(84,700)	-
Transfers	-	-	-	-	-	-	-	-	1,431	433,577	(435,008)	(1,431)	-
Financial assets fair value gains (net)	-	-	-	303	-	-	-	-	-	-	-	-	303
Currency translation differences	-	-	-	-	-	-	(13,000)	-	-	-	-	-	(13,000)
Cumulative gain on hedging	-	-	-	-	-	-	-	16,863	-	-	-	-	16,863
Dividends paid	-	-	1,816	-	10,651	33,320	-	-	-	(95,917)	-	(95,917)	(50,130)
Net income	-	-	-	-	-	-	-	-	-	-	508,193	508,193	508,193
Balance at 31 December 2004 - as restated	**1,000,000**	**32**	**1,575,726**	**7,174**	**27,100**	**214,646**	**(22,080)**	**(4,220)**	**1,431**	**848,270**	**508,193**	**1,356,463**	**4,156,272**
Balance at 31 December 2004 - as previously reported	**1,000,000**	**32**	**1,575,726**	**-**	**27,100**	**214,646**	**(22,080)**	**(4,220)**	**1,431**	**855,141**	**508,496**	**1,363,637**	**4,156,272**
Accounting policy change - IAS 39 (Note 2.6)	-	-	-	7,174	-	-	-	-	-	(6,871)	(303)	(7,174)	-
Balance at 31 December 2004 - as restated	**1,000,000**	**32**	**1,575,726**	**7,174**	**27,100**	**214,646**	**(22,080)**	**(4,220)**	**1,431**	**848,270**	**508,193**	**1,356,463**	**4,156,272**
Effect of IFRS 3 - negative goodwill (Note 2.6)	-	-	-	-	-	-	-	-	-	9,376	-	9,376	9,376
Balance at 1 January 2005	**1,000,000**	**32**	**1,575,726**	**7,174**	**27,100**	**214,646**	**(22,080)**	**(4,220)**	**1,431**	**857,646**	**508,193**	**1,365,839**	**4,165,648**
Transfers	-	-	-	-	-	-	-	-	(716)	508,909	(508,193)	716	-
Capital increase	150,000	1,747	-	-	-	-	-	-	-	-	-	-	151,747
Financial assets fair value gains (net)	-	-	-	12,903	-	-	-	-	-	-	-	-	12,903
Currency translation differences	-	-	-	-	-	-	(18,183)	-	-	-	-	-	(18,183)
Cumulative gain on hedging	-	-	-	-	-	-	-	13,537	-	-	-	-	13,537
Dividends paid	-	-	-	-	6,431	35,869	-	-	-	(128,617)	-	(128,617)	(86,317)
Net income	-	-	-	-	-	-	-	-	-	-	597,624	597,624	597,624
Balance at 31 December 2005	**1,150,000**	**1,779**	**1,575,726**	**20,077**	**33,531**	**250,515**	**(40,263)**	**9,317**	**715**	**1,237,938**	**597,624**	**1,835,562**	**4,836,959**

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

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

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

	Notes	2005 EUR'000 (*)	2005 USD'000 (*)	2005 YTL'000	As restated 2004 YTL'000
Operating activities:					
Net income		376,455	445,388	597,624	508,193
Adjustments to reconcile net income to net cash provided by operating activities:					
Net income attributable to minority interest	24	241,624	285,868	383,578	405,216
Depreciation and amortisation (net)	18, 19, 20	488,842	578,354	776,036	737,571
Changes in provisions	43	193,272	228,663	306,820	254,161
Net interest income	43	(307,786)	(364,146)	(488,611)	(378,139)
Banking sector interest income	33.h, 43	699,518	827,609	1,110,487	661,071
Banking sector interest expense	33.h, 43	(385,544)	(456,142)	(612,051)	(299,605)
Gain on sale of tangible assets (net)	38	(26,474)	(31,322)	(42,028)	(25,937)
Gain on sale of investments (net)	38	-	-	-	(50,854)
Derecognition of negative goodwill	38	-	-	-	(36,305)
Taxation expenses	41	188,005	222,431	298,458	416,350
Net cash provided from operating activities before changes in operating assets and liabilities		**1,467,912**	**1,736,703**	**2,330,313**	**2,191,722**
Net changes in operating assets and liabilities	43	(1,139,394)	(1,348,029)	(1,808,787)	(1,947,346)
Changes in other non-current assets and liabilities	43	(2,754)	(3,258)	(4,372)	(1,467)
Income taxes paid	41	(253,596)	(300,032)	(402,583)	(423,307)
Net change in operating assets and liabilities		**(1,395,744)**	**(1,651,319)**	**(2,215,742)**	**(2,372,120)**
Net cash provided from/(used in) operating activities		**72,168**	**85,384**	**114,571**	**(180,398)**
Investing activities:					
Acquisition of tangible and intangible assets	18, 19, 20	(741,449)	(877,217)	(1,177,050)	(798,837)
Cash provided from sale of tangible and intangible assets		93,807	110,984	148,918	85,136
Cash provided from sale of subsidiary		-	-	-	107,674
Net cash inflow/(outflow) on acquisition of Subsidiaries and Joint Ventures	32	8,088	9,568	12,839	(47,262)
Effect of change in minority interest		13,656	16,157	21,679	(1,830)
Net cash used in investing activities		**(625,898)**	**(740,508)**	**(993,614)**	**(655,119)**
Financing activities:					
Share capital and share premium increases		95,588	113,091	151,746	-
Dividends paid		(54,372)	(64,329)	(86,317)	(50,130)
Share capital increases attributable to minority interest	24	67,965	80,411	107,895	54,186
Dividends paid attributable to minority interest	24	(144,964)	(171,508)	(230,130)	(120,345)
Increase in short-term borrowings		964,855	1,141,531	1,531,704	595,681
Increase in long-term borrowings		723,725	856,248	1,148,914	189,850
Non-banking sector interest income	39, 43	145,320	171,929	230,695	238,714
Non-banking sector interest expense	39, 43	(151,509)	(179,252)	(240,520)	(222,041)
Net cash provided from financing activities		**1,646,608**	**1,948,121**	**2,613,987**	**685,915**
Cumulative gain on hedging		7,490	8,860	11,887	10,809
Cumulative gain on hedging attributable to minority interest		327	387	519	819
Translation difference		(3,272)	(3,872)	(5,195)	1,526
Translation difference attributable to minority interest		(2,901)	(3,433)	(4,606)	1,345
Net increase/(decrease) in cash and cash equivalents		1,094,522	1,294,939	1,737,549	(135,103)
Cash and cash equivalents at the beginning of the year	4.a	1,233,011	1,458,790	1,957,405	2,092,508
Cash and cash equivalents at the end of the year	**4.a**	**2,327,533**	**2,753,729**	**3,694,954**	**1,957,405**

(*) EUR and USD amounts presented above are translated from YTL for convenience purposes only, at the official YTL exchange rate announced by CBRT at 31 December 2005, and therefore do not form part of these consolidated financial statements (Note 2.5).

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 2005

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

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

As of 31 December 2005, the number of people employed by Koç Holding, Subsidiaries and Joint Ventures (collectively referred as the "Group") is 81,926 (31 December 2004: 59,513).

The address of the registered office is as follows:
Nakkaştepe Azizbey Sok. No: 1
Kuzguncuk-İSTANBUL

Koç Holding is registered with the Capital Markets Board ("CMB") and its shares have been quoted on the Istanbul Stock Exchange ("ISE") since 10 January 1986. At 31 December 2005, the principal shareholders and their respective shareholding rates in Koç Holding are as follows (Note 25):

	%
Companies owned by Koç family members	42.29
Koç family members	26.60
Vehbi Koç Vakfı	7.17
Koç Holding Emeklilik Vakfı	1.97
Other	21.97
	100.00

Koç Holding is organised mainly in Turkey in six main business segments:
- Automotive
- Finance (*)
- Consumer durable
- Food and retailing
- Energy
- Other (**)

(*) The finance segment includes three main groups; banking, insurance and consumer finance. In the segmental presentation of the accompanying consolidated financial statements, banking, leasing, factoring, portfolio management, custody and brokerage services are included in the banking group.
(**) Other operations of Koç Holding mainly comprise of foreign trade, tourism, information technologies and construction, none of which is of a sufficient size to be reported separately.

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

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

Subsidiary	Country of incorporation	Nature of business	Segment
Beldesan Otomotiv Yan Sanayii ve Tic. A.Ş. ("Beldesan")	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 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
Beko Deutschland GmbH ("Beko Deutschland")	Germany	Trading	Consumer durable
Bekodutch B.V. ("Bekodutch")	The Netherlands	Production	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 Llc. ("Beko Llc")	Russia	Production	Consumer durable
Beko Polska S.A. ("Beko Polska")	Poland	Trading	Consumer durable
Beko Plc. ("Beko Plc")	The U.K.	Trading	Consumer durable
Blomberg Werke GmbH ("Blomberg Werke")	Germany	Production	Consumer durable
Blomberg Vertriebsgesellschaft GmbH ("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
Düzey Tüketim Malları Pazarlama A.Ş. ("Düzey")	Turkey	Trading	Food and retailing
Limited Liability Company Rambutya ("Rambutya")	Kazakhstan	Retail	Food and retailing
Migros Türk T.A.Ş. ("Migros")	Turkey	Retail	Food and retailing
Ramstore Macedonia D00 ("Ramstore Macedonia")	Macedonia	Retail	Food and retailing
Ramstore Bulgaria A.D. ("Ramstore Bulgaria")	Bulgaria	Retail	Food and retailing
Ramstore Sınırlı Sorumlu Türk Gıda Müessesesi ("Ramstore")	Azerbaijan	Retail	Food and retailing
Tansaş Perakende Mağazacılık Ticaret A.Ş. ("Tansaş")	Turkey	Retail	Food and retailing
Tansaş Gıda Sanayi ve Turizm Ticaret Limited Şirketi ("Tansaş Gıda")	Turkey	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

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
Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş. ("Akpa") (*)	Turkey	Trading	Energy
Entek Elektrik Üretimi A.Ş. ("Entek")	Turkey	Power generation	Energy
Mogaz Petrol Gazları A.Ş. ("Mogaz")	Turkey	LPG	Energy
Ayvalık Marina ve Yat İşletmeciliği San. ve Tic. A.Ş. ("Ayvalık Marina")	Turkey	Tourism	Other
Bilkom Bilişim Hizmetleri A.Ş. ("Bilkom")	Turkey	Trading	Other
Beko Ticaret A.Ş. ("Beko Ticaret")	Turkey	Trading	Other
Bozkurt Tarım ve Gıda San. A.Ş. ("Bozkurt")	Turkey	Agriculture	Other
İzocam Ticaret ve Sanayi A.Ş. ("İzocam")	Turkey	Production	Other
Kav Danışmanlık Pazarlama ve Ticaret A.Ş. ("Kav Danışmanlık")	Turkey	Consultancy	Other
Koçnet Haberleşme Teknoloji ve İletişim Hizm. A.Ş. ("Koçnet")	Turkey	Information technology	Other
Koç Sistem A.Ş. ("Koç Sistem")	Turkey	Technology	Other
Koç Yapı Malzemeleri Ticaret A.Ş. ("Koç Malzeme")	Turkey	Trading	Other
Marmaris Altınyunus Turistik Tesisleri A.Ş. ("Mares")	Turkey	Tourism	Other
Palmira Turizm Ticaret A.Ş. ("Palmira")	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
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

(*) Bursa Gaz San. ve Tic. A.Ş. continues its operations in the name of Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş. ("Akpa").

The Joint Ventures of the Group ("Joint Ventures"), their country of incorporation, nature of business, respective business segment and joint venture partners of Koç Holding are explained below (Note 3.1):

Joint Venture	Country of incorporation	Nature of business	Segment	Joint Venture Partner
Ford Otomotiv Sanayi A.Ş. ("Ford Otosan")	Turkey	Production	Automotive	Ford Motor Co.
Tofaş Türk Otomobil Fabrikası A.Ş. ("Tofaş")	Turkey	Production	Automotive	Fiat Auto S.p.A.
Türk Traktör ve Ziraat Makinaları A.Ş. ("Türk Traktör")	Turkey	Production	Automotive	CNH Global NV
Trakmak Traktör ve Ziraat Makinaları A.Ş. ("Trakmak")	Turkey	Trading	Automotive	CNH Global NV
Koç Fiat Kredi Tüketici Finansmanı A.Ş. ("Fiat Finans")	Turkey	Consumer Finance	Finance	Fiat Auto S.p.A.
Koç Finansal Hizmetler A.Ş. ("Koç Finansal Hizmetler" or "KFS")	Turkey	Holding	Finance	UniCreditoItaliano
Koçbank A.Ş. ("Koçbank")	Turkey	Banking	Finance	UniCreditoItaliano
Koçbank Azerbaijan Ltd. ("Koçbank Azerbaijan")	Azerbaijan	Banking	Finance	UniCreditoItaliano
Koç Faktoring Hizmetleri A.Ş. ("Koç Faktoring")	Turkey	Factoring	Finance	UniCreditoItaliano
Koç Finansal Kiralama A.Ş. ("Koç Lease")	Turkey	Leasing	Finance	UniCreditoItaliano
Koçbank Nederland N.V. ("Koçbank Nederland")	The Netherlands	Banking	Finance	UniCreditoItaliano
Stiching Custody Services KBN ("Stiching Custody")	The Netherlands	Custody	Finance	UniCreditoItaliano
Koç Portföy Yönetimi A.Ş. ("Koç Portföy")	Turkey	Portfolio management	Finance	UniCreditoItaliano

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Joint Venture	Country of incorporation	Nature of business	Segment	Joint Venture Partner
Koç Yatırım Menkul Değerler A.Ş. ("Koç Menkul")	Turkey	Brokerage	Finance	UniCreditoItaliano
Yapı ve Kredi Bankası A.Ş. ("Yapı Kredi Bankası")	Turkey	Banking	Finance	UniCreditoItaliano
Yapı Kredi Bank Deutschland A.G. ("Yapı Kredi Deutschland")	Germany	Banking	Finance	UniCreditoItaliano
Yapı Kredi Bank Holding B.V. ("Yapı Kredi Holding")	The Netherlands	Financial consulting	Finance	UniCreditoItaliano
Yapı Kredi Bank Nederland N.V. ("Yapı Kredi Nederland")	The Netherlands	Banking	Finance	UniCreditoItaliano
Yapı Kredi Emeklilik A.Ş. ("Yapı Kredi Emeklilik")	Turkey	Insurance	Finance	UniCreditoItaliano
Yapı Kredi Faktoring A.Ş. ("Yapı Kredi Faktoring")	Turkey	Factoring	Finance	UniCreditoItaliano
Yapı Kredi Finansal Kiralama A.O. ("Yapı Kredi Finansal Kiralama)	Turkey	Leasing	Finance	UniCreditoItaliano
Yapı Kredi Moscow ("Yapı Kredi Moscow")	Russia	Banking	Finance	UniCreditoItaliano
Yapı Kredi Portföy Yönetimi A.Ş. ("Yapı Kredi Portföy")	Turkey	Portfolio management	Finance	UniCreditoItaliano
Yapı Kredi Sigorta A.Ş. ("Yapı Kredi Sigorta")	Turkey	Insurance	Finance	UniCreditoItaliano
Yapı Kredi Yatırım Menkul Değerler A.Ş. ("Yapı Kredi Menkul")	Turkey	Brokerage	Finance	UniCreditoItaliano
Yapı Kredi Yatırım Ortaklığı A.Ş. ("Yapı Kredi Yatırım")	Turkey	Investment trust	Finance	UniCreditoItaliano
Grundig Multimedia B.V. ("Grundig Multimedia")	The Netherlands	Technology	Consumer durable	Alba Plc.
Grundig Benelux B.V., Netherlands ("Grundig Benelux")	The Netherlands	After sale service	Consumer durable	Alba Plc.
Grundig Australia Pty. Limited ("Grundig Australia")	Australia	After sale service	Consumer durable	Alba Plc.
Grundig Denmark A/S, Denmark ("Grundig Denmark")	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.
Tariş-Tat Alkollü İçecekler A.Ş. ("Tariş-Tat")	Turkey	Alcoholic beverages	Food and retailing	Tariş Group
Koçtaş Yapı Marketleri Sanayi ve Ticaret A.Ş. ("Koçtaş Yapı Market")	Turkey	Construction and housing equipment	Food and retailing	B & Q Holding BV
Opet Petrolcülük A.Ş. ("Opet")	Turkey	Petroleum products	Energy	Öztürk family
Opet Madeni Yağ ve Katkıları San. ve Tic. A.Ş. ("Opet Madeni Yağ")	Turkey	Production and distribution	Energy	Öztürk family
Opet Dış Tic ve Nakliyat A.Ş. ("Opet Dış Ticaret")	Turkey	Import	Energy	Öztürk family
Opet Gıda ve İhtiyaç Mad. Tur. San. İç ve Dış Ticaret A.Ş. ("Opet Gıda")	Turkey	Food distribution	Energy	Öztürk family
Opet International Limited ("Opet International")	The U.K.	Trading	Energy	Öztürk family
Opet Trade BV ("Opet Trade BV")	The Netherlands	Trading	Energy	Öztürk family
Opet Trade Ireland ("Opet Trade Ireland")	Ireland	Trading	Energy	Öztürk family
TBS Denizcilik ve Petrol Ürünleri Ticaret A.Ş. ("TBS")	Turkey	Marine fuel supplier	Energy	Öztürk family
Kofisa S.A. ("Kofisa")	Switzerland	Foreign trade	Other	Koratrade S.A.
Netsel Turizm Yatırımları A.Ş. ("Netsel")	Turkey	Tourism	Other	Toray İnşaat A.Ş.
Ultra Kablo Televizyon ve Telekomünikasyon San. ve Tic. A.Ş. ("Ultra Kablo")	Turkey	Media and communication	Other	Doğan Yayın Holding A.Ş.

For the purposes of segment information in these consolidated financial statements, Koç Holding's stand-alone financial statements have been included within the "Other" segment (Note 33).

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Accounting standards

The consolidated financial statements of Koç Holding have been prepared in accordance with the accounting and reporting principles published by the Capital Markets Board (“CMB”), namely “CMB Accounting Standards”. The CMB published a comprehensive set of accounting principles in Communiqué No. XI-25 “The Accounting Standards in the Capital Markets”. In the aforementioned communiqué, it has been stated that applying the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) is accepted as an alternative to confirm with the CMB Accounting Standards.

With the decision taken on 17 March 2005, the CMB announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with CMB Accounting Standards. Accordingly, International Accounting Standards (“IAS”) 29 (“Financial Reporting in Hyperinflationary Economies”), issued by IASB, has not been applied in the consolidated financial statements for the accounting year commencing from 1 January 2005. The consolidated financial statements presented for comparison purposes are expressed in the purchasing power of New Turkish Lira (“YTL”) at 31 December 2004. These consolidated financial statements and the related notes have been prepared under the alternative application defined by the CMB as explained above and presented in accordance with the formats required by the CMB with the announcement dated 20 December 2004.

Koç Holding and its Subsidiaries and Joint Ventures registered in Turkey maintain their books of account and prepare their statutory financial statements (“Statutory Financial Statements”) in YTL in accordance with the Turkish Commercial Code (“TCC”), tax legislation, and the Uniform Chart of Accounts issued by the Ministry of Finance, applicable Turkish insurance laws for insurance companies and banking law, accounting principles promulgated by the Banking Regulation and Supervising Agency for banks and for listed companies and accounting principles issued by the CMB. The foreign Subsidiaries and Joint Ventures maintain their books of account in accordance with the laws and regulations in force in the countries in which they are registered. These consolidated financial statements are based on the statutory records, which are maintained under historical cost conversion, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with CMB Accounting Standards.

2.2 Financial reporting in hyperinflationary periods

As stated in the accounting standards, with the decision taken on 17 March 2005, the CMB announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with CMB Accounting Standards. Therefore, the Group did not apply inflation accounting effective from 1 January 2005. The consolidated financial statements comparatives have been expressed in terms of the purchasing power of YTL at 31 December 2004.

IAS 29 (“Financial Reporting in Hyperinflationary Economies”) requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date, and that corresponding figures for previous periods be restated in the same terms. The restatement of the comparative amounts was calculated by means of conversion factors derived from the Turkish nationwide wholesale price index (“WPI”) published by the State Institute of Statistics (“SIS”).

Indices and conversion factors used to restate the comparative amounts until 31 December 2004 are given below:

Dates	Index	Conversion factors	Cumulative 3-year inflation rate %
31 December 2004	8,403.8	1.000	69.7
31 December 2003	7,382.1	1.138	181.1

2.3 New Turkish Lira

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

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

As stated in the announcement of CMB dated 30 November 2004, financial statements for the year ended 31 December 2005, including the prior year financial data, which will be used for comparison purposes, are presented in YTL, and prior year financial statements are to be presented in YTL only for comparative purposes.

2.4 Financial statements of foreign Subsidiaries and Joint Ventures
Financial statements of Subsidiaries and Joint Ventures operating in foreign countries are prepared according to the legislation of the country in which they operate, and adjusted to the CMB Accounting Standards to reflect the proper presentation and content. Foreign Subsidiaries and Joint Ventures' assets and liabilities are translated into YTL from the foreign exchange rate at the balance sheet date and income and expenses are translated into YTL at the average foreign exchange rate. Exchange differences arising from the retranslation of the opening net assets of foreign undertakings and differences between the average and balance sheet date rates are included in the "translation reserve" under the shareholders' equity.

2.5 EUR and USD translation
EUR and USD amounts shown in the 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 CBRT on 31 December 2005 of YTL1.5875 = EUR1 and YTL1.3418 = USD1, respectively and do not form part of these consolidated financial statements. Such translation should not be construed as a representation that the YTL amounts have been or could be converted into EUR and USD at these or any other rates.

2.6 Changes in accounting policies and restatement of prior periods' financial statements
IAS 39 - Financial Instruments: Recognition and Measurement has been revised effective from the annual period beginning on or after 1 January 2005. In accordance with the revised standard, gains and losses on available-for-sale financial assets shall be directly recognised in equity until the financial assets are derecognised. The Group recognised such gains and losses on available-for-sale financial assets in the statement of income until 31 December 2004. As a result of the revision in IAS 39, the Group applied accounting policy change retrospectively, and adjusted all related comparative financial information.

Furthermore, in accordance with IFRS 3 ("Business Combinations") the carrying amount of previously recognised negative goodwill is derecognised at the beginning of the year, with a corresponding adjustment to the opening balance of retained earnings (Note 3.15).

2.7 Comparatives
The consolidated financial statements of the Group include comparative financial information to enable the determination of the financial position and performance.

2.8 Convenience translation into English of consolidated financial statements originally issued in Turkish
As of 31 December 2005, the accounting principles described in Note 2.1 (defined as CMB Accounting Standards) differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting, presentation of the basic financial statements and the notes to them. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Where necessary, accounting policies for Subsidiaries and Joint Ventures have been changed to ensure consistency with the policies adopted by the Group.

3.1 Group accounting
a) The consolidated financial statements include the accounts of the parent company, Koç Holding, its Subsidiaries and its Joint Ventures (collectively referred to as the "Group") on the basis set out in sections (b) to (f) below. The financial statements of the companies included in the scope of consolidation have been prepared as of the date of the consolidated financial statements with adjustments and reclassifications for the purpose of fair presentation in accordance with CMB Accounting Standards and the application of uniform accounting policies and presentation.

b) Subsidiaries are companies over which Koç Holding has the power to control the financial and operating policies for the benefit of Koç Holding, either (a) through the power to exercise more than 50% of voting rights relating to shares in the companies as a result of ownership interest owned directly and indirectly by itself, and/or as a result of agreements by certain Koç family members and companies owned by them (collectively referred to as the "Koç family members") whereby Koç Holding exercises control over the ownership interest of (but does not have the economic benefit of) the shares held by them; or (b) although not having the power to exercise more than 50% of the ownership interest, otherwise has the power to exercise control over financial and operating policies.

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

Subsidiary	Proportion of effective interest (%)	Direct and indirect ownership interest by Koç Holding and its Subsidiaries (%)	Ownership interest shares held by Koç Family members (%)	Total ownership interest (%)
Akpa	65.78	74.87	23.50	98.37
Arctic	37.84	96.68	-	96.68
Arçelik	39.14	39.14	12.63	51.77
Ardutch	39.14	100.00	-	100.00
Aygaz	40.68	40.68	10.53	51.21
Ayvalık Marina	49.13	95.57	4.43	100.00
Beko Deutschland	39.14	100.00	-	100.00
Bekodutch	46.47	100.00	-	100.00
Beko Elektronik	46.47	67.65	4.65	72.30
Beko Espana	39.13	100.00	-	100.00
Beko France	39.12	99.96	-	99.96
Beko Llc	39.14	100.00	-	100.00
Beko Plc	19.57	50.00	50.00	100.00
Beko Polska	39.14	100.00	-	100.00
Beko Ticaret	39.00	39.00	60.00	99.00
Beldesan	79.13	79.13	14.63	93.76
Beldeyama	63.30	79.99	0.01	80.00
Bilkom	82.28	99.94	0.06	100.00
Birmot	99.10	99.25	0.75	100.00
Bloomberg Vertrieb	39.14	100.00	-	100.00
Bloomberg Werke	39.14	100.00	-	100.00
BOS	40.64	98.43	1.57	100.00
Bozkurt	73.92	83.89	16.11	100.00
DD Heating	23.05	50.00	50.00	100.00
Demrad	46.10	100.00	-	100.00
Döktaş	51.10	51.10	2.57	53.67
Düzey	31.69	32.27	60.89	93.16
Elektra Bregenz	39.14	100.00	-	100.00
Entek	27.34	65.12	-	65.12
Fusion	44.15	95.00	-	95.00
İzocam	18.57	20.07	41.13	61.20
Kav Danışmanlık (*)	18.98	18.98	29.76	48.74
Koç Allianz Hayat	49.87	51.00	-	51.00
Koç Allianz Sigorta (*)	43.41	43.41	3.68	47.09

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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 (%)
Koç Finans	64.62	94.50	5.50	100.00
Koç Malzeme	43.18	43.18	46.34	89.52
Koç Sistem	41.14	41.14	53.21	94.35
Koçnet	86.06	100.00	-	100.00
Mares	36.81	36.81	33.46	70.27
Migros	51.06	51.06	0.02	51.08
Mogaz	38.33	80.55	8.42	88.97
Opet Aygaz Bulgaria	29.81	100.00	-	100.00
Opet Aygaz BV	29.81	100.00	-	100.00
Otokar (*)	44.09	45.27	-	45.27
Otokoç	94.96	96.16	3.84	100.00
Otomotiv Lastikleri	46.42	46.63	41.42	88.05
Otoyol	53.95	53.95	10.18	64.13
Palmira	9.80	20.78	79.22	100.00
Panel	34.57	100.00	-	100.00
Ram Dış Ticaret	42.48	83.44	14.66	98.10
Ram Pacific	40.29	96.92	-	96.92
Rambutya	26.04	51.00	-	51.00
Ramstore Bulgaria	51.06	100.00	-	100.00
Ramstore Makedonya	50.55	99.00	-	99.00
Raupach	39.14	100.00	-	100.00
RMK Marine	53.84	66.90	33.10	100.00
Ramstore	48.38	94.75	-	94.75
Setur	47.14	81.07	18.67	99.74
Sherbrook	23.54	80.00	-	80.00
Tansaş (**)	46.66	78.10	-	78.10
Tansaş Gıda (**)	46.66	78.10	-	78.10
Tat Konserve	47.54	52.87	8.67	61.54
Tat Tohumculuk (*)	17.26	33.00	3.00	36.00
TDDF	46.10	46.10	24.11	70.21
Tek-Art Marina	50.50	51.94	47.46	99.40

(*) 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.
(**) Tansaş and Tansaş Gıda have been included in the scope of consolidation on 10 November 2005 (Note 32).

The Group signed a share certificate sales agreement to sell the shares in Mako Elektrik Sanayi Ticaret A.Ş. ("Mako"), a Subsidiary of the Group, at 30 December 2004 and Mako was excluded from the scope of consolidation at the date that control ceased (Note 16).

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

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

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

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

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

Joint Venture	Proportion of effective interest (%)	Direct and indirect ownership interest by Koç Holding and its Subsidiaries (%)	Ownership interest shares held by Koç Family members (%)	Total ownership interest (%)
Arçelik LG Klima	22.61	50.00	-	50.00
Fiat Finans	37.59	37.59	0.27	37.86
Ford Otosan	38.01	38.46	2.58	41.04
Grundig AG	23.24	50.00	-	50.00
Grundig Australia	23.24	50.00	-	50.00
Grundig Benelux	23.24	50.00	-	50.00
Grundig Denmark	23.24	50.00	-	50.00
Grundig Espana	23.24	50.00	-	50.00
Grundig Finland	23.24	50.00	-	50.00
Grundig GmbH	23.24	50.00	-	50.00
Grundig Hungary	23.24	50.00	-	50.00
Grundig Italy	23.24	50.00	-	50.00
Grundig Multimedia	23.24	50.00	-	50.00
Grundig Norway	23.24	50.00	-	50.00
Grundig Polska	23.24	50.00	-	50.00
Grundig Portugal	23.24	50.00	-	50.00
Grundig Sweden	23.24	50.00	-	50.00
ISG Intermedia	23.24	50.00	-	50.00
Koç Faktoring	36.41	50.00	-	50.00
Koç Finansal Hizmetler	36.43	44.83	5.17	50.00
Koç Lease	36.46	50.00	-	50.00
Koç Menkul	36.40	50.00	-	50.00
Koç Portföy	36.39	50.00	-	50.00
Koçbank	36.35	50.00	-	50.00
Koçbank Azerbaycan	29.14	40.00	-	40.00
Koçbank Nederland	36.43	50.00	-	50.00
Koçtaş Yapı Market	38.12	49.90	0.10	50.00
Kofisa	50.00	50.00	-	50.00
Netsel (*)	27.78	55.00	-	55.00
Opet	18.87	45.33	4.67	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 Madeni Yağ	18.87	50.00	-	50.00
Opet Trade BV	18.87	50.00	-	50.00
Opet Trade Ireland	18.87	50.00	-	50.00
Ramenka	25.53	50.00	-	50.00
Stiching Custody	36.43	50.00	-	50.00
Tariş-Tat	23.77	50.00	-	50.00
TBS	9.47	25.00	-	25.00
Tofaş	37.59	37.59	0.27	37.86
Trakmak	39.38	39.38	17.35	56.73
Türk Traktör	37.50	37.50	-	37.50
Ultra Kablo	26.72	50.00	-	50.00

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

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 (%)
Yapı Kredi Bankası (* *)	20.87	50.00	-	50.00
Yapı Kredi Deutschland (* *)	20.35	50.00	-	50.00
Yapı Kredi Emeklilik (* *)	19.61	50.00	-	50.00
Yapı Kredi Faktoring (* *)	20.87	50.00	-	50.00
Yapı Kredi Finansal Kiralama (* *)	20.54	50.00	-	50.00
Yapı Kredi Holding (* *)	20.87	50.00	-	50.00
Yapı Kredi Menkul (* *)	20.87	50.00	-	50.00
Yapı Kredi Moscow (* *)	20.87	50.00	-	50.00
Yapı Kredi Nederland (* *)	20.87	50.00	-	50.00
Yapı Kredi Portföy (* *)	19.69	50.00	-	50.00
Yapı Kredi Sigorta (* *)	19.61	50.00	-	50.00
Yapı Kredi Yatırım (* *)	11.70	50.00	-	50.00

(*) Netsel has been included in the scope of consolidation on 22 August 2005 (Note 32).
(* *) Yapı Kredi Bankası and its Subsidiaries have been included in the scope of consolidation following the Share Purchase Agreement signed at 28 September 2005 (Note 44.c).

d) Available-for-sale investments, in which the Group together with Koç family members, have ownership interests below 20%, or over which the Group does not exercise a significant influence or which are immaterial and do not have quoted market prices in active markets and whose fair values can not be reliably measured, are carried at cost, less any provision for diminution in value (Note 16).

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

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

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

3.3 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.

3.4 Financial assets
The Group classifies its investments in debt and equity securities as assets at fair value through profit or loss, held-to-maturity and available-for-sale.

"Financial assets at fair value through profit or loss" are either acquired for generating a profit from short-term fluctuations in price or dealers' margin, or included in a portfolio in which a pattern of short-term profit making exists. Financial assets at fair value through profit or loss, are initially recognised at cost and are subsequently remeasured at fair value based on quoted bid prices. All related realised and unrealised gains and losses are included in the income statement.

The Group has designated its trading securities as financial assets at fair value through profit or loss in accordance with the revised IAS 39, which is effective from 1 January 2005.

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

Investment securities intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in the interest rates, exchange rates or equity prices, or client's servicing activity are classified as "available-for-sale financial assets". These are included in non-current assets unless management has the intention of holding these investments for less than 12 months from the balance sheet date, or unless they will need to be sold to raise operating capital, in which case they are included in current assets. 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 recognised on the trade date, which is the date that the Group commits to purchase or sell the asset. Cost of purchase includes transaction costs. Available-for-sale investments that have quoted market prices in active markets and whose fair values can be reliably measured are subsequently carried at fair value, whilst held-to-maturity investments are carried at amortised cost using the effective yield method. Available-for-sale investments that do not have quoted prices in active markets are initially recognised at cost and subsequently remeasured at transaction/companies prices in active markets and whose fair values can not be reliably measured are stated at cost and restated to the equivalent purchasing power.

Available-for-sale investments, in which the Group has attributable interests of 20% or less or Subsidiaries and Joint Ventures which are either immaterial, or where a significant influence is not exercised by Koç Holding, are carried at cost less provision for diminution in value, if these investments do not have quoted market prices in active markets or their fair values can not be reliably measured.

Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are deferred to in the equity under "financial assets fair value reserve" until the financial asset is sold, collected or otherwise disposed of (Note 2.6). Unrealised gains and losses arising from changes in the fair value of available for sale debt securities are the differences between the fair value of such securities and their amortised costs at the balance sheet date. When available-for-sale securities are sold, collected or otherwise disposed of, related deferred gains and losses in equity are released to the statement of income.

3.5 Repurchase and resale transactions

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

3.6 Trade receivables and provision for doubtful receivables

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

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

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

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

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

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

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

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

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

The movement in provision is charged against the income for the year. 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.

3.8 Factoring receivables/Factoring fees and commissions

Receivables from factoring are recorded net of provisions and are carried at amortised cost. The level of the provision is based on the 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 the provision made during the year is charged against the income for the year. Receivables that cannot be recovered are written-off and charged against the provision for loss. These receivables are written-off after all the necessary legal proceedings have been completed and the amount of loss is finally determined. Recoveries of amounts previously provided for are treated as the reduction of the charge for provision for factoring receivables for the year.

3.9 Credit finance income/charges

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

3.10 Inventories

Cost elements included in inventories are materials, labour and an appropriate amount of factory overheads (based on normal operating capacities). The cost of inventories for merchandise stocks is determined by the weighted average method. Inventories are valued at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses (Note 12).

3.11 Investment property

Land and buildings that are held in the production or supply of goods or services or for administrative purposes or for long-term rental yields or for capital appreciation or both rather than for the sale in the ordinary course of business are classified as (investment property). Investment properties are carried at cost less accumulated depreciation and any accumulated impairment losses. Investment properties (except for land) are depreciated with the straight-line depreciation method over their useful lives (Note 18).

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

3.12 Property, plant and equipment and related depreciation

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

Buildings	6 - 50 years
Land improvements	4 - 50 years
Machinery and equipment	3 - 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	4 - 10 years

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

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

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

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

3.13 Leases

(1) The Group as the lessee

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

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

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

(2) The Group as the lessor

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

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

3.14 Intangible assets and related amortisation
Intangible assets comprise of expenditures to acquire usage rights, information systems, development costs and other identified rights. They are recorded at acquisition cost and amortised on a straight-line basis over their estimated useful lives for a period not exceeding 10 years from the date of acquisition. Brands and patents have indefinite economic lives and are not amortised. Where an indication of impairment exists, the carrying amount of any intangible assets is assessed and written down immediately to its recoverable amount (Note 20).

3.15 Business combinations
In accordance with IFRS 3, all business combinations are accounted for by applying the purchase method. Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the business combination cost is accounted for as goodwill. Goodwill recognised in a business combination is tested for impairment annually, or more frequently if events or changes in circumstances indicate an impairment, instead of amortisation.

Excess of acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the business combination, is accounted for as income in the related period
(Note 32).

The carrying amount of previously recognised negative goodwill is derecognised in the financial statements in accordance with IFRS 3 with a corresponding adjustment to the opening balance of retained earnings as of 1 January 2005 (Note 17 and Note 24).

Legal mergers arising between companies controlled by the Group are not within the scope of IFRS. Consequently, there is no recognition of any goodwill in these transactions. Similarly, the effects of all transaction between the legally merged enterprises, whether occurring before or after the legal merger, are eliminated in the preparation of consolidated financial statements (Note 32).

3.16 Deferred income taxes
Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements. Currently enacted tax rates are used to determine deferred income tax. When different tax rates apply to different levels of taxable income, an average tax rate is used for measuring deferred tax liabilities and assets (Note 14).

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

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

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

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

3.18 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.

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

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

3.21 Revenue recognition

Finance Sector

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

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

Insurance

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

Non-life insurance:
Premium income represents premiums on policies written during the year, net of cancellations.

Other Sectors
Revenues are recognised on an accrual basis at the time deliveries or acceptances are made, at the invoiced values for Group companies operating in the automotive, consumer durables, food and retailing, energy and other segments. Net sales represent the invoiced value of goods shipped less sales returns and commission and excluding sales taxes. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognised on an accrual basis as financial income (Note 39).

3.22 Insurance technical 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.

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

Outstanding claims provision is booked for all claims that are notified after, but occurred before the balance sheet date (IBNR).

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 year, less reinsurance, on the basis that premiums are written over the period for the life branch.

Liability Adequacy Test
At each balance sheet date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities. In performing these tests, current best estimates of future cash flows are used. Any deficiency is immediately charged to income statement. The Group has recognised no additional liability with respect to the portion of its life insurance portfolio, which, in the revised tariffs, provides an annual return of the lower of the guaranteed rate or the annual inflation rate.

3.23 Dividends
Dividend receivables from the companies, except for Subsidiaries and Joint Ventures are recognised as income in the period they are declared. Dividend payables are recognised as a result of profit distribution in the period they are declared.

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

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

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

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

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

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

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

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

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

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

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

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

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

Credit risk

Advances and loans given to customers
Holding financial instruments can be defined as carrying in the likelihood that the counterparty 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 and have a variety of end markets in which they sell. The Group's historical experience in collection of account receivable falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's trade receivables.

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

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

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

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

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

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

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

The fair values of marketable securities are determined according to the methods explained in Note 3.4.

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, are translated at year-end exchange rates and accordingly their fair values approximate their carrying values.

Assets at fair value through profit or loss, derivative financial instruments have been presented at their fair values.

3.31 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 year concerned.

In Turkey, companies can increase their share capital through a pro-rata distribution of shares (“bonus shares”) to existing shareholders from retained earnings and inflation adjustment to shareholders' equity (Note 25). For the purpose of earnings per share computations, the weighted average number of shares in existence during the year has been adjusted in respect of bonus share issues without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and each earlier year as if the event had occurred at the beginning of the earliest year reported.

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Bonus shares issued in the year are as follows:

	2005	2004
Investment sale income (Note 25)	-	84,699,970,371
Inflation adjustment to shareholders' equity (Note 25)	-	125,550,029,629
Total	**-**	**210,250,000,000**

There is no difference between the basic and diluted earnings per share amounts (Note 42).

3.32 Significant accounting estimates and decisions

Preparation of financial statements requires the usage of estimations and assumptions which may affect the reported amounts of assets and liabilities as of the balance sheet date, disclosure of contingent assets and liabilities and reported amounts of income and expenses during financial year. Although the estimations and assumptions are based on the best estimates of the management's existing incidents and operations, they may vary from the actual results.

3.33 Offsetting

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

NOTE 4 - CASH AND CASH EQUIVALENTS

a) Cash and due from banks

		2005			2004	
	Banking	Other	Total	Banking	Other	Total
Cash in hand	205,447	170,417	375,864	35,983	139,732	175,715
Cheques received	551	120,326	120,877	758	58,962	59,720
Balances with the Central Banks						
other than reserve requirements	213,654	-	213,654	4,591	-	4,591
Due from banks						
- Demand deposits	150,757	215,379	366,136	74,896	242,582	317,478
- Time deposits	1,483,106	819,310	2,302,416	765,259	537,991	1,303,250
- Reverse repurchase agreements	2,381	933	3,314	-	6,394	6,394
Interbank money market placements	339,459	-	339,459	119,253	-	119,253
	2,395,355	**1,326,365**	**3,721,720**	**1,000,740**	**985,661**	**1,986,401**

At 31 December 2005, total time deposits with maturities over one year amount to YTL26,766 thousand (31 December 2004: YTL28,996 thousand).

The interest rates of foreign currency time deposits are between 1.0%-10.1% per annum ("p.a.") (31 December 2004: 1.0%-8.3% p.a.). The interest rates of YTL time deposits are between 5.0%-24.0% p.a. (31 December 2004: 13.9%-29.0% p.a.).

Reverse repurchase agreements are all short-term with periods of less than three months and their interest rates are between 11.0%-15.3% p.a. (31 December 2004: 14.8%-20.0% p.a.).

The interest rates of Interbank money market placements for foreign currencies are between 2.0%-5.0% p.a. (31 December 2004: 1.0%-10.0% p.a.) and between 13.0%-15.0% p.a. for YTL (31 December 2004: 19.0%-22.5% p.a.).

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

b) Reserve Deposits with the Central Banks

	2005	2004
Foreign currency deposits	561,137	228,020
YTL deposits	160,774	96,339
	721,911	**324,359**

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Reserve requirements of the CBRT represent the minimum deposits, as required by the Turkish Banking Law, calculated on the basis of customer deposits (foreign or domestic) taken at the rates determined by the CBRT which are between 6.0%-11.0%, respectively (2004: 6.0%-11.0%). These funds cannot be used for financing the daily operations of the banks.

Reserve requirements of the Central De Nederlandsche Bank 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% (2004: 10.0%) of the statutory balances of customer accounts, due to banks and other funds borrowed.

Reserve requirements of the Central Bank of the Russian Federation represent reserve deposits equivalent to 3.5% of the Russian Ruble enominated saving deposits and all commercial deposits and 2.0% of the outside funds.

Reserve requirements of the Deutsche Bundesbank represent reserve deposits equivalent to 2% of all financial liabilities except from short-term borrowings and bank deposits.

As of 31 December 2005; YTL708,261 thousand of reserve requirements are found in the CBRT, YTL1,482 thousand in the Deutsche Bundesbank, YTL1,984 thousand in the Central Bank of Azerbaijan, YTL1,175 thousand in the Central Bank of the Russian Federation and YTL9,009 thousand in the De Nederlandsche Bank (as of 31 December 2004; YTL317,426 thousand of reserve requirements are in the CBRT, YTL5,415 thousand in the De Nederlandsche Bank and YTL1,518 thousand in the Central Bank of Azerbaijan).

NOTE 5 - MARKETABLE SECURITIES

	2005	2004
Assets at fair value through profit or loss	564,369	336,114
Available-for-sale investments	362,620	262,827
Held-to-maturity investments	921,110	566,224
Total	**1,848,099**	**1,165,165**

a) Assets at fair value through profit or loss

	2005			2004		
	Banking	**Other**	**Total**	**Banking**	**Other**	**Total**
Debt securities:						
- Treasury bills	28,609	343	28,952	20,144	-	20,144
- Government bonds:						
YTL	192,429	222,374	414,803	919	250,238	251,157
Foreign currency	1,435	-	1,435	13,117	33,755	46,872
Foreign currency indexed	429	-	429	-	-	-
- Eurobonds	40,146	5,879	46,025	499	1,869	2,368
- Other	62,106	10,619	72,725	9,917	5,656	15,573
Total	**325,154**	**239,215**	**564,369**	**44,596**	**291,518**	**336,114**

There are YTL3,074 thousand debt securities pledged under repurchase agreements at 31 December 2005 (31 December 2004: YTL19,758 thousand).

Interest rates of short-term treasury bills and government bonds denominated in YTL of assets at fair value through profit or loss at 31 December 2005 are between 7.2%-26.0% p.a. (31 December 2004: 18.7%-28.8% p.a.).

Interest rates of short-term foreign currency financial assets at fair value through profit or loss at 31 December 2005 are between 3.0%-11.0% p.a. (31 December 2004: 3.9%-11.3% p.a.).

At 31 December 2005, short-term and long-term government bonds, treasury bills, investment funds and Eurobonds amounting to YTL637,723 thousand (31 December 2004: YTL315,849 thousand), YTL3,325 thousand (31 December 2004: None), YTL32,136 thousand (31 December 2004: None), YTL24,931 thousand(31 December 2004: YTL13,819 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 year-end net premiums written.

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At 31 December 2005 YTL194,865 thousand (31 December 2004: YTL580 thousand) of short-term and long-term financial assets at fair value through profit or loss are pledged to the CBRT for legal requirements, to Interbank Money Market, to ISE for marketable securities and money market operations and to İş Borsa as a guarantee.

Analysis of assets at fair value through profit or loss based on the remaining year to the contractual maturity date as of 31 December is as follows:

		2005			2004	
	Banking	**Other**	**Total**	**Banking**	**Other**	**Total**
Demand	62,106	10,619	72,725	9,917	5,656	15,573
1-3 months	66,522	106,293	172,815	852	67,260	68,112
3 months-1 year	196,526	122,303	318,829	33,827	218,602	252,429
	325,154	**239,215**	**564,369**	**44,596**	**291,518**	**336,114**

b) Available-for-sale investments

		2005			2004	
	Banking	**Other**	**Total**	**Banking**	**Other**	**Total**
Debt securities:						
- Treasury bills	17,356	18,747	36,103	91,427	97,976	189,403
- Government bonds:						
YTL	52,235	10,588	62,823	945	9,705	10,650
Foreign currency	856	574	1,430	7,277	137	7,414
Foreign currency indexed	1,398	-	1,398	-	-	-
- Eurobonds	8,751	2,171	10,922	6,720	2,480	9,200
- Other	50,899	5,043	55,942	34,110	4,688	38,798
	131,495	**37,123**	**168,618**	**140,479**	**114,986**	**255,465**
Equity securities:						
- Listed	944	-	944	-	7,362	7,362
- Unlisted	193,058	-	193,058	-	-	-
	194,002	**-**	**194,002**	**-**	**7,362**	**7,362**
Total	**325,497**	**37,123**	**362,620**	**140,479**	**122,348**	**262,827**

There are YTL1,469 thousand debt securities pledged under repurchase agreements at 31 December 2005 (31 December 2004: YTL85,360 thousand).

Interest rates of short-term treasury bills and government bonds denominated in YTL held as available-for-sale at 31 December 2005 are between 10.0%-24.4%% p.a. (31 December 2004: 19.3%-30.4%p.a.).

Interest rates of short-term foreign currency available-for-sale investments held at 31 December 2005 are between 5.5%-15.0% p.a. (31 December 2004: 2.0%-12.4% p.a.).

At 31 December 2005, short-term and long-term government bonds and Eurobonds available-for-sale investments amounting to YTL34,094 thousand (31 December 2004: None), YTL268,247 thousand (31 December 2004: None) 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 the written year-end net premiums.

At 31 December 2005 short-tem and long-term financial assets held as available for sale amounting to YTL28,637 thousand (31 December 2004: YTL2,181 thousand) are pledged as a guarantee to the CBRT for legal requirements.

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The list of equity securities and the shareholding rates as of 31 December are as follows:

	2005		2004	
	YTL'000	(%)	YTL'000	(%)
Listed:				
Turkcell İletişim Hizmetleri A.Ş. ("Turkcell İletişim")	944	0.01	-	-
Türk Traktör (*)	-	-	7,362	2.29
	944		**7,362**	
Unlisted:				
A-Tel Pazarlama ve Servis Hizmetleri A.Ş. ("A-Tel") (**)	100,573	25.00	-	-
Digital Platform İletişim Hizmetleri A.Ş. ("Digitürk") (***)	53,020	12.61	-	-
Fintur Technologies B.V. ("Fintur") (***)	33,512	36.18	-	-
Superonline Uluslararası Elektronik İletişim Hizmetleri A.Ş. ("Superonline") (***)	5,953	18.04	-	-
	193,058		**-**	
	194,002		**7,362**	

(*) As of 3-4 September 2004, the Group sold its 25% share in Türk Traktör, a Joint Venture of the Group, by an initial public offering ("IPO") and following this IPO, bought 2.29% of these shares back for the purpose of selling them in the short-term. These shares have been sold on 21 November 2005.

(**) According to the public announcements of Turkcell on 25 October 2005, which are based on the "A-Tel Option Agreement" signed between Yapı Kredi Bankası and Çukurova Holding A.Ş. ("Çukurova Holding") on 28 September 2005, Turkcell İletişim management has been authorised for the finalisation of the purchase of 50% of A-Tel shares after the proposal of Çukurova Holding regarding A-Tel Option Agreement based on the condition that 50% of the shares of A-Tel worth at least USD150,000,000 after the valuation of A-Tel made by an audit firm or an investment bank using a due diligence report including the results of a fiscal, legal and a financial condition of A-Tel. On 22 March 2006, the Board of Directors of Turkcell İletişim decided to exercise the option related to the 50% of A-Tel owned by the Group as per the terms of "A-Tel Option Agreement" and required actions and transactions will be conducted accordingly.

(***) Based on the "Digitürk, Superonline and Fintur Purchase and Sale Agreement" signed between Yapı Kredi Bankası and Çukurova Holding on 28 September 2005, the parties have agreed to sell the Fintur, Superonline and Digitürk shares in Yapı Kredi Bankası to Çukurova Holding within 4 months of that date for EUR21,100,000, EUR3,750,000 and YTL53,020 thousand, respectively. As of 31 December 2005, total carrying value of these companies in these consolidated financial statements amounts to YTL92,485 thousand which is the equivalent of the sum of the sales prices mentioned above. Fintur and Digitürk shares have been sold on 5 January 2006 for the consideration of their carrying values stated above.

Analysis of available-for-sale investments based on the remaining year to the contractual maturity date as of 31 December is as follows:

	2005			2004		
	Banking	Other	Total	Banking	Other	Total
Demand	50,899	5,043	55,942	34,110	4,688	38,798
1-3 months	13,974	3,138	17,112	6,361	12,540	18,901
3 months-1 year	66,622	28,942	95,564	100,008	97,758	197,766
	131,495	**37,123**	**168,618**	**140,479**	**114,986**	**255,465**

c) Held-to-maturity investments

	2005			2004		
	Banking	Other	Total	Banking	Other	Total
Debt securities:						
- Treasury bills	105,937	-	105,937	27,892	-	27,892
- Government bonds						
YTL	589,264	-	589,264	371,534	68,787	440,321
Foreign currency	-	-	-	47,709	-	47,709
Foreign currency indexed	109,756	-	109,756	-	-	-
- Eurobonds	92,464	23,689	116,153	49,837	465	50,302
Total	**897,421**	**23,689**	**921,110**	**496,972**	**69,252**	**566,224**

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There are YTL70,335 thousand securities pledged under repurchase agreements at 31 December 2005 (31 December 2004: YTL47,765 thousand).

Interest rates of short-term treasury bills and government bonds denominated in YTL held-to-maturity at 31 December 2005 are between 11.0%-27.0% p.a. (31 December 2004: 22.1%-28.2% p.a.).

Interest rates of short-term foreign currency held-to-maturity investments at 31 December 2005 are between 5.0%-12.4% p.a. (31 December 2004: 3.2%-13.0% p.a.).

At 31 December 2005, short-term and long-term Eurobonds amounting YTL23,690 thousand (31 December 2004: YTL23,875 thousand) 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 written year-end net premiums.

At 31 December 2005, held-to-maturity investment securities amounting to YTL790,255 thousand are pledged to the CBRT and Interbank money market for legal requirements, Lehman Brothers International and Bayerische Hypo-Und Vereins Bank AG., UBS Bank, UniCredit S.p.A. and Istanbul Menkul Kıymetler Borsası Takas ve Saklama Bankası A.Ş. as a guarantee for stock exchange and money market operations (31 December 2004: YTL711,780 thousand).

Analysis of held-to-maturity investments based on the remaining contractual maturity date as of 31 December are as follows:

		2005			2004	
	Banking	**Other**	**Total**	**Banking**	**Other**	**Total**
1-3 months	266,067	-	266,067	66,588	38,266	104,854
3 months-1 year	631,354	23,689	655,043	430,384	30,986	461,370
	897,421	**23,689**	**921,110**	**496,972**	**69,252**	**566,224**

NOTE 6 - FINANCIAL LIABILITIES

a) Borrowings

	2005	2004
Short-term bank borrowings:		
Short-term bank borrowings	3,691,007	2,063,890
Short-term portion of long-term bank borrowings	1,056,811	537,355
Total short-term bank borrowings	**4,747,818**	**2,601,245**
Long-term bank borrowings:		
Long-term bank borrowings	2,630,787	1,476,831
Total bank borrowings	**7,378,605**	**4,078,076**

Effective interest rates of foreign currency borrowings, mainly USD and EUR denominated and YTL bank borrowings range between 0.0%-10.25% (31 December 2004: 0.0%-8.9%), 2.2%-9.2% (31 December 2004: 0.0%-6.2%) and 10.0%-22.6% (31 December 2004: 0.0%-32.4%), respectively.

The Group has loans from the International Finance Corporation ("IFC") in the amount of YTL596,637 thousand (USD162,068,919, EUR212,969,016, GBP17,769,231) and from Netherlands Development Finance Company (FMO) in the amount of YTL31,750 thousand (EUR20,000,000) which are being used for production and modernisation, and research and development, as well as acquisitions and increased working capital requirements (31 December 2004: YTL451,142 thousand and YTL39,220 thousand).

As of 31 December 2005, Koçbank, a Joint Venture of the Group, obtained syndication loans comprising of YTL332,573 thousand (USD250,000,000) from Sumitomo Mitsui Banking Corporation which bear interest rate of Libor+0.4 (31 December 2004: USD163,000,000 which bears an interest rate of Libor+0.6).

As of 31 December 2005, Yapı Kredi Bankası, a Joint Venture of the Group, obtained a syndication loan comprising of YTL536,951 thousand (USD400,000,000) with an interest rate of one year Libor+0.3, which is provided by 21 international banks with The Bank of New York acting as agent.

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As of 31 December 2005 Yapı Kredi Bankası, a Joint Venture of the Group, obtained a securitisation loan comprising of USD100,000,000 from Standard Chartered Bank London which bears an interest rate of Libor+0.7.

Koç Holding received a syndication loan from foreign banks in 2004 amounting to USD100,000,000 (31 December 2004: USD100,000,000) of which the amount of USD74,000,000 was transferred to other Subsidiaries namely, Beldeyama, Bilkom, Koç Lease, Koç Net, Koç Sistem, Ram Dış Ticaret, Otokoç, 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 2005, Yapı Kredi Bankası and Koçbank obtained loans amounting to YTL165,883 thousand from domestic and foreign Export Credit Banks respectively to finance its export loans.

As of 31 December 2005, Koçbank obtained YTL77,546 thousand (original principal amount EUR50,000,000) of funds from Unicredit S.p.A. which bears an interest rate of Euribor+ 0.9.

As of 31 December 2005, Koç Holding obtained loans amounting to EUR165,000,000 and EUR85,000,000 from Standard Bank Plc and WestLB AG respectively which bear an interest of Euribor+1.5.

The redemption schedule of long-term bank borrowings as of 31 December is as follows:

	2005	2004
2006	-	711,044
2007	851,503	313,269
2008	639,349	246,589
2009	756,467	114,090
2010 and over	383,468	91,839
	2,630,787	**1,476,831**

b) Customer deposits

	2005	2004
Short-term deposits	13,313,946	3,455,566
Long-term deposits	206,153	204,544
	13,520,099	**3,660,110**

	2005			2004		
	Demand	**Time**	**Total**	**Demand**	**Time**	**Total**
Foreign currency deposits:						
Saving deposits	876,411	3,649,226	4,525,637	265,925	1,461,661	1,727,586
Commercial deposits	941,168	1,075,471	2,016,639	217,071	336,367	553,438
Funds deposited under repurchase agreements	-	215,277	215,277	-	-	-
	1,817,579	**4,939,974**	**6,757,553**	**482,996**	**1,798,028**	**2,281,024**
YTL deposits:						
Saving deposits	404,829	3,581,027	3,985,856	51,878	729,907	781,785
Commercial deposits	727,499	1,972,444	2,699,943	147,892	302,051	449,943
Funds deposited under repurchase agreements	-	76,747	76,747	-	147,358	147,358
	1,132,328	**5,630,218**	**6,762,546**	**199,770**	**1,179,316**	**1,379,086**
	2,949,907	**10,570,192**	**13,520,099**	**682,766**	**2,977,344**	**3,660,110**

Saving and commercial deposits at 31 December 2005 include long-term foreign currency and YTL time deposits of YTL206,153 thousand (31 December 2004: YTL204,544 thousand); the interest rates for time deposits vary between 0.0%-16.0% p.a. (31 December 2004: 0.0%-12.0% p.a.) for foreign currency deposits and 1.0%-30.0% p.a. (31 December 2004: 5.0%-34.0% p.a.) for YTL deposits. The interest rates applied for funds derived from repurchase commitments are 2.0%-5.25% p.a. (31 December 2004: None) for foreign currency deposits and 7.0%-20.0% p.a.(31 December 2004: 15.4%-19.5% p.a.) for YTL deposits.

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

a) Trade receivables and payables

Short-Term Trade Receivables

	2005	2004
Trade receivables - net of unearned credit finance income	2,618,931	1,968,496
Notes receivables - net of unearned credit finance income	1,370,446	1,026,136
Cheques received	283,574	224,502
Advances given	2,978	5,598
Deposits and guarantees given	933	1,651
Other trade receivables	1,245	3,719
Short-term trade receivables	4,278,107	3,230,102
Less: Provision for doubtful receivables	(97,824)	(69,554)
Short-term trade receivables (net)	**4,180,283**	**3,160,548**

Long-Term Trade Receivables

Trade receivables - net of unearned credit finance income	23,237	37,495
Notes receivables - net of unearned credit finance income	40,084	18,579
Deposits and guarantees given	1,443	1,162
Long-term trade receivables	64,764	57,236
Less: Provision for doubtful receivables	(1,547)	(1,996)
Long-term trade receivables (net)	**63,217**	**55,240**

Short-Term Trade Payables

Trade payables - net of unearned credit finance charges	2,788,601	2,134,921
Notes payables - net of unearned credit finance charges	89,237	46,234
Deposits and guarantees received	2,805	2,075
Other trade payables	5,475	5,951
Short-term trade payables (net)	**2,886,118**	**2,189,181**

Long-Term Trade Payables

Trade payables - net of unearned credit finance charges	13,933	17,997
Notes payables - net of unearned credit finance charges	-	503
Deposits and guarantees received	9,713	4,448
Long-term trade payables (net)	**23,646**	**22,948**

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b) Loans and advances to customers

	2005			2004		
	Up to 1 year	1 year and over	Total	Up to 1 year	1 year and over	Total
Commercial and industrial loans	2,476,681	2,284,956	4,761,637	648,676	447,765	1,096,441
Credit card receivables	1,947,225	102,542	2,049,767	88,306	-	88,306
Consumer loans	551,093	1,115,086	1,666,179	285,847	184,398	470,245
Export loans	1,031,683	-	1,031,683	513,994	-	513,994
Factoring receivables	169,251	-	169,251	131,220	-	131,220
Investment loans	-	257,195	257,195	-	68,898	68,898
Other	25,688	-	25,688	2,541	-	2,541
Total	**6,201,621**	**3,759,779**	**9,961,400**	**1,670,584**	**701,061**	**2,371,645**
Loans under legal follow-up	777,032	-	777,032	231,117	-	231,117
Other impaired loans	312,623	-	312,623	77,402	-	77,402
Total impaired loans	1,089,655	-	1,089,655	308,519	-	308,519
Gross loans and advances to customers	**7,291,276**	**3,759,779**	**11,051,055**	**1,979,103**	**701,061**	**2,680,164**
Less: Provision for loan losses	(829,095)	-	(829,095)	(218,507)	-	(218,507
Net loans and advances to customers	**6,462,181**	**3,759,779**	**10,221,960**	**1,760,596**	**701,061**	**2,461,657**

According to the Çukurova Group Loans-Financial Restructuring Modification Agreement ("Modification Agreement") signed between Yapı Kredi Bankası, a Joint Venture of the Group, and Çukurova Group companies on 28 September 2005, the parties agreed on applying discount on the loan payables of the Çukurova Group to Yapı Kredi Bankası based on early repayment of the major portion of the Çukurova Group payables, due to performance of the loans, payment schedule, other trading conditions and the adopted trading relationship conditions under Istanbul Approach. Accordingly, on 28 September 2005, Çukurova Group paid the principal and interest amounting to USD465,046,207 and USD40,332,065, respectively, which are netted off from the payables of the Group under Modification Agreement. In addition, Çukurova Group paid USD11,736,767 for other Çukurova Group Companies' payables. After deducting the discount of USD151,915,721 from total payables, the risk balance of Çukurova Group amounts to USD395,809,546 as of 31 December 2005, of which maturity of the last payment is on 31 December 2015. Related risk balance as of 31 December 2005 is classified under "commercial and industrial loans above". According to the pledge agreement signed on 28 September 2005, the Group has a pledge on 2.49% of Turkcell İletişim shares and 1.53% of Turkcell Holding A.Ş. ("Turkcell Holding") shares in relation to the Çukurova Group loans repayment liability. The market value of these collaterals amount to approximately YTL496,847 thousand at 31 December 2005.

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

	2005	2004
Balance at the beginning of the year	**218,507**	**200,352**
Provisions for loan losses during the year	115,096	81,902
Recoveries of amounts previously provided	(46,003)	(26,596)
Write-off during the year as uncollectible	(32,561)	(9,887)
Monetary loss	-	(27,264)
Acquitions	574,056	-
Balance at the end of the year	**829,095**	**218,507**

At 31 December 2005, YTL690,368 thousand (31 December 2004: YTL338,930 thousand) of consumer loans have been given by consumer finance companies. The collaterals obtained for these loans amount to YTL645,911 thousand (31 December 2004: YTL326,185 thousand). The allowance for losses on consumer loans given by consumer finance companies included in the provision for loan losses amounts to YTL7,967 thousand at 31 December 2005 (31 December 2004: YTL8,626 thousand).

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

	2005	2004
Domestic transactions	76,674	62,075
Export transactions	92,577	69,145
Gross factoring receivables	**169,251**	**131,220**
Factoring receivables under legal follow-up	4,550	3,191
Less: Provision for factoring receivables under legal follow-up	(3,410)	(1,848)
Factoring receivables (net)	**170,391**	**132,563**

Details of loans and advances given to customers are as follows:

	2005	%	2004	%
Credit card receivables	2,049,767	21	88,306	4
Consumer loans	1,666,179	17	470,245	20
Financial institutions	744,286	7	144,403	6
Textile	711,047	7	284,102	12
Metal processing	681,537	7	241,260	10
Production	655,304	7	259,668	11
Food, beverage and consumer goods	496,410	5	122,782	5
Construction and cement	468,565	5	103,751	4
Trade	443,089	4	99,622	4
Petrochemical industry	325,598	3	140,629	6
Automotive	204,153	2	38,325	2
Tourism	200,343	2	65,508	3
Durable goods	84,925	1	62,599	3
Other sectors	1,230,197	12	250,445	10
	9,961,400	**100**	**2,371,645**	**100**

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NOTE 8 - LEASE RECEIVABLES AND PAYABLES

a) Lease receivables

	2005	2004
Short-term lease receivables	223,240	133,792
Long-term lease receivables	235,777	136,786
Total impaired lease receivables	40,393	21,398
Less: Provision for lease receivables	(29,461)	(15,477)
Lease receivables (net)	**469,949**	**276,499**

Movements in the provision for lease receivables during the years are as follows:

	2005	2004
Balance at the beginning of the year	**15,477**	**20,975**
Provisions for lease receivables during the year	4,135	3,116
Recoveries of amounts previously provided	(4,991)	(6,457)
Write-off during the year as uncollectible	(587)	(2,157)
Acquisitions	15,427	-
Balance at the end of the year	**29,461**	**15,477**

Net investment in finance leases as shown below:

	2005	2004
Gross investment in finance leases	548,267	321,889
Less: Unearned finance income	(89,250)	(51,311)
Net investment in finance leases	**459,017**	**270,578**

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

	2005	2004
2005	-	129,843
2006	316,080	118,836
2007	131,734	68,963
2008 and over	100,453	4,247
Less: Unearned finance income	(89,250)	(51,311)
	459,017	**270,578**

b) Lease payables

	2005	2004
Short-term lease payables	3,292	5,739
Long-term lease payables	2,023	7,066
	5,315	**12,805**

The redemption schedule of long-term lease payables is as follows:

	2005	2004
2006	-	1,145
2007	1,823	2,113
2008	22	2,110
2009 and over	178	1,698
	2,023	**7,066**

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NOTE 9 - DUE FROM/TO RELATED PARTIES

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

	2005	2004
a) Due from related parties		
Ram Sigorta Aracılık Hizmetleri A.Ş.	17,833	13,863
Sanal Merkez Tic. A.Ş.	3,188	819
Tianjin Demrad International Trading Co. Ltd.	1,436	1,593
Demir Export A.Ş.	977	647
Zinerji Enerji ve San. Tic. A.Ş.	875	735
Vehbi Koç Vakfı Amerikan Hastanesi	765	449
Koç Üniversitesi	699	268
Koç Statoil Gaz İletim A.Ş.	444	701
Vehbi Koç Vakfı	394	19
Temel Ticaret ve Yatırım A.Ş.	281	491
Tanı Pazarlama ve İletişim A.Ş.	112	274
Eltek Elektrik İthalat İhracat ve Toptan Ticaret A.Ş.	109	2,498
Setair Hava Taşımacılığı ve Hizmetleri A.Ş.	77	161
Chung Mei Industries Limited	75	266
Mako Elektrik San. Tic. A.Ş.	-	1,772
Other	4,840	5,367
Due from personnel	5,854	2,344
	37,959	**32,267**
b) Due to related parties		
Ram Sigorta Aracılık Hizmetleri A.Ş.	8,550	9,346
Chung Mei Industries Limited	8,026	-
Ark İnşaat A.Ş.	6,096	8,962
Eltek Elektrik İthalat İhracat ve Toptan Ticaret A.Ş	5,119	1,253
Koç Ata Sancak Besi ve Tarım Ürünleri A.Ş.	2,387	3,485
Takosan Otomobil Göstergeleri Sanayi ve Ticaret A.Ş	1,136	908
Temel Ticaret ve Yatırım A.Ş.	379	2,388
Mako Elektrik San. Tic. A.Ş.	-	4,190
Other	7,762	8,807
Due to personnel	72,867	57,480
	112,322	**96,819**

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

NOTE 10 - OTHER RECEIVABLES AND PAYABLES

	2005	2004
Other receivables		
Receivable from recoverable claims	11,728	12,706
	11,728	**12,706**
Other current financial liabilities		
Taxes and duties payable	256,471	184,486
Social security premiums payable	26,352	19,028
Rescheduled taxes payable	15,460	11,093
Pension fund payables	6,710	2,546
	304,993	**217,153**
Other non-current financial liabilities		
Rescheduled taxes payable	10,676	12,728
	10,676	**12,728**

NOTE 11 - BIOLOGICAL ASSETS

None (31 December 2004: None).

NOTE 12 - INVENTORIES

	2005	2004
Merchandises	729,232	593,441
Raw materials and supplies	576,146	612,049
Finished goods	395,121	465,444
Goods-in-transit	292,216	302,430
Order advances given	90,703	109,244
Work in progress	64,470	57,887
Other inventories	34,015	34,376
Total inventories	**2,181,903**	**2,174,871**

NOTE 13 - CONSTRUCTION CONTRACT RECEIVABLES AND PROGRESS BILLINGS

	2005	2004
Construction contract receivables:		
Ship and yacht projects	28,395	2,063
Isolation projects	864	-
	29,259	**2,063**
Construction contract progress billings:		
Ship and yacht projects	-	-
Isolation projects	-	97
	-	**97**

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

NOTE 14 - DEFERRED TAX ASSETS AND LIABILITIES

	2005	2004
Deferred tax assets:		
Domestic	707,519	210,954
Foreign	7,139	1,689
	714,658	**212,643**
Deferred tax liabilities:		
Domestic	(253,279)	(203,695)
Foreign	(20,579)	(14,161)
	(273,858)	**(217,856)**
Deferred tax asset/(liabilities) - net	**440,800**	**(5,213)**

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

Tax rates used for deferred tax assets and liabilities calculated on temporary differences that are expected to be realised or settled based on the taxable income in coming years under the liability method is 30% for the companies operating in Turkey.

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

Country	**Tax rate (%)**	**Country**	**Tax rate (%)**
Germany	38.0	Spain	35.0
Australia	30.0	Sweden	28.0
Austria	25.0	Switzerland	25.0
Azerbaijan	24.0	Italy	33.0
Bulgaria	15.0	Kazakhstan	30.0
China	33.0	Hungary	16.0
Denmark	30.0	Macedonia	15.0
Finland	26.0	Norway	28.0
France	34.9	Poland	19.0
The Netherlands	31.5	Portugal	27.5
The U.K.	30.0	Romania	16.0
Ireland	12.5	Russia	24.0

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

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

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	2005	**2004**	**2005**	**2004**
Net difference between carrying value and tax base of property, plant and equipment and intangible assets	1,507,782	1,319,149	(444,433)	(388,949)
Unused investment incentive (Note 30)	(1,708,493)	(1,767,519)	176,202	187,845
Tax losses carried forward	(531,619)	(137,012)	159,943	41,050
Provision for employment termination benefits (Note 23.b)	(197,073)	(139,847)	59,122	41,962
Warranty reserve	(170,655)	(104,528)	50,327	31,211
Effect of unearned financial income/(expense) (net)	(58,825)	(51,523)	17,618	15,371
Leasing obligations	20,466	(3,163)	(6,140)	949
Provision for loan losses	(274,331)	(69,792)	82,299	20,938
Impairment on real estate and assets held for resale	(352,273)	-	105,682	-
Impairment on associates	(297,293)	-	89,188	-
Provision for Pension Fund (Note 23.b)	(277,810)	-	83,343	-
Other (net)	(218,399)	(147,988)	67,649	44,410
			440,800	**(5,213)**

In the Subsidiaries' and Joint Ventures' financial statements prepared in accordance with CMB Accounting Standards, net deferred tax assets and liabilities of the related companies are classified under deferred tax assets and liabilities accounts in Koç Holding's consolidated balance sheet. Temporary differences and deferred tax assets and liabilities presented above, which are prepared on the basis of gross amounts, show the net deferred tax position.

Movements in deferred taxes for the years ended at 31 December can be analysed as follows:

	2005	**2004**
1 January	**(5,213)**	**(22,484)**
Cumulative gain on hedging	1,722	6,471
Charge for the year (Note 41)	56,201	6,080
Monetary gain	-	(578)
Disposals from the scope of consolidation	-	3,997
The effect of restructuring	-	6,019
Acquisitions (Note 32)	388,090	(4,718)
31 December	**440,800**	**(5,213)**

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

	2005	2004
a) Other current assets		
Assets held for sale	103,377	26,366
Value added tax receivable	94,514	106,932
Prepaid expenses	87,537	75,432
Taxes and funds deductible	50,877	37,664
Advances given	35,414	31,649
Payments for credit card settlements	21,427	2,528
Income accruals	14,559	14,892
Derivative financial instruments (Note 31.a)	11,283	10,520
Other	74,539	36,870
	493,527	**342,853**

b) Other non-current assets		
Prepaid expenses	61,073	36,110
Other	4,408	9,748
	65,481	**45,858**

c) Other current liabilities		
Credit card payables	749,751	29,043
Warranty provision	153,504	132,153
Provision for costs	130,607	143,039
Payment orders	90,718	63,727
Lawsuit provision	82,902	24,575
Deferred income	77,304	20,467
Provision for losses related to loan commitments (Note 31.a)	77,029	16,871
Blocked accounts	65,266	32,857
Cheques in collection	61,857	21,703
Export commitment provision	46,636	9,000
Premium accruals	34,215	15,081
Provision for the Non-Core Assets Option Agreement	24,645	-
Assembly provision	23,525	14,661
Derivative financial instruments (Note 31.a)	21,287	7,358
Non-transferred loans	17,064	6,935
Sales and customer premiums	16,822	8,595
Other	311,890	61,243
	1,985,022	**607,308**

d) Other non-current liabilities		
Warranty provision	64,141	38,443
Deposits and guarantees received	26,916	29,947
Other	27,538	7,204
	118,595	**75,594**

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NOTE 16 - FINANCIAL ASSETS

	2005	2004
Assets at fair value through profit or loss	1,026,581	425,242
Available-for-sale investments	443,415	183,214
Held-to-maturity investments	3,654,872	1,522,246
Total	**5,124,868**	**2,130,702**

a) Assets at fair value through profit or loss

		2005			2004	
	Banking	**Other**	**Total**	**Banking**	**Other**	**Total**
Debt securities:						
- Government bonds:						
YTL	100,408	471,037	571,445	239	342,981	343,220
Foreign currency	131,636	-	131,636	5,431	-	5,431
- Eurobond	250,903	72,597	323,500	10,090	66,501	76,591
Total	**482,947**	**543,634**	**1,026,581**	**15,760**	**409,482**	**425,242**

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

Interest rates of long-term treasury bills and government bonds denominated in YTL at fair value through profit or loss at 31 December 2005 are between 7.2%-26.0% p.a. (31 December 2004: 18.1%-26.0% p.a.).

Interest rates of long-term foreign currency assets at fair value through profit or loss at 31 December 2005 are between 4.0%-12.4% p.a. (31 December 2004: 4.1%-11.3% p.a.).

b) Available-for-sale investments

	2005			2004		
	Banking	**Other**	**Total**	**Banking**	**Other**	**Total**
Debt securities:						
- Treasury bills	37,209	14,716	51,925	2,649	41,968	44,617
- Government bonds:						
YTL	9,264	4,243	13,507	10,268	-	10,268
Foreign currency	26,762	-	26,762	-	-	-
- Eurobonds	156,549	32,875	189,424	81	33,582	33,663
- Other	944	-	944	-	-	
	230,728	**51,834**	**282,562**	**12,998**	**75,550**	**88,548**
Equity securities:						
-Listed	14,041	37,865	51,906	-	24,595	24,595
-Unlisted	60,271	48,676	108,947	1,419	68,652	70,071
	74,312	**86,541**	**160,853**	**1,419**	**93,247**	**94,666**
Total	**305,040**	**138,375**	**443,415**	**14,417**	**168,797**	**183,214**

Interest rates of long-term treasury bills and government bonds denominated in YTL held as available-for-sale at 31 December 2005 are between 4.3%-24.4% p.a. (31 December 2004: 19.0%-29.3% p.a.).

Interest rates of long-term foreign currency long-term available-for-sale investments held at 31 December 2005 are between 5.0%-12.4% p.a. (31 December 2004: 2.0%-12.4% p.a.).

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The list of available-for-sale equity securities and shareholding rates as of 31 December is as follows:

	2005		2004	
	YTL'000	(%)	YTL'000	(%)
Listed:				
Çeşme Altınyunus Turizm Tes. A.Ş.	25,486	30.00	13,789	30.00
Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı A.Ş.	14,028	13.30	-	-
Goodyear Tyre and Rubber Company	11,278	0.70	9,515	0.70
Karsan Otomotiv Sanayi ve Ticaret A.Ş.	1,101	4.00	1,291	4.00
Yatırım Finansman A.Ş.	13	0.70	-	-
	51,906		**24,595**	
Unlisted:				
Banque de Commerce et de Placements S.A.	17,959	15.34	-	-
Akdeniz Marmara Turizm ve Tic. A.Ş.	15,234	50.00	-	-
Bayındırlık İşleri A.Ş.	9,580	49.59	-	-
Tanı Pazarlama ve İletişim A.Ş.	9,311	99.00	9,540	99.00
Koç Ata Sancak Besi ve Tarım Ürünleri A.Ş.	8,196	33.00	9,501	33.00
British American Tobacco Export BV	6,469	5.00	6,020	5.00
Enternasyonal Turizm Yatırım A.Ş.	6,139	14.80	-	-
Takas ve Saklama Bankası A.Ş.	6,122	2.43	-	-
Koç Statoil Gaz A.Ş.	5,944	49.00	1,914	49.00
Sanal Merkez Ticaret A.Ş.	2,273	99.99	2,275	99.99
Koç Bilgi Grubu	2,180	90.13	2,166	90.13
Kumsan Döküm Malzemeleri San. ve Tic. A.Ş.	1,919	50.24	1,919	50.24
Takosan	1,781	28.12	1,479	28.12
Mako Elektrik San. Tic. A.Ş. (*)	-	-	21,964	40.00
Tariş-Tat (**)	-	-	3,716	50.00
Other	15,840	-	9,577	-
	108,947		**70,071**	
	160,853		**94,666**	

(*) The Group signed a share certificate sales agreement to sell the shares in Mako Elektrik Sanayi Ticaret A.Ş. ("Mako"), a Subsidiary of the Group, at 30 December 2004 and Mako was excluded from the scope of consolidation at the date that control ceased. The required legal procedures have been finalised and the share certificates have been transferred on 20 April 2005.
(**) Tariş-Tat has been included in the scope of consolidation in 2005.

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

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

Provision for diminution in value for unlisted investments amounts to YTL101,471 thousand at 31 December 2005 (31 December 2004: YTL104,295 thousand).

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

c) Held-to-maturity investments

	2005			2004		
	Banking	**Other**	**Total**	**Banking**	**Other**	**Total**
Debt securities:						
- Treasury bills	2,143	-	2,143	26,661	-	26,661
- Government bonds						
YTL	1,110,094	-	1,110,094	439,670	744	440,414
Foreign currency	-	-	-	104,521	-	104,521
Foreign currency indexed	764,570	-	764,570	80,255	-	80,255
- Eurobonds	1,574,727	20,928	1,595,655	793,265	46,857	840,122
- Time deposit	-	182,410	182,410	-	30,273	30,273
Total	**3,451,534**	**203,338**	**3,654,872**	**1,444,372**	**77,874**	**1,522,246**

There are YTL3,079 thousand debt securities pledged under repurchase agreements at 31 December 2005 (31 December 2004: None)

Interest rates of long-term treasury bills and government bonds denominated in YTLheld to maturity at 31 December 2005 are between 11.0%-23.4% p.a. (31 December 2004: 21.2%-31.4% p.a.).

Interest rates of long-term foreign currency held-to-maturity investments at 31 December 2005 are between 4.0%-13.0% p.a. (31 December 2004: 4.7%-14.8% p.a.).

	2005			2004		
	Banking	**Other**	**Total**	**Banking**	**Other**	**Total**
1-5 years	2,319,098	203,338	2,522,436	1,034,518	77,874	1,112,392
Over 5 years	1,132,436	-	1,132,436	409,854	-	409,854
Total	**3,451,534**	**203,338**	**3,654,872**	**1,444,372**	**77,874**	**1,522,246**

NOTE 17 - POSITIVE/NEGATIVE GOODWILL

	1 January 2005	**Additions (*)**	**Disposals (**)**	**31 December 2005**
Goodwill	454,223	759,180	-	1,213,403
Accumulated amortisation	(145,798)	-	-	(145,798)
Net book value	308,425	759,180	-	1,067,605
Negative goodwill	(23,436)	-	23,436	-
Accumulated amortisation	4,547	-	(4,547)	-
Net book value	(18,889)	-	18,889	-
Total net book value	**289,536**			**1,067,605**

(*) Addition to goodwill arises from the acquisition of Yapı Kredi Bankası and Tansaş (Note 32).

(**) Previously recognised negative goodwill with carrying value of YTL18,889 thousand as of 1 January 2005 resulting from acquisitions of the Group derecognised from financial statements at the beginning of the year according to IFRS 3 with a corresponding adjustment to the opening balance of retained earnings (Note 3.15).

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

NOTE 18 - INVESTMENT PROPERTY

	1 January 2004	Acquisition(*)	Additions	Disposals	Translation reserve	31 December 2004
Cost	76,263	3,980	642	(1,002)	(5,764)	74,119
Accumulated depreciation	(7,933)	(1,115)	(1,584)	966	336	(9,330)
Net book amount	**68,330**					**64,789**

(*) Investment property with a net book value amounting YTL2,865 arises from Grundig Multimedia acquisition.

	1 January 2005	Additions	Disposals	Transfers(*)	Translation reserve	31 December 2005
Cost	74,119	-	(3,434)	11,934	(2,383)	80,236
Accumulated depreciation	(9,330)	(1,380)	1,053	-	292	(9,365)
Net book amount	**64,789**					**70,871**

(*) Transfers to the investment property is from property, plant and equipment (Note 19).

Investment property amounting to YTL55,380 thousand represents designated areas within stores that are let out under rent agreements owned by Ramenka, a Joint Venture of the Group. The interval for the fair value of these investment properties as of 31 December 2005 based on independent appraiser's report is between YTL109,000 thousand and YTL128,000 thousand (31 December 2004: YTL99,672 thousand) The valuation includes land that is under operating lease, as it can not be separated from the valuation of the investment properties.

NOTE 19 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2004	Acquisitions (*)	Disposals from the scope of consolidation	Restructuring effects	Additions	Disposals	Transfers (**)	Translation reserve	31 December 2004
Cost									
Land and land improvements	353,530	1,917	(3,709)	(1,639)	21,337	(4,011)	24,482	(597)	391,310
Buildings	1,568,750	2,207	(27,304)	(26,213)	24,916	(16,460)	41,395	(17,860)	1,549,431
Machinery and equipment	7,251,849	105,044	(393,190)	(164,288)	243,266	(139,391)	165,233	(7,110)	7,061,413
Motor vehicles	471,293	211	(1,612)	311	29,229	(46,619)	259	(1,458)	451,614
Furniture and fixtures	694,589	1,113	(18,529)	(11,570)	53,081	(51,865)	12,213	(513)	678,519
Construction in progress and advances given	125,199	-	(871)	3	349,644	(9,237)	(303,467)	81	161,352
Leasehold improvement	434,671	-	(117)	(167)	11,943	(8,951)	7,793	(1,190)	443,982
	10,899,881	**110,492**	**(445,332)**	**(203,563)**	**733,416**	**(276,534)**	**(52,092)**	**(28,647)**	**10,737,621**
Accumulated depreciation									
Land improvements	(63,090)	-	601	711	(6,692)	1,387	-	-	(67,083)
Buildings	(577,894)	(107)	10,917	13,588	(64,455)	9,695	16,631	2,118	(589,507)
Machinery and equipment	(5,099,196)	(296)	342,089	140,969	(468,056)	119,447	27,110	3,919	(4,934,014)
Motor vehicles	(303,043)	-	1,021	(274)	(30,292)	37,903	-	944	(293,741)
Furniture and fixtures	(571,357)	(162)	15,537	11,157	(61,492)	49,334	-	344	(556,639)
Leasehold improvement	(205,056)	-	102	94	(26,619)	2,021	-	4	(229,454)
	(6,819,636)	**(565)**	**370,267**	**166,245**	**(657,606)**	**219,787**	**43,741**	**7,329**	**(6,670,438)**
Net book value	**4,080,245**								**4,067,183**

(*) Property, plant and equipment with a net book value amounting to YTL107,140 thousand and YTL2,787 have been included in the scope of consolidation due to the acquisition of İztek and Grundig Multimedia, respectively.

(**) Elektra Bregenz, a Subsidiary of the Group, transferred its buildings with a net book value amounting to YTL8,351 thousand, from property, plant and equipment to other current assets.

At 31 December 2004, there are mortgages amounting to YTL354,845 thousand on property, plant and equipment (Note 31.b).

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	1 January 2005	Acquisitions (*)	Additions	Disposals	Transfers (**)	Translation reserve	31 December 2005
Cost							
Land and land improvements	391,310	89,239	69,833	(2,391)	13,061	(1,714)	559,338
Buildings	1,549,431	1,223,895	80,902	(52,686)	118,617	(13,599)	2,906,560
Machinery and equipment	7,061,413	163,361	221,917	(134,090)	142,201	(7,476)	7,447,326
Motor vehicles	451,614	4,408	94,628	(47,034)	33,924	(3,680)	533,860
Furniture and fixtures	678,519	182,305	74,595	(58,356)	13,036	(1,119)	888,980
Construction in progress and advances given	161,352	1,341	485,912	(11,021)	(370,280)	(1,845)	265,459
Leasehold improvement	443,982	158,372	41,194	(22,568)	14,222	(291)	634,911
	10,737,621	**1,822,921**	**1,068,981**	**(328,146)**	**(35,219)**	**(29,724)**	**13,236,434**
Accumulated depreciation							
Land improvements	(67,083)	-	(10,786)	40	466	59	(77,304)
Buildings	(589,507)	(756,717)	(58,758)	16,375	14,030	3,795	(1,370,782)
Machinery and equipment	(4,934,014)	(126,100)	(479,885)	120,950	29,283	4,014	(5,385,752)
Motor vehicles	(293,741)	(3,550)	(48,536)	27,629	(23,990)	2,601	(339,587)
Furniture and fixtures	(556,639)	(109,525)	(66,922)	49,444	(1,028)	(139)	(684,809)
Leasehold improvement	(229,454)	(21,797)	(45,668)	15,452	(51)	963	(280,555)
	(6,670,438)	**(1,017,689)**	**(710,555)**	**229,890**	**18,710**	**11,293**	**(8,138,789)**
Net book value	**4,067,183**						**5,097,645**

(*) The property, plant and equipment with a net book value amounting to YTL634,483 thousand and YTL170,749 thousand have been included in the scope of the consolidation due to the acquisitions of Yapı Kredi Bankası and Tansaş, respectively (Note 32).

(**) Group, transferred its property, plant and equipment with a net book value amounting to YTL11,934 thousand, to investment property, YTL1,399 thousand to intangible assets, YTL3,176 thousand to other current assets with a total net book value transferred amounting to YTL16,509 thousand.

At 31 December 2005, there are mortgages amounting to YTL332,851 thousand on property, plant and equipment (Note 31.b).

NOTE 20 - INTANGIBLE ASSETS

	1 January 2004	Acquisitions (*)	Additions	Disposals	Restructuring effects	Disposals from the scope of consolidation	Translation reserve	31 December 2004
Cost	469,904	18,368	39,416	(11,713)	(1,337)	(6,060)	(1,279)	507,299
Accumulated amortisation	(218,384)	(37)	(54,984)	9,296	1,136	4,848	699	(257,426)
Net book value	**251,520**							**249,873**

(*) The intangible assets included in the scope of consolidation, with a net book value amounting to YTL18,270 is the brand value which is bought from Grundig AG through paying the interest of Beko Elektronik, a Joint Venture of the Group, amounting EUR9,776,000 and transferred to Grundig Multimedia. For the mentioned brand, indefinite economical life is chosen.

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

	1 January 2005	Acquisitions (*)	Additions	Disposals	Restructuring effects	Transfers (**)	Translation reserve	31 December 2005
Cost	507,299	308,114	108,069	(13,021)	-	1,399	(5,396)	906,464
Accumulated depreciation	(257,426)	(33,809)	(64,101)	6,768	-	-	1,414	(347,154)
Net book value	**249,873**							**559,310**

(*) The intangible assets with a net book value amounting to YTL97,828 thousand and YTL176,477 thousand have been included in the scope of consolidation due to the acquisitions of Yapı Kredi Bankası and Tansaş respectively (Note 32).

(**)Transfers to intangible assets are from property, plant and equipment (Note 19).

NOTE 21 - ADVANCES RECEIVED

	2005	2004
Order advances received	253,954	247,807
Other advances received	336	399
	254,290	**248,206**

NOTE 22 - RETIREMENT PLANS

None (2004: None).

NOTE 23 - PROVISIONS

	2005	2004
a) Short-term provisions:		
Tax and legal provisions (Note 41)	32,918	80,842
b) Long-term provisions:		
Provision for Pension Fund	277,810	-
Provision for employment termination benefits	198,844	141,724
	476,654	**141,724**

Provision for Pension Fund:
Yapı ve Kredi Bankası Anonim Şirketi Mensupları Yardım ve Emekli Sandığı Vakfı (“Pension Fund”), is a separate legal entity and a foundation recognised by an official decree, providing all qualified Bank employees with pension and post-retirement benefits.

The new Banking Law No.5411 (“New Banking Law”) which was enacted on 1 November 2005 includes the provision that requires the transfer of the pension funds of the banks, including the Fund, to the Social Security Institution (“SSK”) within three years following the publication of the New Banking Law. In accordance with the New Banking Law, the actuarial calculation of the liability related to the transfer should be performed by taking into account the procedures and other parameters determined by the commission established by Ministry of Labour and Social Security. Accordingly, the Group calculated the estimated transfer price of the Fund to SSK in accordance with the methods determined by this commission.

Based on the actuarial report dated 14 February 2006 prepared as of 31 December 2005, the actuarial balance sheet of the Pension Fund comprises a technical deficit amounting YTL227,810 thousand. The technical interest rate of 10.24% and the mortality table CSO 1980 were used, which were two of the parameters specified by the Ministry of Labour and Social Security, while calculating the actuarial balance sheet in the actuarial report as of 31 December 2005.

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Provision for Employment Termination Benefits:

	2005	2004
- Domestic	197,073	139,847
- Foreign	1,771	1,877
	198,844	**141,724**

Under the Turkish Labour Law, the Company and its Turkish Subsidiaries and Joint Ventures are required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, 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 YTL1,727,15 (31 December 2004: YTL1,574,74) for each year of service at 31 December 2005.

The liability is not funded, as there is no funding requirement.

The provision has been calculated by estimating the present value of the future probable obligation of the Koç Holding and its Subsidiaries and Joint Ventures registered in Turkey arising from the retirement of employees.

CMB Accounting Standards requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly the following actuarial assumptions were used in the calculation of the total liability:

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of YTL1,770.62 (1 January 2005: YTL1,648.90) effective from 1 January 2006 has been taken into consideration in calculating the reserve for employment termination benefit of the Company and its Turkish Subsidiaries and Associates.

	2005	2004
Discount rate (%)	5.49	5.45
Turnover rate to estimate the probability of retirement (%)	1-35	1-18

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

	2005	2004
Beginning of the year	**141,724**	**144,387**
Increase during the year (net)	21,146	9,214
Monetary gain	-	(11,877)
Acquisitions (Note 32)	35,974	-
End of the year	**198,844**	**141,724**

c) Insurance Technical Reserves

	2005	2004
Unearned premiums reserve - net of reinsurers' share	262,831	142,172
Claim provisions - net of reinsurers' share	98,375	60,834
Deferred commission income	389	1,383
Insurance technical reserves - current	**361,595**	**204,389**
Life mathematical reserves	730,126	340,997
Insurance technical reserves - non-current	**730,126**	**340,997**
Total insurance technical reserves	**1,091,721**	**545,386**

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NOTE 24 - MINORITY INTEREST

Changes in minority interest during the years are as follows:

	2005	2004
Balance at the beginning of year	**2,692,108**	**2,500,004**
Net income attributable to minority interest	383,578	405,216
Dividend payments	(230,130)	(120,345)
Increase in share capital	107,895	54,186
Effect of IFRS 3 - negative goodwill (Note 3.15)	9,513	-
Acquisitions	400,636	-
Disposals from the scope of consolidation	(547)	(36,393)
Effects of restructuring (*)	22,226	(99,789)
Financial assets fair value reserve	414	(135)
Currency translation differences	(16,122)	(11,455)
Cumulative gain on hedging	591	819
Balance at the end of year	**3,370,162**	**2,692,108**

(*) As of 31 December 2004, the 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 represents an initial public offering of 25% of Türk Traktör shares owned by Koç Holding.

The allocation of minority interest is as follows:

	2005	2004
Koç family members	1,279,346	1,156,342
Other	2,090,816	1,535,766
Total	**3,370,162**	**2,692,108**

The allocation of the net income attributable to minority interest is as follows:

	2005	2004
Koç family members	92,210	83,574
Other	291,368	321,642
Total	**383,578**	**405,216**

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

NOTE 25 - SHARE CAPITAL/TREASURY SHARES

Koç Holding adopted the registered share capital system available to companies registered with the CMB and set a limit on its registered share capital representing registered type shares with a nominal value of YKr1 Koç Holding's historical authorised and paid-in share capital as of 31 December are as follows:

	2005	2004
Limit on registered share capital (historical)	3,000,000	3,000,000
Historical authorised and paid-in share capital	1,150,000	1,000,000

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

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As of 31 December, the shareholding structures of Koç Holding are as follows:

	2005		2004	
	Share %	**YTL'000**	**Share %**	**YTL'000**
Temel Ticaret ve Yatırım A.Ş.	41.84	481,130	41.81	418,089
Semahat Arsel	5.89	67,704	5.89	58,873
Suna Kıraç	5.25	60,418	6.04	60,418
Rahmi M. Koç	5.23	60,186	5.23	52,336
Ömer M. Koç	2.98	34,248	2.98	29,781
Mustafa V. Koç	2.88	33,081	2.88	28,766
Ali Y. Koç	2.88	33,081	2.88	28,766
İpek Kıraç	1.49	17,128	0.70	7,013
Nazar Dayanıklı ve Dayanıksız Sınai Mallar Paz. A.Ş.	0.33	3,839	0.33	3,338
R.M.K. Mahdumları	0.11	1,209	0.11	1,051
Zer Madencilik Dayanıklı Mallar Yatırım ve Paz. A.Ş.	0.01	153	0.01	132
Total Koç family and companies owned by Koç family members	**68.89**	**792,177**	**68.86**	**688,563**
Vehbi Koç Vakfı	7.17	82,471	7.17	71,714
Koç Holding Emeklilik Vakfı	1.97	22,696	1.97	19,736
Other	21.97	252,656	22.00	219,987
Total	**100.00**	**1,150,000**	**100.00**	**1,000,000**
Adjustment to share capital		967,288		967,288
Total paid-in share capital		**2,117,288**		**1,967,288**

Koç Holding's nominal share capital has been increased by YTL150,000 thousand paid-in cash from YTL1,000,000 thousand to YTL1,150,000 thousand at 29 July 2005.

On 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 in accordance with the Corporate Tax Law temporary Article 28, with the remaining YTL125,550 thousand being financed from the inflation adjustment to shareholders' equity.

In addition, it has been agreed that YTL715 thousand of income that will be collected in subsequent years, related with the credit sale of Tekersan Jant Sanayi A.Ş., will be added to the capital as of the years of collection according to the Corporate Tax Law temporary Article 28.

“Adjustment to share capital” represents the restatement effect of cash contributions to share capital at the balance sheet date equivalent purchasing power. It also includes the difference of YTL121,732 thousand between the fair value of the acquired minority interest from Koç Yatırım Sanayi Mamülleri Pazarlama A.Ş. and the nominal value of shares issued by Koç Holding in 1997, and the difference of YTL436,272 thousand between the fair and nominal value of the shares issued for the acquisition of Migros shares by 50.81%, in 2003 which are all presented as the inflation adjustment to share capital.

The Articles of Koç Holding established 100 registered shares. These are bearer shares and are transferable. The holders of registered shares are entitled to receive 5% of the profit before tax, which remains after taxes, 5% of legal reserves and 3% of the paid capital have been deducted. However, this cannot be higher than 10% of the amount obtained after deducting legal reserves, taxes and first dividend from distributable profit. Registered 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, registered shareholders are not entitled to receive any portion of the liquidation proceeds.

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.

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The analysis of shares by group is as follows:

Group	Unit of shares	YTL'000	Nature of shares
A	30,859,200,625	308,592	Registered
B	84,140,799,375	841,408	Registered
	115,000,000,000	**1,150,000**	

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

1. In accordance with Article 11, pre-emptive rights not used by B-group shareholders, can be used by A-group shareholders within the terms of CMB Legislation.

2. In accordance with Article 25, A-group shareholders have two voting rights for each share owned at the General Assembly meeting (except for meetings with an agenda to change the Articles).

NOTE 26 - 27 - 28 CAPITAL RESERVES, PROFIT RESERVES, RETAINED EARNINGS

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

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

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

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

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

Inflation adjustment to shareholders' equity can only be netted-off against prior years' losses and used as an internal source in capital increase where extraordinary reserves can be netted-off against prior years' loss and used in the distribution of bonus shares and dividends to shareholders.

In accordance with the above explanation, the composition of Koç Holding's shareholders' equity, which is considered as the basis for profit distribution, in accordance with Communiqué No. XI/25, is as follows:

	2005	Restated 2004
Share capital	1,150,000	1,000,000
Share premium	1,779	32
Legal reserves	33,531	27,100
Extraordinary reserves	250,515	214,646
Inflation adjustment to shareholders' equity	1,575,726	1,575,726
Investment and property sales income to be added to the equity	715	1,431
Translation reserve	(40,263)	(22,080)
Cumulative gain/(loss) on hedging	9,317	(4,220)
Financial assets fair value reserve	20,077	7,174
Net income	597,624	508,193
Retained earnings	1,237,938	848,270
Total shareholders' equity	**4,836,959**	**4,156,272**

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

2005

	Nominal value	Restated amounts	Inflation adjustment to shareholders' equity
Share capital	1,150,000	2,117,288	967,288
Share premium	1,779	6,497	4,718
Legal reserves	33,531	129,791	96,260
Extraordinary reserves	250,515	757,975	507,460
	1,435,825	**3,011,551**	**1,575,726**

2004

	Nominal value	Restated amounts	Inflation adjustment to shareholders' equity
Share capital	1,000,000	1,967,288	967,288
Share premium	32	4,750	4,718
Legal reserves	27,100	123,360	96,260
Extraordinary reserves	214,646	722,106	507,460
	1,241,778	**2,817,504**	**1,575,726**

In accordance with Communiqué No. XI/25 and effective from 1 January 2004 the quoted companies are required to distribute a minimum of 30% of their distributable profits of 2005 calculated over financial statements prepared in accordance with CMB Accounting Standards. This distribution may be made either as cash or bonus shares or as a combination of both over the minimum limit of 30%.

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

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

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

NOTE 29 - FOREIGN CURRENCY POSITION

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

	2005	2004
Assets	13,323,459	7,167,570
Liabilities	(15,192,990)	(7,592,630)
Net balance sheet position	**(1,869,531)**	**(425,060)**
Off-balance sheet derivative instruments net position	**371,811**	**164,665**
Net foreign currency position	**(1,497,720)**	**(260,395)**

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	2005			
	USD	**EUR**	**Other**	**Total**
ASSETS				
Current assets:				
Cash and due from banks	1,119,920	1,139,719	209,321	2,468,960
Marketable securities (net)	220,610	66,081	11,681	298,372
Reserve deposits with the Central Banks	226,416	333,546	1,175	561,137
Loans and advances to customers	1,008,680	491,771	96,631	1,597,082
Trade receivables and due from related parties (net)	410,841	953,254	368,968	1,733,063
Lease receivables (net)	46,166	78,343	789	125,298
Inventories (net)	56,751	148,257	120,366	325,374
Other current assets	23,797	51,462	70,268	145,527
Total current assets	**3,113,181**	**3,262,433**	**879,199**	**7,254,813**
Non-current assets:				
Loans and advances to customers	1,920,410	322,581	4,158	2,247,149
Lease receivables (net)	48,631	94,378	1,717	144,726
Financial assets (net)	2,622,409	557,321	34,228	3,213,958
Investment property (net)	-	-	56,724	56,724
Property, plant and equipment (net)	18,877	1,459	339,461	359,797
Intangible assets (net)	-	85	741	826
Deferred tax assets	-	5,966	1,173	7,139
Other non-current assets	6,062	9,107	23,158	38,327
Total non-current assets	**4,616,389**	**990,897**	**461,360**	**6,068,646**
Total assets	**7,729,570**	**4,253,330**	**1,340,559**	**13,323,459**
LIABILITIES				
Current liabilities:				
Customer deposits	4,131,956	2,369,441	163,403	6,664,800
Short-term borrowings (net)	2,657,328	610,047	120,331	3,387,706
Short-term portion of long-term borrowings (net) (*)	159,194	168,325	13,274	340,793
Lease payables (net)	501	30	302	833
Insurance technical reserves	127,902	61,688	79	189,669
Trade payables and due to related parties (net)	455,885	753,211	232,691	1,441,787
Advances received	29,599	154	10	29,763
Provisions	-	4,310	1,101	5,411
Other current liabilities (net)	119,999	226,892	84,103	430,994
Total current liabilities	**7,682,364**	**4,194,098**	**615,294**	**12,491,756**
Non-current liabilities:				
Customer deposits	183,953	86,800	5,151	275,904
Long-term borrowings (net) (*)	1,256,349	960,272	94,160	2,310,781
Lease payables (net)	229	5	534	768
Insurance technical reserves	52,981	3,435	-	56,416
Provisions	-	1,749	22	1,771
Deferred tax liabilities	1,201	1,875	17,503	20,579
Other non-current liabilities (net)	4,414	17,396	13,205	35,015
Total non-current liabilities	**1,499,127**	**1,071,532**	**130,575**	**2,701,234**
Total liabilities	**9,181,491**	**5,265,630**	**745,869**	**15,192,990**
Net balance sheet position	**(1,451,921)**	**(1,012,300)**	**594,690**	**(1,869,531)**
Off-balance sheet derivative instruments net position	**(22,046)**	**326,185**	**67,672**	**371,811**
Net foreign currency position	**(1,473,967)**	**(686,115)**	**662,362**	**(1,497,720)**

(*) According to the agreement signed between Tofaş, a Joint Venture of the Group, and its joint venture partner Fiat Auto S.p.A., Tofaş's foreign currency risk of the financial liability amounting YTL62,519 thousand is undertaken by Fiat Auto S.p.A..

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	2004			
	USD	EUR	Other	Total
ASSETS				
Current assets:				
Cash and due from banks	873,221	606,541	113,939	1,593,701
Marketable securities (net)	148,554	21,275	26,927	196,756
Reserve deposits with the Central Banks	189,976	37,774	270	228,020
Loans and advances to customers	790,117	294,186	56,331	1,140,634
Trade receivables and due from related parties (net)	350,014	1,158,800	413,472	1,922,286
Lease receivables (net)	49,519	70,840	1,206	121,565
Inventories (net)	-	58,186	130,348	188,534
Other current assets	37,352	57,839	33,536	128,727
Total current assets	**2,438,753**	**2,305,441**	**776,029**	**5,520,223**
Non-current assets:				
Loans and advances to customers	76,651	26,292	5,295	108,238
Lease receivables (net)	49,085	70,219	1,196	120,500
Financial assets (net)	890,296	240,221	10,065	1,140,582
Investment property (net)	-	-	47,575	47,575
Property, plant and equipment (net)	-	54	207,686	207,740
Intangible assets (net)	-	-	627	627
Deferred tax assets	-	73	1,616	1,689
Other non-current assets	485	2,283	17,628	20,396
Total non-current assets	**1,016,517**	**339,142**	**291,688**	**1,647,347**
Total assets	**3,455,270**	**2,644,583**	**1,067,717**	**7,167,570**
LIABILITIES				
Current liabilities:				
Customer deposits	1,653,586	642,605	72,964	2,369,155
Short-term borrowings (net)	919,384	682,671	13,160	1,615,215
Short-term portion of long-term borrowings (net) (*)	251,434	119,810	98,772	470,016
Lease payables (net)	1,095	1,650	261	3,006
Insurance technical reserves	22,064	8,026	277	30,367
Trade payables and due to related parties (net)	278,599	683,544	184,788	1,146,931
Advances received	12,331	1,141	14,860	28,332
Provisions	2,054	3,922	1,176	7,152
Other current liabilities (net)	54,202	158,127	89,066	293,395
Total current liabilities	**3,194,749**	**2,301,496**	**467,324**	**5,963,569**
Non-current liabilities:				
Customer deposits	51,173	43,973	2,510	97,656
Long-term borrowings (net) (*)	725,758	605,971	101,347	1,433,076
Lease payables (net)	-	6,350	704	7,054
Insurance technical reserves	45,133	3,291	-	48,424
Provisions	-	208	1,669	1,877
Deferred tax liabilities	-	297	13,864	14,161
Other non-current liabilities (net)	4,632	9,499	12,682	26,813
Total non-current liabilities	**826,696**	**669,589**	**132,776**	**1,629,061**
Total liabilities	**4,021,445**	**2,971,085**	**600,100**	**7,592,630**
Net balance sheet position	**(566,175)**	**(326,502)**	**467,617**	**(425,060)**
Off-balance sheet derivative instruments net position	**69,241**	**94,463**	**961**	**164,665**
Net foreign currency position	**(496,934)**	**(232,039)**	**468,578**	**(260,395)**

(*) According to the agreement signed between Tofaş, a Joint Venture of the Group, and its joint venture partner Fiat Auto S.p.A., Tofaş's foreign currency risk of the financial liability amounting YTL92,503 thousand is undertaken by Fiat Auto S.p.A..

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

NOTE 30 - GOVERNMENT GRANTS

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

i) 100% exemption from customs duty and VAT on machinery and equipment imported,

ii) Investment allowance of 40%, 60%, 100% and 200% on approved capital expenditures,

iii) Custom exemptions for imported investment goods, VAT exemptions for domestic investment goods, tax and duty exceptions and 100% VAT exception for domestic investment expenditures,

iv) 40% investment incentive allowance for capital expenditures after 24 April 2003 relating to non-current assets over YTL10 thousand (Note 41),

v) 40% of the research and development expenditures (Note 41).

The investment allowance indicated in (ii) and (iv) above is deductible from current or future taxable profit for the purposes of corporation tax, and is exempt from corporation tax. The total amount of investment incentive allowance that can be used for the year ended 31 December 2005 is YTL1,708,493 thousand (31 December 2004: YTL1,767,519 thousand) (Note 14).

NOTE 31 - COMMITMENTS AND CONTINGENT LIABILITIES

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

	2005	2004
Guarantees given:		
Letters of guarantee	1,291,903	935,031
Guarantee notes	41,657	20,440
Guarantees received:		
Letters of guarantee	1,585,596	1,097,317
Guarantee notes	65,627	51,468
Marketable securities given as guarantee	22,228	15,254

Commitments - given:

a) Commitments - Banking

i) The final version of the Share Purchase Agreement ("SPA") was signed between Çukurova Holding, various Çukurova Group companies, Mehmet Emin Karamehmet, and the Joint Venture Companies of the Group Koç Finansal Hizmetler, Koçbank Nederland and Koçbank regarding the sale of 57.4% of the shares of Yapı Kredi Bankası on 28 September 2005, (Note 44.c). In addition to the SPA, several agreements have been signed between Yapı Kredi Bankası and Çukurova Group companies on 28 September 2005 which aim to re-establish the loan and other relations of Yapı Kredi Bankası with the Çukurova Group. As of the date of these consolidated financial statements, a part of the conditions in those agreements have been fulfilled or secured by Koç Finansal Hizmetler, the indirect main shareholder of Yapı Kredi Bankası (Note 34). The effects of the remaining agreements have been reflected in force as of 31 December 2005 by taking the agreements and the best estimations of the Group into consideration.

ii) Yapı Kredi Bankası's standalone Capital Adequacy Ratio has been realised below the minimum required rate of 8%, according to the statutory financial statements. In addition, Yapı Kredi Bankası exceeded some regulatory limits that are restricted with a predetermined rate of equity as of 31 December 2005. According to the regulations in Turkey, Yapı Kredi Bankası has to bring the unconsolidated Capital Adequacy Ratio together with the excess regulatory limits to the regulatory levels within six months from 30 September 2005. In line with its business plans, the Group has been taking certain measures to bring the Capital Adequacy Ratio to the regulatory minimum rate of 8% and to meet the regulatory limits.

iii) Based on the "Non-Core Assets Option Agreement" signed between Yapı Kredi Bankası, a Joint Venture of the Group, and Çukurova Holding on 28 September 2005, the parties agreed that, if the non-core assets with carrying value of approximately YTL227,500 thousand at 31 December 2005, are sold to third parties in 6 years from the date of share transfer; 57.4% of the difference between the sale price and the agreed adjusted book value will be netted off from the cash loan exposure of Çukurova Group in Yapı Kredi Bankası. Koç Finansal Hizmetler, the indirect main shareholder of Yapı Kredi Bankası, declared to Yapı Kredi Bankası on 31 January 2006 that it has agreed and committed to irrevocably pay any difference in favour of Çukurova Group resulting from the transactions subject to this agreement during the life of the Option Agreement, which will be deducted from Çukurova Group's debts (Note 34).

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

iv) According to SPA, if Yapı Kredi Bankası is obliged to pay less than EUR350,000,000 in case of the transfer of the Pension Fund to the SSK, Çukurova Group's payables to Yapı Kredi Bankası will be decreased by 50% of the differences between EUR350,000,000 and the amount that is going to be paid. Koç Finansal Hizmetler has declared to Yapı Kredi Bankası that it agreed and is committed to irrevocably pay the amount of any discount, if any, provided by the Yapı Kredi Bankası to Çukurova Group loans, if the payment of Yapı Kredi Bankası to the related government agencies in relation to the deficit of the Pension Fund is realised below EUR350,000,000 (Note 34).

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

The following is a summary of significant commitments and contingent liabilities related to banking sector companies as of 31 December:

Credit related commitments:

	2005	2004
Letters of guarantee		
Foreign currency	2,635,065	562,990
YTL	2,560,638	460,345
Letters of credit	1,039,352	325,547
Acceptance credits	123,869	50,236
Other commitments and contingencies	240,512	48,414
	6,599,436	**1,447,532**
Less: Provision for losses on credit related commitments (Note 15.c)	(77,029)	(16,871)
	6,522,407	**1,430,661**

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

	2005	%	2004	%
Construction and cement	1,379,522	21	285,510	20
Production	1,062,315	16	11,683	1
Wholesale and retail	651,645	10	48,815	3
Metal processing	554,684	9	141,845	10
Financial institutions	537,285	8	135,642	9
Food, beverage and consumer goods	361,939	5	61,516	4
Textiles	360,909	5	142,787	10
Petrochemical industry	313,487	5	143,435	10
Automotive	161,314	2	42,713	3
Public services	153,616	2	112,673	8
Transportation	147,916	2	19,388	1
Telecommunication	134,220	2	24,289	2
Machinery	132,796	2	54,958	4
Tourism	77,323	1	33,824	2
Agriculture	38,981	1	15,898	1
Durable goods	33,628	1	30,310	2
Other	497,856	8	142,246	10
	6,599,436	**100**	**1,447,532**	**100**

Custody services:
The Group's Joint Ventures in the financial sector provide custody services to third parties. The assets held in a fiduciary capacity are not included in these consolidated financial statements. At 31 December 2005, the Group has custody accounts amounting to YTL10,091,436 thousand (31 December 2004: YTL3,408,213 thousand).

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

Derivative financial instruments:

31 December 2005

		Fair Values	
	Contract amount	**Assets / (Liabilities)**	
Derivative financial instruments			
Currency forwards	1,305,548	7,506	(9,668)
Currency swaps	1,226,034	1,872	(9,150)
	2,531,582	**9,378**	**(18,818)**
Interest rate cap and floor arrangements	190,357	273	(1,537)
Option agreement	2,962	-	(932)
Commodity futures	69,466	1,632	-
Total	**2,794,367**	**11,283**	**(21,287)**

31 December 2004

		Fair Values	
	Contract amount	**Assets / (Liabilities)**	
Derivative financial instruments			
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)**

b) Commitments - Other

i) The management of Ford Otosan, a Joint Venture of the Group, 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 has been 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 113,000 units of Transit Connect to Ford of Europe to fully offset engineering payables is considered highly probable as at 31 December 2005 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 2005 amounting to YTL12,756 thousand have been booked under the shareholders' equity as "cumulative loss on hedging".

ii) The long-term loan from ABN Amro Bank B.V. amounting to EUR44,445,489 (31 December 2004: EUR55,557,000) was obtained to finance the investment to manufacture the Doblo light commercial vehicles of Tofaş, a Joint Venture of the Group. According to the manufacturing agreement signed between Fiat (the customer of the majority of Doblo production) and Tofaş, the repayment obligations related to such a loan are guaranteed by Fiat through future purchases of Doblo until the end of 2008. Accordingly, the Group's exposure to the foreign exchange rate and interest rate fluctuations have been undertaken by Fiat. The portion of the foreign exchange gains in excess of the inflation index amounting to YTL22,073 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 2005, to hedge the interest rate risk arising from borrowings amounting to EUR6,369,967. 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.

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Details of the collar agreement, which is valid as of 31 December 2005, are as follows:

Euribor Agreement	Euribor Floor rate	Ceiling rate	Amount	Due date
Citibank	5.15%	6%	EUR6,369,967	28 February 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 2005, the settlement date of open futures contracts is an average of four months. If the open futures contracts are realised, Opet would recognise an income of USD1,216,415.

v) According to the decision of the Board of Directors meeting of Koç Holding dated 11 November 2002, the signing of the “Project Funds Agreement” for the USD50,000,000 syndicated loan of Beko Elektronik, a Subsidiary of the Group, from the IFC and other banks has been agreed. It has also been agreed to give a “comfort letter” confirming that Koç Group shares at Beko Elektronik will not be below 51% until this loan is fully paid.

vi) Ford Otosan, a Joint Venture of the Group, entered into a loan agreement with Akbank T.A.Ş. in 2003. During the term of this agreement, Ford Otosan is required to ensure that its export proceeds up to an amount of EUR123,120,000 for each calendar year, except for the last year, will be processed through a deposit account at Akbank T.A.Ş. for 2008, the last year of the agreement, the transaction commitment in this deposit account at Akbank is EUR82,080,000.

vii) At 31 December 2005, short-term and long-term bank borrowings of Entek, a Subsidiary of the Group, amounting to YTL91,059 thousand have been guaranteed as follows:

YTL59,254 thousand of a loan is guaranteed by USD35,000,000 and USD65,000,000 of receivable collections to be made from Çelikkord and Pirelli, (shareholder and customer of İztek).

YTL31,805 thousand of a loan is guaranteed by a mortgage amounting to USD67,500,000.

viii) In connection with the investment incentives, Arçelik, a Subsidiary of the Group was committed to realise export sales amounting to USD1,414,925,057 at 31 December 2005 (31 December 2004: USD718,147,580).

ix) Aygaz, a Subsidiary of the Group, has a commitment to acquire 307,156 tons of LPG from Türkiye Petrol Rafineleri A.Ş. as of 31 December 2005.

x) Ford, a Joint Venture of the Group, is required to ensure that its export proceeds up to an amount of EUR36,936,000 will be processed through a deposit account at HSBC Bank and export proceeds up to an amount of EUR16,416,000 will be processed through a deposit account at Citibank in 2006 according to the loan agreements made in 2005.

xi) Tofaş, a Joint Venture of the Group, shall make investments amounting to EUR133,350,000 and EUR65,532,000 according to the agreements signed which concern two investment projects that are planned to be completed in 2007. Development actions that are in the scope of investment expenditures mentioned shall be taken by Fiat and Fiat has charged EUR12,230,100 to Tofaş in 2005 regarding these investment projects.

xii) Tofaş, a Joint Venture of the Group, has realised export amounting to USD13,335,000 as of 31 December 2005 in the scope of an export incentives certificate which requires Tofaş to ensure an export amount of USD217,932,000 until the end of the year 2006. According to three investment certificates which were ended as of 31 December 2005, exports amounting USD745,998,000 have been realised. (As of 31 December 2004, the Group was required to ensure total exports amounting to USD601,980,000 until the end of the certificates' expiry date according to the three different export incentive certificates. Exports amounting to USD465,963,000 were realised as of 31 December 2004 in the scope of these certificates).

xiii) Tofaş, a Joint Venture of the Group, was subject to a tax investigation including the period between November and December 2002. A report, which brings a YTL6,744 liability including an additional tax claim, overdue interest and penalties, has been submitted at 17 January 2006. The main reason for this tax evaluation is related to the recognition of value added and withholding taxes on service invoices. Tofaş made a reconciliation request from the Ministry of Finance Reconciliation Committee concerning this liability. As Tofaş management believes that no significant liability can arise from this report, the Group has not record a provision in its consolidated financial statements.

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

Commitments given:

	2005	2004
Commitments with respect to export incentive certificates	1,957,865	996,043
Mortgages given	332,851	354,845
Commitments with respect to investment incentive certificates	102,103	113,006
Other	-	10,391
	2,392,819	**1,474,285**

Commitments received:

	2005	2004
Mortgages taken	238,300	117,727

NOTE 32 - BUSINESS COMBINATIONS

Acquisitions

The goodwill that has arisen as a result of the 2005 business combinations are as follows:

i) On 28 September 2005, Koçbank, a Joint Venture of the Group, acquired 57.42% of the shares of Yapı Kredi Bankası (Note 44.c). As a result of the acquisition, the excess of the acquirer's interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired in a business combination over the cost of the combination amounting to YTL514,630 thousand is accounted as goodwill in the consolidated financial statements (Note 17).

The details of the net assets acquired and the goodwill concerning Yapı Kredi Bankası are as follows:

Total acquisition cost	983,043
Net assets acquired	(468,413)
Goodwill (Note 17)	**514,630**

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

The assets and liabilities arising from the acquisition are as follows:

Cash and cash equivalents	1,441,725
Marketable securities	1,289,991
Reserve deposits with the Central Banks	506,995
Loans and advances to customers	5,297,385
Financial assets	2,760,301
Property, plant and equipment (Note 19)	634,483
Worldcard and client portfolio value (*) (Note 20)	81,542
Intangible assets (Note 20)	16,286
Deferred tax assets (net) (Note 14)	289,253
Current and non-current assets	368,721
Customer Deposits	(9,276,268)
Borrowings	(601,969)
Provision for Pension Fund (Note 23)	(277,810)
Provision for employment termination benefits (Note 23)	(34,320)
Other current and non-current liabilities	(1,672,124)
Net assets	**824,191**
Minority interest	(355,778)
Net assets acquired	**468,413**
Total acquisition cost	(983,043)
Cash and cash equivalents - acquired	1,441,725
Cash inflow on acquisition (net)	**458,682**

(*) The work in order to estimated the fair value of Worldcard and customer portfolio, which are considered as identifiable intangible assets of Yapı Kredi Bankası, was performed by an independent appraisal firm for the Group. The appraisal firm estimated the fair value of Worldcard and customer portfolio of Yapı Kredi Bankası in the amount of YTL81,542 thousand.

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

ii) On 10 November 2005, the Group acquired 78.10% of the shares of Tansaş. As a result of the acquisition, the excess of the acquirer's interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired in a business combination over the cost of the combination amounting to YTL244,550 thousand is accounted as goodwill in the consolidated financial statements (Note 17).

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

Total acquisition cost	578,702
Net assets acquired	(334,152)
Goodwill (Note 17)	**244,550**

The assets and liabilities arising from the acquisition are as follows:

Cash and cash equivalents	132,859
Inventories	76,644
Financial assets	23,648
Property, plant and equipment (Note 19)	170,749
Brand value of Tansaş (*) (Note 20)	174,158
Intangible assets (Note 20)	2,319
Deferred tax assets (net) (Note 14)	98,837
Current and non-current assets	8,336
Borrowings	(10,453)
Trade payables	(234,279)
Provision for employment termination benefits (Note 23)	(1,654)
Other current and non-current liabilities	(62,154)
Net assets	**379,010**
Minority interest	(44,858)
Net assets acquired	**334,152**
Total acquisition cost	(578,702)
Cash and cash equivalents - acquired	132,859
Cash outflow on acquisition (net)	**(445,843)**

(*) The work in order to estimate the fair value of the brand, which is considered as an identifiable intangible asset of Tansaş, was performed by an independent appraisal firm for the Group. The appraisal firm estimated the fair value of the brand in the amount of YTL174,158 in its report dated 6 March 2006 and the Group accounted this amount for as an intangible asset in the consolidated financial statements.

iii) On 26 June 2005, Beko Elektronik, a Subsidiary of the Group, which owns 65% of the shares of Fusion Digital, acquired 30% of the shares of Fusion Digital for a purchase consideration of GBP10,000.

iv) On 22 August 2005, Tek-Art Marina, a Subsidiary of the Group, acquired 55% of the shares of Netsel for a purchase consideration of EUR13,400,000.

Previously recognised negative goodwill arosen from business combinations in 2004 are as follows:

i)On 23 February 2004, Entek, a Subsidiary of the Group, acquired 84.78% of the issued share capital of İztek for a purchase consideration of YTL19,503 thousand resulting in negative goodwill amounting to YTL7,282 thousand.

ii)On 26 February 2004, Aygaz, a Subsidiary of the Group, acquired 50% of the issued share capital of BOS for a purchase consideration of YTL27,759 thousand resulting in negative goodwill amounting to YTL8,371 thousand.

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

Legal mergers

Legal mergers represent transactions between subsidiaries of the Group under common control and are not dealt with IFRS 3 (Note 3.15).

Legal mergers realised in 2005 are as follows:

i) On 29 April 2005, Otoyol Sanayi, a Subsidiary of the Group, legally merged with Otoyol Pazarlama A.Ş, a Subsidiary of the Group, in accordance with Turkish Commercial Code Article No. 451 and Corporate Tax Law Article No. 37-39.

ii) On 9 May 2005, it has been officially applied to CMB for the legal merger of Koç Holding with its subsidiary Kav Danışmanlık, however the legal merger did not take place since it could not be completed over the time frame set under CMB regulations.

iii) In the Extraordinary General Assembly Meeting of İzocam held on 24 June 2005, it was decided to legally merge with Tek-iz İzolasyon ve Yapı Elemanları San. A.Ş on 31 December 2004 assets and liabilities to İzocam. The merger has been realised in accordance with Turkish Commercial Code Article No. 451 and Corporate Tax Law Article No. 37-39, and it has been announced at the Trade Registry Gazette No. 6338 dated 4 July 2005 that the merger agreement has been registered as of 30 June 2005.

iv) In the Extraordinary General Assembly Meeting of Otokoç, a Subsidiary of the Group, held on 20 November 2005, it was decided to legally merge the assets and liabilities of Otokoç with Set Oto Ticaret ve Turizm A.Ş on 30 June 2005.

Legal mergers realised in 2004 are as follows:

i) In the Extraordinary General Assembly Meeting of Mares, a Subsidiary of the Group, held on 30 June 2004, it was decided to merge Mares with Tütaş Türk Turizm A.Ş. under Mares, in accordance with Turkish Commercial Code 451 and Corporate Tax Laws 37-39, with the reference to CMB's authorisation, dated 29 May 2004 and numbered 22/621, and Domestic Trade General Directorate of Ministry of Industry and Trade's authorisation, dated 2 June 2004 and numbered 3827, and to approve the merger agreement. In the communiqué of the Competition Board, dated 12 November 2003 and numbered 3090, it was stated that this acquisition was not within the scope of Article 7 of the Law No. 4054 on “Protection of Competition” and Communiqué No. 1997/1 on “Mergers and Acquisitions Calling for the Authorisation of the Competition Board” since there was no change in control of companies according to the acquisition took place between two companies of the same group.

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

NOTE 33 - SEGMENT REPORTING

a) Net revenues

	2005	**2004**
Automotive	5,655,909	5,852,001
Consumer durable	6,337,870	5,840,576
Food and retail	3,639,145	2,941,458
Finance	2,398,056	1,667,285
Energy	4,756,201	4,329,077
Other	1,566,193	1,633,618
	24,353,374	**22,264,015**

b) Operating profit/(loss)

	2005	**2004**
Automotive	373,552	422,287
Consumer durable	402,626	492,821
Food and retail	112,683	45,878
Finance	258,767	279,345
Energy	139,548	82,452
Other	(77,852)	(72,087)
	1,209,324	**1,250,696**

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c) Segment analysis for the period 1 January - 31 December 2005

				Finance								
	Automotive	Consumer Durable	Food and Retail	Banking	Insurance	Consumer Finance	Intra segment	Finance Total	Energy	Other	Inter segment profit elimination	Consolidated Total
External revenues	5.655,909	6,337,870	3,639,145	1,413,017	891,758	93,281	-	2,398,056	4,756,201	1,566,193	-	24,353,374
Intra segment revenues	767,127	737,043	359,778	44,541	6,088	-	-	50,629	133,058	51,206	-	2,098,841
Inter segment revenues	100,901	914,765	22,078	31,469	37,862	7,649	-	76,980	102,370	1,621,591	-	2,838,685
Combined revenues	**6,523,937**	**7,989,678**	**4,021,001**	**1,489,027**	**935,708**	**100,930**	**-**	**2,525,665**	**4,991,629**	**3,238,990**	**-**	**29,290,900**
External revenues	5,655,909	6,337,870	3,639,145	1,413,017	891,758	93,281	-	2,398,056	4,756,201	1,566,193	-	24,353,374
Inter segment revenues	100,901	914,765	22,078	31,469	37,862	7,649	-	76,980	102,370	1,621,591	(2,838,685)	-
Revenues	**5,756,810**	**7,252,635**	**3,661,223**	**1,444,486**	**929,620**	**100,930**	**-**	**2,475,036**	**4,858,571**	**3,187,784**	**(2,838,685)**	**24,353,374**
Cost of sales	**(4,928,651)**	**(5,581,578)**	**(2,924,381)**	**(960,068)**	**(675,451)**	**(72,459)**	**37,655**	**(1,670,323)**	**(4,457,150)**	**(2,921,667)**	**2,443,451**	**(20,040,299)**
Gross operating profit	**828,159**	**1,671,057**	**736,842**	**484,418**	**254,169**	**28,471**	**37,655**	**804,713**	**401,421**	**266,117**	**(395,234)**	**4,313,075**
General administrative expenses	(207,508)	(325,038)	(198,572)	(441,344)	(64,424)	(15,604)	-	(521,372)	(116,158)	(200,953)	244,010	(1,325,591)
Selling, marketing & distribution expenses	(247,070)	(888,199)	(443,223)	-	-	-	-	-	(174,132)	(89,868)	165,061	(1,677,431)
Research & development expenses	(31,999)	(67,146)	-	-	-	-	-	-	(1,584)	-	-	(100,729)
	341,582	390,674	95,047					283,341	109,547	(24,704)	13,837	1,209,324
Inter segment profit elimination	31,970	11,952	17,636					(24,574)	30,001	(53,148)	(13,837)	-
Operating profit/(loss)	**373,552**	**402,626**	**112,683**					**258,767**	**139,548**	**(77,852)**	**-**	**1,209,324**

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c) Segment analysis for the period 1 January - 31 December 2004

				Finance								
	Automotive	Consumer Durable	Food and Retail	Banking	Insurance	Consumer Finance	Intra segment	Finance Total	Energy	Other	Inter segment profit elimination	Consolidated Total
External revenues	5.852,001	5,840,576	2,941,458	841,994	750,921	74,370	-	1,667,285	4,329,077	1,633,618	-	22,264,015
Intra segment revenues	1,129,972	776,804	418,788	38,569	3,521	342	-	42,432	129,582	43,003	-	2,540,581
Inter segment revenues	62,991	1,134,155	19,058	20,353	37,084	19,445	-	76,882	105,225	1,537,385	-	2,935,696
Combined revenues	**7,044,964**	**7,751,535**	**3,379,304**	**900,916**	**791,526**	**94,157**	**-**	**1,786,599**	**4,563,884**	**3,214,006**	**-**	**27,740,292**
External revenues	5,852,001	5,840,576	2,941,458	841,994	750,921	74,370	-	1,667,285	4,329,077	1,633,618	-	22,264,015
Inter segment revenues	62,991	1,134,155	19,058	20,353	37,084	19,445	-	76,882	105,225	1,537,385	(2,935,696)	-
Revenues	**5,914,992**	**6,974,731**	**2,960,516**	**862,347**	**788,005**	**93,815**	**-**	**1,744,167**	**4,434,302**	**3,171,003**	**(2,935,696)**	**22,264,015**
Cost of sales	**(5,058,616)**	**(5,339,734)**	**(2,385,063)**	**(439,496)**	**(692,610)**	**(43,559)**	**42,044**	**(1,133,621)**	**(4,071,351)**	**(2,895,061)**	**2,666,447**	**(18,216,999)**
Gross operating profit	**856,376**	**1,634,997**	**575,453**	**422,851**	**95,395**	**50,256**	**42,044**	**610,546**	**362,951**	**275,942**	**(269,249)**	**4,047,016**
General administrative expenses	(218,222)	(336,802)	(170,922)	(207,929)	(74,817)	(22,634)	-	(305,380)	(121,433)	(197,418)	173,412	(1,176,765)
Selling, marketing & distribution expenses	(227,057)	(753,796)	(380,525)	-	-	-	-	-	(176,286)	(101,202)	115,757	(1,523,109)
Research & development expenses	(31,394)	(63,236)	-	-	-	-	-	-	(1,816)	-	-	(96,446)
	379,703	481,163	24,006					305,166	63,416	(22,678)	19,920	1,250,696
Inter segment profit elimination	42,584	11,658	21,872					(25,821)	19,036	(49,409)	(19,920)	-
Operating profit/(loss)	**422,287**	**492,821**	**45,878**					**279,345**	**82,452**	**(72,087)**	**-**	**1,250,696**

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

d) Segment assets, liabilities and net assets

	2005	2004
Total assets		
Automotive	3,221,340	3,089,645
Consumer durable	6,014,388	5,449,048
Food and retail	3,058,687	1,964,478
Finance	24,841,381	8,399,995
Energy	2,228,827	1,994,934
Other	6,581,756	5,588,046
Total	**45,946,379**	**26,486,146**
Less: Inter segment elimination	(9,264,426)	(7,430,933)
Total assets as per consolidated financial statements	**36,681,953**	**19,055,213**
Total liabilities		
Automotive	1,617,364	1,543,683
Consumer durable	3,616,908	3,074,302
Food and retail	1,982,529	1,002,185
Finance	20,785,502	6,601,496
Energy	854,714	706,761
Other	1,653,665	1,202,733
Total	**30,510,682**	**14,131,160**
Less: Inter segment elimination	(2,035,850)	(1,924,327)
Total liabilities as per consolidated financial statements	**28,474,832**	**12,206,833**
Net assets		
Automotive	1,603,976	1,545,962
Consumer durable	2,397,480	2,374,746
Food and retail	1,076,158	962,293
Finance	4,055,879	1,798,499
Energy	1,374,113	1,288,173
Other	4,928,091	4,385,313
Total	**15,435,697**	**12,354,986**
Less: Inter segment elimination	(10,598,738)	(8,198,714)
Shareholders' equity	**4,836,959**	**4,156,272**
Minority interest	**3,370,162**	**2,692,108**
Total net assets as per consolidated financial statements	**8,207,121**	**6,848,380**

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

	2005	2004
Purchase of tangible and intangible assets and investment property		
Automotive	258,094	132,238
Consumer durable (**)	281,373	363,018
Food and retail (*)	586,270	94,511
Finance (*)	750,024	22,332
Energy (**)	204,309	264,493
Other	176,517	28,005
	2,256,587	**904,597**
Depreciation and amortisation		
Automotive	231,302	223,520
Consumer durable	201,282	199,185
Food and retail	93,892	80,029
Finance	46,800	31,018
Energy	133,457	125,080
Other	69,303	55,342
	776,036	**714,174**

(*) YTL732,311 thousand and YTL347,226 thousand were included in purchase of tangible and intangible assets in 2005 according to Yapı Kredi Bankası and Tansaş acquisitions, respectively (Note 32).

(**) YTL107,201 thousand and YTL23,992 thousand were included in purchase of tangible, intangible assets and investment property in 2004 according to İztek and Grundig Multimedia acquisitions, respectively (Note 32).

f) Non-cash expenses

	2005						
	Automotive	Consumer Durable	Food and Retail	Finance	Energy	Other	Total
Changes in insurance reserves	-	-	-	136,005	-	-	136,005
Changes in warranty provision	8,357	38,284	-	-	-	408	47,049
Changes in provision for loan losses	-	-	-	35,965	-	-	35,965
Changes in impairment for inventories	603	29,175	1,546	-	-	-	31,324
Changes in provision for doubtful receivables	8,203	2,288	2,823	7,898	7,855	(1,246)	27,821
Changes in provision for employment termination benefit	7,459	4,254	2,648	4,718	1,168	899	21,146
Changes in bonus and premium accruals	368	(3,391)	(480)	22,058	-	579	19,134
Changes in provision for assembly costs	-	8,864	-	-	-	-	8,864
Changes in provision for impairment of unlisted investments	-	-	-	-	-	(2,824)	(2,824)
Changes in provision for cost	185	(22,518)	4,199	(11,616)	2,105	9,981	(17,664)
	25,175	**56,956**	**10,736**	**195,028**	**11,128**	**7,797**	**306,820**

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	2004						
	Automotive	Consumer Durable	Food and Retail	Finance	Energy	Other	Total
Changes in insurance reserves	-	-	-	83,581	-	-	83,581
Changes in warranty provision	9,162	27,815	-	-	-	(312)	36,665
Changes in provision for loan losses	-	-	-	13,573	-	-	13,573
Changes in impairment for inventories	(94)	(6,749)	961	-	-	(343)	(6,225)
Changes in provision for doubtful receivables	(3,055)	(2,354)	1,596	(18)	(1,734)	576	(4,989)
Changes in provision for employment termination benefits	3,739	1,157	1,228	1,714	32	(266)	7,604
Changes in bonus and premium accruals	(370)	1,881	480	3,833	-	(286)	5,538
Changes in provision for assembly costs	-	4,589	-	-	-	-	4,589
Changes in provision for impairment of unlisted investments	-	-	-	(7,887)	-	22,850	14,963
Changes in provision for cost	(6,171)	41,941	3,254	13,708	6,841	22,651	82,224
Amortisation of goodwill	-	(4,844)	1,166	-	7,724	19,353	23,399
Changes in impairment provision of goodwill	-	-	-	-	-	16,638	16,638
	3,211	**63,436**	**8,685**	**108,504**	**12,863**	**80,861**	**277,560**

g) Minority interest

	2005			2004		
	Koç family members	Other	Total	Koç family members	Other	Total
Automotive	205,868	308,294	514,162	209,097	292,625	501,722
Consumer durable	356,090	519,308	875,398	341,862	506,199	848,061
Food and retail	237,173	291,894	529,067	242,881	232,055	474,936
Finance	57,816	438,722	496,538	48,551	37,800	86,351
Energy	142,430	265,589	408,019	114,237	249,799	364,036
Other	279,969	267,008	546,977	199,714	217,288	417,002
	1,279,346	**2,090,815**	**3,370,161**	**1,156,342**	**1,535,766**	**2,692,108**

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

h) Finance sector operating results

Finance sector operating profit

	2005	**2004**
Banking operating profit (*)	277,795	270,640
Consumer finance operating profit	7,332	9,253
Insurance operating loss	(26,360)	(548)
Total	**258,767**	**279,345**

(*) Banking operating profit

Net revenues		
Interest income	1,110,487	661,071
Commission income	259,187	139,935
Marketable securities sales income	12,306	17,401
Foreign exchange gains (net)	21,241	13,842
Other operating income	9,795	9,745
Total operating revenues	**1,413,016**	**841,994**
Operating expenses		
Interest expense	(612,051)	(299,605)
Commission expense	(41,562)	(21,014)
Provision expense for loan impairment losses	(71,073)	(47,896)
Other operating expenses	(410,535)	(202,839)
Total operating expenses	**(1,135,221)**	**(571,354)**
Banking operating profit	**277,795**	**270,640**

NOTE 34 - SUBSEQUENT EVENTS

i) The tender for the privatisation of public shares of Türkiye Petrol Rafinerileri A.Ş. ("Tüpraş") amounting to 51% of total shares through the block sale method was finalised on 12 September 2005 and the decision of the Tender Commission regarding the ultimate takeover was confirmed with the decision of the Privatisation Board on 7 November 2005. The Share Sales Agreement was signed by the Republic of Turkey Prime Ministry Privatisation Administration and Enerji Yatırımları A.Ş. ("Enerji Yatırımları"), which was established by the Koç-Shell Consortium on 26 January 2006, and subsequently the takeover of Tüpraş shares was completed.

The claims, sued by Türkiye Petrol Kimya Lastik İşçileri Sendikası ("Petrol İş") related to the cancellation and stay of execution of the tender requirement document of the privatisation of public shares of Tüpraş amounting to 51% of total shares and also the decision of the tender commission, which finalised the tender, were rejected by the 13th Division Presidency of State Council in its capacity as the first order authority. Upon the objection of Petrol İş against the decisions and regarding the analysis of the Plenary Session of the Administrative Law Divisions, which investigated the objection, it was decided to accept the objections and the stay of execution of the transactions in litigation. The court trial regarding the mentioned case will be held on 25 April 2006 and the case causes will be determined subsequently by the 13th Division Presidency of the State Council in its capacity as the first order authority.

As the Republic of Turkey Prime Ministry Privatisation Administration considers that the procedures, which needed to be implemented for the application of the decision of the stay the execution, bring out certain liabilities and responsibilities for themselves and the Koç-Shell Consortium and also considering the possible appearance of non-recoverable and impossible costs for the public benefit, in accordance with the Law numbered 4046, it has been decided to submit the mentioned decision of stay of execution to the High Commission of Privatisation as being the final decision authority in the process of privatisation and also the approver of the Tüpraş tender conclusions.

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ii) In order to buy the Group A shares which represent the 51% of capital of Tüpraş from the Turkish Privatisation Administration, it was decided to sign the loan agreements detailed below in order to finance the shares sales price that will be paid to the Turkish Privatisation Administration by Enerji Yatırımları, a Subsidiary of the Group, and to finance restructuring of existing loans at the meeting of Board of Directors held on 18 January 2006. Related agreements were signed on 18 January 2006 and on 21 January 2006.

• Loan Agreement for USD1,000,000,000 with a maturity of three years from the consortium composed of JP Morgan Europe Limited, Calyon Corporate and Investment Bank, JP Morgan Plc., WestLB AG London Branch and JP Morgan Chase Bank NA,
• Loan Agreement for USD950,000,000 with a maturity of seven years from the consortium composed of JP Morgan Europe Limited and JP Morgan Chase Bank NA and guarantee contract with supplementary documents setting out the guarantees given which are referred to in the loan agreement,
• Loan Agreement for USD550,000,000 with a maturity of 732 days with 366 days option from the consortium composed of JP Morgan Europe Limited, JP Morgan Plc. and JP Morgan Chase Bank NA,

Furthermore, the Group signed an agreement for USD1,800,000,000 from the consortium composed of Akbank T.A.Ş. Malta Branch, Türkiye Garanti Bankası A.Ş., Türkiye İş Bankası A.Ş. Bahrain Offshore Branch, Standard Bank Plc, Türkiye Vakıflar Bankası T.A.O. Bahrain Offshore Branch with the participation of Türkiye Halk Bankası A.Ş. as the governor institution on 21 January 2006.

Koç Holding's shares in Arçelik and Migros, with the nominal values of YTL156,546 thousand and YTL70,307 thousand, respectively, were pledged as collateral against the banks which granted the loan amounting to USD950,000,000 mentioned above. The voting and dividend rights of related shares remained with Koç Holding.

iii) At the General Assembly of Enerji Yatırımları, a Subsidiary of the Group, held on 26 January 2006, the share capital was increased from YTL50 thousand to YTL3,300,000 thousand and it was decided to enjoy the right of preference through participating YTL3,233,951 thousand in accordance with the Group's participation rate.

iv) Owing to the fact that the Group will collect the company interests/shares with a nominal value of YTL69,928 thousand constituting 21.90% of shares of Tansaş, a Subsidiary of the Group, through tender offer, the collection operation made with the mediation of Koç Yatırım of the shares belonging to Tansaş's other partners ended on 30 January 2006 according to CMB's Series: IV, Communiqué 8 "Principles of voting in general assemblies of publicly held companies by proxy and collecting proxy or shares through tender offer". During the tender offer period, six shareholders who owned 3.61% of the Tansaş shares with a nominal value of YTL11,523 thousand participated in the offer. Moreover, a payment amounting to YTL26,744 was made in response to the operations mentioned. As a result of these operations, the ratio of interest/shares controlled by the Group to total capital of Tansaş reached 81.71%.

v) Based on the "Fintur, Superonline and Digitürk Purchase-Sale Agreement" signed between Yapı Kredi Bankası, a Joint Venture of the Group, and the Çukurova Group companies at 28 September 2005, Fintur and Digitürk shares were sold to Avor İnşaat Gıda Tekstil Kimya Sanayi ve Ticaret A.Ş., a Çukurova Group company, on 5 January 2006 at their 31 December 2005 carrying values of EUR21,110 thousand and YTL53,021 thousand, respectively. A two-month extension period (from 4 months to 6 months) was granted on 27 January 2006 regarding the sale of Superonline in order to complete the necessary permissions for the transfer of the shares. An additional three-month extension period was granted on 27 March 2006 regarding the sale of Superonline.

vi) On 31 January 2006, Koç Finansal Hizmetler, a Joint Venture of the Group, announced that it had guaranteed that all liabilities concerning Yapı ve Kredi Bankası A.Ş. Mensupları Emekli ve Yardım Sandığı Vakfı shall be fully paid to public bodies by Yapı Kredi Bankası, one of the Joint Ventures of the Group. Moreover, Koç Finansal Hizmetler guaranteed that the payment shall be less than EUR350,000,000 and that if there is a deduction from the loan receivables from Çukurova Group in this scope, the deduction amount shall be paid to Yapı Kredi Bankası. These commitments are irrevocable and valid for 3 years.

vii) Koç Finansal Hizmetler announced that if any difference occurs in favour of Çukurova Group because of the transactions due to "Non-Core Assets Option Agreement" explained in Note 31.a, Koç Finansal Hizmetler guarantees to pay the difference, which is deducted from Çukurova Group's loan receivables, to Yapı Kredi Bankası as an irrevocable decision. Moreover, it announced that these commitments are valid during the option agreement period.

viii) Koçbank, a Joint Venture of the Group, applied to the CMB, for the purpose of starting a tender offer process of publicly held shares of other Joint Ventures of the Group which are Yapı Kredi Sigorta, Yapı Kredi Finansal Kiralama, Yapı Kredi Yatırım and Yapı Kredi Koray Gayrimenkul Yatırım Ortaklığı A.Ş. which is classified under available-for-sale financial asset portfolio on 13 October 2005. The tender offer process for publicly held shares of these Joint Ventures, has been finalised as of the date of these financial statements without any reply. On the other hand, proposed share price for the publicly traded shares of Yapı Kredi Bankası is accepted as YTL6.50 as of 22 February 2006 by CMB and proposal collection process is finalised as of the date of these financial statements.

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ix) Turkcell İletişim and Turkcell Holding shares, which were classified under Yapı Kredi Bankası's, a Joint Venture of the Group, available-for-sale financial asset portfolio, have been sold to Çukurova Holding for a consideration of YTL819,001 thousand on 25 November 2005 in accordance with the Turkcell Option Agreement signed between Yapı Kredi Bankası and Çukurova Group companies at 28 September 2005. It was approved to add the statutory sale profit of YTL572,159 thousand to Yapı Kredi Bankası's share capital at the General Assembly Meeting held on 31 March 2006.

x) Koçbank, and Credit Suisse Holdings Nederland BV agreed on the purchase of 54,759,643 units of Yapı Kredi Bankası shares which are traded on the Stock Exchange amounting to YTL445,534 thousand. After the mentioned barter transaction which was realised on 6 April 2006 the direct and indirect voting rights of the Group in Yapı Kredi Bankası have increased from 57.42% to 65.50%.

xi) As of 31 March 2005, Yapı Kredi Bankası has obtained a subordinate loan from Merrill Lynch Capital Corporation amounting to EUR250,000,000 with a maturity of 10 years, configured to be paid 5 years later and which bears an interest rate of Euribor+2.

xii) Tat and Migros, Subsidiaries of the Group, initiated negotiations to purchase 66.67% portion of total Koç Ata Sancak Besi ve Tarım Ürünleri A.Ş.'s shares from other joint venture partners.

xiii) The shares of Takosan Otomobil Göstergeleri Sanayi ve Ticaret A.Ş. in which the Group had 42.45% of interest, were sold on 14 March 2006.

xiv) On 5 January 2006 with the decision numbered 583, the Board of Directors of Izocam, a Subsidiary of the Group, decided to establish a company named Izocam LLC to execute selling and producing activities of Ekspande Polistiren in Russia. Moreover, the Board of Directors authorised Izocam management to take required actions for establishing the company and obtaining permission from the Treasury of the Turkish Republic for capital export.

NOTE 35 - DISCONTINUED OPERATIONS

The Group has no discontinued operations at the date of balance sheet.

NOTE 36 - OPERATING REVENUE

	2005	2004
Non-finance sectors	21,955,318	20,596,730
Finance sector	2,398,056	1,667,285
Net revenue	**24,353,374**	**22,264,015**
Non-finance sectors:		
Domestic sales	15,110,553	13,496,435
Foreign sales	8,212,997	8,262,598
Gross sales	**23,323,550**	**21,759,033**
Less: Discounts	(1,368,232)	(1,162,303)
Net sales	**21,955,318**	**20,596,730**

Finance sector:

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

NOTE 37 - OPERATING EXPENSES

	2005	2004
General administrative expenses	1,325,591	1,176,765
Marketing, selling and distribution expenses	1,677,431	1,523,109
Research and development expenses	100,729	96,446
Operating expenses	**3,103,751**	**2,796,320**

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NOTE 38 - OTHER INCOME/EXPENSES

Other income and expenses for the years ended 31 December are as follows:

	2005	2004
Other income		
Tangible assets and scrap goods sales income	46,952	30,403
Provision reversals	30,288	9,330
Income from incentives	13,539	5,923
Restructuring income	18,960	-
Indemnity income	2,558	11,839
Transportation charges	2,145	6,126
Income from sale of investment shares	-	50,854
Negative goodwill amortisation	-	7,052
Cancellation of negative goodwill	-	36,305
Other	14,767	32,417
Other income	**129,209**	**190,249**
Other expenses		
Provision expenses	(94,047)	(36,216)
Tangible assets and scrap goods sales losses	(4,924)	(4,466)
Goodwill amortisation	-	(47,090)
Other	(15,047)	(4,729)
Other expenses	**(114,018)**	**(92,501)**
Other income/(expenses) (net)	**15,191**	**97,748**

NOTE 39 - FINANCIAL INCOME/EXPENSES

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

	2005	2004
Interest income	230,695	238,714
Interest expense	(240,520)	(222,041)
Unearned financial income/(expenses) (net)	69,568	18,809
Losses on forward agreement (net)	(3,362)	(4,049)
Foreign exchange gains/(losses) (net)	7,717	35,330
Other income/(expenses) (net)	(8,953)	7,493
Financial income/(expenses) (net)	**55,145**	**74,256**

NOTE 40 - NET MONETARY POSITION GAIN/LOSSES

On 17 March 2005, the CMB announced that, the application of inflation accounting is no longer required for the companies in Turkey effective from 1 January 2005 (Note 2.2).

Consequently, inflation accounting was not applied effective from 1 January 2005 in line with CMB Accounting Standards, therefore there is no gain/loss on net monetary position for the year 2005 (Note 2.2).

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NOTE 41 - TAXES ON INCOME

	2005	2004
Corporation and income taxes payable:		
Domestic	27,507	73,690
Foreign	5,411	7,152
	32,918	**80,842**
Deferred tax assets (Note 14)	(714,658)	(212,643)
Deferred tax liabilities (Note 14)	273,858	217,856
Deferred tax (assets)/liabilities (net)	**(440,800)**	**5,213**
	(407,882)	**86,055**

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

Corporation tax rate of the fiscal year 2005 is 30% (2004: 33%). Corporation tax is payable at a rate of 30% on the total income of the Company after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption, investment allowance, etc) and corporate income tax deductions (like research and development expenditures deduction). No further tax is payable unless the profit is distributed (except withholding tax at the rate of 19.8% on the investment incentive allowance utilised within the scope of the Income Tax Law Transitional Article 61.

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

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

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 on the Official Gazette on 30 December 2003 to amend the tax base for non-monetary assets and liabilities, effective from 1 January 2004, the 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. In accordance with the aforementioned law provisions, in order to apply inflation adjustment, cumulative inflation rate (SIS-WPI) over last 36 months and 12 months must exceed 100% and 10%, respectively. Inflation adjustment has not been applied as these conditions were not fulfilled in the year 2005.

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.

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

There are numerous exemptions in the Corporate Tax Law concerning the corporations. Those related to the Company are as follows:

Exemption for participation in subsidiaries
Dividend income from participation in shares of capital of another full-fledged taxpayer corporation (except for dividends from investment funds participation certificates and investment partnerships shares) are exempt from corporate tax.

Exemption for sale of preferential right certificates and share premiums
Profits from sale of preferential right certificates and share premiums generated from sale of shares at a price exceeding face values of those shares during incorporations or capital increases of joint stock companies are exempt from corporate tax.

Exemption for income from foreign construction, maintenance, assembly and technical services
Income generated from construction, maintenance, assembly and technical services realised in foreign countries and recorded to results of operations are exempted from corporate taxation.

Exemption for participation into foreign subsidiaries
The participation income of corporations participating in 25% or more of the capital of a limited liability or joint stock company which does not have its legal or business centre in Turkey (except for corporations whose principal activity is financial leasing or investment of marketable securities) for at least two continuous years until the date of the income is generated and transferred to Turkey until the date of the filing of the corporate income tax return of the fiscal year in which the income is generated is exempt from corporation tax subject to those subsidiaries are subject to corporate income tax, or alike, in their country of legal or business centre at the rate of at least 20% (at corporate income tax rate applicable in Turkey for those companies whose principal activity is financial assurance or insurance) and 75% of the income generated consists of commercial, agricultural or independent professional service income.

Exemption for Income Generated from Foreign Offices and Permanent Representatives
The income of corporations arising from their offices or permanent representatives abroad are exempt from corporate income tax provided that the foreign office or permanent representative must be subject to corporate income tax, or alike, in the country it is located at the rate of at least 20% (this rate is applied as the corporate income tax rate applicable in Turkey at the minimum for those companies whose core business is financial assurance or insurance), and 75% of the income generated must consist of commercial, agricultural or independent professional service income, and the income must be transferred to Turkey until the end of the third month following the date of filing of the corporate income tax return of the fiscal year in which the income is generated.

Participation Exemption and Reduced Dividend Withholding Tax Rate for Holding Companies
The participation income of full tax resident Joint Stock Companies ("JSC") in Turkey are exempt from corporate income tax assuring that the JSC must held the shares of the subsidiary, for at least 2 continuous years as at the date the income is generated, and 75% or more of the total assets of the JSC comprise of participation in 25% or more of the capital of the limited or joint stock companies (except from those whose core business is financial leasing or security investment), whose legal or business centre is located abroad, and the participation income constitute 75% or more of the corporate income of the JSC and, the subsidiary must be subject to corporate income tax, or alike, in its country of legal or business centre at the rate of at least 20% (this rate is applied as the corporate income tax rate applicable in Turkey at the minimum for those companies whose core business is financial assurance or insurance), and 75% of the income generated must consist of commercial, agricultural or independent professional service income, and the participation income is transferred to Turkey until the date of filing of the corporate income tax return of the fiscal year in which the income is generated.

Exemption for sale of participation shares and property
Profit of corporations' from sale of participation shares and property which have been in their assets at least for two years is exempt from corporate tax provided that they are added to corporations' share capital until the end of second calendar year following the year in which sale was realised.

On the other hand, the condition of adding this profit to share capital is not required for corporations other than full-fledged taxpayer corporations and non-resident taxpayer corporations and these profits are accounted under special reserves. In the event that these profits added to share capital or accounted under special reserves are withdrawn from the entity in any means, transferred to abroad by non-resident taxpayer corporations or the entity liquidates (except by take over, merger and de-merger) within five years, those profits are considered as profits regarding that year and are subject to corporate tax.

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Exemption for investment allowance

Capital expenditures, with some exceptions, over YTL10 thousand are eligible for investment incentive allowance of 40% is exempted from corporate income tax and this allowance is not subject to withholding tax without the requirement of an investment incentive certificate. Investment allowances calculated are deferred to the following years in cases where corporate income is insufficient. Investment allowances utilised within the scope of investment incentive certificates granted prior to 24 April 2003 in accordance with provisions of Income Tax Law Transitional Article 61 are subject to withholding tax at the rate of 19.8%, irrespective of profit distribution. Therefore, profit mentioned above within trade income/loss is considered in the calculation of corporate income tax.

Apart from the abovementioned exemptions considered in the determination corporate income tax base, allowances stated in Corporate Income Tax Law Article 14 and reiterated Article 14, and Income Tax Law Article 40 are also taken into consideration.

The taxes on income reflected to consolidated income statement for the years ended 31 December, is summarised as follows:

	2005	**2004**
Current year corporate tax	354,659	422,430
Deferred tax (Note 14)	(56,201)	(6,080)
	298,458	**416,350**

NOTE 42 - EARNINGS PER SHARE

	2005	**2004**
Net profit for the year	597,624	508,193
Weighted average number of shares with nominal value of YTL1 each	1,063,698,630	1,000,000,000
Basic and diluted earnings per share in YTL	**0.562**	**0.508**

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NOTE 43 - SUPPLEMENTARY CASH FLOW INFORMATION

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

	2005	2004
Changes in reserves and provisions:		
Changes in insurance technical reserve	136,005	83,581
Changes in provision for cost and expenses	(17,664)	82,224
Changes in warranty provision	47,049	36,665
Changes in bonus and premium accruals	19,134	5,538
Changes in provision for loan losses	35,965	13,573
Changes in impairment for inventories	31,324	(6,225)
Changes in provision for employment termination benefits	21,146	7,604
Changes in provision for doubtful receivables	27,821	(4,989)
Changes in assembly provision	8,864	4,589
Changes in provision for diminution in value of unlisted investments	(2,824)	14,963
Changes in impairment of goodwill	-	16,638
	306,820	**254,161**
Add back net interest income:		
Non-banking interest income	(230,695)	(238,714)
Banking interest income	(1,110,487)	(661,071)
Non-banking interest expenses	240,520	222,041
Banking interest expenses	612,051	299,605
	(488,611)	**(378,139)**
Net changes in the operating assets and liabilities:		
Changes in current assets and liabilities:		
Inventories	38,288	(644,152)
Trade receivables	(1,082,730)	(579,722)
Other current assets	230,538	(93,714)
Trade payables	463,356	195,479
Other current liabilities	115,908	100,602
Balances with related parties (net)	9,811	(55,718)
Investments	412,981	(503,323)
	188,152	**(1,580,548)**
Changes in finance segment current assets and liabilities:		
Cash and cash equivalents with original maturities of more than 3 months	2,230	2,790
Reserve deposits with the Central Banks	109,443	(78,954)
Loans and advances to customers, short-term	(1,543,529)	(407,261)
Loans and advances to customers, long-term	(1,148,804)	(410,085)
Customer deposits	583,721	526,712
	(1,996,939)	**(366,798)**
	(1,808,787)	**(1,947,346)**
Changes in other non-current assets	(19,623)	31,126
Changes in other non-current liabilities	15,251	(32,593)
	(4,372)	**(1,467)**

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NOTE 44 - DISCLOSURE OF OTHER MATTERS

a) Interest in joint ventures

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

	2005	2004
Current assets	13,478,934	5,546,656
Non-current assets	13,090,831	4,541,380
Total assets	**26,569,765**	**10,088,036**
Current liabilities	19,525,977	6,314,337
Non-current liabilities	1,766,474	853,919
Share capital	5,277,314	2,919,780
Total liabilities and shareholders' equity	**26,569,765**	**10,088,036**

	2005	2004
Revenues	9,115,939	8,209,681
Operating profit	612,766	599,257
Net income	554,476	467,442

b) Funds

At 31 December 2005, the Group manages 30 mutual and 18 pension funds which were established under the Turkish CMB Regulations. At 31 December 2005, the Group earned fund management fees amounting to YTL73,997 thousand (31 December 2004: YTL57,313 thousand).

	Total fund values (*)	
	2005	2004
Mutual funds	6,682,753	2,958,436
Pension funds	269,582	17,999
Total	**6,952,335**	**2,976,435**

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

c) Yapı Kredi Bankası Share Purchase Agreement

Final version of the Share Purchase Agreement was signed between Çukurova Holding, various Çukurova Companies, Mehmet Emin Karamehmet and Koç Finansal Hizmetler, Koçbank Nederland and Koçbank regarding the sale of 57.42% of the shares of Yapı Kredi Bankası on 28 September 2005. Accordingly, Share Purchase Agreement, which has been initialed for identification purposes on 8 May 2005, was agreed by all parties. Based on the agreement on 28 September 2005,

i) 44.52% of Yapı Kredi Bankası shares with a nominal value of YTL335,015 thousand that belong to Çukurova Group Companies and,

ii) 12.90% of Yapı Kredi Bankası shares with a nominal value of YTL97,032 thousand that belong to Savings Deposit Insurance Fund were transferred to Koçbank, a Joint Venture of the Group.

The value for 57.42% of the shares of Yapı Kredi Bankası was realised amounting to EUR1,182,368 thousand.

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